REPORT ON EXAMINATION

OF THE

SUN LIFE ASSURANCE COMPANY
OF CANADA (U.S.)

AS OF

DECEMBER 31, 2007

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

SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

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

Attest By: Sonia C. Harris

Date: 29 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 29th day of June 2009.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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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 29th day of June, 2009

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SALUTATION

March 26, 2009

Honorable Alfred W. Gross
Chairman, NAIC Financial
Condition Committee
2301 McGee, Suite 800
Kansas City, Missouri 64108-2604

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Insurance Commissioner
Delaware Department of Insurance
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Honorable Joel Ario
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1326 Strawberry Square
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Honorable James J. Donelson
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Honorable Merle D. Scheiber
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South Dakota Division of Insurance
Department of Revenue and Regulation
445 East Capitol Avenue
Pierre, SD 57501-3185

Honorable Morris J. Chavez
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Department of Insurance
State of New Mexico
Post Office Box 1269
Santa Fe, NM 87504-1269

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 08.003, dated March 31, 2008, an Association examination has been made of the affairs, financial condition and management of the

SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

hereinafter referred to as “Sun Life (U.S.)”, “Company” or “SLUS” incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 1209 Orange Street, Wilmington, Delaware 19801. The examination was conducted at the main administrative office of the Company, located at One Sun Life Executive Park, Wellesley Hills, MA 02481.

The report of this examination is submitted herewith.

SCOPE OF EXAMINATION

The last examination of the Company was conducted as of December 31, 2004. This examination covers the period since that date through December 31, 2007, and consisted of a general review of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The format of this report is designed to explain the procedures employed during the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible officials during the course of the examination.

This examination was conducted in accordance with the Association Plan of Examination guidelines established by the National Association of Insurance Commissioners ("NAIC"). No other states participated in the examination.

The general procedures of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook of the NAIC and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. In accordance with the aforementioned Handbook, the consulting firm of INS Services, Inc reviewed and tested, in part, the Company's Information Technology ("IT") systems and related high level control environment based on its responses to questions contained in the Evaluation of Controls in Information Systems Questionnaire – Exhibit C. Other examination planning exhibits were reviewed and tested, as needed, by the examiners.

The Company's independent accounting firm made available for review, all workpapers pertinent to its audit of the Company's financial statements for the year ended December 31,

2007. The workpapers of the independent accounting firm were reviewed in order to ascertain its analysis, audit procedures and conclusions. To the extent possible, these workpapers and analyses were utilized in the examination.

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
Statutory Deposits
Corporate Records
Officers, Employees and Agents' Welfare
NAIC Ratios
Legal Actions
All Asset & Liability items not mentioned

HISTORY

The Company is a member of the Sun Life Financial Group and was incorporated under the laws of Delaware on January 12, 1970, and commenced business in 1973. The Certificate of Authority authorized the Company to transact the business of life insurance and variable annuities. The certificate was amended in 1986 to include the authority to transact the business of variable life insurance, and in 2003 to include the authority to transact the business of health insurance.

The Company is a direct wholly-owned subsidiary of Sun Life of Canada (U.S.) Holdings, Inc. (the "Parent"). The Company is an indirect wholly-owned subsidiary of Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc. ("U.S. Holdco") and is an indirect wholly-owned subsidiary of Sun Life Financial Inc. ("SLF"), a reporting company under the Securities and Exchange Act of 1934.

On June 21, 2003, the Company received approval from the Delaware Department of Insurance to merge with its affiliate, Keyport Life Insurance Company ("Keyport"), with the Company as the surviving entity. The merger was completed on December 31, 2003.

As of December 31, 2004, U.S. Holdco was a direct wholly-owned subsidiary of Sun Life Assurance Company of Canada ("SLOC"), a life insurance company incorporated pursuant to an Act of Parliament of Canada in 1865, and a direct wholly-owned subsidiary of SLF.

On January 4, 2005, a re-organization was completed under which most of SLOC's asset management business in Canada and the U.S. was transferred to Sun Life Financial Corp., a newly incorporated wholly-owned direct subsidiary of SLF. On November 8, 2007, the name of Sun Life Financial Corp. was changed to Sun Life Global Investments Inc. The Company is now an indirect subsidiary of Sun Life Global Investments Inc., and continues to be an indirect subsidiary of SLF.

On October 31, 2007, the Company subscribed to $250,000 worth of shares of, and contributed $150 million of paid-in capital to a newly formed wholly-owned subsidiary, Sun Life Financial (U.S.) Reinsurance Company ("Sun Life Vermont"). Sun Life Vermont is a Vermont-domiciled special purpose financial captive insurance company, and a direct subsidiary of the Company.

CAPITALIZATION

Common Capital Stock and Paid-in Surplus

The Certificate of Incorporation provides that the authorized capital stock of the Company shall be 10,000 shares of $1,000 par value common stock. At December 31, 2007, 6,437 shares were issued and outstanding, resulting in total capital stock of $6,437,000. All shares were held by the Parent.

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

Dividends

The Company paid $200,000,000, $300,000,000 and $0 in stockholder dividends in 2005, 2006 and 2007, respectively, to its Parent. All dividends paid during the examination period received proper regulatory approval from the State of Delaware, as required under 18 Del.C. §5004(e) (1), which states,

"(e) Reporting of dividends to shareholders. –

> (1) Subject to §5005(b) of this title, each registered insurer shall provide notice to the Commissioner of all dividends and other distributions to shareholders within 5 business days following the declaration thereof and at least 10 days prior to the payment thereof."

Reconciliation of Capital and Surplus

The following reconciliation of capital and surplus for the period from its last examination as of December 31, 2004 to December 31, 2007, was extracted from the Company's filed Annual Statements:

Capital and Surplus, December 31, 2004		$1,584,930,854
Net income	$ 263,389,660	
Change in net unrealized capital gains or (losses)	(177,246,723)	
Change in net unrealized foreign exchange	9,730,320	
Change in net deferred income tax	23,743,838	
Change in non-admitted assets	(47,542,790)	
Change in liability for reinsurance	(2,057)	
Change in asset valuation reserve	(49,288,793)	
Surplus withdrawn from Separate Account	13,564,775	
Other changes in surplus in Separate Account	(2,378,288)	
Dividends to stockholders	(500,000,000)	
Aggregate write-ins for gains and losses in surplus		
Unrealized gain in undistributed partnership inc.	29,662,342	
Pension liability	(1,629,333)	
Stock option excess tax benefit	7,646,994	
Prior period adjustment	19,563,219	
	$(410,786,836)	
Capital and Surplus, December 31, 2007		$1,174,144,018

MANAGEMENT AND CONTROL

Stockholder

In accordance with the Company bylaws, annual meetings of the stockholder shall be held in the State of Delaware or at such other place within or out of the State of Delaware as may be specified in the notices of such meetings, in each year and at such time as determined by the Board of Directors ("BOD"). During the period under examination, written consents of the Company's sole stockholder in lieu of annual meeting were reviewed and accepted for each year under examination.

Board of Directors

The Company's bylaws provide that the business and affairs of the Company shall be managed by its BOD. The Company's bylaws stipulate that the BOD shall consist of not less than three (3) members. Directors are elected annually by the stockholder, and hold office until their successors are respectively elected and qualified. No director need be a stockholder. Special meetings of the BOD may be called by (1) the president on three days' notice to each director, or (2) by the president or secretary on like notice with the written request of two directors.

At December 31, 2007, the members of the BOD together with their principal business affiliations were as follows:

Name and Date Appointed	Principal Business Affiliation
Robert C. Salipante February 25, 2003	President - SLUS
Ronald H. Friesen October 11, 2006	Senior Vice President and Chief Financial Officer and Treasurer - SLUS
Mary M. Fay August 11, 2004	Senior Vice President and General Manager, Annuities - SLUS
Scott M. Davis August 11, 2004	Senior Vice President and General Counsel - SLUS

Donald A. Stewart October 31, 1996	Chief Executive Officer - SLF
Richard P. McKenney October 11, 2006	Executive Vice-President and Chief Financial Officer - SLF
Thomas A. Bogart August 11, 2004 (1)	Executive Vice-President and General Counsel - SLF

(1) Chairman of the BOD - SLUS

Committees

The BOD may, by resolution, adopted by a majority of the entire board, designate one or more committees of the board, (each committee to consist of one or more directors), which shall have and may exercise the powers of the BOD in the management of the business and affairs of the Company. As of December 31, 2007, the Company had two committees consisting of the following directors:

Officer Appointment Committee (established November 1, 2001)
Robert C. Salipante

Principal Officer Compensation Committee (established November 8, 2006)
Thomas A. Bogart
Richard P. McKenney
Donald A. Stewart

Officers

The Company's bylaws stipulate that the officers of the Company shall include a president, a secretary, and a treasurer. The BOD may also appoint a chairman, one or more vice presidents, and such other officers as are from time to time desired. Any of such offices may be held by the same person.

At December 31, 2007, the Company's principal officers and their respective titles were as follows:

Officer:	Title:
Robert C. Salipante	President
Ronald H. Friesen	Senior Vice President and Chief Financial Officer and Treasurer
Michael S. Bloom	Assistant Vice President and Senior Counsel and Secretary
Keith Gubbay	Senior Vice President and Chief Actuary

Mary M. Fay	Senior Vice President and General Manager, Annuities
Michele G. Van Leer	Senior Vice President and General Manager, Individual Insurance
Michael E. Shunney	Senior Vice President and General Manager, Group Insurance
John Wright	Executive Vice President, SLF U.S. Operations
Scott M. Davis	Senior Vice President and General Counsel
Janet V. Whitehouse	Senior Vice President, Human Resources and Public Relations
James M.A. Anderson	Executive Vice President and Chief Investment Officer

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.

Conflicts of Interest

All directors, officers and employees of SLUS are required to complete an annual "Code of Business Conduct Certification" of possible conflicts of interest in accordance with its adopted and amended policy regarding business conduct and conflicts of interest.

A review of executed disclosure statements was conducted during the examination period without material exception.

Certificate of Incorporation and Bylaws

A review of the Company's Certificate of Incorporation and bylaws revealed no changes were made during the examination period.

HOLDING COMPANY SYSTEM

As noted above, the Company is a direct wholly-owned subsidiary of the Parent. The Company is an indirect wholly-owned subsidiary of U.S. Holdco and is an indirect wholly-owned subsidiary of SLF, a reporting company under the Securities and Exchange Act of 1934.

SLF is a leading international financial services organization providing a diverse range of protection and wealth management products and services to individuals and corporate customers.

Originally chartered in Canada in 1865, the Sun Life Financial group of companies today has operations in key markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China and Bermuda. SLF trades on the Toronto (TSX), New York (NYSE), and Philippine (PSE) stock exchanges under ticker symbol SLF.

As of December 31, 2007, the Sun Life Financial group of companies had total assets under management of CDN$425 billion, shareholder equity of CDN$17,217 million, and earned net income of CDN$2,219 million on total reported revenues of CDN$21,188 million.

A review of the Company's Insurance Holding Company Annual Registration Statement filing (Form B) for all years under examination was performed without material exception.

Organization Chart

The following 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, 2007:

Company	Domicile	% own
Sun Life Financial Inc.	Canada	
Sun Life Global Investments Inc.	Canada	100%
Sun Life Assurance Company of Canada – U.S. Operations Holdings, Inc.	Delaware	100%
Sun Life Financial (U.S.) Holdings, Inc.	Delaware	100%
Sun Life Financial (U.S.) Investments LLC	Delaware	100%
Sun Life of Canada (U.S.) Holdings, Inc.	Delaware	100%
Sun Life Assurance Company of Canada (U.S.)	Delaware	100%
Independence Life and Annuity Company	Rhode Island	100%
Sun Life Insurance and Annuity Company of New York	New York	100%
Sun Life Financial (U.S.) Reinsurance Company	Vermont	100%

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2007, the company was licensed to transact a multiple lines insurance business in 49 states, the District of Columbia, Puerto Rico and the US Virgin Islands.

The Company's wholly owned subsidiary, Sun Life Insurance and Annuity Company of New York ("SLNY"), is licensed in the state of New York. No new jurisdictions were added during this examination period.

Plan of Operation

For the year ending December 31, 2007, approximately forty-nine percent (49.4%) or $3,207,300,567 of the Company's direct premium was written in five states: Delaware, 16.5%; New Jersey, 10.5%; California, 8.8%; Pennsylvania, 7.5%; and Illinois, 6.1%. Direct written premiums of the Company's forty-seven (47) other jurisdictions amounted to approximately 50.6% or $3,284,813,417.

The Company and its subsidiaries ("the Companies") are engaged in the sale of individual variable universal life insurance, individual and group variable life insurance, individual universal life insurance, Corporate-owned and Bank-owned Life Insurance (COLI/BOLI), individual and group fixed and variable annuities, and funding agreements.

The Companies' products are distributed through wholesale distribution channels with independent brokers and broker-dealers, individual insurance agents, financial planners to both the tax-qualified and non-tax qualified markets, general agents, national distributors and financial institutions. The Company has appointed approximately 104,000 producers during the examination period, consisting of independently licensed insurance agents and registered representatives of FINRA, i.e., the Financial Industry Regulatory Authority. The Company does not utilize Managing General Agents, Program Administrators, or have any exclusive agent or agency agreements.

The Company has established registered separate accounts as investment vehicles for the variable portion of individual and group qualified and non-qualified combination Fixed/Variable Deferred Annuity contracts and Variable Life Insurance contracts. The Company has also established a non-unitized separate account for amounts allocated to the fixed portion of these combination contracts.

Separate Accounts as of December 31, 2007

Number of Accounts	Type of Separate Account	Description	Investment Vehicles
6	Registered	Managed Separate Accounts registered as open-end management investment companies under the Investment Company Act of 1940 (mutual funds)	Various securities based upon the investment objectives of the different funds.
8	Non-registered	Separate accounts used for private placement and Business Owned Life Insurance ("BOLI") business	Various securities based upon the investment objectives of the different funds.
1	Registered	Unit Investment Trust	Certain publicly available mutual funds advised by Massachusetts Financial Services Company ("MFS"), a wholly owned subsidiary.
3	Registered	Unit Investment Trusts	MFS Variable Insurance Trust II ("VIT II"), a mutual fund established by the Company in 1983 ① as well as various Variable Investment Trusts managed by unaffiliated investment advisors
1	Registered	Unit Investment Trust	MFS Variable Insurance Trust, advised by, a wholly owned subsidiary of the Company, as well as various Variable Investment Trusts managed by unaffiliated investment advisors
2	Registered	Unit Investment Trust	Various Variable Investment Trusts managed by unaffiliated investment advisors
1	Registered	Unit Investment Trust	Both the VIT II and certain publicly available mutual funds advised by MFS
1	Non-Registered	Separate Account used for Modified Guaranteed Annuity Contracts	Various securities mirroring the General Account portfolio
1	Registered	Unit Investment Trust	VIT II

① *The VIT II currently is composed of twenty-eight (28) independent initial class funds and (28) service class funds of securities each of which has separate investment objectives and policies. Not all portfolios are available for investment by all separate accounts.*

Best's Rating

Based on A.M. Best's current opinion of the consolidated financial condition and operating performance of the life and health members of Sun Life Financial Group, which operate under a group structure, the Company was assigned a Best's rating of A++ (Superior) for the year ending 2007.

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 / Losses
2007**	$44,700,805,700	$43,526,661,682	$1,174,144,018	$6,492,113,984	$23,983,555	($55,000,122)
2006	42,552,001,902	41,125,527,907	1,426,473,995	3,837,936,808	1,824,344,395	171,853,887
2005	40,293,920,565	38,751,400,485	1,542,520,080	3,008,427,192	927,072,263	146,535,895
2004**	39,839,134,399	38,254,203,545	1,584,930,854	3,934,044,555	26,245,309	230,901,563

* Includes Separate Accounts
** Does not include adjustments as a result of the prior or current examinations

Since year-end 2004, net admitted assets have increased by 12.2% while total liabilities increased proportionately by 13.8%. Over the same period, total capital and surplus decreased by 25.9%. This decrease is primarily a result of dividends paid to the stockholder and a significant increase in transfers from the General Account to Separate Account (transfers increased 1,436.6% from 2006 to 2007) and realized capital losses totaling $47.6 million, which resulted in a net loss in 2007 of $55 million. Premiums and annuity considerations have advanced by 65.0% since December 31, 2004.

Although not shown, total policyholder reserves at December 31, 2007, 2006 and 2005 were $8,614 million, $9,943 million, and $10,989 million, respectively. The change in policyholder reserves from 2006 to 2007 was mainly attributable to decreased annuity reserves of $1,235.5 million, due to increased surrenders, a decrease in fixed index annuity reserves of

$45.1 million, a decrease in variable annuities of $30.6 million, a decrease in COLI reserves of $12.4 million, a decrease in BOLI reserves of $2.0 million and a decrease in Universal Life reserves of $3.8 million. Guaranteed minimum death benefits reserves decreased by $27.5 million and $40.7 million respectively, due to equity market improvements during 2007 and 2006.

The increase in Direct Written Premiums from 2006 to 2007 is primarily attributed to $1,632.4 million increase in BOLI premiums, $162.7 million increase in fixed annuity premiums, $1,092.6 million increase in variable annuity premiums and $42.0 million increase in COLI premiums. These were only slightly offset by decreased fixed index annuity premiums of $265.9 million. The increase from 2005 to 2006 is primarily attributed to $476.0 million increase in BOLI premiums, $169.6 million increase in fixed annuity premiums, $367.3 million increase in variable annuity premiums and $82.7 million increase in COLI premiums. These were only slightly offset by decreased fixed index annuity premiums of $276.1 million.

The Company's net investment income was $831.4 million, $898.7 million and $729.4 million for the years ended December 31, 2007, 2006 and 2005. From 2006 to 2007 the primary driver of the decrease in net investment income was the lower average net assets. Average net assets were $16,895 million and $17,883 million for the twelve month periods ended December 31, 2007 and 2006 respectively. From 2005 to 2006, the majority of the increase was attributable to derivative income. Derivative income was $160.9 million higher than 2005.

REINSURANCE

Following is a summarization of the various reinsurance contracts in place as of December 31, 2007.

Assumed

Three assumed coinsurance contracts were in-force as of December 31, 2007. Two were Keyport contracts assigned to the Company as a result of the merger of Keyport into the Company effective December 31, 2003 (refer to the "History" section of this Report), and are terminated for new business. The third contract, effective October 1, 2005, was terminated for new business effective February 12, 2007. Refer to the "Accounts and Records" section of this Report, under the caption "Reinsurance" for comments regarding the reporting of reinsurance on a deposit-type accounting basis.

Ceded

All contracts with effective dates occurring during the period under examination were reviewed. On a test basis, the financial reporting relating to selected material contracts was validated. All contracts included a proper insolvency clause, and have a true transfer of risk to the reinsurer. Retention limits are set periodically by Board resolution. The current retention limit for the Company is $2 million. Retained amounts in excess of the Company's $2 million limit, but within SLOC's retention limits, are ceded to SLOC. A number of contracts were assigned by way of the merger of Keyport into the Company effective December 31, 2003.

- **Affiliated:**

Effective December 31, 2003, the Company ceded a block of single premium whole life policies under a 100% coinsurance agreement with SLOC, administered on a funds withheld basis, and covering business originally issued by Keyport. This contract accounted for 92.5% of the 2007 reserve credits taken for all ceded reinsurance, and is terminated for new business. The Company has three other contracts with SLOC, which are not considered material.

The Company reports its reinsurance based on two divisions, Individual and Annuity, further broken into business segments. These segments are listed below and a discussion of each follows.

Individual Non-Corporate Owned Life Insurance ("COLI")
Individual COLI
Individual Private Placement Variable Universal Life ("PPVUL")
Annuities

- **Individual Non COLI:**

The Company has two primary reinsurance programs in this segment. (1) The Company is party to a first dollar quota share pool, automatic yearly renewable term reinsurance agreement. The program cedes the net amount at risk for the unit's Variable Universal Life ("VUL") polices. The Company's retention is 10% (2005 and prior) / 15% (2006 and forward). (2) The Company is party to an automatic modified coinsurance ("modco") agreement for its Sun Prime Protector VUL program, where under the reinsurer has a 50% share of all cash flows relating to the product and reinsured riders. The modco agreement provides automatic capacity up to $50 million, with the reinsurer and Company each providing $25 million of capacity. The $25 million of capacity provided by SLUS is made up of $15 million first layer and the excess $10 million from three external reinsurers. The Company does have other reinsurance agreements in place that are in run-off and are not considered material.

- **Individual COLI:**

The reinsurance program for this segment is a first dollar quota share pool, automatic yearly renewal term reinsurance agreement. The program cedes the net amount at risk for the unit's Corporate and Large Case VUL and PPVUL products. The Company's retention is from 15% to 50% depending on treaty year and issue year. Effective March 29, 2007, all third-party reinsurance agreements were terminated for COLI automatic new business, although agreements with two reinsurers have remained open for facultative new business. Fifty percent of COLI VUL written, as well as amounts in excess of the Company's $2 million retention limit, is ceded to SLOC. The Company does have other reinsurance agreements in place that are in run-off and are not considered material.

- **PPVUL**

The Company has two reinsurance programs for this segment: an automatic YRT covering its Alternative Advantage PPVUL product, and modified coinsurance covering the Magnastar PPVUL products. The Company's retention for the YRT treaty is 10%, with all the retained risk then ceded to SLOC. The Company's retention for the modco agreement is 50% with the other 50% ceded to an external reinsurer.

- **Annuities:**

The Company has a number of contracts in place for its annuity business. These contracts are in run-off and are considered material. The majority of these contracts were assigned to SLUS as part of the December 31, 2003 merger with Keyport. One contract with significant reserve credits is a quota share agreement on a certain block of fixed annuity five year products. The assets supporting the business ceded are secured using a trust, which can only be accessed for the payment of policy benefits, ceding allowances and other specified items defined in the treaty. The amount of assets equal to the NAIC reserve is the basis for the trust amount at the end of each quarter. This block is closed to new business. In November 2007, the Company started recapturing the policies reinsured that have reached the end of their fixed term. The recapture of all the policies will end by August 31, 2008, at which point the reinsurance treaty will be terminated.

The Company has three 100% quota share yearly renewal term agreements for the excess of guaranteed minimum death benefit ("GMDB") over account value protection on its variable annuity products. These are catastrophic types of coverage on GMDB exposures. There is a total negative reserve credit of $20.7 million reflected in the Company's December 31, 2007 Annual Statement, Schedule S, Part 3 for the three contracts. The credit is reported because the Company has projected underlying premiums that will exceed the expected reserve requirement. The consulting actuary reviewed the negative reserve credit and concluded that it is appropriate.

INTERCOMPANY AGREEMENTS

The Company had the following intercompany agreements and arrangements in effect as of December 31, 2007:

Service Agreements

As of December 31, 2007, the Company had thirty-four service agreements in place with its subsidiaries and affiliates, consisting of general service, investment service, and marketing (agency) service agreements. Of these agreements, twelve were entered into during the current examination period consisting of two service agreements, six administrative services agreements, and four general service agreements, summarized as follows:

- Effective February 15, 2005, the Company entered into a services agreement with Clarendon Insurance Agency, Inc. ("Clarendon"), under which the Company is permitted to receive a fee for services it provides to Clarendon in its capacity as principal underwriter for variable contracts issued by the Company.

- Effective August 30, 2005, the Company entered into a services agreement with Sun Life Investments LLC, whereby the Company provided property, equipment, facilities, and administrative services to Sun Life Investments LLC.

- Effective January 1, 2006, the Company entered into an administrative services agreement under which the Company provides facilities and services to Sun Life Financial Global Funding, L.P., Sun Life Financial Global Funding, U.L.C., and Sun Life Financial Global Funding, L.L.C. on a cost reimbursement basis.

- Effective January 1, 2006, the Company entered into an administrative services agreement with SLNY, and Massachusetts Financial Services Company ("MFS"), whereby the Company and SLNY receive a fee for services performed with respect to the MFS/Sun Life Series Trust, for which MFS serves as the investment advisor.

- Effective December 1, 2006, the Company entered into an administrative services agreement under which the Company provides facilities and services to Sun Life Financial Global Funding II, L.P., Sun Life Financial Global Funding II, U.L.C., and Sun Life Financial Global Funding II, L.L.C. on a cost reimbursement basis.

- Effective December 1, 2006, the Company entered into an administrative services agreement under which the Company provides facilities and services to Sun Life Financial Global Funding III, L.P., Sun Life Financial Global Funding III, U.L.C., and Sun Life Financial Global Funding III, L.L.C. on a cost reimbursement basis.

- Effective May 31, 2007, the Company entered into an administrative services agreement with California Benefits Dental Plan ("CBDP"), whereby the Company provides various administrative services to CBDP on a cost reimbursement basis.

- Effective June 1, 2007, the Company entered into a general services agreement with Sun Life Retirement Services (U.S.) Inc. ("SLRS"), under which the Company provides various administrative services to SLRS on a cost reimbursement basis.

- Effective May 31, 2007, the Company entered into a general services agreement with Professional Insurance Company ("PIC"), whereby the Company provides facilities, personnel, and administrative services to PIC on a cost reimbursement basis.

- Effective May 31, 2007, the Company entered into a general services agreement with Sun Life Administrators (U.S.) Inc. ("SLAUS"), whereby the Company provides facilities, personnel, and administrative services to SLAUS on a cost reimbursement basis.

- Effective May 31, 2007, the Company entered into a general services agreement with Sun Life and Health Insurance Company (U.S.) ("SLHIC"), whereby the Company provides facilities, personnel, and administrative services to SLHIC on a cost reimbursement basis.

- Effective November 8, 2007, the Company entered into an administrative services agreement with Sun Life Financial (U.S.) Reinsurance Company ("SLFRC"), under which the Company provides personnel, facilities, accounting, legal, and other administrative services to SLFRC on a cost reimbursement basis.

For all of the above agreements, the Company submitted notification to, and received approval from the Delaware Insurance Department in accordance with 18 Del.C. §5005(a)(2)(d).

All thirty-four agreements in place as of December 31, 2007, require monthly settlement, and include a thirty, sixty, ninety day or other appropriate termination clause. Refer to the

"Subsequent Events" section of this Report, under the caption "Intercompany Service Agreements" for details regarding additional intercompany agreements entered into subsequent to December 31, 2007.

Term Agreements and Funding Agreements

On June 3, 2005 (a), June 29, 2005 (b), May 17, 2006 (c), September 12, 2006 (d), and September 21, 2006 (e), the Company entered into five separate Terms Agreements (a, b, c, d, e) with the following affiliates:

- (a and b) - Sun Life Financial Global Funding, L.P. ("Issuer I"), Sun Life Financial Global Funding, U.L.C. ("ULC I") and Sun Life Financial Global Funding, L.L.C. ("LLC I"), collectively known as the "MTN Companies";
- (c) - Sun Life Financial Global Funding II, L.P. ("Issuer II"), Sun Life Financial Global Funding II, U.L.C. ("ULC II") and Sun Life Financial Global Funding II, L.L.C. ("LLC II"), collectively known as the "MTN II Companies";
- (d and e) - Sun Life Financial Global Funding III, L.P. ("Issuer III"), Sun Life Financial Global Funding III, U.L.C. ("ULC III") and Sun Life Financial Global Funding III, L.L.C. ("LLC III"), collectively known as the "MTN III Companies"; and

various investment banks and banking institutions in connection with the offer and sale by the Issuers of:

(a) $600 million of Series 2005-1 Floating Rate Notes due 2010 (the "First Tranche Notes");
(b) $300 million of Series 2005-1-2 Floating Rate Notes due 2010 (the "Second Tranche Notes");
(c) $900 million of Series 2006-1 Floating Rate Notes due 2011 (the "2006-A Notes");
(d) $750 million of Series 2006-1 Floating Rate Notes due 2013 (the "2006-B Notes"); and
(e) a second tranche of $150 million of Series 2006-B Notes.

The payment of obligations of the Issuers are unconditionally guaranteed by the LLCs pursuant to "Secured Guarantees", and the obligations of the LLCs under the "Secured Guarantees" (with respect to the above Notes) are secured by floating rate funding agreements issued by the Company to the LLCs on June 10, 2005 (a), July 5, 2005 (b), May 24, 2006 (c), September 19, 2006 (d), and September 29, 2006 (e), respectively.

Along with the Terms Agreements, the Company entered into three separate Administrative Service Agreements with the MTN Companies (discussed above under the caption “Service Agreements”), in which the Company provides facilities and services on a cost reimbursement basis.

Floating Rate Demand Notes and Interest Rate Swap Agreements

In conjunction with the aforementioned Terms Agreements and Funding Agreements, the Company entered into the following:

- Three $100 million floating rate demand notes on June 10, 2005, May 24, 2006, and September 19, 2006, payable to the LLC I, LLC II, and LLC III, respectively; and
- Interest rate swap agreements with the LLC I, LLC II, and LLC III, each with an aggregate notional amount of $900 million that effectively converts the floating rate payment obligations under the aforementioned funding agreements to fixed rate obligations.

Guarantee Agreements

As of December 31, 2007, the Company had four guarantee agreements in place with subsidiaries as follows:

- Effective June 25, 1998, amended November 11, 2001, the Company entered into two separate guarantee agreements, under which the Company guarantees the payment of obligations in connection with any insurance policy or annuity contract issued by (1) Independence Life and Annuity Company (“INDY”) on or after June 25, 1998, and (2) the former Keyport Benefit Life Insurance Company ("KBL") on policies issued prior to its merger with and into SLNY on December 31, 2002.
- The Company's wholly-owned subsidiary, SLNY, sells, among other products, combination fixed and variable annuity contracts (the "contracts") in the State of New York. These contracts contain a fixed investment option, where interest is paid as a guaranteed rate for a specified period of time, and withdrawals made before the end of

the specified period may be subject to a market value adjustment that can increase or decrease the amount of the withdrawal proceeds (the "fixed investment option period"). Effective September 27, 2007, the Company provided full and unconditional guarantee of SLNY's obligations related to SLNY contracts' fixed investment option period for policies in-force prior to September 27, 2007, or sold on or after September 27, 2007 through two separate guarantee agreements.

Income Tax Allocation Agreement

Effective January 1, 2000 and as amended, the Company entered into a tax allocation agreement with U.S. Holdco and other affiliates and subsidiaries of U.S. Holdco, whereby the parties to the agreement file a consolidated federal income tax return. The Company's tax liability is calculated based upon its respective share of consolidated taxable income. The agreement further provides that the Company shall receive reimbursement to the extent that its losses and other credits result in a reduction of the current year's consolidated tax liability, not to exceed its liability as if filed on an individual basis. The Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

EXTERNAL AGREEMENTS

In addition to the above intercompany agreements, the Company had the following external agreements in effect at December 31, 2007:

Custodial Agreements

The Company is party to two custodial agreements for the purpose of safekeeping invested assets in both the General Accounts and Separate Accounts, as noted below. A review of these agreements showed them to contain necessary and required safeguards protecting the Company’s investments being held by the custodian. The agreements in place at December 31, 2007 are as follows:

- Effective June 8, 1999 and as amended, the Company entered into a custodial agreement with State Street Bank and Trust Company (“State Street’) for the purpose of safekeeping the Company’s Separate Account invested assets.
- Effective December 31, 2003 and as amended, the Company, as successor to Keyport, assumed all rights, title, interest, duties, and obligations under the custodial agreement with Mellon Trust of New England N.A. ("Mellon"), initially effective September 2, 1997. The original agreement was entered into for the purpose of safekeeping Keyport's invested assets. This agreement is applicable to the Company’s General Account invested assets.
- Effective January 5, 2006 and as amended, the Company entered into a custodial agreement with State Street with regards to the Company’s 401k Plan assets.

Amended and Restated Investment Accounting Agreement - State Street

Effective May 20, 2002, the Company entered into an Investment Accounting Agreement with State Street for the purpose of investment accounting and recordkeeping functions for investment portfolio assets as custodian. This agreement is applicable to the Company’s Separate Account invested assets.

Settling Bank Agreement - State Street Bank

Effective April 30, 1998, the Company entered into a Settling Bank Agreement with State Street for the purpose of effecting same day funds settlement with the National Securities Clearing Corp (NSCC). This agreement is applicable to the Company’s Separate Account invested assets.

Security Lending Agreement – Citibank

Effective August 12, 2002, the Company, as successor to Keyport, entered into a Security Lending Agency Agreement with Citibank, N.A. for the purpose of lending securities held in the Company's Mellon Bank custodial accounts. This agreement is applicable to the Company's General Account invested assets.

Mortgage Servicing and Real Estate Management Agreements

The Company is party to several Mortgage Servicing and Real Estate Management Agreements for the handling of its commercial mortgage loan and real estate portfolio. A review of these agreements noted that they are of a standard nature, and contain safeguards protecting the Company's financial interests.

Transition Services Agreement

Effective May 31, 2007, the Company entered into a transition services agreement with Genworth Financial Inc. ("Genworth") in conjunction with SLF's purchase through assignees, of five Genworth companies (Sun Life and Health Insurance Company (U.S.) f.k.a. Genworth Life and Health Insurance Company; Sun Life Administrators, Inc. f.k.a. Genworth Administrators, Inc.; Dental Holdings, Inc. including its subsidiary California Benefits Dental Plan; and Professional Insurance Company). Under terms of the agreement, Genworth is to provide transition services for approximately 12 months until the purchased companies' operations are transitioned into SLF's operations. Transition services provided include, but are not limited to accounting, actuarial, IT, tax, production support, and policy maintenance. The agreement terminates upon the earliest to occur of (i) the last date on which Genworth is obligated to provide scheduled services in accordance with the agreement; or (ii) the mutual agreement of the Parties in writing. As of the date of this report, all services covered under the Transition Services Agreement have been transitioned into SLF's U.S. operations.

Privacy and Information Security Agreement

Effective May 31, 2007, and in conjunction with the aforementioned Transition Services Agreement, the Company entered into a Privacy and Information Security Agreement with Genworth. This agreement details Genworth's responsibilities with regards to any personal or private health information received from, or created or received on behalf of the purchased Genworth companies, that may be subject to the requirements of various privacy and information security laws and regulations (including without limitation, the Gramm-Leach-Bliley Act and the Health Insurance Portability and Accountability Act of 1996, and the regulations promulgated thereunder). The agreement remains effective until all Protected Health Information ("PHI") provided by the purchased Genworth companies to Genworth, or created or received by Genworth on behalf of the purchased companies is destroyed or returned to the relevant purchased company. If it is infeasible to destroy PHI, so long as Genworth maintains any PHI, Genworth will extend the protections under this agreement until such time that the PHI is destroyed.

General Agent and Master General Agent Agreements

Within the Company’s fixed annuities distribution through independent licensed insurance sales representatives and independent marketing organizations, the Company utilizes General Agent or (non-exclusive) Master General Agent Agreements. These agreements are of a standard form/format, and detail the General Agents’ or Master General Agents’ duties and responsibilities.

Other Vendor Contracts

In addition to the above non-affiliate contracts, the Company has entered into contracts with various independent contractors for the performance of services which include, but are not limited to, providing producer research services, software licensing, payroll and retirement services, client document printing and mailing services, producer and firm appointment and termination services, support and maintenance services, and investment related services. These agreements are renewed on an annual basis, based on past performance and the needs of the Company at the renewal date.

ACCOUNTS AND RECORDS

Accounting System and Information

During the examination period, all necessary accounting records of the Company were maintained on electronic data processing equipment ("EDP"). The general ledger is maintained on a statutory basis with additional accounts used to convert to the accrual basis suitable for Generally Accepted Accounting Principles.

SLUS's equipment and information technology control environment was tested as of December 31, 2007 by INS Services, Inc., and given a control risk assessment of 'Medium'.

Independent Accountants

The Company's financial statements are audited each year by the firm of Deloitte & Touche LLP or "D&T", of Boston, MA. 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 2006 and 2007 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 Steven H. Schoen, Vice President, 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.

Reinsurance

The following comments and findings were noted during the current examination, and pertain to the Company's overall reinsurance program:

- As noted in the prior examination report, reinsurance agreements in force during the current examination period (2005, 2006 and 2007) were not executed by both parties in a timely manner. In order for credit to be granted for the reinsurance ceded, the agreement, amendment, or a binding letter of intent has to be duly executed by both parties no later than the "as of date" of the financial statement. In the case of a letter of intent, the reinsurance agreement or amendment must be executed within a reasonable amount of time, not exceeding ninety (90) days from the execution date of the letter of intent, in order for credit to be granted for the reinsurance ceded. The impact of reducing reinsurance credit for these agreements is not considered material and no financial changes will be made for the purpose of this examination report. Therefore, as noted in the prior exam report,

  It is recommended that the Company comply with Title 18 Del.C. §1002 (5.1 and 5.2) whereby reinsurance agreements must be duly executed by both parties no later than the "as of date" of the financial statement. In the case of a letter of intent, the reinsurance agreement or amendment must be executed within a reasonable amount of time, not exceeding ninety (90) days from the execution date of the letter of intent in order for credit to be granted for the reinsurance ceded.
  Recommendation 1/3

- In the individual reinsurance operations, the Company reported seven reinsurance contracts with incorrect effective dates. The Company appeared to use amendment dates in error. Therefore, as noted in the prior exam report,

  It is recommended that the Company complete its Schedule S in accordance with NAIC *Annual Statement Instructions* and 18 <u>Del.C.</u> §526(a), verifying

that all financial and non-financial data is reported accurately, completely, and appropriately.
Recommendation 2/3

- The Company reported a reinsurance agreement for which it could not produce a reinsurance treaty. The impact of reducing reinsurance credit for this agreement is not considered material and no financial changes will be made for the purpose of this examination report. Refer to recommendation 2/3 in this section of this Report, under the caption "Reinsurance" regarding compliance with NAIC *Annual Statement Instructions* and 18 Del.C. §526(a).

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2007, as determined by this examination, along with supporting exhibits as detailed below:

General Account
Analysis of Assets, December 31, 2007
Statement of Liabilities, Surplus and Other Funds, December 31, 2007
Summary of Operations, December 31, 2007
Capital and Surplus Account, December 31, 2007
Schedule of Examination Adjustments

Separate Account
Analysis of Assets, December 31, 2007
Statement of Liabilities, Surplus and Other Funds, December 31, 2007

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding. The narratives on the individual accounts, with the exception of the reserve related balances, are presented on the "exception basis" in the Notes to the Financial Statements section of this report.

General Account
Analysis of Assets
As of December 31, 2007

	Assets	Non-admitted Assets	Net Admitted Assets	Notes
Bonds	$11,831,277,775		$11,831,277,775	1
Preferred Stock	155,725,536		155,725,536	
Common Stock	258,263,409	$ 3,230	258,260,179	2
Mortgage loans on real estate - first liens	1,694,024,224		1,694,024,224	
Real estate				
Properties occupied by the company	61,779,963		61,779,963	
Properties held for the production of income	90,944,633	99,880	90,844,753	
Cash	(47,713,448)		(47,713,448)	
Short-Term Investments	269,192,220		269,192,220	
Contract loans	686,590,489	7,925	686,582,564	
Other invested assets	262,607,182		262,607,182	
Receivable for securities	2,331,437		2,331,437	
Agg. Write-ins for invested assets:				
Options and swaptions	281,564,161		281,564,161	3
Futures receivable	608,127		608,127	
Derivative collateral	105,360,000		105,360,000	
Investment income due or accrued	195,083,414		195,083,414	
Amounts recoverables from reinsurers	884,939		884,939	
Other amounts receivable under reinsurance contracts	50,988,802		50,988,802	
Current federal and foreign taxes recoverable	31,551,000		31,551,000	4
Net Deferred Tax Asset	388,969,426	242,910,167	146,059,259	5
Electronic data processing equipment	220,475	220,475		
Furniture and equipment, including health care delivery asse	4,423,068	4,423,068		
Receivable from parent, subsidiaries and affiliates	78,830,427		78,830,427	
Aggregate write-in:				
Miscellaneous receivables and other assets	19,313,434	8,234,998	11,078,436	
Prepaid expenses	36,300,974	36,300,974		
Prepaid pension plan	48,197,200	48,197,200		
Amount due from agents	3,099,336	3,099,336		
Total assets excluding Separate Accounts	$16,510,418,203	$343,497,253	$16,166,920,950	
From Separate Accounts	28,485,961,830		28,485,961,830	
Total	$44,996,380,033	$343,497,253	$44,652,882,780	

Statement of Liabilities, Surplus and Other Funds
As of December 31, 2007

			Notes
Aggregate reserve for life contracts		$8,577,956,326	6
Liability for deposit-type contracts		3,708,355,007	7
Contract claims - Life		16,215,417	8
Surrender values on canceled contracts		133,706	
Other amounts payable on reinsurance		14,014,073	9
Interest maintenance reserve		50,581,651	
Commissions to agents due or accrued - life contracts and annuity		11,188,720	
General expenses due or accrued		141,309,669	
Transfers to Separate Accounts due or accrued		(342,096,015)	10
Taxes, licenses and fees		35,763,343	
Unearned investment income		92,078	
Amounts withheld or retained by company as agent or trustee		1,549,679	
Remittances and items unallocated		11,591,972	
Liability for benefits for employees and agents if not included above		48,640	
Borrowed money		380,042,863	
Asset valuation reserve		252,029,476	
Reinsurance in unauthorized companies		8,128	
Funds held under coinsurance		1,541,789,781	11
Payable for securities		59,048,895	
Aggregate write-ins for liabilities:			
Stale checks		2,010,653	
Miscellaneous liabilities		450,424	
Deposits by mortgager to pay principal and interest		17,019	
Counter party payment accruals		26,063,098	
Escheatment liabilities		519,754	
Surplus note interest due and accrued		4,228,521	
Amounts payable for securities lending collateral		370,430,093	
Derivative collateral payable		105,362,312	
Reinsurance assumed - deposit accounting		9,543,629	
Swaps and forwards		6,627,547	
Total liabilities excluding Separate Accounts business		$14,984,876,459	
From Separate Accounts statement		$28,474,022,278	
Total liabilities		$43,458,898,737	
Common Capital Stock		6,437,000	
Surplus notes		565,000,000	
Gross paid in and contributed surplus		689,418,665	
Unassigned funds (surplus)		(66,871,622)	
Total capital and surplus		$1,193,984,043	
Total liabilities, capital and surplus		$44,652,882,780	

Summary of Operations
As of December 31, 2007

Premiums and annuity considerations for life and accident and health contracts		$6,492,113,984
Consideration for supplementary contracts with life contingencies		25,517,613
Net investment income		831,423,605
Amortization of interest maintenance reserve (IMR)		10,504,550
Separate Accounts net gain from operations excluding unrealized gains or losses		46,925
Commissions and expense allowances on reinsurance ceded		566,123
Reserve adjustments on reinsurance ceded		5,031,992
Miscellaneous income: Income from fees associated with investment management,		
administration and contract guarantees from Separate Accounts		415,711,318
Aggregate write-ins for miscellaneous income:		
Miscellaneous income		106,472,382
Total		$7,887,388,492
Death benefits		$31,502,373
Annuity benefits		512,561,388
Surrender benefits and withdrawals for life contracts		4,947,281,071
Interest and adjustments on contracts or deposit-type contract funds		207,970,980
Payments on supplementary contracts with life contingencies		23,487,064
Increase in aggregate reserves for life and accident and health contracts		(1,328,729,211)
Totals		$4,394,073,665
Commissions on premiums, annuity considerations, and deposit-type contract funds		$ 311,646,840
Commissions and expense allowances on reinsurance assumed		116,670
General insurance expenses		191,080,000
Insurance taxes, licenses and fees, excluding federal income taxes		47,168,666
Net transfers to or (from) Separate Accounts net of reinsurance		2,920,231,034
Aggregate write-ins for deductions:		
Fines and penalties of regulatory authorities		101,489
Totals		$7,864,418,364
Net gain from operations before dividends to policyholders and federal income taxes		$22,970,128
Federal and foreign income taxes		30,305,951
Net gain from operations after dividends to policyholders and federal income taxes and before		
realized capital gains or (losses)		($7,335,823)
Net realized capital gains (losses)		(47,664,299)
Net income		($55,000,122)

Capital and Surplus Account
As of December 31, 2007

Capital and surplus, December 31, prior year		$1,426,473,995
Net income		($55,000,122)
Change in net unrealized capital gains or (losses)		(187,890,247)
Change in net unrealized foreign exchange capital gain (loss)		10,197,833
Change in net deferred income tax		65,308,089
Change in non-admitted assets and related items		(76,240,985)
Change in liability for reinsurance in unauthorized companies		(814)
Change in asset valuation reserve		(11,822,712)
Aggregate write-ins for gains and losses in surplus		
Stock option excess tax benefit		3,118,981
Net change in capital and surplus for the year *		($252,329,977)
Adjustment to surplus as a result of December 31, 2007 Examination		19,840,025
Capital and surplus, December 31, current year		$1,193,984,043

*Note that the schedule above reflects the changes recognized in the Audited Financial Statements, and adjustments noted in the current examination as a separate line item identified as "Adjustment to surplus as a result of December 31, 2007 Examination."

SEPARATE ACCOUNTS

Analysis of Assets
As of December 31, 2007

	Fair Value Basis	Notes
Bonds	$9,225,234,238	
Preferred stocks	22,416,996	
Common stocks	17,138,332,878	
Mortgage loans on real estate:	457,216,656	
Cash	569,016,411	
Short-term investments	119,959,274	
Other invested assets	1,049,653	
Investment income due and accrued	80,872,312	
Receivable for securities	752,699,950	
Aggregate write-ins for other than invested assets	119,163,462	
Total assets	$28,485,961,830	

Liabilities and Surplus

As of December 31, 2007

Aggregate Reserve for Life and Annuity Contracts and Policies	$26,075,716,029	12
Liability for deposit-type contracts	111,580,707	13
Investment expenses due or accrued	375,229	
Other transfers to general account due or accrued	342,096,015	
Remittances and items not allocated	242,374	
Payable for securities	1,810,579,213	
Aggregate write-in for liabilities	133,432,711	
Total Liabilities	$28,474,022,278	
Unassigned funds	11,939,552	
Total Liabilities and Surplus	$28,485,961,830	

SCHEDULE OF EXAMINATION ADJUSTMENTS

Description	Per Examination	Per Company	Surplus Increase (Decrease)	Notes
General Account				
Assets:				
Bonds	11,831,277,775	11,834,477,775	(3,200,000)	1
Common Stock	258,260,179	260,655,973	(2,395,794)	2
Aggregate write-ins for other invested assets				
Options and Swaptions	281,564,161	347,516,161	(65,952,000)	3
Current federal and foreign taxes recoverable	31,551,000	13,733,126	17,817,874	4
Net deferred tax asset	146,059,259	140,252,259	5,807,000	5
Adjusted Admitted Assets	$12,548,712,374	$12,596,635,294	($47,922,920)	
Liabilities and Surplus:				
Aggregate reserve for life contracts	8,577,956,326	8,614,221,326	(36,265,000)	6
Other amounts payable on reinsurance	14,014,073	607,593	13,406,480	9
Funds held under coinsurance	1,541,789,781	1,586,694,206	(44,904,425)	11
Unassigned Funds (Surplus)	(66,871,622)	(86,711,647)	19,840,025	
Adjusted Liabilities and Surplus	$10,066,888,558	$10,114,811,478	($47,922,920)	

There were no financial adjustments to the Company's Separate Account balance sheet as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Assets – General Account

(1) Bonds $11,831,277,775

The above-captioned amount is $3,200,000 less than that reported by the Company in its 2007 Annual Statement, as a result of adjusting for impaired bonds identified during the CPA's 2007 financial audit. This adjustment was subsequently recorded directly to surplus as a prior period adjustment to "Aggregate write-ins in surplus" in the "Statement of Changes in the Capital and Surplus Account" in the Company's first quarter 2008 ("1Q08") statement. Refer to the "Subsequent Events" section of this Report, under the caption "3rd Quarter RBC and Capital Infusion" for additional comments regarding the financial credit crisis and effects on the Company's investment portfolio.

(2) Common Stock $258,260,179

The above-captioned amount is $2,395,794 less than that reported by the Company in its 2007 Annual Statement, as the effect of adjusting for the flow through of adjustments made to the balance sheet of SLNY.

(3) Aggregate write-ins for other invested assets: Options and Swaptions $281,564,161

The above-captioned amount is $65,952,000 less than that reported by the Company in its 2007 Annual Statement, as a result of adjusting for derivative valuation errors.

During a review of 1Q08 statutory results, the Company discovered that internal controls over the calculation and recording of the intrinsic value of pre-codification discrete Asian look-back options were ineffective in detecting a $66 million derivative valuation error. As a result of this finding, the Company has taken steps to correct the ineffective internal controls. This adjustment was subsequently recorded directly to surplus as a prior period adjustment to

"Aggregate write-ins in surplus" in the "Statement of Changes in the Capital and Surplus Account" in the Company's 1Q08 statement.

(4) Current federal and foreign taxes recoverable $31,551,000

The above-captioned amount is $17,817,874 more than that reported by the Company in its 2007 Annual Statement, as a result of adjusting for capital losses that were eligible to be carried back to the 2004 tax year. Such amounts had been recorded as deferred tax items. This adjustment was subsequently recorded directly to surplus as a prior period adjustment to "Aggregate write-ins in surplus" in the "Statement of Changes in the Capital and Surplus Account" in the Company's 1Q08 statement.

(5) Net deferred tax asset $146,059,259

The above-captioned amount is $5,807,000 more than that reported by the Company in its 2007 Annual Statement, as a result of adjusting for additional admissibility of deferred tax assets for 2007. This adjustment was subsequently recorded directly to surplus as a prior period adjustment to "Aggregate write-ins in surplus" in the "Statement of Changes in the Capital and Surplus Account" in the Company's 1Q08 statement.

Liabilities – General Account

General

As of December 31, 2007, SLUS held General Account ("GA") and Separate Accounts ("SA") reserves. The business consists primarily of single premium whole life, universal life, single premium variable life, corporate owned variable universal life insurance, private placement variable universal life, fixed and variable deferred annuities, European Medium Term Notes ("EMTN"), Medium Term Notes ("MTN"), guaranteed interest contracts ("GIC"), fixed and variable payout annuities and lottery annuities. Payout annuities are comprised of immediate annuities and supplementary contracts without life contingencies.

Certificate of Reserve Valuation

As part of the annual certificate of reserve valuation procedure, the Consulting Actuary, INS Consultants, Inc. (the "Consulting Actuary") reviewed the December 31, 2007 reserves from GA Exhibit 5, GA Exhibit 7, SA Exhibit 3 and SA Exhibit 4. During that process, SLUS workpapers supporting these liabilities were reviewed and found to be in order, and have been relied upon for the current examination.

Asset Adequacy/Cash Flow Testing Analysis

The examination included a review of the asset adequacy / cash flow testing ("CFT") analysis, completed annually as part of the Actuarial Opinion Memorandum ("AOM"). This review noted that SLUS's appointed actuary had established an asset adequacy reserve of $26 million on a block of pension/payout annuities. With this reserve, the appointed actuary has concluded that no additional reserve was required as of December 31, 2007. The Consulting Actuary's review has found this conclusion to be reasonable.

Data Validity

Samples of randomly selected policies from SLUS's business were selected from "old" Sun Life open blocks of business, and all of Keyport's business. SLUS's closed blocks of business have been thoroughly tested in previous examinations. The validity tests indicated a general absence of errors in the underlying data used for valuation. The inclusion testing indicated that valuation files were essentially complete. The Consulting Actuary also noted that the errors in the immediate annuity valuation file from the 2004 examination were corrected for the 2007 examination.

Reserve Analysis

Reserves were reviewed for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. Reserve trends and roll forward analyses were also performed and produced reasonable results. Reinsurance reserve credits were reviewed and appeared reasonable. Reserves for sampled contracts were calculated by the Consulting Actuary in accordance with standard actuarial practice.

Reinsurance

The Consulting Actuary's review indicated that the reinsurance agreements transfer risk as required by the Delaware Insurance Regulation 1002. The examination process included a review by the examiners of SLUS's reinsurance agreements with effective dates during the examination period. The examiners reviewed settlement sheets for compliance with reinsurance agreement provisions with no exceptions noted.

Summary

The balance sheet items enumerated in the examination scope appear fairly stated and are calculated using valuation parameters, which appear to be free of error. Valuation extract files appear to be complete. Therefore, the items covered by this examination have been accepted as stated for the purpose of this report, except as noted below.

(6) Aggregate reserves for life contracts ($8,577,956,326)

The above-captioned amount is $36,265,000 less than reported by the Company in its Annual Statement, as a result of adjusting for an overstatement in the carrying value of reserves associated with Fixed Index Annuities ("FIA") which resulted from a change in a Triton System plan setting for the FIA product line in December of 2006. This adjustment was subsequently recorded directly to surplus as a prior period adjustment to "Aggregate write-ins in surplus" in the "Statement of Changes in the Capital and Surplus Account" in the Company's 1Q08 statement.

The liability for Aggregate reserves for life contingencies is comprised of the following:

Life Insurance	$ 443,499,213
Annuities (as adjusted for the FIA reserves adjustment)	7,813,372,667
Supplementary Contracts with Life Contingencies	73,766,252
Accidental Death Benefits	1,422
Disability – Active Lives	2,240
Disability – Disabled Lives	529,291
Miscellaneous	246,785,241
Grand Total (Net)	$ 8,577,956,326

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, 2007.

The business consists primarily of single premium whole life, universal life, single premium variable life, corporate owned variable universal life insurance, private placement variable universal life, fixed and variable deferred annuities.

The actuarial examination process consisted of a review of the Company's AOM. Cash flow testing was performed for each of the major business segments within the general account and for market value adjusted annuities held in the non-unitized separate account. The Consulting Actuary applied sensitivity testing to individual deferred annuities in the unitized separate account.

The examination process also consisted of a verification of the underlying data used to calculate the reserves. Samples of randomly selected policies from the Company's business were used to test the validity of valuation data. Inclusion testing was also performed in order to gain confidence that the valuation extract files are essentially complete. The policy sample tests indicate a general absence of errors in the underlying data used for valuation. The inclusion testing indicated that the valuation extract files are complete.

Based on procedures performed, it appears that the Company's reserves at December 31, 2007 were adequate to meet its future contractual obligations under its policies and contracts. Therefore, the Company's reported liability has been accepted as adjusted for FIA reserves, as noted above.

(7) Liability for deposit-type contracts ($3,708,355,007)

The above-captioned amount, which is the same as that reported by the Company in its 2007 Annual Statement, represents the net liability at December 31, 2007, for contractual obligations under deposit-type contracts written directly by the Company.

The liability is comprised of the following:

Guaranteed interest contracts	$ 3,391,297,389
Annuities certain	204,933,893
Supplemental contracts without life contingencies ("SCWOLC")	114,303,676
Total (Gross)	$ 3,710,534,958
Reinsurance Ceded	2,179,951
Total (Net)	$ 3,708,355,007

The business consists primarily of MTNs. MTNs are sold to domestic institutional investors through special purpose vehicles ("SPV"), and were first sold by the Company starting in 2005. The SPVs purchase GICs from the Company. The GICs have maturity periods ranging from 5 to 7 years. As of December 31, 2007, there were five MTNs in force. The breakdown of the Exhibit 7 GIC reserve is as follows:

GICs Backing Medium Term Notes	$ 2,716,026,989
GICs Backing European Medium Term Notes	661,697,116
Other GICs	13,573,284
Total (Gross)	3,391,297,389
Reinsurance Ceded (GICs)	202,553
Total (Net)	$ 3,391,094,836

Other business comprising the liability for deposit-type contracts consists of fixed and variable payout annuities, and lottery annuities. Payout annuities are comprised of immediate annuities and supplementary contracts without life contingencies.

The Consulting Actuary reviewed the Company's documentation and AOM information for this reserve. Verification of the underlying valuation data for the five MTNs was performed, and found no errors. The reserves for the five MTNs were verified without exception. Additionally, a sample of annuity and SCWOLC policies was selected and recalculation of the reserve was performed without exception.

Based on procedures performed, it appears that the Company's reserves at December 31, 2007 were adequate to meet its future contractual obligations under its policies and contracts. Therefore, the Company's reported liability has been accepted for the purpose of this report.

(8) Contract claims - Life ($16,215,417)

The above-captioned amount, which is the same as that reported by the Company in its 2007 Annual Statement, represents the net liability at December 31, 2007, for contractual obligations for contract claims arising for policies and contracts written directly by the Company.

The liability is comprised of the following:

Due and unpaid (Gross and Net)	$ 69,456
In course of settlement (Gross)	58,899,917
Reinsurance ceded	45,339,745
In course of settlement (Net)	$ 13,560,172
Incurred but unreported (Gross)	$ 7,818,266
Reinsurance ceded	5,232,477
Incurred but unreported (Net)	$ 2,585,789
Total (Net)	$ 16,215,417

A review of paid and outstanding claims reports, claims registers and claims files was made in order to determine if all life insurance claims incurred and reported prior to the examination date, were included in the December 31, 2007 claims liability. Although no financial adjustment has been carried to this Report, upon a review of the Company's underlying claims detail, the following item was identified and worthy of comment:

- A review of a sample of contract claims in course of settlement ("ICOS") subsequent to December 31, 2007, identified claims (with multiple beneficiaries) in segment 202351, which should have been included in the ICOS balance reported at December 31, 2007 but were not. As the identified amount was immaterial, no financial adjustment was proposed; however, the erroneous classification of claims ICOS represents an error in the manner the Company reports claim reserves associated with multiple beneficiaries. Therefore,

  It is recommended that the Company ensure proper classification of claims ICOS, by classifying them to the year in which a first notice is received from a claimant.
  Recommendation 3/3

The Consulting Actuary performed a review of the incurred but not reported reserving methodology, and noted no exceptions.

Based on procedures performed, it appears that the Company's reserves at December 31, 2007 were adequate to meet its future contractual obligations under its policies and contracts. Therefore, the Company's reported liability for contract claims – life has been accepted for the purpose of this report.

(9) <u>Other amounts payable on reinsurance</u> <u>($14,014,073)</u>

The above-captioned amount is $13,406,480 more than that reported by the Company in its 2007 Annual Statement, as a result of a change in the calculation of the interest on funds withheld and experience rating funds, with regards to the Single Premium Whole Life ("SPWL") coinsurance agreement. This adjustment was subsequently recorded directly to surplus as a prior period adjustment to "Aggregate write-ins in surplus" in the "Statement of Changes in the Capital and Surplus Account" in the Company's 1Q08 statement.

(10) Transfers to Separate Accounts Due or Accrued (Net) $342,096,015

The above-captioned amount, which is the same as that reported by the Company in its 2007 Annual Statement, represents the net balance at December 31, 2007, for transfers to separate account due or accrued.

The liability is comprised of the following:

Liability segment	SA Transfers
VUL – CRVM	($157,735,249)
VDA – CARVM	315,558,829
Variable SPIA	6,177,192
Total	$ 164,000,772
Other transfers	
Last working day accruals	$ 1,907,651
Accrued MVA adjustment	1,344,095
Accumulated MVA investment expenses	22,271,677
Accumulated MVA surplus	152,571,820
Total	$ 178,095,243
Total Separate Account Transfers	$ 342,096,015

This liability consists of three different items. The first component consists of expense allowances resulting from the use of the Commissioners Reserve Valuation Method ("CRVM") reserve method for the valuation of Variable Life Insurance ("VLI") and Variable Universal Life ("VUL") policies, and the Commissioners Annuity Reserve Valuation Method ("CARVM") reserve method for the valuation of Variable Deferred Annuity ("VDA") and variable payout annuities. A second component involves accrued amounts, payable to the GA and/or receivable from the GA, for business transactions occurring on the last business day of the calendar year (whose cash settlements are delayed until the first business day of the following year). In addition to these components, the Company's SA Transfers also includes Market Value Adjustment ("MVA") related accumulated investment expenses and accrued market value adjustments not transferred from the SA to the GA, as well as accumulated surplus resulting from the MVA segment.

Based on procedures performed, it appears that the Company's reserves at December 31, 2007 were adequate to meet its future contractual obligations under its policies and contracts. Therefore, the Company's reported liability has been accepted for the purpose of this report.

(11) Funds held under coinsurance ($1,541,789,781)

The above-captioned amount is $44,904,425 less than that reported by the Company in its 2007 Annual Statement, as a result of a change in the calculation of the interest on funds withheld and experience rating funds, with regards to the SPWL coinsurance agreement. This adjustment was subsequently recorded directly to surplus as a prior period adjustment to "Aggregate write-ins in surplus" in the "Statement of Changes in the Capital and Surplus Account" in the Company's 1Q08 statement for a total net adjustment.

Liabilities – Separate Account

(12) Aggregate reserve for life, annuity and accident and health contracts ($26,075,716,029)

The above-captioned amount, which is the same as that reported by the Company in its 2007 Annual Statement, represents the net liability at December 31, 2007, for contractual obligations under separate account life and annuity contracts and policies written directly by the Company.

The liability is comprised of the following:

Life insurance	$ 7,603,406,657
Annuities	18,469,964,741
Supplementary contracts with life contingencies	2,344,631
Grand Total	$ 26,075,716,029

The primary risks associated with the variable life and variable annuity business is adverse mortality and insufficient expense charge revenues. The ability of reserves to cover such risks can be evaluated by asset adequacy/cash flow testing analysis. Therefore, an important examination focus was the review of the 2007 AOM.

Based on procedures performed, it appears that the Company's reserves at December 31, 2007 were adequate to meet its future contractual obligations under its policies and contracts. Therefore, the Company's reported liability has been accepted for the purpose of this report.

(13) <u>Liability for deposit-type contracts</u> <u>($111,580,707)</u>

The above-captioned amount, which is the same as that reported by the Company in its 2007 Annual Statement, represents the net liability at December 31, 2007, for contractual obligations under separate account deposit-type contracts, written directly by the Company.

The liability is comprised of the following:

Annuities Certain (Keyport Stable PIP)	$ 45,604,229
Supplemental Contracts (Keyport VA certain only)	65,976,478
Total	$ 111,580,707

The annuity certain and supplemental contract reserves are variable payout annuities. The Consulting Actuary verified the Company's reserve methodology and calculated reserves for all policies in the variable payout annuity samples without exception.

Based on procedures performed, it appears that the Company's reserves at December 31, 2007 were adequate to meet its future contractual obligations under its policies and contracts. Therefore, the Company's reported liability has been accepted for the purpose of this report.

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.

Preferred Stock:

Prior Exam Comment: It is recommended that the Company report the value of its investment in all preferred stock in accordance with the SSAP 32 and the NAIC SVO rating as required by 18 Del.C. §526.

Current Exam Finding: On December 28, 2005, the Company disposed of the security which elicited the above prior exam comment. Based on a review of the Company's current preferred stock portfolio, which consists of hybrid securities classified as preferred stock, the Company is properly reporting its investment in accordance with NAIC *Securities Valuation Office Guidelines*. The Company has complied with the prior exam report comment.

Other Invested Assets:

Prior Exam Comment: It is recommended that the Company record its investments in Joint Ventures, Partnerships and Limited Liability Companies in accordance with SSAP 48 and by 18 Del.C. §526.

Current Exam Finding: Based on a review of the Company's Other Invested Assets, it was determined that the Company was reporting investments in Joint Venture, Partner Partnerships and Limited Liability Companies in accordance with SSAP 48 and by 18 Del.C. §526 at December 31, 2007. The Company has complied with the prior exam report comment.

Reinsurance:

Prior Exam Comment: It is recommended that the Company comply with Title 18, Delaware Administrative Code 1001, sections 5.1 and 5.2 that require timely execution of reinsurance agreements.

Current Exam Finding: Based on a review of the Company's reinsurance agreements, it was documented that seven (7) reinsurance contracts, entered into during the current examination period, had not been executed in a timely manner in accordance with Title 18, Delaware

Administrative Code 1001, sections 5.1 and 5.2. Accordingly, the Company has not fully complied with the prior exam report comment. Refer to recommendation 1/3 in the "Accounts and Records" section of this Report, under caption "Reinsurance" for the associated recommendation regarding compliance with Title 18, Delaware Administrative Code 1001, sections 5.1 and 5.2.

Prior Exam Comment: It is recommended that the Company ensure all future annual statement Schedule S presentations are prepared per the annual statement instructions regarding effective dates of reinsurance contracts in accordance with 18 Del.C. §526.

Current Exam Finding: Based on a review of the Company's reinsurance agreements, it was again noted that the Company had reported incorrect effective dates in Schedule S - Part 3. Accordingly, the Company has not fully complied with the prior exam report comment. Refer to recommendation 2/3 in the "Accounts and Records" section of this Report, under caption "Reinsurance" for the associated recommendation regarding compliance with 18 Del.C. § 526(a).

Accounts and Records:

Prior Exam Comment: It is again recommended that the Company comply with the timing requirements for settlement in its intercompany service agreements (same recommendation noted in the prior three examination reports, i.e., 2001, 1998 and 1995).

Current Exam Finding: On November 15, 2006, the Company submitted a Form D filing, amending all previously entered intercompany agreements, changing the terms of settlement to 30 days after the end of the month in which expenses are incurred. A review of intercompany balances noted that in general, settlement was being made within 30 days after the date in which expenses were incurred. The Company has materially complied with this prior exam report comment.

Prior Exam Comment: It is recommended that the Company amend its custody agreement with its custodian to include the necessary indemnification and replacement clauses in accordance with the NAIC Guidance and 18 Del.C. §318.

Current Exam Finding:

On July 17, 2006, the Company executed a second amendment to both State Street custodial agreements, incorporating recommended language regarding indemnification and replacement clauses in accordance with the NAIC Guidance and 18 Del.C. §318. The Company has complied with the prior exam report comment.

SUMMARY OF RECOMMENDATIONS

1. It is recommended that the Company comply with Title 18 Del.C. §1002 (5.1 and 5.2) whereby reinsurance agreements must be duly executed by both parties no later than the "as of date" of the financial statement. In the case of a letter of intent, the reinsurance agreement or amendment must be executed within a reasonable amount of time, not exceeding ninety (90) days from the execution date of the letter of intent in order for credit to be granted for the reinsurance ceded. (See Accounts and Records: Reinsurance, page 26.)

2. It is recommended that the Company complete its Schedule S in accordance with NAIC *Annual Statement Instructions* and 18 Del.C. §526(a), verifying that all financial and non-financial data is reported accurately, completely, and appropriately. (See Accounts and Records: Reinsurance, page 26.)

3. It is recommended that the Company ensure proper classification of claims ICOS, by classifying them to the year in which a first notice is received from a claimant. (See Notes to Financial Statements: Liabilities – General Account: Contract claims - Life, page 40.)

CONCLUSION

The following schedule shows a comparison of the results from the December 31, 2007 examination to the 2004 Annual Statement balances, with changes between:

Description	December 31, 2004	December 31, 2007	Increase (Decrease)
Assets	$39,173,875,856	$44,652,882,780	$5,479,006,924
Liabilities	$37,588,945,002	$43,458,898,737	$5,869,953,735
Common Capital Stock	6,437,000	6,437,000	0
Surplus Notes	565,000,000	565,000,000	0
Gross Paid In and Contributed Surplus	689,418,665	689,418,665	0
Unassigned Funds (Surplus)	324,075,189	(66,871,622)	(390,946,811)
Total Capital and Surplus	1,584,930,854	1,193,984,043	(390,946,811)
Total Liabilities, Surplus and Other Funds	$39,173,875,856	$44,652,882,780	$5,479,006,924

The assistance of Delaware's consulting actuarial firm, INS Consultants, Inc. and its Information Technology consulting firm, INS Services, Inc. is acknowledged. In addition, the assistance and cooperation of the Company's outside audit firm, D&T, and the Company's management and staff was appreciated and is acknowledged.

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Respectfully submitted,

Keith E. Misenheimer, CFE, ALMI
Examiner-In-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

Intercompany Service Agreements

Effective January 1, 2008, the Company entered into a general services agreement with Sun Life Information Services Canada, Inc. ("SLISC"), whereby the Company provides facilities, personnel, and administrative services to SLISC on a cost reimbursement basis. The agreement requires monthly settlement, and includes a ninety (90) day termination clause.

Effective April 1, 2008, the Company entered into a services agreement with Sun Life Information Services Ireland Limited ("SLISI"), whereby SLISI provides information technology services to the Company on a cost reimbursement basis. The agreement requires monthly settlement and contains a thirty (30) day termination clause.

Effective December 1, 2008, the Company entered into an administrative services agreement with Clarendon Insurance Agency, Inc. ("Clarendon"), under which the Company provides services and facilities to Clarendon in connection with Clarendon's business of supporting the wholesale distribution of the Company's variable insurance and annuity products. The agreement requires monthly settlement, and includes a ninety (90) day termination clause.

Unsecured Loan from Sun Life (Hungary) Group Financing Limited Liability Company

On July 10, 2008, the Company entered into a Senior Unsecured Credit Agreement with its affiliate, Sun Life (Hungary) Group Financing Limited Liability Company ("Sun Life (Hungary)"); for the purpose of enhancing its liquidity position by issuing a $60 million unsecured demand promissory note (the "Note"). The Note, issued July 17, 2008, will mature on September 27, 2011, and pays interest quarterly. The Note will be structured as a demand promissory note, whereby the Note, although having a fixed term, will be due, in whole or in part, by Sun Life (Hungary) at par. The Note contains a feature permitting the Company to repay the Note at any time in whole or in part at par.

3rd Quarter 2008 RBC and Capital Infusion

As a result of the financial credit crisis and resulting impact on the larger U.S. economy in the latter half of 2008, the Company has been exposed to certain risks and uncertainties within its investment portfolio, and has experienced realized losses due to credit impairment write-downs, some of which were booked in the third quarter of 2008. As a result of these write-downs, the Company's RBC ratio was directly impacted. As it is SLF's intention to maintain the Company's RBC ratio at or above 300%, on September 30, 2008, the Company received a $300 million capital infusion from its upstream parent, U.S. Holdco, as a means to offset material credit impairment write-downs, and other surplus changes. The Company requested and received approval from the Delaware Insurance Department to contribute capital subsequent to the reporting date and prior to the filing date of the September 30, 2008 quarterly statement, in accordance with SSAP #72.