STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

GENWORTH LIFE INSURANCE COMPANY

OF NEW YORK

CONDITION: DECEMBER 31, 2007

DATE OF REPORT: May 19, 2009

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AS OF

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DATE OF REPORT:	MAY 19, 2009
EXAMINER:	ANTHONY MAURO

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

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

May 19, 2009

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22742, dated January 15, 2008 and annexed hereto, an examination has been made into the financial condition and affairs of Genworth Life Insurance Company of New York, hereinafter referred to as "the Company," or "GLICNY" 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 March 2006, General Electric Company ("GE") disposed of its remaining ownership interest in Genworth Financial, Inc. ("Genworth"). As a result of this transaction, Genworth and its subsidiaries, including the Company, are no longer affiliated with GE or its affiliates. Genworth is now the ultimate controlling person of the Company. Effective January 1, 2006, the Company adopted its present name Genworth Life Insurance Company of New York. On January 1, 2007, American Mayflower Life Insurance Company of New York ("AML") was merged with and into the Company. (See item 3 of this report)

The Department conducted a review of reserves as of December 31, 2007. During the review, the Department recommended more conservatism in the assumptions and methodology used for the Company's asset adequacy analysis pursuant to Department Regulation No. 126 and the "sound value" analysis pursuant to Department Regulation No. 56. In response, the Company incorporated various refinements in a manner acceptable to the Department. The changes were then implemented for reserves as of December 31, 2008. These refinements resulted in additional reserves in the amount of $172 million. The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department. (See item 5D of this report)

During the examination period, the Company established four separate accounts for the purpose of issuing funding agreements backed by notes issued by trusts. Each note is collateralized with a synthetic collateralized debt obligation ("CDO"), one component of which is a credit default swap ("CDS") referencing over 100 corporate and sovereign names. Under the terms of each funding agreement and separate account, the Company is required to contribute assets from the Company's general account to each separate account in an amount sufficient to support their respective funding agreement obligations. As of the date of this report, unrealized losses on the notes issued by the trust totaled approximately $240 million. (See item 7A of this report)

On January 2, 2009, the Department approved a capital contribution to the Company in an amount of up to $60 million in cash by Genworth Life Insurance Company ("GLIC") on behalf of itself and its wholly-owned subsidiary, GLAIC. The capital contributions would be paid to the note counterparty as a restructuring fee for the purpose of increasing the attachment points on the underlying CDS in two of the CDOs. Absent this payment, the notes were in danger of suffering significant credit downgrades. (See item 7B of this report)

On March 10, 2009, the Company received Department approval for a capital contribution in the amount of $150 million in cash and securities from GLIC and GLAIC. The purpose of the contribution was to offset the anticipated reserve increases arising from cash flow testing requirements described in item 5D of this report, so as to maintain the Company's targeted risk based capital ratio. (See item 8 of this report)

The examiner recommends that the Company outline in writing corrective remedial actions addressing all deficiencies in derivatives processing and oversight identified in the accountant's report. This written plan should be submitted to the certified public accountant for its review and feedback and to the appropriate board committee. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2004. This financial condition examination covers the period from January 1, 2005 through December 31, 2007. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2007 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, 2007 to determine whether the Company's 2007 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
Territory and plan of operation
Growth of Company
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the financial condition violations, recommendations and comment contained in the prior report on examination. The results of the examiner's review are contained in item 9 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"), a subsidiary of the General Electric Company ("GE"), completed the acquisition of the Company's ultimate parent, GNA Corporation ("GNA"), by purchasing 100% of GNA's capital stock.

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. At that time the Company was a direct wholly-owned subsidiary of General Electric Capital Assurance Company ("GECA") and an indirect wholly-owned subsidiary of GE Financial Assurance Holdings, Inc. ("GEFAHI") and of General Electric Company ("GE"), the Company's ultimate parent.

In November 2003, 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.

In May 2004, in connection with the initial public offering of the common stock of Genworth, GEFAHI transferred substantially all of its assets, including two New York domestic life insurers, American Mayflower Life Insurance Company of New York ("AML") and the Company, to Genworth Life Insurance Company. GLIC became the Company's indirect parent, and as a result, the Company became an indirect wholly owned subsidiary of Genworth.

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 or its affiliates. Genworth is now the ultimate controlling person of the Company.

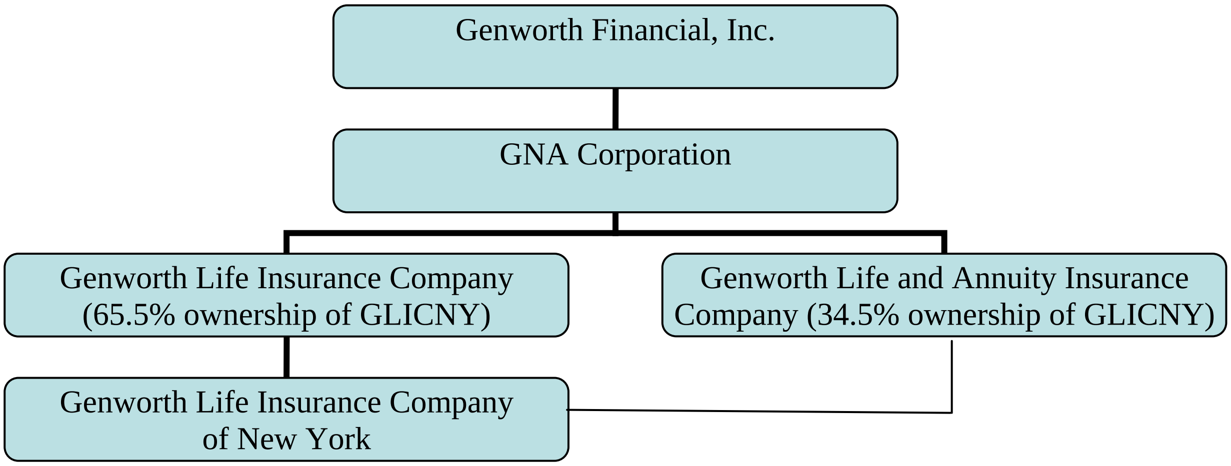
Effective January 1, 2006, the Company adopted its present name Genworth Life Insurance Company of New York.

On January 1, 2007, AML was merged with and into the Company and upon completion of the merger, the Company reported paid in capital consisting of $3,056,000 from common stock, of which $1,056,000 was provided through the sale of 1,056 shares of common stock to Genworth Life and Annuity Insurance Company, the previous owner of AML, with a par value of $1,000 each.

B. Holding Company

The Company is 65.5% owned by Genworth Life Insurance Company ("GLIC"), a Delaware life insurance company and 34.5% owned by Genworth Life and Annuity Insurance Company ("GLAIC"), which is a Virginia life insurance company. GLAIC and GLIC are in turn wholly owned subsidiaries of GNA Corporation ("GNA"), a Washington holding company. The ultimate parent of the Company is Genworth Financial, Inc. ("Genworth"), a Delaware financial services holding company.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2007 follows:



The Company had 3 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 / (Expenses) For Each Year of the Examination*
Investment Management and Related Services File No. 32315	05/24/04	GNA	GLICNY	Investment management and related services.	2005 $(3,673,190) 2006 $(4,049,082) 2007 $(5,810,045)
Collection Agent Service Agreement File No. 35653	11/15/06	GLICNY	GLIC & GLAIC	Agreement to consolidate eight wire accounts for payments received in connection with certain products.	2006 $ 150 2007 $1,600
Administrative Services Agreement File No. 37574	Restated 06/01/07	GLAIC, GLIC and GNA	GLICNY	Certain administrative and special services for day to day operations including EDP processing of financial transactions, payroll, human resources, claims, underwriting, and auditing services.	2005 $(49,212,269) 2006 $(48,795,550) 2007 $(58,336,045)

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

The Company participates in a federal income tax allocation agreement with its parent and affiliates.

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 shareholder held in April of each year. As of December 31, 2007, the board of directors consisted of 14 members. The board of directors hold an annual meeting immediately following the annual meeting of the shareholder. Additional meetings may be held by resolution and notice shall be given by the Secretary at least five days but no more than fifty days before the meeting.

The 14 board members and their principal business affiliation, as of December 31, 2007, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
James D. Atkins Lynchburg, VA	Senior Vice President Genworth Life Insurance Company of New York	2007
Marshall S. Belkin* Irvington, NY	Attorney Self Employed	1997
Ward E. Bobitz Richmond, VA	Vice President and Assistant Secretary Genworth Life Insurance Company of New York	2005
Richard I. Byer* Yonkers, NY	Retired	1997
Paul A. Haley Glen Allen, VA	Senior Vice President and Chief Actuary Genworth Life Insurance Company of New York	2002
Jerry S. Handler* New York, NY	Executive Vice President Handro Properties	1997
Terrence O. Jones* Cranbury, NJ	President Battersby Capital Management LLC	2007
Isadore Sapir* West Palm Beach, FL	Retired	1997
Pamela S. Schutz Richmond, VA	Executive Vice President Genworth Life Insurance Company of New York	2002

Name and Residence	Principal Business Affiliation	Year First Elected
David J. Sloane Glen Cove, NY	President and Chief Executive Officer Genworth Life Insurance Company of New York	2001
Geoffrey S. Stiff Richmond, VA	Senior Vice President Genworth Life Insurance Company of New York	1994
Thomas M. Stinson Glen Allen, VA	President, Long Term Care Division Genworth Life Insurance Company of New York	2002
Robert A. Straniere* New York, NY	Attorney Kantor, Davidoff, Wolfe, Mandelker & Kass	2007
Dennis R. Vigneau Richmond, VA	Senior Vice President and Chief Financial Officer Genworth Life Insurance Company of New York	2007

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

Isadore Sapir passed away on July 1, 2008, and was replaced by Alexandra Duran effective November 22, 2008. On September 11, 2008, Robert Straniere resigned from the board and was replaced by James J. Buddle effective February 10, 2009. Effective August 4, 2008, Dennis Vigneau resigned his position as director and was replaced by Kelly L. Groh who was elected to the board on July 25, 2008. In October 2008, James Atkins resigned from the board and was replaced by Harry D. Dunn effective November 22, 2008.

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 the meetings.

The following is a listing of the principal officers of the Company as of December 31, 2007:

Name	Title
David J. Sloane*	President and Chief Executive Officer
Thomas M. Stinson	President – Long Term Care Division
Dennis R. Vigneau	Senior Vice President and Chief Financial Officer
Thomas E. Duffy	Senior Vice President, General Counsel and Secretary
Paul A. Haley	Senior Vice President and Chief Actuary
Pamela S. Schutz	Executive Vice President
Ward E. Bobitz	Vice President and Assistant Secretary

Name	Title
Geoffrey S. Stiff	Senior Vice President
James D. Atkins	Senior Vice President
Gary T. Prizzia	Treasurer

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

Effective August 4, 2008, Dennis Vigneau resigned his position as Senior Vice President and Chief Financial Officer and was replaced by Kelly L. Groh.

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 and is licensed to transact business in 8 states, namely Connecticut, Delaware, Florida, Illinois, New Jersey, New York, Rhode Island, Virginia and the District of Columbia. In 2007, 94% of life premiums, accident and health premiums, annuity considerations, and deposit type funds were received from New York.

The Company offers long term care insurance, single premium deferred annuities, single premium immediate annuities, variable annuities, term life and universal life policies. During 2006 the Life Income Protection Series, a new variable annuity product, was issued. Structured settlements were discontinued and will be included in future periods as a run-off block. The current focus is on the sale of deferred, immediate and variable annuities. Life insurance policies are written on a participating and non-participating basis.

The Company's agency operations are conducted on a general agency basis. Products are distributed through a variety of channels, including career agents, independent agents, banks, and marketing organizations.

E. Reinsurance

As of December 31, 2007, the Company had reinsurance treaties in effect with 28 companies, of which 21 were authorized or accredited. The Company's life and accident and health business are reinsured on a coinsurance, modified-coinsurance, catastrophe, 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, 2007, was $21,028,826,455, which represents 76% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $209,401,351, was supported by letters of credit, trust agreements and funds withheld.

The total face amount of life insurance assumed as of December 31, 2007, was $63,501,880.

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. The amounts are presented as if the merger of AML with and into the Company occurred as of December 31, 2004.

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 (decline) during the period under review:

	December 31, 2004	December 31, 2007	Increase (Decrease)
Admitted assets	$5,343,004,985	$6,465,057,785	$1,122,052,800
Liabilities	$4,977,377,914	$6,056,217,273	$1,078,839,359
Common capital stock	$ 4,000,000	$ 3,056,000	$ (944,000)
Gross paid in and contributed surplus	294,564,047	295,934,143	1,370,096
Unassigned funds	67,063,024	109,850,369	42,802,991
Total capital and surplus	$ 365,627,071	$ 408,840,512	$ 43,229,087
Total liabilities, capital and surplus	$5,343,004,985	$6,465,057,785	$1,122,052,800

Invested assets as of December 31, 2007, exclusive of separate accounts, were mainly comprised of bonds (71.8%) and mortgage loans (18.9%).

The majority (91.5%) of the Company's bond portfolio, as of December 31, 2007, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term	
Year	Issued	In Force	Issued	In Force
2007	$217,483	$4,394,826	$3,106,847	$23,452,316
2006	$132,377	$4,704,844	$5,127,857	$21,326,141
2005	$ 65,411	$5,134,653	$4,207,085	$17,135,265

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:

	2005	2006	2007
Ordinary:			
Life insurance	$ 5,661,632	$ (11,910,640)	$ (2,505,645)
Individual annuities	29,093,951	30,064,378	8,568,497
Supplementary contracts	(173,077)	4,270,219	3,375,804
Total ordinary	$ 34,582,506	$ 22,423,957	$ 9,438,656
Group:			
Life	$ 22,608	$ (10,659)	$ 173,182
Annuities	(1,514,654)	2,627,118	5,661,509
Total group	$ (1,492,046)	$ 2,616,459	$ 5,834,691
Accident and health:			
Group	$ 9,069,038	$ (1,068,312)	$ (305,293)
Other	57,954,246	(150,134,604)	97,917,106
Total accident and health	$ 67,023,284	$(151,202,916)	$ 97,611,813
Aggregate all other	$ 0	$ (6,857,666)	$ 0
Total	$100,113,744	$(133,020,166)	$112,885,160

Net gain from Ordinary Life Insurance operations decreased $17.6 million from 2005 to 2006 primarily due to an $11.5 million adjustment arising from a change in the computation of credit for reinsurance. In December 2006 AML, now merged into GLICNY, computed the credit for reinsurance in a manner that ensured it did not exceed the amount that would be held in the absence of reinsurance. The $9.4 million decrease in losses from ordinary life insurance operations from 2006 to 2007 was driven by a one time adjustment to deferred premium in 2006 and an increase in production in 2007.

Net gain from Individual Annuities operations decreased $21.5 million from 2006 to 2007 primarily due to an increase in commissions and general insurance expenses.

In 2006, the Department required underwriters of long-term care insurance in New York to use a deterministic methodology with specified provisions for adverse deviations in cash flow testing for long-term care insurance statutory reserves. As a result of the implementation of this methodology, the Company recorded additional long-term care reserves of $164 million arising from its cash flow testing during 2006, which resulted in a loss of $150 million in the Other Accident & Health line of business. During 2007, the Company incurred a $247.1 million increase in net gain for Other Accident & Health compared to 2006. The increase was primarily driven by a $264 million reduction in the change in long-term care reserves related to cash flow testing between years.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2007, as contained in the Company's 2007 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2007 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2007

Admitted Assets

Bonds	$3,731,552,652
Stocks:	
Preferred stocks	190,387,512
Common stocks	76,870
Mortgage loans on real estate:	
First liens	983,427,484
Cash, cash equivalents and short term investments	209,923,477
Contract loans	30,755,587
Other invested assets	34,017,122
Receivable for securities	3,172,253
Call options	9,975,896
Interest rate swap	2,093,712
Investment income due and accrued	45,126,488
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	6,903,894
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,657,974
Reinsurance:	
Amounts recoverable from reinsurers	7,714,991
Other amounts receivable under reinsurance contracts	1,743,793
Net deferred tax asset	7,681,461
Guaranty funds receivable or on deposit	665
Receivables from parent, subsidiaries and affiliates	5,323,843
Receivable from separate account	150,000
Other receivables	4,934,379
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,184,437,733
Total admitted assets	$6,465,057,785

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$3,632,095,861
Aggregate reserve for accident and health contracts	822,489,984
Liability for deposit-type contracts	156,697,695
Contract claims:	
Life	4,357,668
Accident and health	5,197,654
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts:	
Dividends apportioned for payment	11,683
Premiums and annuity considerations for life and accident and health contracts received in advance	3,928,010
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	12,552,155
Commissions to agents due or accrued	1,058,535
Commissions and expense allowances payable on reinsurance assumed	249,474
General expenses due or accrued	6,112,864
Transfers to Separate Accounts due or accrued	(29,688,542)
Taxes, licenses and fees due or accrued, excluding federal income taxes	2,644,199
Current federal and foreign income taxes	2,367,132
Unearned investment income	775,352
Amounts withheld or retained by company as agent or trustee	1,279,166
Remittances and items not allocated	9,857,503
Miscellaneous liabilities:	
Asset valuation reserve	45,076,261
Reinsurance in unauthorized companies	7,111
Funds held under reinsurance treaties with unauthorized reinsurers	172,204,109
Payable to parent, subsidiaries and affiliates	16,564,611
Payable for securities	4,627,542
Reserve increase payable on modco reinsurance	42,066
Interest rate swap liability	1,271,447
From Separate Accounts statement	1,184,437,733
Total liabilities	$6,056,217,273
Common capital stock	$ 3,056,000
Gross paid in and contributed surplus	295,934,143
Unassigned funds (surplus)	109,850,369
Surplus	$ 405,784,513
Total capital and surplus	$ 408,840,513
Total liabilities, capital and surplus	$6,465,057,785

B. CONDENSED SUMMARY OF OPERATIONS

	2005*	2006*	2007*
Premiums and considerations	$594,835,107	$ 638,222,065	$ 851,633,810
Investment income	295,084,733	295,850,052	295,447,063
Commissions and reserve adjustments	27,702,297	37,747,659	30,926,734
Miscellaneous income	1,746,311	3,488,102	9,048,208
Total income	$919,368,448	$ 975,307,879	$1,187,055,815
Benefit payments	$450,939,217	$ 776,519,702	$ 761,016,766
Increase (decrease) in reserves	162,120,381	65,670,211	(131,700,379)
Commissions	56,800,196	61,361,257	73,982,461
General expenses and taxes	65,645,759	62,117,463	68,892,568
Increase (decrease) in loading on deferred and uncollected premium	(505,728)	(1,546,068)	3,998,133
Net transfers to (from) Separate Accounts	69,228,801	122,604,264	271,756,281
Miscellaneous deductions	3,411,476	5,910,426	7,445,260
Total deductions	$807,640,103	$1,092,637,256	$1,055,391,091
Net gain (loss)	$111,728,345	$ (117,329,377)	$ 131,664,722
Dividends	(3,021)	9,645	10,262
Federal and foreign income taxes incurred	11,617,620	15,681,145	18,769,299
Net gain (loss) from operations before net realized capital gains	$100,113,747	$ (133,020,167)	$ 112,885,160
Net realized capital (losses)	(5,448,416)	(634,501)	(2,170,753)
Net income (loss)	$ 94,665,331	$ (133,654,668)	$ 110,714,407

*The amounts are presented as if the merger of AML with and into the Company occurred as of December 31, 2004.

The increase in premiums during the period is related to increased long term care production and from strong sales of the Company's Income Distribution Series of variable annuity products. The increased revenues for variable annuity products was partially offset by decreased revenues related to fixed deferred annuity products. The decrease in the fixed deferred annuity revenue was driven by decreased sales as consumers turned to other investment alternatives.

The increase in benefits of $325.6 million from 2005 to 2006 was primarily driven by increased surrender benefits for certain fixed deferred annuities. Reserves decreased by $96.5 million from 2005 to 2006 primary due to increased surrenders on fixed deferred annuities which were partially offset by an increase of $164 million in long-term care reserves.

The $133.7 million net loss in 2006 was primarily due to a long-term care reserve strengthening. The $110 million net gain in 2007 was primarily due to a reduction in long tern care reserves.

C. CAPITAL AND SURPLUS ACCOUNT

	2005*	2006*	2007*
Capital and surplus, December 31, prior year	$365,627,073	$ 452,325,350	$307,318,430
Net income (loss)	$ 94,665,331	$(133,654,668)	$110,714,407
Change in net unrealized capital gains (losses)	(99,602)	605,433	1,858,723
Change in net deferred income tax	(79,542,882)	67,015,526	(25,833,929)
Change in non-admitted assets and related items	82,191,266	(70,874,448)	23,751,775
Change in liability for reinsurance in unauthorized companies	7,753,052	1,658,480	4,542
Change in reserve on account of change in valuation basis	1,334,525	0	0
Change in asset valuation reserve	(3,013,154)	(5,240,387)	(4,422,291)
Surplus adjustments:			
Paid in	0	91,388	334,708
Change in surplus as a result of reinsurance	(3,065,452)	(9,977,287)	(4,875,479)
Dividends to stockholders	(9,500,000)	(2,609,827)	0
Prior period valuation adjustment	(5,098,441)	(105,372)	0
Prior period active reserve adjustment	1,073,633	3,328,982	0
Prior period tax reserve adjustment	0	2,145,445	0
Prior period tax contingency reserve	0	2,609,815	0
Group life contingency reserve	0	0	(10,374)
Net change in capital and surplus for the year	$ 86,698,276	$(145,006,920)	$101,522,083
Capital and surplus, December 31, current year	$452,325,349	$ 307,318,430	$408,840,513

*The amounts are presented as if the merger of AML with and into the Company occurred as of December 31, 2004

The decrease in capital and surplus from $452.3 million in 2005 to $307.3 million in 2006 was primarily due to $164 million of additional long-term care reserves recorded in 2006 relating to the implementation of the required cash flow testing methodology. Similarly, the increase in capital and surplus from $307.3 million in 2006 to $408.8 million in 2007 was due to a reduction in required long-term care reserves arising from the 2007 cash flow testing results.

D. RESERVES

The Department conducted a review of reserves as of December 31, 2007. During the review, the Department recommended more conservatism in the assumptions and methodology used for asset adequacy analysis pursuant to Department Regulation No. 126 and the "sound value" analysis pursuant to Department Regulation No. 56. In response, the Company incorporated various refinements in a manner acceptable to the Department. The changes were then implemented for December 31, 2008 reserves. These refinements produced additional reserves in the amount of $172 million.

The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department.

6. DERIVATIVE TRANSACTIONS

Section 178.5 (b) of Department Regulation No. 163 states in part:

> "As set forth in section 1410(b)(5) of the Insurance Law, an insurer engaging in derivative transactions shall be required to include, as part of the evaluation of accounting procedures and internal controls required to be filed pursuant to section 307 of the Insurance Law, a statement describing the assessment by the independent certified public accountant of the internal controls relative to derivative transactions. The purpose of this part of the evaluation is to assess the adequacy of the internal controls relative to the derivative transactions being conducted by the insurer. . . The independent certified public accountant shall issue a report regarding internal controls relative to derivative transactions, whether or not deficiencies in internal controls would lead to a "reportable condition", as that term is used in auditing standards adhered to by certified public accountants. An assessment in the form of an "agreed upon procedures engagement" or an "attestation engagement". . . ",

Section 1410 (b)(5) of the New York Insurance Law states in part:

> "An insurer which enters into derivative transactions as authorized pursuant to this section shall be required to include, as part of the evaluation of accounting procedures and internal controls required to be filed pursuant to subsection (b) . . . a statement describing the assessment by the independent certified public accountant of the internal controls relative to derivative transactions. If the internal controls relative to derivative transactions are determined to be deficient, the insurer shall require the accountant to include in the evaluation a description of such deficiencies and the insurer shall append to the evaluation a description of any remedial actions taken or proposed to be taken to correct these deficiencies, if such actions are not already described in the accountant's report"

The examiner reviewed the accountant's assessment of internal controls in the form of an agreed upon procedures engagement relative to derivative transactions. The accountant noted certain control deficiencies; however, the remedial actions to be taken to correct those deficiencies were not evident.

Among the controls the accountant could not attest to were;

- That contractual data regarding futures contracts, such as type of derivative, notional amounts and fair value was comparable to the information reported to the investments committee and/or board of directors.

- That annual reviews of option contracts and swap agreements were conducted by the legal department, and that such reviews were documented in writing by the Company.

The examiner recommends that the Company outline in writing corrective remedial actions addressing all deficiencies in derivatives processing and oversight identified in the accountant's report. This written plan should be submitted to the certified public accountant for its review and feedback, and to the appropriate board committee.

7. SEPARATE ACCOUNTS

A. Separate Accounts and Funding Agreements

During the examination period, the Company established four separate accounts for the purpose of issuing funding agreements backed by a note issued by a trust. Each funding agreement was issued in the amount of $100 million for a total of $400 million. The proceeds of each funding agreement were used to purchase senior notes issued by a trust. The trust in turn purchased certain assets consisting mostly of credit card receivables ("reference portfolio"). Additionally, the trusts entered into credit default swap transactions ("swaps") under which it was the writer of protection under the swaps. Each swap references a diversified portfolio of corporate and sovereign credits ("reference entities"), many of which, but not all, are owned by subsidiaries and affiliates of Genworth Financial. Together, the cash flow from the asset portfolio and the premium payments under the swaps would be used to make payments under the terms of the senior notes. Since the expected return on the assets plus the premium payments under the swaps exceeded the interest rates due under the funding agreement, GLICNY stood to earn a spread.

Under the terms of the credit default swaps, each swap has an attachment and detachment point. The trust is only obligated to make payments to the swap counterparty, Morgan Stanley, if losses in the reference portfolio exceed some level (attachment point). Losses in the portfolio are paid until the detachment point is reached. The maximum loss for each swap is the principal amount of $100 million. As defaults occur in the asset portfolio, the attachment point and detachment point associated with the credit default swaps decrease, thereby increasing the likelihood that the trust would be obligated to make payments under the credit default swaps. Also, if at the request of the Company, reference names are replaced, the attachment and detachment points are changed to compensate the counterparty for the difference in cost of protection on the replacement names. If the replacement names are of higher credit quality, the tranche is lowered to offer the counterparty the same probability of payment. If the replacement names are of lower credit quality, the tranche is raised.

As of the date of this report, unrealized losses on the notes issued by the trust totaled approximately $240 million. While some defaults among the reference entities under the swaps have occurred, thus far the trust has not had to make swap payments because losses have not exceeded the attachment point. However, as the defaults increased the probability that payment would be required, the credit quality deteriorated. To avoid potential credit downgrade to the notes, the Company renegotiated the attachment and detachment points with Morgan Stanley in exchange for a fee of about $30 million for two of the notes. The payment was necessary to compensate the counterparty for the lowered probability that the payments would be due to Morgan Stanley under the terms of the swap. (See item 7B for a further discussion of the $30 million fee)

Under the terms of each funding agreement and separate account, the Company is required to contribute assets from the Company's general account to each separate account in an amount sufficient to support their respective funding agreement obligations.

The examiner reviewed various aspects of the separate accounts and related funding agreements, and the investments comprising the portfolio within each trust. The examiner found no evidence that the Company obtained independent pricing of the credit card receivables prior to consummating the transaction.

At December 31, 2008, the Company reported an asset in the amount of $424,402,052 for the total book value of the four notes issued by the trust, including the restructured notes. As of the same date, the Company reported a corresponding fair value for the notes of only $155,800,000. In 2009, the Company obtained an independent financial appraisal of the notes from a nationally recognized consultant. The appraisal, performed as of March 31, 2009, indicated that the total value of the notes was 52% of overall face value. This was consistent with the Company's internal cash flow modeling which put the total value of the notes at about 47% of overall face value. To date, the Company has not recorded any write-downs or impairments on the notes. The consultant's analysis did not appear to consider the decline in value to be temporary, or suggest that the notes value would recover in the foreseeable future.

The above matter continues to be reviewed by the Department and is being referred to general counsel for further analysis.

B. Note Restructuring Fee

On January 2, 2009, the Department approved a capital contribution to the Company in an amount of up to $60 million in cash by GLIC on behalf of itself and its wholly-owned subsidiary, GLAIC. Per the Company's submission, the proposed use of the capital contribution is to support the restructuring of two assets held in two separate accounts.

The senior notes, which are the sole assets within the two separate accounts, were recently downgraded in rating due to decreases in the applicable attachment point. Because of the downgrades, the Company may have needed to impair the notes from current book value to current market value, resulting in the necessity for contribution of additional assets to make up for the market value deterioration of the collateral under the funding agreement obligations. As described above, the market value of these notes was approximately half of the $200 million par amount. The Company believed that such contributions could have a material impact on statutory capital.

On the basis of the potential for substantial additional general account contributions, the Company decided instead to increase the attachment points under the respective credit default swaps, thereby raising the respective credit ratings of the notes to a level not requiring additional contributions. The capital contributions were paid to the counterparty as a note restructuring fee for the purpose of increasing the attachment point.

C. Recommendations

In order to enable the Department's Capital Markets Bureau ("CMB") to continue to monitor the level of losses on the credit card receivables and the defaults by the reference entities comprising the credit default swap, and to monitor similar future transactions, the examiner recommends the following:

- Any proposed transaction, excluding those involving government-sponsored agencies, that utilizes derivatives and has limited or no ready marketability be submitted to CMB prior to issuance,
- The Company consult with the Department prior to any changes to the structure of the trusts, the notes, or underlying collateral (i.e., the credit card receivables and CDS),
- Any adjustments in the CDS attachment/detachment points operative in the applicable deals, accompanied by the underlying rationale for the modifications, be presented in writing to CMB within 10 business days of any such change,
- Any changes in agreements between the Company and Morgan Stanley and relevant parties be provided in writing to CMB within 10 business days of any such change,
- Investment staff overseeing these investments on behalf of the Company meet with CMB on a periodic basis,
- The Company notify the Department of its intention to issue additional funding agreements through one of its separate accounts,
- The Company explain and reconsider its decision not to reduce the carrying value of the notes in light of the findings of its outside consultant that the notes were worth 52% of their par value, and
- The Company provide CMB the following to be contained in a monthly report:
    - ➢ Any and all substitutions in the list of reference names, along with the ratings of each substitution,
    - ➢ List of reference entities that have experienced defaults,
    - ➢ The fair value of the Marvel Notes and the underlying credit card receivables and credit default swaps, and
    - ➢ The Company's watchlist.

8. SUBSEQUENT EVENTS

A. On January 2, 2009, the Department approved a capital contribution to the Company in an amount of up to $60 million in cash by Genworth Life Insurance Company ("GLIC") on behalf of itself and its wholly-owned subsidiary, GLAIC. The capital contributions would be used for payment to the counterparty as a note restructuring fee for the purpose of increasing the attachment point on the credit default swaps discussed in item 7 of this report.

B. On March 10, 2009, the Company received Department approval for a capital contribution in the amount of $150 million in cash and securities from GLIC and GLAIC. The purpose of the contribution was to offset the anticipated reserve increases arising from cash flow testing requirements (see item 5d of this report) and to maintain the Company's targeted risk based capital ratio.

9. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
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. As part of the merger of AML into the Company, all existing inter-company service agreements were reviewed and duplicate agreements were withdrawn.
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. The examination revealed that the Company filed and received approval for its alternate method.
C	The examiner recommends that the Company submit its alternate method of allocating its net investment income for approval to the superintendent. In response to a violation of Section 91.5(b) of Department Regulation No. 33 in the prior report, the Company submitted its alternate method to the Department.
D	The Company agreed to refine the long term care reserve analysis and to strengthen reserves in a manner acceptable to the Department. Toward that end, the Company established additional long term care reserves in the amount of $184 million as of March 31, 2006. The Company posted additional reserve amounts in June and September 2006
E	The examiner recommends that the Company continue to calculate long term care insurance reserves using the methodology as agreed upon with the Department. The examination revealed that the Company has continued to calculate long term care reserves using the methodology as agreed upon with the Department.
F	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. The examination revealed that the Company is presently disclosing information concerning its leased securities in the General Interrogatories, Notes to the Financial Statements and Schedule D.

10. 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 continue to compute reserves using the assumptions and methodology as agreed upon with the Department.	20
B.	The examiner recommends that the Company outline in writing corrective remedial actions addressing all deficiencies in derivatives processing and oversight identified in the accountant's report. This written plan should be submitted to the certified public accountant for its review and feedback and to the appropriate board committee.	22
C.	During the examination period, the Company established four separate accounts for the purpose of issuing funding agreements backed by a note issued by a trust. Under the terms of each funding agreement and separate account, the Company is required to contribute assets from the Company's general account to each separate account in an amount sufficient to support their respective funding agreement obligations. As of the date of this report, unrealized losses on the notes issued by the trust totaled approximately $240 million.	23
D.	The examiner reviewed various aspects of the separate accounts and related funding agreements, and the investments comprising the portfolio within each trust. The examiner found no evidence that the Company obtained independent pricing of the credit card receivables prior to consummating the transaction.	24
E.	In 2009, the Company obtained an independent financial appraisal of the notes from a nationally recognized consultant. The appraisal, performed as of March 31, 2009, indicated that the total value of the notes was 52% of overall face value.	24
F.	On January 2, 2009, the Department approved a capital contribution to the Company in an amount of up to $60 million in cash by GLIC on behalf of itself and its wholly-owned subsidiary, GLAIC. The capital contribution would be used to support the restructuring of two assets held in two separate accounts.	25
G.	The examiner recommends that any proposed transaction, excluding those involving government-sponsored agencies, that utilizes derivatives and has limited or no ready marketability be submitted to CMB prior to issuance.	26

H.	The examiner recommends that the Company consult with the Department prior to any changes to the structure of the trusts, the notes, or underlying collateral (i.e., the credit card receivables and CDS).	26
I.	The examiner recommends that any adjustments in the CDS attachment/detachment points operative in the applicable deals, accompanied by the underlying rationale for the modifications, be presented to CMB within 10 business days of any such change.	26
J.	The examiner recommends that any changes in agreements between the Company and Morgan Stanley and relevant parties be provided in writing to CMB within 10 business days of any such change.	26
K.	The examiner recommends that investment staff overseeing these investments on behalf of the Company meet with CMB on a periodic basis.	26
L.	The examiner recommends that the Company notify the Department to issue additional funding agreements through one of its separate accounts.	26
M.	The examiner recommends that the Company explain and reconsider its decision not to reduce the carrying value of the notes in light of the findings of its outside consultant that the notes were worth 52% of their par value.	26
N.	The examiner recommends that the Company provide CMB the following to be contained in a monthly report: any and all substitutions in the list of reference names, along with the ratings of each substitution; a list of reference entities that have experienced defaults; the fair value of the Marvel Notes and underlying credit card receivables and credit default swaps; and the Company's watchlist.	26
O.	On March 10, 2009, the Company received Department approval for a capital contribution in the amount of $150 million in cash and securities from GLIC and GLAIC. The purpose of the contribution was to offset the anticipated reserve increases arising from cash flow testing requirements and to maintain the Company's targeted risk based capital ratio.	27

Respectfully submitted,

_____________/s/___________
Anthony Mauro
Associate Insurance Examiner

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

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

_____________/s/___________
Anthony Mauro

Subscribed and sworn to before me

this__________ day of ____________________2008.

APPOINTMENT NO. *22742*

STATE OF NEW YORK

INSURANCE DEPARTMENT

*I, **ERIC R. DINALLO**, Superintendent of Insurance of the State of New York,*

pursuant to the provisions of the Insurance Law, do hereby appoint:

ANTHONY MAURO

as a proper person to examine into the affairs of the

GENWORTH LIFE INSURANCE 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 15th day of January, 2008

ERIC R. DINALLO
Superintendent of Insurance

Superintendent