REPORT ON EXAMINATION

OF THE

PARK AVENUE

LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2007

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, 2007 of the

PARK AVENUE LIFE INSURANCE COMPANY

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

Attest By: Sonia C. Harris

Date: 30 June 2009

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 30th day of June 2009.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

841 Silver Lake Blvd., Dover, DE 19904-2465 • www.delawareinsurance.gov
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Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT ON EXAMINATION

OF THE

PARK AVENUE LIFE INSURANCE COMPANY

AS OF

DECEMBER 31, 2007

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 30th day of June, 2009

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Chairman Financial Condition, (E)
Subcommittee, NAIC
State Corporation Commission
Bureau of Insurance
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Richmond, Virginia 23218

Honorable Merle D. Scheiber
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Department of Revenue and Regulation
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Honorable Karen Weldin Stewart, CIR-ML
Commissioner
Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, DE 19904

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 08-025, dated May 6, 2008, an examination has been made of the affairs, financial condition and management of the

PARK AVENUE LIFE INSURANCE COMPANY

hereinafter referred to as "Company" or "PALIC", incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware. The examination was conducted at the principal offices of the Company located at 7 Hanover Square, New York. The examination report thereon is respectfully submitted.

SCOPE of EXAMINATION

The last examination was as of December 31, 2003. This examination covers the period from January 1, 2004 through December 31, 2007, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2007. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing current and prospective inherent risks to which the Company is exposed and evaluating its system controls and procedures used to mitigate those risks. The examination also includes an assessment of 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 annual statement instructions when applicable to domestic state regulations.

The general procedures of the examination followed rules established by the NAIC Financial Condition (E) Committee as set forth in the Financial Condition Examiner's Handbook and included such other examination procedures as were considered necessary.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process.

During the course of this examination, consideration was given to work performed by the Company's Internal Audit Department and by the external accounting firm, PricewaterhouseCoopers LLP (PWC). Certain auditors' workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

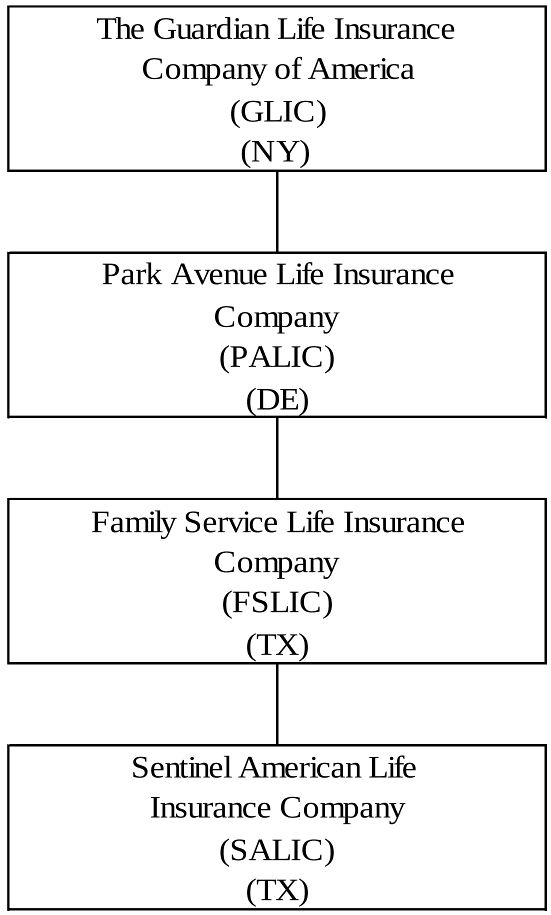
The examination was conducted concurrently with that of affiliate Guardian Insurance & Annuity Company, Inc. (GIAC) also a Delaware domestic insurance company. Separate reports of examination were filed for each company.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined under Chapter 50, "Insurance Holding Companies" of the Delaware Insurance Code. The Company operates under the immediate and ultimate controlling Parent, The Guardian Life Insurance Company of America (Guardian). Guardian is domiciled in the State of New York and is the fourth largest mutual life insurance company in America with consolidated admitted assets of $28.3 billion, liabilities of $24.5 billion and surplus of $3.7 billion as of December 31, 2007. The Company is part of a consolidated Holding Company Registration Statement filing made in the State of Delaware by Guardian.

The following is an organizational chart provided by the Company as of December 31, 2007:

Organizational Chart
As of December 31, 2007



HISTORY

The Company was incorporated as AM Life Insurance Company (AM Life) under the laws of the Commonwealth of Massachusetts on November 19, 1964, and commenced business on April 9, 1965. It was chartered as a stock company to issue policies for life, annuities and accident and health insurance.

The following chart depicts the major changes in the Company prior to the purchase of the Company by Guardian Life.

Date	Ultimate Owner	Transaction Description
1/13/87	Cooperants Mutual Life (Canada)	Acquired all outstanding stock of AM Investors Inc. US Holding Company name was changed to Coop Massachusetts Inc.
9/11/87	Cooperants Mutual Life (Canada)	Coop Massachusetts, Inc. was merged with and into Guardian Financial Corporation (Guardian Financial), a Delaware corporation (not affiliated with The Guardian Life Insurance Company or any of its affiliates)
6/1/88	Cooperants Mutual Life (Canada)	AM Life changed its name to First International Life Insurance Company (First International).
7/10/92	Standard Management Corporation	In 1992, Cooperants Mutual filed for protection under Canadian bankruptcy laws and, as a result, Guardian Financial Corporation sold First International to Standard Management Corporation (Standard Management or SMC), an Indiana corporation.

On March 18, 1996, First International was purchased by The Guardian Insurance and Annuity Company, Inc. (GIAC), a subsidiary of Guardian Life, for $9,913,540, and GIAC also made a capital contribution of $20,041,655. On December 31, 1998, Guardian purchased First International from GIAC for $29,955,195 and redomesticated to Delaware. In conjunction with the redomestication, the name of the entity was changed to Park Avenue Life Insurance Company (PALIC).

As of December 31, 2007, capital stock of the Company consisted of 100,000 common shares authorized and outstanding at $25.00 par value per share for a total of $2,500,000 and gross paid in and contributed surplus was $150,531,445. The Company paid dividends to its parent, Guardian, as follows:

2007	$14,000,000
2006	$25,000,000
2005	$25,000,000
2004	$25,000,000

The dividends were considered ordinary in accordance with Title 18 section 5005 of the Delaware Insurance Code and were reported to and approved by the Delaware Insurance Department prior to payment.

The Company has one wholly owned subsidiary, Family Service Life Insurance Company (FSLIC), which was acquired for $134.4 million on June 1, 1998. FSLIC is domiciled in Texas and is licensed in 43 states, the District of Columbia, and the U.S. Virgin Islands.

FSLIC owns 100% of the outstanding shares of Sentinel American Life Insurance Company (SALIC). SALIC is domiciled in Texas and is licensed in 12 states.

Currently neither FSLIC nor SALIC write any new business.

MANAGEMENT and CONTROL

MANAGEMENT

The business affairs and corporate activities are vested in a Board of Directors that shall consist of not less than five members. The directors are elected for a term of one year at the annual stockholder's meeting which is held not less than 30 or more than 120 days after the end of the last preceding fiscal year.

The bylaws provide that the Board of Directors may designate one or more committees that shall consist of two or more Directors. The Board of Directors has designated an Executive Committee and an Investment Committee to oversee Company operations.

The Executive Committee has any and all powers of the Board of Directors during the interval between Board of Directors meetings. The Investment Committee has general control and supervision over the financial affairs and accounts of the Company. The bylaws provide that the findings of the committees shall be reported to the Board of Directors.

The Board of Directors and Officers, duly elected in accordance with the bylaws and serving as of December 31, 2007, are as follows:

Directors	Principal Occupation
Armand Michael de Palo	Executive Vice President & Chief Actuary - Guardian Life
Robert Ernest Broatch	Executive Vice President & Chief Financial Officer - Guardian Life
John Hunter Flannigan	Corporate Controller, Guardian Life
Dennis James Manning	President & Chief Executive Officer - Guardian Life
Joseph Anthony Caruso	Executive Vice President & Corporate Secretary - Guardian Life

Officers

Armand Michael de Palo	President and Chief Executive Officer
Barry Ivan Belfer	Vice President, Corporate Finance & Treasurer
Roland Raymond Rose	Associate Actuary
Joseph Anthony Caruso	Executive Vice President and Corporate Secretary
John Robert Hurley	Vice President, Government Relations
Stuart John Shaw	Vice President, Group Products
Alphonsus Lawrence Padavano	Assistant Vice President & Controller
Thomas George Sorell	Executive Vice President & Chief Investment Officer
Karen Farnsworth-Einsidler	Vice President, Investment & Real Estate Counsel

CORPORATE GOVERNANCE

Although not completely formalized as of December 31, 2007, the Company is in the process of adopting a formalized Corporate Governance and Enterprise Risk Management framework for proactively addressing and mitigating risk (including prospective business risks).

The Company operates under a corporate governance environment that includes the oversight and corporate direction of the parent company (Guardian), and the board of directors and management of both the Company and its parent have an overall positive effect on the control environment within the organization. The control consciousness is developed throughout the organization through a sound organizational structure that allows for ease of communication across the entity, a conscious commitment to integrity, promoting ethical values and competence of employees, the assignment of clear authority and responsibility, an open management philosophy and operating style and a commitment to the development of resources.

In addition, the governance process establishes the roles of the Audit Committee, of the Parent and Board of Directors in the establishment of a sound risk management process that has a pervasive influence on the way business activities are structured, objectives and strategies are established and risks identified. It also influences risk assessment, control activities, information and communication systems, monitoring activities, and antifraud programs.

The Audit Committee of the parent and Board of Directors assist management in significantly influencing the "tone at the top". In its fiduciary role, the board of directors is responsible for overseeing the internal controls over financial reporting established by management and the process by which management satisfies itself that they are working effectively. The board of directors is also responsible for assessing the risk of financial fraud by management and ensuring that controls are in place to prevent, deter and detect such fraud. The oversight controls of the board of directors extend to understanding management's strategic initiatives, risk management processes (including antifraud programs) and controls as well as the internal and external audit plans and procedures for addressing risks within the organization. In addition, the oversight procedures include a review of significant non-routine transactions entered into by management and extend to a review of accounting principles and the policies and estimation processes used by management in determining significant estimates. Significant estimates are also reviewed annually with the Audit Committee. Strategic business plans, budgets and all new products are approved by the board of directors prior to implementation or introduction into the market. The oversight role of the parent company Board over Company activities could not be verified, however, as the board of directors' minutes of Guardian were not provided.

Internal audit, in its oversight capacity, has broad knowledge about the Company which enables them to identify operational deficiencies as well as indicators of fraud. Internal audit assists in the monitoring of organizational objectives, the adherence with policies and procedures and the deterrence of fraud by examining and evaluating the effectiveness of the operational processes and the adequacy and effectiveness of internal controls as part of their audits. The scope of the Internal Audit program is coordinated with the Company's independent accountants to ensure adequate coverage and maximum efficiency. Each year, a comprehensive risk-based audit plan is prepared and presented to the Audit Committee and to senior management. It was observed, however, that Internal Audit did not have access to all records of the Parent Company**.**

Therefore:

It is recommended that the Internal Audit Department be granted full access to Parent Company records. (Please refer to Summary of Significant Findings).

MANAGEMENT AND SERVICE AGREEMENTS

Intercompany Agreement for Services and Reimbursement between PALIC and Guardian

Effective December 31, 2007, the Company was a party to an amended and restated Agreement for Services and Reimbursement with Guardian which superseded an original agreement dated November 17, 1994. The agreement is an expense sharing arrangement pursuant to which Guardian provides office space, furniture, equipment, heat and light, clerical staff, employee benefits and any other services as requested by the Company. Expenses are allocated to the Company on a direct basis or through an allocation developed by Guardian's cost accounting department utilizing asset, head count or overhead information. Settlement occurs 45 days following the end of each quarter.

This agreement was amended and approved by the Delaware Insurance Department on January 15, 2008, but was not properly filed utilizing a Form D filing as required by 18 Del.C. §5005(a)(2)d. The agreement was also not properly disclosed in the 2007 Form B filing submitted in April 2008 as required by 18 Del.C. §5004(b)(3)e.

Therefore:

It is recommended that the Company comply with 18 Del.C. §5005(a)(2)d on future Form D filings for any new related party management and service agreements. (please refer to summary of significant findings).

Additionally it was observed that the Amended and Restated Agreement for Services and Reimbursement between GLIC and PALIC effective December 31, 2007, and approved by the Delaware Insurance Department on January 15, 2008, was also not properly disclosed in the 2007 Form B filing submitted in April 2008 as required by 18 Del. C. §5004(b)(3)e.

Therefore:

It is recommended that the Company comply with 18 Del.C. §5004(b)(3)e on future Form B filings to include all existing management and service agreements (please refer to summary of significant findings).

Tax Allocation Agreement with Guardian

The Company is a party to a Federal Income Tax consolidation agreement effective January 1, 1998, with Guardian Life and its subsidiaries. The tax liability is allocated to the members of the group in the ratio that each member's separate return tax liability for the year bears to the sum of the separate return tax liabilities of all the members. The tax charge shall not exceed the amount that would be paid had the member filed on an individual basis. The agreement was amended July 19, 2001 to reflect changes in Guardian's corporate structure, and was filed with the Delaware Insurance Department on August 21, 2001. Prior to the above-mentioned tax allocation agreement the Company filed its return on a stand-alone basis.

Services Agreement between PALIC and IBM Business Transformation Outsourcing Insurance Corp Services (IBMIOS)

In April 2006, the Company entered into a 10 year agreement with IBMIOS for them to provide administrative services related to the run-off of the business remaining in the Company.

Administrative services include billing and remittance, policy owner service, policy loan and surrender processing, claims processing, financial reporting and actuarial services. Service response standards and administration fees are scheduled under the agreement and the agreement can be terminated prior to the expiration of the 10 year period for cause. Fees are paid by the Company on a monthly basis.

Custodial Agreement between PALIC and Chase Manhattan Bank

Effective September 3, 1997, the Company entered into a Custody Agreement with Chase Manhattan Bank (Chase). Chase agrees to act as custodian over the Company's assets in exchange for a fee as structured in the agreement.

TERRITORY and PLAN of OPERATION

At December 31, 2007, the Company was authorized to transact the business of life, health and annuity insurance in all states and the District of Columbia, except Hawaii and New York.

The Company's primary business is entirely administered by TPAs and is comprised primarily of the original blocks of term and universal life policies acquired by PALIC under 100% reinsurance assumption agreements. For the direct business, the insurance blocks and TPAs are:

Direct Business – Original Insurer	Third Party Administrator
Aztec Life Insurance Company	IBM Insurance Outsourcing Services
First International (PALIC) – Block I	IBM Insurance Outsourcing Services
First International (PALIC) – Block II	Madison National Life Ins Co

The Company has not written any new business since May 1, 1992.

The remaining business in the Company is assumed from two different ceding companies. These companies and the respective TPAs are:

Assumed From:	Third Party Administrator
Allianz Life Insurance Company	IBM Insurance Outsourcing Services
Universal Guaranty Life Ins. Co.	Universal Guaranty Life Ins. Co.

The Allianz block consists mainly of pre-need and final expense whole life and limited pay insurance and the Universal Guaranty block consists primarily of term and whole life policies.

REINSURANCE

Except as it relates to transactions associated with affiliated reinsurance, third party administrators manage the reinsurance operations of the Company.

Assumed

The Company has coinsurance agreements with the following unaffiliated companies:

Company	Type of Contract	Effective Date	Line of Business	Limits	Amount Inforce
Universal Guaranty LIC	Coinsurance	9/30/96	A closed block of paid-up life insurance and annuity policies with approximately $18,654,266 in reserves.	100 %	$ 46,225,000
Allianz LIC	Coinsurance	12/31/99	A closed block of paid-up pre-need and final expense life insurance policies and annuity contracts for funeral related business with approximately $ 228,826,148 in reserves.	100 %	$278,472,511
			Total reserves $ 247,480,414	Total	$ 324,697,511

Ceded

The Company primarily enters into coinsurance, modified coinsurance and yearly renewable term agreements to provide for reinsurance of select individual life and annuity, group life and annuity and credit life and credit accident and health policies. During the examination period, the Company entered into one new reinsurance agreement. Under the terms of a 100% quota share agreement the Company cedes to Madison National Life Insurance Company (Madison), 100% of the business being managed by Madison on behalf of the Company. The business ceded by the Company is outlined in the following schedule:

Company	Type of Contract	Effective Date	Line of Business	Retention	Amount Inforce
Madison	Coinsurance	10/1/06	Indemnity reinsurance with an authorized insurer. Reserve credit taken is $7,486,764	None / 100% quota share	$54,609,636
All Others (21)	Varies**		Reserve Credit taken $ 402,864		$28,435,854
	Total		$ 7,889,628		$ 83,045,490

** Business originally written by the Company, ceded to unaffiliated reinsurers, prior to the purchase of the Company by Guardian Life.

Effective October 1, 2007, the Company terminated an intercompany reinsurance agreement with Guardian Life. This agreement was a modified coinsurance agreement in which the Company retained assets equal to the Modco reserves. In accordance with the termination clause, the Company recorded a termination fee of $402,623.

PALIC ceded approximately 7.0 % or $639,193 of its total written premiums and annuity considerations of $ 9,133,183 in 2007. Direct and assumed written premiums and annuity considerations for 2007, were $2,334,323 and $6,798,860, respectively.

GROWTH of the COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the five preceding years:

Year	Admitted Assets	Capital & Surplus	Premiums & Annuity Considerations	Net Income
2007	$434,885,522	$150,531,445	$8,493,990	$15,813,005
2006	444,535,795	152,171,097	9,498,543	12,885,844
2005	485,303,285	167,037,530	11,187,265	16,054,645
2004	494,395,239	162,328,085	11,927,396	29,442,254
2003	$523,156,066	$166,533,554	$16,885,025	$34,561,108

Since December 31, 2003, the Company's financial results were as follows:

- A 16.9 % decrease in admitted assets
- A 9.6 % decrease in capital and surplus
- A 49.7 % decrease in premiums and annuity considerations
- A 54.2 % decrease in net income

The decrease in admitted assets and capital and surplus over the period was mainly attributable to eighty-nine ($89) million dollars in dividend payments made to its parent. Since the Company is not writing any new business, premium considerations have steadily decreased.

ACCOUNTS and RECORDS

The Company's premium and claim administration is handled offsite by third party administrators, with IBM administering a majority of the business. Data is received electronically into the Company from each of the individual TPA's where it is then manually posted into the Company's PeopleSoft general ledger. The Company utilizes The Guardian's mainframe located in Bethlehem, PA for processing, updating, and storing the primary records of the company. Personal computers and file servers support financial reporting and analysis.

Investment transactions are administered through The Guardian investment department which is located in the New York office. The transactions are processed using CAMRA software. During the examination period the data was then manually posted into the general ledger system, but effective late in 2008 the flow between the systems was automated. All other company-related transactions, such as accounting, are also handled out of the New York office.

The independent certified public accounting firm, PricewaterhouseCoopers, LLP, audited the organizations records for the years ended 2005, 2006 and 2007. Audit reports and applicable workpapers were made available for the examiners' use.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

The primary systems used in the operations of the Company were also evaluated. The IT portion of the examination was performed by INS Services, Inc. The review was performed in accordance with the NAIC Handbook. The review of IT controls included IT management and organizational controls; application and operating system software change controls; system and program development controls; overall systems documentation; logical and physical security controls; contingency planning; local and wide area networks, personal computers, and mainframe controls. Control testing performed by the Company's Risk Management function, IAD, and PwC was evaluated and testing of end user computing and IT outsourcing controls were performed in making the evaluation. As a result of the procedures performed, the IT Examination Team obtained reasonable assurance that IT general controls and general application controls were functioning as management intended and that an effective system of controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company. There are no reportable items related to our review of IS controls.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2007.

Analysis of Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account
Analysis of Financial Statement Changes resulting from Examination

Assets

	Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$ 320,414,829	$	$ 320,414,829	1
Common stocks	98,529,922		98,529,922	2
Cash and short-term investments	1,564,500		1,564,500	
Contract loans	4,344,086		4,344,086	
Investment income due and accrued	5,667,805		5,667,805	
Uncollected premiums and agents' balances in the course of collection	290,270		290,270	
Deferred premiums not yet due	2,671,159		2,671,159	
Current federal and foreign income tax recoverable	112,882		112,882	
Net deferred tax asset	8,350,929	7,377,493	973,436	
Receivable from parent, subsidiaries and affiliates	316,633		316,633	
Total Assets	$ 442,263,015	$ 7,377,493	$ 434,885,522	

Liabilities, Surplus and Other Funds

			Note
Aggregate reserve for life policies and contracts	$	267,398,706	3
Liability for deposit-type contracts		3,427,789	
Policy and contract claims: Life		2,492,702	
Premiums and annuity considerations received in advance		59,561	
Other amounts payable		100	
Interest maintenance reserve		4,498,268	
Commissions to agents due or accrued		112,000	
Commissions and expense allowances payable on reinsurance assumed		25,178	
General expenses due and accrued		212,025	
Taxes, licenses and fees due or accrued		323,061	
Unearned investment income		27,971	
Amounts withheld or retained by Company as agent or trustee		186,887	
Amounts held for agents' account		15,818	
Remittances and items not allocated		1,088,979	
Asset Valuation Reserve		2,248,883	
Payable to parent, subsidiaries and affiliates		451,750	
Aggregate write-ins for liabilities		1,784,399	
Total Liabilities	$	284,354,078	
Common capital stock	$	2,500,000	
Gross paid in and contributed surplus		240,141,332	
Unassigned funds (surplus)		(92,109,887)	
Total Capital and Surplus	$	150,531,445	
Total Liabilities, Surplus and Other Funds	$	434,885,522	

Summary of Operations

For the Year Ended December 31, 2007

Premiums and annuity considerations	$	8,493,990
Net investment income		31,118,311
Amortization of interest maintenance reserve		645,337
Commissions and expense allowances on reinsurance ceded		(219,233)
Reserve adjustments on reinsurance ceded		(371,413)
Aggregate write-ins for miscellaneous income		(1,184,092)
Total Income	$	38,482,900
Death benefits	$	18,822,373
Annuity benefits		2,697,014
Disability benefits and benefits under accident and health policies		(41)
Surrender benefits and other fund withdrawals		2,370,503
Interest on policy or contract funds		(127,397)
Payments on supplementary contracts with life contingencies		30,136
Increase in aggregate reserves for life and accident and health policies and contracts		(7,321,341)
Commissions on premiums and annuity considerations		39,264
Commissions and expense allowances on reinsurance assumed		2,109,570
General insurance expenses		1,160,526
Insurance taxes, licenses and fees		329,813
Increase in loading on deferred and uncollected premiums		(171,641)
Aggregate write-ins for deductions		32,366
Total Expenses	$	19,971,146
Net gain from operations before dividends to policyholders and federal income taxes	$	18,511,754
Federal income taxes incurred		2,808,930
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains	$	15,702,824
Net realized capital gains		110,181
Net Income	$	15,813,005

Capital and Surplus Account

From December 31, 2006 to December 31, 2007

Capital and Surplus, December 31, 2006	$152,171,097
Net income	15,813,005
Change in net unrealized capital gains (losses)	(3,840,491)
Change in net deferred income tax	(670,011)
Change in non-admitted assets and related items	732,740
Change in asset valuation reserve	325,105
Dividends to stockholders	(14,000,000)
Net change in capital and surplus for the year	$(1,639,652)
Capital and Surplus, December 31, 2007	$150,531,445

Analysis of Changes in Financial Statement resulting from Examination

No financial changes were made as a result of this examination.

Notes to the Financial Statements

1. Bonds **$320,414,829**

The largest categories of assets at December 31, 2007 include bonds and mortgage backed securities (MBS) (approximately 75% of total assets). Approximately 96% of the Company's bonds and MBS are rated as Class 1 or Class 2 by the NAIC. The Company does not hold any investments that have exposure to mortgage loans with below-prime borrowers.

2. Common Stock **$98,529,922**

Common Stock is primarily made up of investments in subsidiaries. The Family Service Life Insurance Company, which is a wholly owned subsidiary, is valued at $98,521,894, the statutory value of the underlying assets*. Additionally the Company owns unaffiliated common shares valued at $8,028.

* Includes admitted goodwill of $12,068,000

3. Aggregate Reserve for Life Policies and Contracts **$267,398,706**

The above captioned amount is the same as that reported by the Company in its 2007 Annual Statement. The reserve breakdown in Exhibit 5, by type of benefit, is presented in the following table:

Reserve Segment	Total (Gross)	Reinsurance Ceded	Total (Net)
Life Insurance	$ 217,420,013	$6,937,567	$210,482,446
Annuities	56,509,438	0	56,509,438
Supplementary Contracts	131,744	0	131,744
Accidental Death Benefits	10,365	7,434	2,931
Disability - Active Lives	33,676	5,907	27,769
Disability – Disabled Lives	201,498	46,423	155,075
Miscellaneous Reserves	981,599	892,296	89,303
Total	$275,288,333	$7,889,627	$267,398,706

Most of the aggregate life reserve is held for closed blocks of ordinary life insurance, fixed and flexible premium universal life insurance and deferred annuity business. This includes both the direct-written business as well as assumed business.

Although PALIC holds reserves for closed blocks of direct-written life insurance business, its primary focus is the assumption or acquisition of closed blocks of business. As of December 31, 2007, PALIC had assumed four blocks of business from other insurers. A review of the Company's major reinsurance agreements indicates the legitimate transfer of risk, as required by Regulation 1002 of the Delaware Insurance Code. The business assumed consists largely of traditional ordinary life, smaller blocks of term, interest sensitive life and fixed deferred annuity policies. Credit life and disability insurance is also assumed, but this business is 100% retroceded to outside reinsurers.

The Department's consulting actuary INS Consultants Inc., (INS) performed the valuation review of Park Avenue's December 31, 2007 reserves and prepared the Certificate of Reserve Valuation. During that process, summary work papers were reviewed and found to be in order. Actuarial Opinions and Reliance Statements from TPA and ceding company officials were also reviewed and found to be in order. Reserves were reconciled from the summary work papers to Exhibit 5. Reserves for all blocks revealed stable trends for the period under examination.

SUMMARY of SIGNIFICANT FINDINGS

1. It was observed that the Internal Audit Department (IAD) did not have access to all Parent Company records.

   Therefore:

   It is recommended that the IAD be granted full access to Parent Company records. (p. 10)

2. The Amended and Restated Agreement for Services and Reimbursement between GLIC and PALIC effective December 31, 2007, and approved by the Delaware Insurance Department on January 15, 2008, was not properly submitted on a Form D filing. Therefore:

   It is recommended that the Company comply with 18 Del.C. §5005(a)(2)d on future Form D filings for any new related party management and service agreements. (p. 11)

3. The Amended and Restated Agreement for Services and Reimbursement between GLIC and PALIC effective December 31, 2007, and approved by the Delaware Insurance Department on January 15, 2008, was improperly excluded from disclosure in the filed 2007 Form B submitted in April 2008. This agreement replaced and superseded a similar agreement with an original effective date of November 17, 1994.

   Therefore:

   It is recommended that the Company comply with 18 Del.C. §5004(b)(3)e on future Form B filings to include all existing management and service agreements. (p. 11)

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	**December 31, 2007**	**December 31, 2003**
Assets	$434,885,522	$523,156,066
Liabilities	284,354,493	356,622,512
Capital and Surplus	150,531,445	166,533,554

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. is acknowledged.

Respectfully submitted,

Anthony Cardone, CFE
Examiner In-Charge
State of Delaware