STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

GE CAPITAL LIFE ASSURANCE COMPANY

OF NEW YORK

CONDITION:	**DECEMBER 31, 2004**
DATE OF REPORT:	**JULY 31, 2006**

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

GE CAPITAL LIFE ASSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2004

DATE OF REPORT:	JULY 31, 2006
EXAMINER:	JOSHUA WEISS

TABLE OF CONTENTS

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Howard Mills
Superintendent

July 31, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22379, dated June 1, 2005 and annexed hereto, an examination has been made into the condition and affairs of GE Capital Life Assurance Company of New York, hereinafter referred to as "the Company" or "GECLANY", at its home office located at 666 Third Avenue, New York, NY 10017.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

In November 2003, General Electric Company ("GE") announced its intention to pursue an initial public offering of a new company named Genworth Financial, Inc. ("Genworth") that would comprise most of its life and mortgage insurance operations. On May 24, 2004, GE Financial Assurance Holdings, Inc. ("GEFAHI") transferred substantially all of its assets, including two New York domestic life insurers, American Mayflower Life Insurance Company and GE Capital Life Assurance Company of New York, to Genworth. As a result, the Company became an indirect wholly-owned subsidiary of Genworth. On May 25, 2004 Genworth's common stock began trading on the New York Stock Exchange. During 2005 GE completed secondary public offerings of Genworth common stock. In March 2006, GE disposed of its remaining ownership interest in Genworth. As a result of these transactions, Genworth and its subsidiaries, including the Company, are no longer affiliated with GE and its affiliates. Genworth is now the ultimate controlling person of the Company.

The Company agreed to refine its Long Term Care ("LTC") reserve analysis and to strengthen reserves in a manner acceptable to the Department. Toward that end, the Company established additional LTC reserves in the amount of $184 million as of March 31, 2006. (See item 5D of this report)

The Company violated Section 51.6(b)(2) of Department Regulation No. 60 when it accepted from its agents incomplete Disclosure Statements that failed to indicate whether any sales material was used in the sale of its annuity contracts. (See item 6 of this report)

The Company violated Section 219.2 (a) of Department Regulation No. 34-A when it failed to maintain a system of control over its advertisements. The Company violated Section 219.5 (a) of Department Regulation No. 34-A and Section 215.17 of Regulation No. 34 when it did not maintain a complete file of all advertisements at its home office. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2001. This examination covers the period from January 1, 2002 through December 31, 2004. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2004 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2004 to determine whether the Company's 2004 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Officers' and employees' welfare and pension plans
Territory and plan of operation
Market conduct activities
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and/or comments contained in the prior report on examination. The results of the examiner's review are contained in Item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

The Company was incorporated as a stock life insurance company under the laws of New York on February 23, 1988 under the name First GNA Life Insurance Company of New York, and was licensed and commenced business on October 31, 1988. Initial resources of $18,750,000, consisting of common capital stock of $2,000,000 and paid in and contributed surplus of $16,750,000, were provided through the sale of 2,000 shares of common stock (with a par value of $1,000 each) for $9,375 per share.

Effective April 1, 1993, General Electric Capital Corporation ("GE Capital"), which is a subsidiary of the General Electric Company ("GE"), completed the acquisition of the Company's parent, GNA Corporation ("GNA"), by purchasing 100% of GNA's capital stock from Weyerhaeuser Company.

Effective February 1, 1996, the Company changed its name from First GNA Life Insurance Company of New York to GE Capital Life Assurance Company of New York.

The Company received surplus contributions from General Electric Capital Assurance Company ("GECA"), its immediate parent, of $35,000,000 in 2002. Changes in the capital and/or surplus of the Company since incorporation have resulted in capital and paid in and contributed surplus of $2,000,000 and $250,797,118, respectively, as of December 31, 2004.

In November 2003, GE announced its intention to pursue an initial public offering of a new company named Genworth that would comprise most of its life and mortgage insurance operations.

On May 24, 2004, GEFAHI transferred substantially all of its assets, including two New York domestic life insurers, American Mayflower Life Insurance Company and GE Capital Life Assurance Company of New York, to Genworth. As a result, the Company became an indirect wholly-owned subsidiary of Genworth. On May 25, 2004 Genworth's Class A common stock began trading on the New York Stock Exchange. During 2005 GE completed secondary public offerings of 237 million shares of Genworth common stock. As of December 31, 2005, approximately 82% of Genworth common stock was owned by public shareholders, and approximately 18% was beneficially owned by GE.

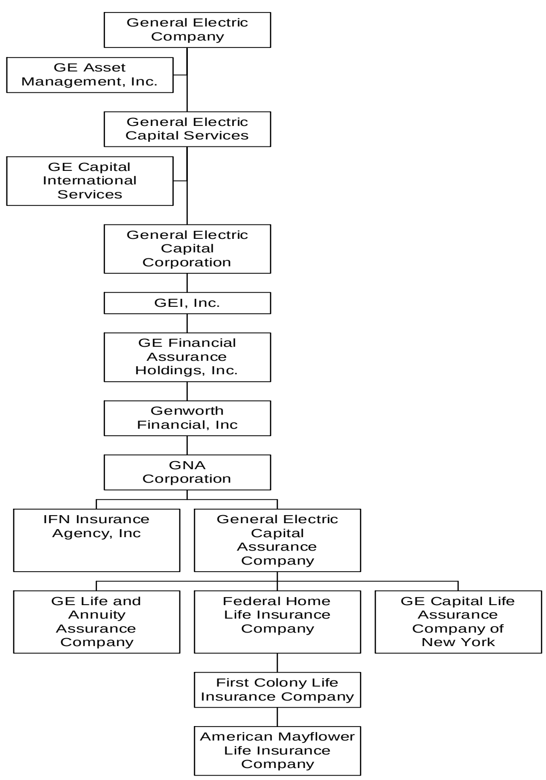
In March 2006, GE disposed of its remaining ownership interest in Genworth. As a result of these transactions, Genworth and its subsidiaries, including the Company, are no longer affiliated with GE and its affiliates. Genworth is now the ultimate controlling person of the Company.

Effective January 1, 2006, the Company changed its name to Genworth Life Insurance Company of New York.

B. Holding Company

As of December 31, 2004, the Company was a wholly owned subsidiary of GECA, a Delaware insurance company. GECA was in turn a wholly owned subsidiary of GNA, a Washington company, and was an indirect wholly-owned subsidiary of GEFAHI. The ultimate parent of the Company was GE, a New York domiciled company and among the largest manufacturing, product, communication and financial services organizations in the world.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2004 follows:



The Company had 13 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement; 21616	2/6/95 amended through 8/31/00	GE Capital Assignment Corporation	GE Capital Life Assurance Company of New York	Services necessary to purchase, market and assign structured settlement annuities	None
Administrative Services	10/2/95	General Electric Capital Assurance Company	GE Capital Life Assurance Company of New York	Advertising, actuarial, legal, electronic data processing, preparation of accounting	2004 - ($17,052,378); 2003 - ($11,246,412); 2002 - ($11,741,046)
Administrative services agreement; 24371	2/1/97	GE Capital Life Assurance Company of New York	American Mayflower Life Insurance Company	Use of certain facilities and employee services, such as executive and management services, marketing	2004 - $254,060; 2003 - $167,054; 2002 - $50,038
Administrative Services Agreement; 24392	2/1/97	American Mayflower Insurance Company	GE Capital Life Assurance Company of New York	Use of certain facilities and employee services, such as executive and management services, marketing	2004 - ($353,222); 2003 - ($42,602); 2002 - $22,774
Underwriting Agreement; 0025526	5/11/98	GE Capital Life Assurance Company of New York	Capital Brokerage Corporation	Underwriting and administrative services related to distribution of variable annuity products	None
Administrative Services Agreement; 25482	7/1/98	GE Life and Annuity Assurance Company	GE Capital Life Assurance Company of New York	Variable annuity underwriting, marketing, claim services and policy owner services	2004 - ($8,441,183); 2003 - ($12,738,933); 2002 - ($12,915,321)
Administrative Services Agreement; 29436	3/1/01	First Colony Life Insurance Company	GE Capital Life Assurance Company of New York	Use of certain facilities and employee services, such as executive	2004 - ($2,822,551); 2003 - ($2,559,212); 2002 - ($1,715,381)

Consulting Agreement; 29533A & 29534A	5/1/01	IFN Insurance Agency, Inc.	GE Capital Life Assurance Company of New York and American Mayflower Life Insurance Company	Consulting services in connection with the development of a career sales agency field force, including but not limited to agent licensing and retention, marketing	2004 - ($82,235); 2003 - ($77,660); 2002 - ($92,005)
Amended and Restated	5/24/04	GE Asset Management Incorporated	GE Capital Life Assurance Company of New York	Investment management and related services	2004 - ($2,112,631); 2003 - ($3,896,701); 2002 - ($2,613,650)
Investment Management and Services Agreement; 32316	5/24/04	GNA Corporation	GE Capital Life Assurance Company of New York	Investment management and related services	2004 - ($1,076,948); 2003 - -0- 2002 - -0-
Consulting and Labor Agreement	11/1/02	GE Process Solutions, LLC	GE Capital Life Assurance Company of New York	Consulting and labor services in connection with GECLANY outsourcing program	None. Agreement was terminated Dec. 31, 2004.
Amended and Restated Master Outsourcing Agreement	6/1/04	GE Capital International Services	GE Capital Life Assurance Company of New York	Various services, including data processing, administrative, actuarial, accounting	2004 - ($786,709); 2003 - ($753,915); 2002 - ($91,213)
Master Outsourcing Agreement	6/29/01	GE Capital International Services	GE Capital Life Assurance Company of New York	Data entry and imaging, mail handling and related services through the execution of a project specific agreement (PSA)	None

* Amount of Income or (Expense) Incurred by the Company

In addition, the Company participates in a federal tax allocation agreement with GECA wherein its federal income taxes are filed on a consolidated basis. This agreement has been reviewed by the Department.

The examiner noticed that there are several service agreements that were inactive during the period under examination. The examiner recommends that the Company evaluate the necessity of continuing inactive service agreements and consider terminating those agreements with proper notification to the Department.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 13 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in April of each year. As of December 31, 2004, the board of directors consisted of 13 members. Meetings of the board are held quarterly.

The 13 board members and their principal business affiliation, as of December 31, 2004, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Marshall S. Belkin* Irvington, NY	Attorney Self employed	1997
Richard I. Byer* Yonkers, NY	Retired	1997
Bernard M. Eiber* Great Neck, NY	Attorney Self-employed	1997
Kelly L. Groh Midlothian, VA	Senior Finance Leader Genworth Financial	2002
Paul A. Haley Glen Allen, VA	Senior VP and Chief Actuary GE Capital Life Assurance Company of New York	2002
Jerry S. Handler* New York, NY	Principal Handro Properties	1997
Gerald A. Kaufman* Plainview, NY	Retired	1997
Leon E. Roday Richmond, VA	Senior Vice President GE Capital Life Assurance Company of New York	1997
Isadore Sapir* West Palm Beach, FL	Retired	1997
Pamela S. Schutz Richmond, VA	Executive Vice President GE Capital Life Assurance Company of New York	2002

David J. Sloane Glen Cove, NY	President and CEO GE Capital Life Assurance Company of New York	2001
Geoffrey S. Stiff Richmond, VA	Senior Vice President GE Capital Life Assurance Company of New York	1994
Thomas M. Stinson Glen Allen, VA	President, Long Term Care Division GE Capital Life Assurance Company of New York	2002

* Not affiliated with the Company or any other company in the holding company system

In June 2005, Leon E. Roday resigned from the board and was replaced by Ward Bobitz.

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2004:

Name	Title
David J. Sloane*	President and Chief Executive Officer
Thomas E. Duffy	Senior Vice President, General Counsel and Secretary
Gary T. Prizzia	Treasurer
Paul A. Haley	Senior Vice President and Chief Actuary
James K. Helmintoller	Senior Vice President and Chief Financial Officer
Pamela S. Schutz	Executive Vice President
Leon E. Roday	Senior Vice President
Geoffrey S. Stiff	Senior Vice President

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in 3 states, namely Delaware, Illinois, and New York. The Company writes life insurance, long-term care insurance, single premium deferred annuities, single premium immediate annuities, variable annuities and structured settlements; with its primary focus on writing annuities. In 2004, 89% of the direct premiums and considerations written were for annuities, 9% were for long-term care insurance and 2% were for life insurance. In 2004, New York accounted for 65% of life premiums, 98% of annuity considerations and 92% of long term care premiums received. New Jersey and Canada accounted for 20% and 13% of the Company's life premiums respectively. Policies are written on a non-participating basis.

The Company's long term care products are sold by brokers and its annuity products are sold by financial institutions and independent insurance agents.

E. <u>Reinsurance</u>

On April 15, 2004, the Company entered into three reinsurance agreements with Union Fidelity Life Insurance Company ("UFLIC") pursuant to which the Company ceded, effective January 1, 2004, its variable annuity block of business, its structured settlement block of business, and a block of long term care insurance assumed from The Travelers Insurance Company ("Travelers") in 2000. The Company ceded approximately $284 million of variable annuity reserves, $410 million of structured settlement reserves, and $444 million of long-term care reserves to UFLIC under the reinsurance agreements and recognized a deferred reinsurance gain through surplus of $145.4 million. The reinsurance transactions, which were entered into in connection with the Genworth's initial public offering, were reviewed and approved by the Department. The reinsurance transaction generated a non-cash transfer of investments of $1 billion.

As of December 31, 2004, the Company had reinsurance treaties in effect with 10 companies, of which 9 were authorized or accredited. The reserve credit taken for reinsurance ceded to unauthorized insurers, totaling $54,570,679, was supported by trust agreements.

The Company's life, accident and health business is reinsured on a coinsurance and yearly renewable term basis. Reinsurance is provided on an automatic and facultative basis. The maximum retention limit for individual life contracts is $1,000,000. The total face amount of life insurance ceded as of December 31, 2004, was $2,435,054, which represents 2.5% of the total face amount of life insurance in force. The total face amount of life insurance assumed as of December 31, 2004, was $83,903,751

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth during the period under review:

	December 31, 2001	December 31, 2004	Increase
Admitted assets	$3,441,280,004	$4,558,882,170	$1,117,602,166
Liabilities	$3,285,577,041	$4,290,782,582	$1,005,205,541
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	215,797,118	250,797,118	35,000,000
Unassigned funds (surplus)	(62,094,154)	15,302,470	77,396,624
Total capital and surplus	$ 155,702,964	$ 268,099,588	$ 112,396,624
Total liabilities, capital and surplus	$3,441,280,004	$4,558,882,170	$1,117,602,166

The Company's invested assets as of December 31, 2004, exclusive of separate accounts, were mainly comprised of bonds (85.9%) and mortgage loans (12.7%).

The majority (94.4%) of the Company's bond portfolio, as of December 31, 2004, was comprised of investment grade obligations.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2002	2003	2004
Ordinary:			
Life insurance	$ 1,063,984	$ (366,410)	$ 674,138
Individual annuities	5,022,822	2,356,773	3,661,208
Supplementary contracts	(2,039,059)	475,429	909,533
Total ordinary	$ 4,047,747	$ 2,465,792	$ 5,244,879
Group:			
Annuities	$ (622,343)	$ (4,342,345)	$(3,568,618)
Total group	$ (622,343)	$ (4,342,345)	$(3,568,618)
Accident and health:			
Group	$ (8,518,895)	$ (5,925,125)	$(2,158,429)
Other	(10,574,651)	(19,694,814)	(4,715,960)
Total accident and health	$(19,093,546)	$(25,619,939)	$(6,874,389)
Total	$(15,668,142)	$(27,496,492)	$(5,198,130)

The increased losses in the group annuities line of business is the result of a block of policies that went into run-off during 2004.

The losses in the A&H lines are driven by the Company's long-term care business due to the aging block and persistency. During 2003 and 2004 the Company increased long-term care reserves by $80 million.

Section 91.4 (c) of Department Regulation No. 33 states, in part:

> "(2) Net investment income, after adjustment, if any, as permitted by the preceding paragraph shall be distributed to major annual statement lines of business either: (i) in proportion to the total mean policy reserves and liabilities of each of such major annual statement lines of business or (ii) in proportion to the total mean funds of each of such major annual statement lines of business... (3) In lieu of the methods specified in the

> preceding paragraph, a life insurer may distribute net investment income by an investment year method if its use of such method complies with the rules stated in section 91.5."

The Company allocates its net investment income using an alternate method consisting of multiple investment portfolios and risk based capital. This method is not one of the approved methods prescribed by Section 91.4 (c) of Department Regulation No. 33.

> Section 91.5 (b) of Department Regulation No. 33 states,:
>
> "…If the company's method includes deviations from the foregoing rules, or contemplates the use of a method other than the investment year method…such deviations or use require the approval of the superintendent as being equitable and as being necessary for reasons of feasibility before the method can be adopted."
>
> (b) A licensed life insurer proposing to adopt an investment year method in the distribution of net investment income, or to revise such a method already in effect, shall on or before November 1 of the first year for which such method or revision is to be used file with the superintendent a full description of its plan, together with its certification that the plan conforms to the foregoing rules. If the company's method includes deviations from the foregoing rules, or contemplates the use of a method other than the investment year method for assets not listed in paragraph (a)(1), such deviations or use require the approval of the superintendent as being equitable and as being necessary for reasons of feasibility before the method can be adopted.

The Company utilized an alternative method to allocate net investment income to major annual statement lines of business. Such method is required to be filed with the Department prior to use by the Company. The Company's method of allocating net investment income was not filed with the Department.

The Company violated Section 91.5 of Department Regulation No. 33 when it used an unapproved alternate method to allocate its net investment income. The examiner recommends that the Company submit its alternate method of allocating its net investment income for approval to the superintendent.

The following ratios, applicable to the accident and health business of the Company, have been extracted from Schedule H for each of the indicated years:

	2002	2003	2004
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	109.3%	116.5%	(228.8)%
Commissions	15.9	14.2	14.1
Expenses	13.5	12.9	20.0
	138.7%	143.6%	(194.7)%
Underwriting results	(38.9)%	(43.6)%	294.7%

The long-term care business has sustained continued losses due to the aging of the block and persistency. In 2004, the Company ceded the Travelers block of long-term care business to UFLIC, which resulted in the distortion of the 2004 underwriting results.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2004, as contained in the Company's 2004 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2004

Admitted Assets

Bonds	$3,600,979,305
Stocks:	
Preferred stocks	41,253,035
Common stocks	155,996
Mortgage loans on real estate:	
First liens	530,244,077
Cash, cash equivalents and short term investments	14,298,777
Contract loans	1,037,874
Receivable for securities	1,895,821
Investment income due and accrued	44,700,260
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	10,347,372
Deferred premiums, agents' balances and installments booked but deferred and not yet due	114,776
Reinsurance:	
Amounts recoverable from reinsurers	90,255
Other amounts receivable under reinsurance contracts	4,059,177
Current federal and foreign income tax recoverable and interest thereon	6,419,978
Net deferred tax asset	10,882,676
Receivables from parent, subsidiaries and affiliates	17,252,271
Receivable from separate account	289,821
Other receivables	667,096
Mortgages receivable	38,792,415
From Separate Accounts	235,401,190
Total admitted assets	$4,558,882,170

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$3,347,742,932
Aggregate reserve for accident and health contracts	494,640,988
Liability for deposit-type contracts	66,849,655
Contract claims:	
Life	1,115,412
Accident and health	3,691,608
Premiums and annuity considerations for life and accident and health contracts received in advance	759,096
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	11,757,722
Interest maintenance reserve	22,257,845
Commissions to agents due or accrued	1,200,098
General expenses due or accrued	3,549,335
Transfers to Separate Accounts due or accrued	(3,551,187)
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,585,957
Current federal and foreign income taxes	1
Unearned investment income	29,163
Amounts withheld or retained by company as agent or trustee	3,769,280
Remittances and items not allocated	18,219,695
Borrowed money and interest thereon	36,394,011
Miscellaneous liabilities:	
Asset valuation reserve	26,861,106
Payable to parent, subsidiaries and affiliates	14,511,602
Payable for securities	3,997,075
From Separate Accounts statement	235,401,190
Total liabilities	$4,290,782,582
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	250,797,118
Unassigned funds (surplus)	15,302,470
Surplus	$ 266,099,588
Total capital and surplus	$ 268,099,588
Total liabilities, capital and surplus	$4,558,882,170

B. CONDENSED SUMMARY OF OPERATIONS

	2002	2003	2004
Premiums and considerations	$ 811,596,570	$ 801,053,484	$ 812,406,598
Investment income	228,265,393	252,512,041	226,468,991
Commissions and reserve adjustments on reinsurance ceded	0	0	13,342,173
Miscellaneous income	1,418,946	1,744,872	1,432,389
Total income	$1,041,280,909	$1,055,310,396	$1,053,650,151
Benefit payments	$ 265,833,846	$ 268,436,728	$ 271,517,891
Increase in reserves	641,063,949	684,866,352	651,194,592
Commissions	66,507,935	62,317,059	66,195,515
General expenses and taxes	41,148,725	41,288,422	41,130,297
Increase in loading on deferred and uncollected premium	(932)	1,383	(246)
Net transfers to (from) Separate Accounts	38,032,728	34,481,262	55,469,268
Total deductions	$1,052,586,251	$1,088,391,206	$1,085,507,317
Net gain (loss)	$ (11,305,342)	$ (33,080,810)	$ (31,857,166)
Federal and foreign income taxes incurred	4,362,797	(5,584,315)	(26,659,034)
Net gain (loss) from operations before net realized capital gains	$ (15,668,139)	$ (27,496,495)	$ (5,198,132)
Net realized capital gains (losses)	(16,643,947)	(4,911,905)	(14,554,328)
Net income	$ (32,312,086)	$ (32,408,400)	$ (19,752,460)

C. CAPITAL AND SURPLUS ACCOUNT

	2002	2003	2004
Capital and surplus, December 31, prior year	$155,702,964	$172,623,913	$138,090,734
Net income	$ (32,312,086)	$ (32,408,400)	$ (19,752,460)
Change in net unrealized capital gains (losses)	(128,446)	2,194,691	(114,446)
Change in net deferred income tax	25,944,849	3,328,219	36,918,241
Change in non-admitted assets and related items	(81,489,724)	(3,522,172)	(36,065,497)
Change in liability for reinsurance in unauthorized companies	(5,594)	5,594	0
Change in asset valuation reserve	4,788,328	(4,131,111)	(4,939,305)
Cumulative effect of changes in accounting principles	64,804,025	0	0
Surplus adjustments:			
Paid in	35,000,000	0	0
Change in surplus as a result of reinsurance	0	0	153,962,323
Non-admitted accrued investment income	728,386	0	0
Prior period correction	(408,789)	0	0
Net change in capital and surplus for the year	$ 16,920,949	$ (34,533,179)	$130,008,856
Capital and surplus, December 31, current year	$172,623,913	$138,090,734	$268,099,590

D. RESERVES

The Department conducted a review of reserves as of December 31, 2004. This review included an examination of related asset adequacy analysis in accordance with Department Regulation No. 126 and sound value requirements in accordance with Department Regulation No. 56.

During the review, concerns were raised regarding the lack of conservatism in certain assumptions with respect to the Company’s LTC insurance reserves. The Company agreed to refine the LTC reserve analysis and to strengthen reserves in a manner acceptable to the

Department. Toward that end, the Company established additional LTC reserves in the amount of $184 million as of March 31, 2006.

The examiner recommends that the Company continue to calculate LTC insurance reserves using the methodology as agreed upon with the Department. The Company's Certificates of Reserve Valuation were issued for December 31, 2004 and December 31, 2005, respectively.

6. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Advertising

Section 219.2 (b) of the Regulation 34-A states in part:

> "Every insurer shall establish and at all times maintain a system of control over the content, form and method of dissemination of all advertisements of its policies…."

The examiner tested the completeness of the advertising log by tracing a sample of advertisements provided by the Company to the advertising log. It was found that certain advertisements were not recorded in the advertising log. Other advertisements that were listed in the advertising log were not provided to the examiners in a timely manner. During the course of the examination the examiner received multiple logs as a result of multiple requests that pointed out that the logs were incomplete.

The Company violated of Section 219.2(b) of Regulation No. 34-A when it failed to maintain a system of control over its advertisements.

The examiner recommends that the Company establish and at all times maintain a system of control over the content, form and method of dissemination of all advertisements of its policies.

Section 219.5(a) of Regulation No. 34-A states in part:

> “Each insurer shall maintain at its home office a complete file containing a specimen copy of every printed, published or prepared advertisement hereafter disseminated in this state, with a notation indicating the manner and extent of distribution and the form number of any policy advertised”

Section 215.17(a) of Regulation No. 34 states in part:

> “Each insurer shall maintain at its home or principal office a complete file containing every printed, published or prepared advertisement of its individual policies and typical printed, published or prepared advertisements….”

The Company prepared and maintained its advertising files in its Virginia and California offices. The long-term care advertisements, which were prepared in the California office, were never sent to the New York office. In addition, other advertisements were not sent to the home office on a regular basis. The examiner noted that advertising files were either not maintained in the New York office or that the files in the New York office were not updated on a regular basis. The advertising files were sent to the New York office only for the purposes of the examination. The Company violated Section 219.5(a) of Regulation No. 34-A and Section 215.17(a) of Regulation No. 34 for failing to maintain a complete file of all advertisements at its home office.

> Section 215.17(b) of Regulation No. 34 states, in part:
>
> ”Each insurer…must file with this department…a certificate of compliance…wherein it is stated…the advertisements which were disseminated by the insurer during the preceding statement year complied or were made to comply in all respects with the provisions of this Part…”
>
> Section 219.5(b) of Regulation No. 34-A states, in part:
>
> ”Each insurer…must file with its annual statement a certificate of compliance…wherein it is stated…the advertisements which were disseminated by the insurer in this state during the preceding statement

> year complied or were made to comply in all respects with the provisions of this Part…"

The Company did not file the Certificate of Compliance required pursuant to Section 215.17(b) of Regulation No. 34A for the three years under examination. The examiner recommends that the Company file all required Certificates of Compliance in the future.

Replacements

The examiner reviewed a sample of 59 annuity replacement files out of a total population of 1,133. Based on the examiner's review, the following Regulation No. 60 violations were found.

> Section 51.6(b)(2) of Department Regulation No. 60 states, in part:
>
> "…Require with or as part of each application a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and proof of receipt by the applicant of the "IMPORTANT Notice Regarding Replacement or Change of Life Insurance Policies or Annuity Contracts" and the completed "Disclsoure Statement"…"

The examiner noted that in 18 annuity replacement files the agent failed to properly complete the Disclosure Statement with respect to the question regarding whether any sales materials were used in the replacement transaction. It was also noted that the files did not contain copies of any sales materials that were used, nor were there any notations in the files identifying any sales materials that were used in the replacement transaction.

The Company violated Section 51.6(b)(2) of Department Regulation No. 60 when it accepted from its agents incomplete Disclosure Statements that failed to indicate whether any sales material was used in the sale of its annuity contracts..

In addition, in 4 annuity replacement files the Important Notice was not found and/or proof of receipt of such was not found.

The Company violated Section 51.6(b)(6) of Department Regulation No. 60 when it failed to maintain proof of receipt by the applicant of the IMPORTANT Notice Regarding Replacement.

. Section 51.6 (b)(4) of Department Regulation No. 60 states, in part:

> "…Within ten days of receipt of the application furnish to the insurer whose coverage is being replaced a copy of any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract, and the completed "Disclosure Statement…"

The examiner found that in 2 annuity replacement files the Company failed to provide the replaced insurer with the required information within the prescribed ten-day period.

The Company violated Section 51.6(b)(4) of Department Regulation No. 60 for failing to furnish the required documentation to the replaced insurer within the 10-day period.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Section 3201 (b)(1) of the New York Insurance Law states, in part:

> "No policy form shall be delivered or issued for delivery in this state unless it has been filed with and approved by the superintendent as conforming to the requirements…."

A review of policy forms in use for the long term care business indicated that the Company used six unapproved coverage selection policy forms during the period under examination. The unapproved policy forms were Form Nos. 62078, 62079, 62080, 62081, 62082 and 61218G.

The Company violated Section 3201(b)(1) of the New York Insurance Law when it used unapproved forms during the examination period. The examiner noted that the Company filed these forms and received Department approval to use these forms in January 2006.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. ACCOUNTS AND RECORDS

Securities Lending

In item #17B of the Notes to the Financial Statements ("Transfer of Servicing of Financial Assets") there should have been a disclosure to reflect the Company's securities lending program. This disclosure was not made due to an oversight. It is recommended that the proper disclosure be made in all future years.

Question 20.1 of the 2004 General Interrogatories reads as follows:

> "Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force?"

The examiner noted that the Company had loaned securities as of December 31, 2004 and answered "No" to Question 20.1 of the annual statement. The Company's response should have been "Yes", as responded to in previous years, and the amount loaned to others should have been shown on line 20.21.

It is recommended that, in the future, when the Company has leased securities as of the annual statement date that it answer "Yes" to Interrogatory 20.1 and notate in Schedule D of its filed annual statement those securities loaned out.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in the prior report on examination and the subsequent actions taken by the Company in response to each citation:

Item	Description
A	The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to follow the terms of its filed service agreements
	The Company followed the terms of its filed service agreements during the current period.
B	The examiner recommends that the Company notify the Department, in a timely manner, of amendments to its tax allocation agreement as advised by Department Circular Letter No. 33 (1979).
	The Company notified the Department, in a timely manner, of amendments to its tax allocation agreement as advised by Department Circular Letter No. 33 (1979).
C	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain documentation of the allocation of expenses.
	The Company maintained documentation for the allocation of expenses during the current period.
D	The Company failed to conduct a meeting in 2000 of the board of directors in accordance with its by-laws.
	The Company conducted the required meetings of the board of directors during the current period.
E	The examiner recommends that the Company hold its own board meetings, separate from the board meetings of affiliates, and document such by separate board minutes in order to maintain the Company’s separate legal and operating identity.
	The Company held its own board meetings, separate from the board meetings of affiliates, and documented such by recording separate board minutes during the current period.
F	The Company violated Section 1202(b)(2) of the New York Insurance Law by not having the audit committee fulfill its responsibilities as required by law.

The audit committee fulfilled its responsibilities during the current period.

G The Department has determined that net contract reserves need to be increased by $15 million to support the Company's existing long-term care business.

The net contract reserves were increased by $15 million, to support the Company's existing long-term care business.

9. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Company evaluate the necessity of continuing inactive service agreements and consider terminating those agreements with proper notification to the Department.	7
B	The Company violated Section 91.5 of Department Regulation No. 33 when it used an unapproved alternate method to allocate its net investment income.	13
C	The examiner recommends that the Company submit its alternate method of allocating its net investment income for approval to the superintendent.	13
D	The Company agreed to refine the LTC reserve analysis and to strengthen reserves in a manner acceptable to the Department. Toward that end, the Company established additional LTC reserves in the amount of $184 million as of March 31, 2006.	18
E	The examiner recommends that the Company continue to calculate LTC insurance reserves using the methodology as agreed upon with the Department.	19
F	The Company violated of Section 219.2(b) of Regulation No. 34-A when it failed to maintain a system of control over its advertisements. The examiner recommends that the Company establish and at all times maintain a system of control over the content, form and method of dissemination of all advertisements of its policies.	19
G	The company violated Section 219.5(a) of Regulation No. 34-A and Section 215.17(a) of Regulation No. 34 for failing to maintain a complete file of all advertisements at its home office.	20
H	The Company did not file the Certificate of Compliance required pursuant to Regulation 34A for the three years under examination. The examiner recommends that the Company file all required Certificates of Compliance in the future.	21

I	The Company violated Section 51.6(b)(2) of Department Regulation No. 60 when it accepted from its agents incomplete Disclosure Statements that failed to indicate whether any sales material was used in the sale of its annuity contracts.	21
J	The Company violated Section 51.6(b)(6) of Department Regulation No. 60 when it failed to maintain proof of receipt by the applicant of the IMPORTANT Notice Regarding Replacement.	21
K	The Company violated Section 51.6(b)(4) of Department Regulation No. 60 for failing to furnish the required documentation to the replaced insurer within the 10-day period.	22
L	The Company violated Section 3201(b)(1) of the New York Insurance Law when it used unapproved policy forms during the examination period.	22
M	The examiner recommends that the Company properly disclose information concerning its leased securities in the General Interrogatories, Notes to the Financial Statements and Schedule D.	23

Respectfully submitted,

_______/s/__________________
Joshua Weiss
Associate Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Joshua Weiss, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_______/s/__________________
Joshua Weiss

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22379

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, HOWARD MILLS , Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

JOSHUA WEISS

as a proper person to examine into the affairs of the

GE CAPITAL LIFE ASSURANCE COMPANY OF NEW YORK

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 1st day of June , 2005

HOWARD MILLS
Superintendent of Insurance

Superintendent