REPORT ON EXAMINATION

OF THE

DELAWARE AMERICAN LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2011

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 ON EXAMINATION, made as of December 31, 2011 of the

DELAWARE AMERICAN LIFE INSURANCE COMPANY

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

Attest By: ____________________

Date: June 18, 2013

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

OF THE

DELAWARE AMERICAN LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2011

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

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

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

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 18th day of June, 2013

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SALUTATION

May 15, 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. 12.036, 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, FL 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, 2006. This examination covers the period since that date through December 31, 2011, and including any material transactions and/or events noted occurring subsequent to December 31, 2011.

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, 2011. 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.

Management and Service Agreements:

Prior Exam Recommendation: It was recommended that the Company settle its inter-company balances in accordance with the Service and Expense Agreement.

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

Territory and Plan of Operation:

Prior Exam Recommendation: It was again recommended that the Company comply with 18 Del. C. § 1715 and § 1716 and properly notify the Department of appointment and termination of agents.

Current Exam Finding: On November 1, 2010, the Company was acquired by MetLife, Inc. from American International Group. Accordingly, overall corporate policies and procedures have been adjusted to reflect MetLife, Inc. policies and procedures, including the policies and procedures regarding the appointment and termination of agents. As this finding is a market conduct issue, verification of the Company's compliance will be addressed as part of a future market conduct examination performed by the Delaware Insurance Department.

SUBSEQUENT EVENTS

There were no material subsequent events requiring disclosure in this examination report.

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 of $100. At December 31, 2011, 25,000 shares were issued and outstanding, resulting in total capital stock of $2,500,000.

At December 31, 2011, all the outstanding shares of the Company's common stock were owned by the Parent, MetLife, Inc.

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

Year	Contribution
2007	$ 33,834
2008	749
2009	(339,510)
2010	342,767
2011	0

Prior to the acquisition of November 1, 2010, the Company's ultimate parent, AIG, deposited funds in the collateral custodial account equal to the pretax realized losses due to sales of securities lending collateral investments between August 1 and December 31, 2007 as part of a "Make-whole Agreement". The Company recorded their allocated portion of such funds as capital contributions. In 2010, the Capital deposited as part of the "Make-whole Agreement" was offset by Non Cash forgiveness in the amount of $3,257.

Dividends

No dividends were paid for the examination period under review.

Surplus Notes

As of December 31, 2011, the Company had no outstanding surplus notes.

Borrowed Money

As of December 31, 2011, 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 all years under examination revealed that the Company had complied with the requirements of 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 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, 2011, the members of the Board of Directors together with their principal business affiliations were as follows:

Name	**Principal Occupation**
James nmn Hom (1)	New York City, NY Senior Vice President, MetLife, Inc.
Nicholas Donald Latrenta (2)	New York City, NY Executive Vice President and General Counsel, MetLife, Inc.
William John Toppeta (3)	New York City, NY President, International, MetLife, Inc.

(1) On August 10, 2012, Mr. Hom was replaced by Roberto nmn Baron, Senior Vice President, MetLife, Inc.
(2) On August 9, 2012 Mr. Latrenta retired and was replaced by John Thomas Jordano, Senior Vice President and Senior Actuary, MetLife, Inc.
(3) On May 31, 2012 Mr. Toppeta retired and was replaced by James Hudson Peiffer, Senior Vice President, MetLife, Inc.

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

Receipt by the Board of Directors of the Report on Examination as of December 31, 2006 was noted in the minutes of the Board of Directors as of August 13, 2007.

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, 2011 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 he 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, 2011, the Company's principal officers and their respective titles were as follows:

Name	**Principal Occupation**
William John Toppeta (1)	Chairman, President & CEO
Marlene Beverly Debel	Senior Vice President and Treasurer
Isaac nmn Torres	Vice President and Secretary
David Laurence Nagengast	Vice President
James Hudson Peiffer	Vice President

(1) On May 31, 2012 Mr. Toppeta retired and was replaced by James Hudson Peiffer as Chairman, President and CEO.

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 an Annual Code Acknowledgement, re-affirming the commitment to comply with the Code and reporting any Code breaches of which they are aware. The Vice President and 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 properly filed with the Delaware Insurance Department for the years under examination. The immediate parent of the Company at December 31, 2011 was MetLife, Inc. The Company had one subsidiary as of December 31, 2011.

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, 2011:

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	87%
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, Ltd.	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%

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, 2011. 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 $6,779,904 was paid or payable by the Company for services under this agreement for the year ended December 31, 2011.

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 $1,885,243 was paid or payable by the Company for services and facilities under this Agreement for the year ended December 31, 2011.

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 Agreement

Effective November 1, 2010, the Company entered into an Assignment and Assumption agreement with AIG Asset Management (US), LLC and MetLife Investment Advisors Company, LLC. The Agreement provides that MetLife Investment Advisors 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 $58,580 was paid or payable by the Company for services under this Agreement for the year ended December 31, 2011.

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 $5,489,279 was paid or payable by the Company for services and facilities under this Agreement for the year ended December 31, 2011.

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 $5,633,922 was paid or payable by the Company for services and facilities under this Agreement for the year ended December 31, 2011.

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, 2011 was $5,367,492.

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 2011, net payables by the Company were $5,577,797.

Guarantees and Indemnities

At December 31, 2011, the Company was obligor under the following guarantees and indemnities:

Nature and circumstances of guarantee and key attributes, including date and duration of agreement	Liability recognition of guarantee. (Include amount recognized at inception. If no initial recognition, document exception allowed under SSAP 5R)	Ultimate financial statement impact if action under the guarantee is required.	Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee. If unable to develop an estimate, this should be specifically noted.	Current status of payment or performance risk of guarantee. Also provide additional discussion as warranted.
The Company has provided certain indemnities, guarantees and/or commitments to affiliates and third parties in the ordinary course of its business. In the context of acquisitions, dispositions, investments and other transactions, the Company has provided indemnities and guarantees that are triggered by, among other things, breaches of representations, warranties or covenants provided by the Company.	No liability has been established as the indemnification is for future events for which neither a probability of occurrence nor a reasonable estimate can be established at this time.	Expense	Since this obligation is not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.	The Company has made no payments on the guarantee since inception.
The Company indemnifies its directors and officers as provided in its charters and bylaws.	No liability has been established as the indemnification is for future events for which neither a probability of occurrence nor a reasonable estimate can be established at this time.	Expense	Since this obligation is not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.	The Company has made no payments on the guarantee since inception.
The Company indemnifies its agents for liabilities incurred as a result of their representation of the Company's interests.	No liability has been established as the indemnification is for future events for which neither a probability of occurrence nor a reasonable estimate can be established at this time.	Expense	Since this obligation is not subject to limitations, the Company does not believe that it is possible to determine the maximum potential amount that could become due under these guarantees in the future.	The Company has made no payments on the guarantee since inception.
Total	$ -		$ -	

At December 31, 2011, the Company’s aggregate compilation of guarantee obligations was $0.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2011, the Company was licensed in the District of Columbia and all states except Minnesota, Missouri, New Hampshire, New York, and North Carolina. On November 1, 2012, the Company acquired its license to write business in Missouri. In 2013 the company became licensed in New York (effective January 1, 2013), North Carolina (effective February 4, 2013) and New Hampshire (March 14, 2013). The Company is currently in the process of becoming licensed in Minnesota.

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, 2011, approximately 86.9% 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, $11,646,630 (86.9%); Florida, $239,136 (1.8%); California, $168,148 (1.3%); Pennsylvania, $157,552 (1.2%); New Jersey, $118,604 (0.9%); Michigan, $107,993 (0.8%); other jurisdictions, $958,746 (7.2%).

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 & 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.

Agency Relations and Sales Distribution

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

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

The expatriate benefits unit utilizes Regional Service Centers (RSC’s) to provide local administration of policies. Over the span of 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, provide customer assistance and pay claims on behalf of the Company’s policy.

A summary of premiums and annuity considerations for 2011 is described as follows:

	Ordinary Life Insurance	Credit Life (Group and Individual)	Group Life Insurance	Accident and Health Group	Accident and Health Other	Total
Direct	$ 1,808,927	$ 0	$10,132,323	$39,675,715	$ 0	$51,616,965
Reinsurance Assumed	10,944,362	256,850	9,191,476	3,755,246	15,090,632	39,238,565
Reinsurance Ceded	2,512,264	93,284	7,617,915	8,065,388	125,375	18,414,226
Net Premiums Written	$10,241,025	$163,566	$11,705,884	$35,365,572	$14,965,257	$72,441,303

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, 2011.

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)
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
2007	76,361,993	50,045,218	26,316,775	17,016,751	3,882,730	883,036

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

Since year-end 2007, net admitted assets have increased by $59.5 million or 77.9% while total liabilities increased by $34.4 million or 68.8%. 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.

During the examination period, total capital and surplus increased $25 million or 95.1%. The increase in capital and surplus of $22 million from 2010 to 2011 was primarily due to a net gain from operations of $13 million. Other items contributing to the increase in capital and surplus include an $8 million decrease in nonadmitted assets due to an improved collectability situation with various reinsurers.

Premiums and annuity considerations have increased by $55.4 million from $17 million in December 31, 2007 to $72,441,303 as of December 31, 2011. Overall, premiums and annuity considerations increased 325.7% throughout the examination period. 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. 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 has increased by approximately $11.7 million from December 31, 2007 to December 31, 2011. The improvement from 2009 to 2010 of $3 million was primarily due to the assumed business from ALICO (DELAM's sister company) 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 reinsurance ceded and assumed, and general insurance expenses. The increase in commissions was due to treaty amendments restating the commission percentages.

LOSS EXPERIENCE

Reserves and contract claims as of December 31, 2011 and December 31, 2010 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, 2011	$ 725,304	$13,043,538	$14,224,061	$9,517,141
December 31, 2010	1,370,919	11,759,734	11,087,687	9,088,050
Increase (Decrease)	$ (645,615)	$ 1,283,804	$ 3,136,374	$ 429,091

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 2011, the Company reported the following distribution of net premiums written:

Direct business	$ 51,616,965
Reinsurance assumed (from affiliates)	38,544,880
Reinsurance assumed (from non-affiliates)	693,682
Total direct and assumed	$90,858,527
Reinsurance ceded (to affiliates)	0
Reinsurance ceded to (non-affiliates)	(18,414,228)
Net premiums written	$ 72,441,299

The Company had the following reinsurance programs and agreements in effect as of December 31, 2011:

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 of, if not all of the risk.

Assumed

The Company currently assumes traditional reinsurance from ALICO branches, which was formally assumed by American International Reinsurance Company Ltd. (AIRCO), a formerly affiliated AIG entity, and catastrophe reinsurance from ALICO.

It was noted during a review of the traditional reinsurance between ALICO and the Company that there was no evidence of a novation agreement between AIRCO and the Company either in the reinsurance treaty or subsequent amendments to the reinsurance treaty. Therefore,

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

Ceded

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

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

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 MetLife's data center located in Rensselaer, 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, 2011 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 2011 Annual Statement, several presentation discrepancies were noted within Reinsurance. These discrepancies included the following financial and non-financial items:

- The Company's 2011 Annual Statement Schedule S - Part 1 reported assumed reinsurance from a ceding company in error. When requested to produce a supporting reinsurance agreement, the Company indicated that they incorrectly reported this agreement in Schedule S, as no such reinsurance contract existed. The Company indicated that ceded premium reported in Schedule S – Part 1 was actually associated with another reinsurance agreement.
- The Company reported three assumed reinsurance agreements in the 2011 Schedule S - Part 1 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. The Company reported reinsurance using the date the agreement was novated to the Company, not the original effective date of the contract.

- The Company reported one ceded reinsurance in the 2011 Schedule S – Part 3 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 assumed reinsurance under a particular treaty in Schedule S – Part 1 without a supporting executed reinsurance agreement. A review of the treaty indicated that the Company was not a party to the original agreement dated 1/1/1986 nor was the agreement subsequently novated to the Company. Beginning with Amendment #8 to the treaty, executed effective 1/1/2011, the Company was listed as the reinsurer on the agreement.
- The Company incorrectly took an immaterial amount of excess reserve credits for unauthorized reinsurance ceded to a particular reinsurance company. The Schedule S – Part 4 reporting error occurred due to the fact that the Company used the December 31, 2010 trust account statement balance in lieu of the December 31, 2011 statement, which was not readily available for year-end closing in 2011.
- In the 2011 A/S Schedule S - Part 3, the Company reported ceded reinsurance to three reinsurers in error. The Company could not produce the reinsurance agreements referenced in Schedule S and indicated that the reported amounts should have been ceded under a YRT treaty effective April 1, 2009. The Company indicated that the errors were corrected in subsequent periods. A review of the 2012 Annual Statement could not confirm the correction as the April 1, 2009 treaty terminated as of December 31, 2011, and was no longer reported in Schedule S.

<u>Uncollected Premiums and Agents' Balances</u>

As of December 31, 2011, the Company tracked the nonadmitted portion of uncollected premiums over 90-days on an "off-ledger" basis. However, for annual statement reporting purposes, the Company did not report the nonadmitted portion of uncollected premiums on line 15.1, column 2, only the admitted portion on line 15.1, columns 1 and 3.

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,

> **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.**

Independent Accountants

The Company's financial statements are audited each year by the firm D&T, of Philadelphia, PA. 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 2011 workpapers, 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 Kenneth W. Smith, 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	$ 178,164
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	$ 712,656

(Source: 2011 Annual Statement, Schedule E – Part 3)

At December 31, 2011, the reported Book/Adjusted Carrying Value and Fair Value of Statutory Deposits held by the State of New Mexico should have been $149,735 and $209,141, respectively. The Company noted that it had inadvertently omitted a US Treasury Bond with a par value of $100,000 on Schedule E – Part 3. The bond was properly reported in Schedule D – Part 1. Therefore,

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.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2011, 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, 2011

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 63,158,042	$	$ 63,158,042	
Cash, cash equivalents and short-term investments	2,704,742		2,704,742	
Other invested assets	5,367,492		5,367,492	
Receivables for securities	6,047		6,047	
Investment income due and accrued	731,103		731,103	
Premiums and considerations:				
Uncollected premiums and agents' balances in course of collection	4,778,413	890,929	3,887,484	1
Reinsurance:				
Amounts recoverable from reinsurers	5,517,740		5,517,740	
Other amounts receivable under reinsurance contracts	51,955,511		51,955,511	
Net deferred tax asset	4,898,651	3,376,674	1,521,977	
Guaranty funds receivable or on deposit	46,785		46,785	
Receivable from parent, subsidiairies and affiliates	28,405		28,405	
Total assets excluding Separate Accounts	$ 139,192,931	$ 4,267,603	$ 134,925,328	
From Separate Accounts		-	-	
Total	$ 139,192,931	$ 4,267,603	$ 134,925,328	

Liabilities, Surplus and Other Funds
As of December 31, 2011

			Notes
Aggregate reserves for life contracts	$	1,211,304	2
Aggregate reserves for accident and health contracts		14,193,538	3
Liability for deposit type contracts		-	4
Contract claims:			
Life		14,224,061	5
Accident and health		10,667,141	6
Premiums and annuity considerations for life and accident and health contracts received in advance		1,429,339	
Contract liabilities not included elsewhere:			
Provision for experience rating refunds		1,584,678	
Other amounts payable on reinsurance		34,401,759	
Interest maintenance reserve		811,365	
Commissions to agents due or accrued		170,972	
General expenses due or accrued		44,839	
Taxes, licenses and fees		(38,099)	
Current federal and foreign income taxes		3,025,905	
Unearned investment income		668	
Amounts withheld or retained by company as agent or trustee		36,187	
Amounts held for agents' account, including $106,257 agents' credit balances		106,257	
Remittances and items not allocated		357,062	
Miscellaneous liabilities:			
Asset valuation reserve		282,542	
Reinsurance in unauthorized companies		2,476,693	
Payable to parent, subsidiaires and affiliates		1,955,552	
Aggregate write-ins for liabilities		306,838	
Total liabilities excluding Separate Accounts	$	87,248,602	
From Separate Accounts Statement		-	
Total Liabilities	$	87,248,602	
Common capital stock	$	2,500,000	
Gross paid-in and contributed surplus		35,960,036	
Unassigned funds		9,216,690	
Surplus	$	47,676,726	
Total Liabilities, Capital and Surplus	$	134,925,328	

Summary of Operations
As of December 31, 2011

Premiums and annuity considerations for life and accident and health contracts	$	72,441,303
Net investment income		3,028,523
Amortization of Interest Maintenance Reserve		159,199
Commissions and expense allowances on reinsurance ceded		3,255,143
Totals	$	78,884,168
Death benefits	$	3,385,770
Disability benefits and benefits under accident and health contracts		26,459,624
Increase in aggregate reserves for life and accident and health contracts		555,956
Totals	$	30,401,350
Commissions on premiums, annuity considerations and deposit-type contract funds		2,607,567
Commissions and expense allowances on reinsurance assumed		14,778,646
General insurance expenses		12,154,449
Insurance taxes, licenses and fees, excluding federal income taxes		925,419
Totals	$	60,867,431
Net gain from operations before dividends to policyholders and federal income taxes	$	18,016,737
Dividend to policyholders		-
Net gain from operations after dividends to policyholders and before federal income taxes	$	18,016,737
Federal and foreign income taxes incurred		5,455,996
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains (losses)	$	12,560,741
Net realized capital gains (losses)		51,469
Net Income	$	12,612,210

Capital and Surplus Account
As of December 31, 2011

Capital and surplus, December 31, prior year	$	29,417,213
Net income (Loss)	$	12,612,209
Change in net unrealized foreign exchange capital gain (loss)		71,755
Change in net deferred income tax		484,729
Change in nonadmitted assets		8,346,201
Change in liability for reinsurance in unauthorized companies		512,625
Change in asset valuation reserve		(91,078)
Net change in capital and surplus for the year	$	21,936,442
Change as a result of December 31, 2011 examination		(3,676,929)
Capital and surplus, December 31, current year	$	47,676,726

Reconciliation of Capital and Surplus
From December 31, 2006 to December 31, 2011

Capital and Surplus, December 31, 2006			$ 25,812,389
Net income			24,924,172
Additions:			
Change in net unrealized foreign exchange capital gain (loss)	$	171,539	
Change in net deferred income tax		4,305,149	
Change in reserve on account of change in valuation basis		373,000	
Change in asset valuation reserve		116,741	
Surplus adjustment: Paid-in		37,840	
Aggregate write-ins for gains and losses in surplus		1,022,811	
Total Additions			6,027,080
Deductions			
Change in liability for reinsurance in unauthorized companies	$	(2,363,789)	
Change in non-admitted assets		(3,046,198)	
Change as a result of December 31, 2011 examination		(3,676,929)	
Total Deductions			(9,086,916)
Capital and Surplus, December 31, 2011			$ 47,676,726

SCHEDULE OF EXAMINATION ADJUSTMENTS

Description	Per Examination	Per Company	Surplus Increase (Decrease)	Notes
Assets:				
Uncollected premiums and agents' balances	$ 3,887,484	$ 4,778,413	$ (890,929)	1
Adjusted Admitted Assets	$ 3,887,484	$ 4,778,413	$ (890,929)	
Aggregate reserves for life contracts	$ 1,211,304	$ 725,304	$ 486,000	2
Aggregate reserves for accident and health contracts	14,193,538	13,043,538	1,150,000	3
Contract claims: Accident & Health	10,667,141	9,517,141	1,150,000	6
Unassigned surplus	9,216,690	12,893,619	(3,676,929)	
Adjusted Liabilities and Surplus	$ 35,288,673	$ 36,179,602	$ (890,929)	

NOTES TO FINANCIAL STATEMENTS

Assets – General Account

(1) Uncollected premiums and agents' balances in course of collection $3,887,484

The above-captioned amount is $890,929 less than that reported by the Company on Page 2, Line 15.1 of the 2011 Annual Statement, as a result of non-admitting manual entries for "due but not reported" uncollected premiums.

During 2011, the Company did not age the uncollected premium balance due to system limitations of its Compass Administration System. The Compass system caps uncollected premiums due at 90-days, and the Company manually tracks uncollected premiums over 90-days on an "off-ledger" basis for subsequent collection.

As part of the examiner's procedures, a review of over 90-day balances was attempted. The Compass reports provided to the Examiners for the purpose of manually aging the uncollected balance did not contain any transaction dates. Consequently, an aging could not be performed. Uncollected premiums and agents' balances in course of collection totaling $3,887,484 has been accepted for reporting purposes based on Company representations regarding limitation of the Compass Administration System. However,

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

In addition to the above finding, refer to the "Accounts and Records" section of this Report, under the caption "Accounts and Records Findings – Uncollected Premiums and Agents' Balances" for comments regarding compliance with 18 Del. C. §526(a).

Liabilities – General Account

General

As of December 31, 2011, 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, 2011 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. In addition, the Consulting Actuary relied on interviews and discussions that were conducted with the Company’s actuaries. In the course of the interview process with the Company’s appointed actuary, it was indicated 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 do not exist and that the control environment was weak based on the apparent insufficiencies of reserves and liabilities. As a result of the foregoing, the calculated residual risk remained the same as inherent risk, and appropriate substantive procedures were performed.

Samples of policies from the Company’s valuation files were used to test the validity of valuation data. The policy sample tests indicated a general absence of errors in the underlying data used for valuation. Based on the inclusion testing also conducted, it appears 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 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 2011. 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, 2011. Based on the Consulting Actuary's review, this conclusion has been accepted by the Consulting Actuary subject to the following recommendations:

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.

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 Consulting Actuary found inconsistencies in the methodologies and procedures used in the calculation of reserves for certain product segments. The Consulting Actuary estimated that reserves for life contracts appeared to be understated by approximately $486,000 on account of these inconsistencies. Also, the Consulting Actuary estimated that claim reserves and liabilities associated with accident and health contracts were understated by approximately $2.3 million.

The balance sheet items enumerated in the examination scope, including the items which were adjusted, appear fairly stated or adjusted, and were calculated using valuation parameters, which appear to be free of errors that would affect reserve calculations. Based on the above discussion and analysis, the Consulting Actuary has concluded that the December 31, 2011 balance sheet items covered in the examination scope appear have been accepted as stated or adjusted for the purpose of this report.

(2) Aggregate reserves for life contracts ($1,211,304)

The above-captioned amount, is $486,000 more than reported by the Company 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	$25,408,857(1)	$24,621,795	$ 787,062
Annuities	8,199,248	8,199,248	0
Accidental Death Benefits	11,578	1,085	10,493
Disability - Active Lives	14,873	14,873	0
Disability - Disabled Lives	1,479,008	1,065,260	413,748
Miscellaneous Reserves	83,792	83,792	0
Totals	$35,197,356	$33,986,053	$1,211,303

(1) The Company indicated that the gross unearned premium reserve for credit and group business was incorrect as the Company did not reflect an assumed reserve for certain CAT treaties with affiliated companies at year 2011. The Company provided information indicating that gross reserves were underreported by approximately $486,000 as of December 31, 2011. The above amount reflects this additional reserve.

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, 2011.

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, 2011 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 2007 through 2011. Samples of contracts were selected from the valuation systems for reserve testing. For UL sample contracts, the Consulting Actuary reviewed annual reports sent to contract holders. These were found to be reasonable and consistent with valuation records.

The underlying data was verified for the sample contracts. No exceptions were noted. 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.

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 2011 AOM. Based on that review, the Consulting Actuary accepted the Company's conclusion that additional reserves as a result of AAT were not required.

The underlying data was verified 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, 2011 Annual Statement has been understated by approximately $486,000.

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

(3) Aggregate reserve for accident and health contracts ($14,193,538)

The above-captioned amount, which is $1.15 million more than reported by the Company 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	$ 9,332,575	$ 9,896	$ 9,322,679
Claim Reserve	11,326,138[(1)]	6,455,279	4,870,859
Totals	$20,658,713	$6,465,175	$14,193,538

(1) The Company indicated that the total claim reserves as reported in both Exhibit 6 and in Exhibit 8, Part 1 had been understated by approximately $2.3 million. The amount attributable to Exhibit 6 was $1.15 million. Refer to Note 5, Contract claims: Accident and health for details of the amount attributable to Exhibit 8. The above amount reflects this additional reserve.

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, 2011.

Unearned Premium Reserve

The unearned premium reserve (UPR) represents the aggregate of all unearned portion of gross premiums received and is on the average one-half of all modal 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. Due to the minimal amounts of the reserves associated with the direct business, the Consulting Actuary accepted the reserves for the direct product segment as reported.

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 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 $55,000; however, as this amount was deemed immaterial, the Consulting Actuary accepted the reserves as reported.

A trend analysis of the UPR was performed over the examination period. There were significant increases commencing in 2009 due to the assumption treaties with ALICO which were implemented in that year. There was also an uptick in 2011 which can be attributable to the increase in new expatriate business. In consideration of the aforementioned, the Consulting

Actuary concluded that the trends indicated a reasonable pattern. 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. The Company uses the 1987 Commissioners Group Disability Table (87 CGDT) and maximum valuation interest rates for the reserve calculation. A judgmental sample of three LTD claims was selected for reserve testing. The Consulting Actuary verified the claim reserves for the sample LTD policies without exception.

Claim reserves for expatriate medical business as reported in both Exhibits 6 and 8 is one of the few product segments without significant amounts of reserves ceded. Claim reserves for the expatriate Medical represents 50% of the total incurred but not reported (IBNR) liability (the other half is reported in Exhibit 8, Part 1). The overall claim liability was reviewed for reasonableness using the claim liability adequacy test from Schedule H of the Annual Statement. The development of this liability is discussed in more detail under "Contract claims: Accident & health" within this section of the 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 and the claim reserves for the assumed business have been accepted as reported.

A trend analysis of the reserves was performed over the examination period. There were significant increases commencing in 2009 due to the expansion of the expatriate business. Otherwise, the trends have been relatively stable over this period. The Consulting Actuary concluded that the trends appear reasonable.

During the course of the examination, the Consulting Actuary determined that total claim reserves as reported in both Exhibit 6 and in Exhibit 8, Part 1 have been understated by approximately $2.3 million. The portion attributable to Exhibit 6 is $1.15 million. The other portion is attributable to page 3, line 4.2 and is discussed further in Note 5, under the caption "Contract claims: Accident & health".

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, 2011 Annual Statement has been understated by $1.15 million.

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

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

The above-captioned amount, which is the same as that reported by the Company in its 2011 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	$ 2,804,763	$ 2,804,763	$ 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, 2011 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. Because of the relatively large gross reserve amounts associated with all payout annuities, the Consulting Actuary selected a judgmental sample of three annuities certain contracts for reserve verification, and verified reserves for all contracts in the sample without exception.

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, 2011 Annual Statement appears fairly stated, and has been accepted for examination purposes.

(5) Contract claims - Life ($14,224,061)

The above-captioned amount, which is the same as that reported by the Company in its 2011 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
In course of settlement (ICOS)	$12,552,844	$3,068,289	$ 9,484,555
Incurred but unreported (IBNR)	6,632,072	1,892,567	4,739,505
Totals	$19,184,916	$4,960,856	$14,224,060

The Consulting Actuary reviewed the Company's work papers supporting the above amounts. The due and unpaid and ICOS liabilities are inventory items which do not involve actuarial judgment. They were reviewed by the examiners and accepted as reported.

The IBNR liability represents the estimate of all claims incurred prior to January 1, 2011 but not reported by the Company as of December 31, 2011. 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 2007 through 2011. 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, 2011 was sufficient.

The Consulting Actuary reconciled the Contract claims life ceded liability to the amount reported on line 0799999 of Schedule S-Part 2 (reinsurance recoverable and paid and unpaid losses) in the December 31, 2011 Annual Statement without material exception.

Based on materiality, no further examination work was deemed necessary and the IBNR liability was accepted as reported.

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, 2011 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 understated by an immaterial amount. Based on this review,

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

(6) Contract claims – Accident and health ($10,667,142)

The above-captioned amount, which is $1.15 million more than reported by the Company in its 2011 Annual Statement, is reported on Page 3, Line 4.2 and in Exhibit 8, Part 1, columns 9 through 11. The liability breakdown by type is as follows:

Liability Type	Total Gross	Reinsurance Ceded	Total Net
In course of settlement (ICOS)	$ 4,207,497	$ 126,171	$ 4,081,326
Incurred but unreported (IBNR)	8,856,478[1]	2,270,662	6,585,816
Totals	$13,063,975	$2,396,833	$10,667,142

(1) The Company indicated that the total claim reserves as reported in both Exhibit 6 and in Exhibit 8, Part 1 had been understated by approximately $2.3 million. The amount attributable to Exhibit 8, Part 1 was $1.15 million. Refer to Note 2, Aggregate reserve for accident and health contracts for details of the amount attributable to Exhibit 6. The above amount reflects this additional reserve.

The Consulting Actuary reviewed the Company's work papers supporting the above amounts. The total ICOS and IBNR liability items are calculated as a percentage of earned premiums. The Company holds 50% of the liability, in Exhibit 8 and 50% in Exhibit 6.

The Company's Schedule H – Accident and Health Exhibit as indicated in the Annual Statements for years 2008 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 years 2007 through 2010 were found to be adequate. This is an indication that the year-end liability determined by the Company was adequate in those years.

However, based on the results of the test performed on the reported reserves as of December 31, 2011 in the 2012 Annual Statement, the Consulting Actuary has determined that total claim reserves as reported in both Exhibit 6 and in Exhibit 8, Part 1 of the 2011 Annual Statement have been understated by approximately $2.3 million. The portion attributable to Exhibit 8, Part 1 is $1.15 million.

Based on the results of the test performed on the reported reserves as of December 31, 2011 in the 2012 Annual Statement, the Consulting Actuary has determined that total claim reserves as reported on Page 3, Line 4.2 and in Exhibit 8, Part 1 of the 2011 Annual Statement has been understated by $1.15 million. Refer to the recommendation documented under Note 3, which is likewise applicable to Note 6.

SUMMARY OF RECOMMENDATIONS

1. 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 financial examinations. (Reinsurance - Assumed, page 22)

2. It is recommended that the Company complete its annual statement blank in accordance with NAIC *Accounting Practices and Procedures*, NAIC *Annual Statement Instructions* and 18 Del. C. §526(a), verifying that all financial and non-financial data is reported accurately, completely, and appropriately. (Accounts and Records – Accounts and Records Findings - Reinsurance, page 26; Accounts and Records – Accounts and Records Findings - Uncollected Premiums and Agents' Balances, page 26; Statutory Deposits, page 27;)

3. 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). (Notes to Financial Statements – Uncollected premiums and agents' balances in course of collection, page 34)

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 – Aggregate reserves for life contracts, page 37)

5. It is recommended that the Company correctly determine reserves for unearned premiums for group and credit life contracts. (Notes to Financial Statements – Aggregate reserves for life contracts, page 40)

6. It is recommended that the Company use methodologies and procedures that produce adequate claim reserves and liabilities for accident and health business. (Notes to Financial Statements – Aggregate reserves for accident and health contracts, page 43; Notes to Financial Statements – Contract claims: Accident and health, page 46)

7. It is recommended that that the Company use methodologies and procedures that produce adequate reserves and liabilities for life claims. (Notes to Financial Statements – Contract claims: Life, page 46)

CONCLUSION

The following schedule shows a comparison of the results from the December 31, 2011 examination to the 2006 Annual Statement balances, with changes between:

Description	**December 31, 2006**	**December 31, 2011**	**Increase (Decrease)**
Assets	$ 80,450,166	$ 134,925,328	$ 54,475,162
Liabilities	$ 54,637,777	$ 87,248,602	$ 32,610,825
Common capital stock	2,500,000	2,500,000	0
Gross paid in and contributed surplus	35,922,196	35,960,036	37,840
Unassigned funds (surplus)	(12,609,807)	9,216,690	21,826,497
Total Capital and Surplus	25,812,389	47,676,726	21,864,337
Total Liabilities, Capital and Surplus	$ 80,450,166	$ 134,925,328	$ 54,475,162

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