STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

GE CAPITAL LIFE ASSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2001

DATE OF REPORT:	APRIL 14, 2004
EXAMINER:	JOHN T. RAFFA

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

George E. Pataki
Governor

Gregory V. Serio
Superintendent

February 28, 2003

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 21927, dated August 20, 2002 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," at its home office located at 200 Old Country Road, Mineola, New York 11501.

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

The Department has determined that net contract reserves need to be increased by $15 million to support the existing long-term care business. (See item 5D of this report)

The Company assumed long-term care business from Travelers Insurance Company ("TIC") in 2000. As of December 31, 2001 this assumed business represented 50% of the Company's total accident and health business. (See item 3D of this report)

The Company received surplus contributions from its parent, General Electric Capital Assurance Company ("GECA"), in the amounts of $75,000,000 and $45,000,000 in 2000 and 2001, respectively, to maintain sufficient capital and surplus to support the assumed long-term care business. (See item 3A of this report)

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to follow the terms of its filed service agreements. (See item 3B of this report)

The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain documentation supporting the allocation of expenses. (See item 3B of this report)

The Company's board of directors failed to conduct a meeting in 2000 in accordance with its by-laws filed with the Department. In addition, 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. Also, the audit committee failed to meet at least once a year as required by the Company's by-laws and failed to fulfill its responsibilities as required by Section 1202(b)(2) of the New York Insurance Law. (See item 3C of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 1998. This examination covers the period from January 1, 1999 through December 31, 2001. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2001, 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, 2001 to determine whether the Company's 2001 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
Growth of Company
Business in force by states
Mortality and loss experience
Reinsurance
Accounts and records
Financial statements

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, which consisted 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 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.

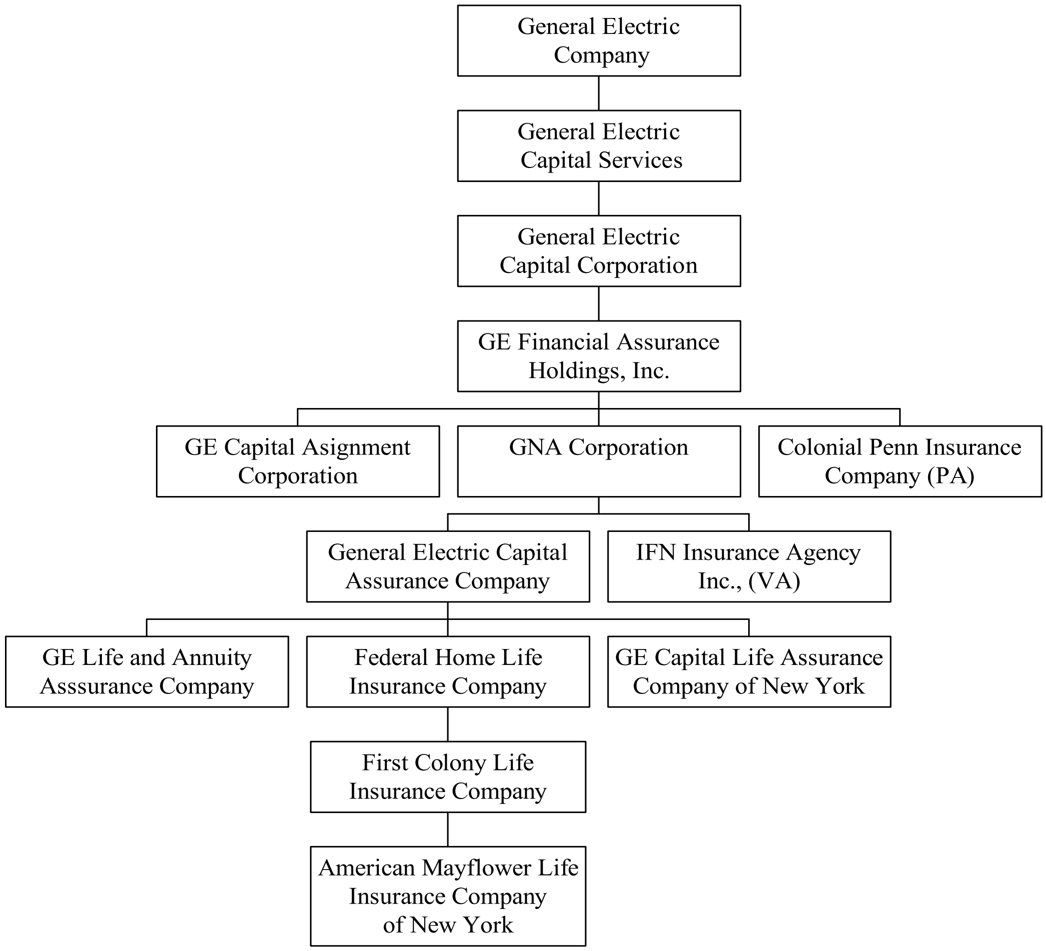
Effective February 1, 1996 the Company changed its name from First GNA Life Insurance Company of New York to its present name.

The Company received surplus contributions from GECA, its immediate parent, of $75,000,000 and $45,000,000 in 2000 and 2001, respectively.

B. Holding Company

The Company is a wholly owned subsidiary of GECA, a Delaware company. GECA is in turn a wholly owned subsidiary of GNA, a Washington company. GECA and GNA are wholly owned subsidiaries of GE Financial Assurance Holdings, Inc. ("GEFA"), a Delaware financial services company. The ultimate parent of the Company is GE, a New York domiciled company.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2001 follows:



The Company had service agreements in effect with 11 affiliates as of December 31, 2001.

The Company entered into a Master Outsourcing Agreement ("MOA") with GE Capital International Services ("GECIS"), a corporation formed under the laws of the Republic of India. The agreement provides the standard terms for all services to be provided by GECIS, under various Project Specific Agreements ("PSAs"), to the Company. The provisions of the agreement address among other things, the conditions under which the parties may terminate the agreement, confidentiality requirements, contractual remedies, limitations on assignment and subcontracting, indemnification and representations and warranties. Rather than stating the standard terms in each of the PSAs, the MOA is referenced in the individual PSAs.

The Company entered into seven PSAs with GECIS. The PSAs are separate and distinct contracts that detail the specific services to be provided by GECIS for the Company and, as noted above, incorporate the terms and conditions of the MOA by reference. The PSAs allow GECIS to provide case management and processing services such as: data entry; new application review; application processing and case preparation; software services; web support services; consulting services pertaining to the potential outsourcing of certain operational, financial, accounting, treasury, and information systems' functions; and other operational matters.

The Company also entered into a MOA with Electronic Data Management International, Inc. ("EDM"), a corporation formed under the laws of Barbados. The agreement provides the standard terms, as indicated above in the MOA with GECIS, for all services to be provided by EDM, under a PSA, for the Company. The standard terms of the MOA are referenced in the individual PSA.

The Company entered into one PSA with EDM whereby EDM provides imaging services for the Company's archived and active policy file documents.

The Company entered into a MOA with Colonial Penn Insurance Company ("Colonial"), a corporation formed under the laws of Pennsylvania. The agreement provides the standard terms, as indicated above in the MOA with GECIS, for all services to be provided by Colonial, under a PSA, for the Company. The standard terms of the MOA are referenced in the individual PSA.

The Company entered into one PSA with Colonial whereby Colonial provides servicing of privacy opt-out notices, with regard to customer privacy rights pursuant to the Gramm-Leach-Bliley Act.

The Company and GECA are parties to an administrative service agreement and a tax allocation agreement whereby GECA provides the Company with advertising, actuarial, legal, electronic data processing, underwriting, claims and marketing, tax allocation and consolidation services and the preparation of accounting records.

The Company and GE Capital Life and Annuity Assurance Company ("GELAAC") are parties to an administrative service agreement whereby GELAAC provides: underwriting; claims; policyholder record keeping; marketing; advertising and sales promotion; actuarial; legal; accounting; data processing; and tax and auditing services for the Company's variable life and variable annuity operations.

The Company and First Colony Life Insurance Company ("First Colony") are parties to a service agreement whereby First Colony provides administrative services for the Company's immediate annuities, structured settlements and certain life products.

The Company and American Mayflower Life Insurance Company of New York ("AMLI") are parties to two service agreements. Under one agreement the Company provides: underwriting and new business preparation; claims; policyholder and customer service; record keeping; marketing, advertising and sales promotion; and functional support services to AMLI. Under the second agreement, the Company provides AMLI with certain administrative and special services for its deferred annuity operations.

The Company is also party to a consulting services agreement with IFN Insurance Agency, Inc. ("IFN"), formerly Forth Financial Resources, Ltd., of Richmond, Virginia, whereby IFN provides marketing, consulting, and agent administrative services to the Company.

The Company and Federal Home Life Insurance Company ("FHLIC") are parties to a service agreement whereby FHLIC provides underwriting, claims, marketing, advertising and other services to the Company for its life and health insurance operations.

The Company and GE Capital Assignment Corporation ("GECAC") are parties to a service agreement whereby GECAC provides services for premium collection and development of the Company's structured settlement business.

The Company and GNA are parties to a loan service agreement whereby GNA provides a revolving credit line to the Company.

Section 1505(d) of the New York Insurance Law states, in part:

> "The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or such shorter period as he may permit, and he has not disapproved it within such period . . .
> (3) rendering of services on a regular or systematic basis . . .

The administrative service agreements between the Company and GECA and the Company and GELAAC indicate that the service providers shall submit to the Company the following documents:

- a written statement of the amount estimated to be owed by the Company within 30 days following the end of each calendar quarter;
- a detailed written statement of the final annual analysis of any balance due from, or refund payable to, the Company within 60 days after the end of each calendar year; and
- the accounting and statistical records within 60 days from the end of the month to which the records pertain.

In addition, the service provider shall maintain full and accurate accounts and records of all services rendered and facilities used and keep such accounts and records at its principal offices for audit, inspection and copying by the Company and persons authorized by it or any governmental agency having jurisdiction over the Company.

The Company failed to settle holding company transactions pursuant to the administrative service agreements with GECA and GELAAC. The Company did not receive any detailed written statements, accounting or statistical records, vouchers, invoices or other appropriate records to document transactions with GECA and GELAAC.

The Company violated Section 1505(d)(3) of the New York Insurance Law by failing to follow the terms of its filed service agreements.

Section 308(a) of the New York Insurance Law states, in part:

> "The superintendent may also address to any . . . authorized insurer or its officers any inquiry in relation to its transactions or condition or any matter connected therewith. Every corporation or person so addressed shall reply in writing to such inquiry promptly . . . "

Department Circular Letter No. 33 (1979) advises, in part:

> " . . . notification to this Department should be given within 30 days of any amendment to or termination of a tax allocation agreement. . . . "

The Company participates in a tax allocation agreement with GECA that was amended as of December 31, 2001. The amendment was not submitted to the Department until June 13, 2002.

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).

Section 91.4(a)(2) of Department Regulation No. 33 states, in part:

"Each life insurer shall maintain records with sufficient detail to show fully:
(i) the system actually used for allocation of income and expenses;
(ii) the actual bases of allocation;
(iii) the actual monetary distribution of the respective items of income, salaries, wages, expenses, and taxes to: . . .
(d) companies . . . "

The Company did not maintain vouchers, invoices or other records to document expense allocations among affiliated entities.

The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain documentation of the allocation of expenses.

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, 2001, the board of directors consisted of 13 members.

The 13 board members and their principal business affiliation, as of December 31, 2001, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
James D. Atkin Lynchburg, VA	Senior Vice President GE Capital Life Assurance Company of New York	2001
Marshall S. Belkin * Irvington, NY	Partner, Attorney Belkin, Natale and Oxman	1997
Richard I. Byer* Yonkers, NY	Executive Vice President Clark and Pope, Inc.	1997
Thomas W. Casey Richmond, VA	Senior Vice President GE Capital Life Assurance Company of New York	1999
Bernard M. Eiber * Great Neck, NY	Attorney	1997

Name and Residence	Principal Business Affiliation	Year First Elected
Jerry S. Handler* New York, NY	President Handro Management Corp.	1997
Gerald A. Kaufman * Plainview, NY	Attorney	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, General Counsel and Secretary American Mayflower Life Insurance Company of New York	1997
David J. Sloane Glen Cove, NY	Senior Vice President and Chief Administrative Officer GE Capital Life Assurance Company of New York	2001
Thomas A. Skiff San Rafael, CA	Employee GE Financial Assurance Holdings, Inc.	1997
Geoffrey S. Stiff Richmond, VA	Senior Vice President GE Capital Life Assurance Company of New York	1994
George R. Zippel Lynchburg, VA	Chairman, President and Chief Executive Officer GE Capital Life Assurance Company of New York	2001

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

Pamela Schutz replaced George R. Zippel as Chairman of the Board, President and Chief Executive Officer in 2002.

The examiner reviewed the minutes of the meetings of the board of directors. The examiner's review indicated that the board met once in 1999 and once in 2001.

There was no meeting of the board during the year 2000. The Company's by-laws indicate that the board should meet after the annual meeting of the stockholders.

The Company failed to conduct a meeting of the board of directors in accordance with its by-laws filed with the Department.

The Company holds joint board meetings with an affiliate, American Mayflower Life Insurance Company of New York. Joint board meetings may hinder the board from performing its responsibilities to the Company. It would be in the Company's best interest to conduct corporate proceedings such as board meetings, separate from the board meetings of affiliates, where the interests of the Company can be focused on.

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.

Section 1202(b)(2) of the New York Insurance Law states, in part:

> "The board of directors of a domestic life insurance company shall establish one or more committees comprised solely of directors who are not officers or employees of the company or of any entity controlling, controlled by, or under common control with the company and are not beneficial owners of a controlling interest in the voting stock of the company or any such entity. Such committee or committees shall have responsibility for recommending the selection of independent certified public accountants, reviewing the company's financial condition, the scope and results of the independent audit and any internal audit . . . "

The Company's by-laws indicate that the audit committee, comprised of outside directors, will meet at least once a year. The audit committee did not meet in 2000, and there were no minutes to document that they met in 2001. The audit committee failed to meet at least once a year as required by the Company's by-laws and failed to fulfill its responsibilities as required by Section 1202(b)(2) of the New York Insurance Law.

The Company violated Section 1202(b)(2) of the New York Insurance Law when the audit committee failed to fulfill its responsibilities as required by law.

The following is a listing of the principal officers of the Company as of December 31, 2001:

Name	Title
George R. Zippel	President and Chief Executive Officer
Gary T. Prizzia	Treasurer
Thomas M. Stinson	President, Long-term Care Division
Clifford A. Lange	Actuary
Donald W. Britton	Senior Vice President, General Counsel and Secretary
David J. Sloane*	Senior Vice President and Chief Administrative Officer

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

Pamela Schutz replaced George R. Zippel as President and Chief Executive Officer in 2002.

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 three states, namely New York, Delaware and Illinois. In 2001, 99.9% of premiums and considerations were received from New York, of which 82.7% consisted of individual annuity considerations and 17.3% consisted of long-term care insurance premiums. 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. Reinsurance

As of December 31, 2001, the Company had reinsurance treaties in effect with seven companies, of which six were authorized or accredited reinsurers. The Company's life and accident and health businesses are 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 $100,000. However, the Company does not have any direct life insurance premiums; all life insurance premiums are the result of assumed business from an affiliate. The total face amount of life insurance ceded as of

December 31, 2001, was $615,000 out of a total face amount of $100,345,000, which represents a fraction of a percent of the total face amount of life insurance in force. Annuity reserve credits taken for reinsurance ceded to an unauthorized company, totaling $59,346,604, were supported by a trust agreement.

The total face amount of life insurance assumed as of December 31, 2001, was $99,838,983, all of which is assumed from an affiliate.

In 2001, the Company assumed $81,564,659 in accident and health premiums and $281,808,472 in reserves from TIC. The majority of the business assumed was long-term care insurance. The Company assumed 90% of TIC's long-term care business under an Indemnity Reinsurance Agreement. The Company will assume the remaining 10% effective as of the eighth anniversary of the Indemnity Reinsurance Agreement. In addition, individually underwritten long-term care insurance contracts issued in TIC's name, for a period not to exceed one year from the closing date of the Indemnity Reinsurance Agreement, will be assumed under a 100% coinsurance agreement.

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, 1998	December 31, 2001	Increase (Decrease)
Admitted assets	$1,744,926,052	$3,441,280,004	$1,696,353,952
Liabilities	$1,576,098,265	$3,285,577,041	$1,709,478,776
Common capital stock	$ 2,000,000	$ 2,000,000	$ 0
Gross paid in and contributed surplus	95,797,118	215,797,118	120,000,000
Unassigned funds (surplus)	71,030,669	(62,094,154)	(133,124,823)
Total capital and surplus	$ 168,827,787	$ 155,702,964	$ 13,124,823
Total liabilities, capital and surplus	$1,744,926,052	$3,441,280,004	$1,696,353,952

The increases in assets and liabilities were due to the acquisition of the long-term care business from TIC and from the growth in the annuity business. The Company received surplus contributions in the amount of $75,000,000 and $45,000,000 in 2000 and 2001, respectively, to maintain sufficient capital and surplus to support the assumed business. The Company's invested assets as of December 31, 2001, exclusive of Separate Accounts, were mainly comprised of bonds (82.5%) and mortgage loans (10.1%). The majority (96.3%) of the Company's bond portfolio, as of December 31, 2001, was comprised of investment grade obligations.

The following has been extracted from the Exhibits of Annuities in the filed annual statements for each of the years under review:

	Ordinary Annuities			Group Annuities		
	1999	2000	2001	1999	2000	2001
Outstanding, end of previous year	56,583	56,477	57,962	264	230	213
Issued during the year	5,882	9,043	15,097	0	0	0
Other net changes during the year	(5,988)	(7,558)	(5,135)	(34)	(17)	(11)
Outstanding, end of current year	56,477	57,962	67,924	230	213	202

The overall increase in the number of contracts in force is due to the Company's concentration in the wealth accumulation business.

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 review:

	1999	2000	2001
Ordinary:			
Life insurance	$(4,177,170)	$ 967,794	$ 339,928
Individual annuities	8,973,182	4,179,571	(7,183,037)
Supplementary contracts	263,325	(2,131,157)	(615,257)
Total ordinary	$ 5,059,337	$ 3,016,208	$ (7,458,366)
Group:			
Life	$ 4,203	$ 0	$ 0
Annuities	(5,164)	61,427	32,513
Total group	$ (961)	$ 61,427	$ 32,513
Accident and health:			
Group	$(1,320,426)	$ 162,410	$ 265,327
Other	1,370,130	(71,195,161)	(19,224,840)
Total accident and health	$ 49,704	$(71,032,751)	$(18,959,513)
Total	$ 5,108,079	$(67,955,116)	$(26,385,366)

The loss for ordinary life in 1999 was due to $6,379,545 in federal income taxes incurred. The loss in supplementary contracts in 2000 is due to a $2,234,224 increase in reserves. The Company has not issued any new life policies or supplementary contracts during the examination period. The loss for individual annuities in 2001 is due to the increase in commissions and expenses associated with writing new business, while the net investment income rate of return has decreased. The losses for the other accident and health business, in 2000 and 2001, were due to the high acquisition expenses of the long-term care business from TIC.

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:

	1999	2000	2001
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	77.0%	93.6%	100.6%
Commissions	18.8	42.7	19.7
Expenses	16.4	7.3	15.3
	112.2%	143.6%	135.6%
Underwriting results	(12.2)%	(43.6)%	(35.6)%

The decline in underwriting results and the increase in incurred losses for 2000 and 2001 are due to the assumption of the long-term care business from TIC.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital, surplus and other funds as of December 31, 2001, as contained in the Company's 2001 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 Department has determined that net contract reserves need to be increased by $15 million to support the existing long-term care business. (See item 5D of this report)

A. ASSETS, LIABILITIES, CAPITAL, SURPLUS AND OTHER FUNDS AS OF DECEMBER 31, 2001

Admitted Assets

Bonds	$2,781,054,939
Preferred stocks	45,827,785
Mortgage loans	
First liens	341,066,065
Policy loans	1,343,738
Cash and short term investments	8,494,980
Receivable for securities	97,404,308
Reinsurance ceded	
Amounts recoverable from reinsurers	7,356
Federal and foreign income tax recoverable and interest thereon	8,044,927
Life insurance premiums and annuity considerations	
deferred and uncollected on in force business	173,814
Accident and health premiums due and unpaid	14,597,386
Investment income due and accrued	68,455,131
Receivable from parent, subsidiaries and affiliates	969,203
Receivable from Separate Accounts	77,176
From Separate Accounts statement	73,763,196
Total admitted assets	$3,441,280,004

Liabilities, Capital, Surplus and Other Funds

Aggregate reserve for life policies and contracts	$2,391,088,415
Aggregate reserve for accident and health policies	490,691,366
Liability for deposit-type contracts	142,096,041
Policy and contract claims:	
Life	689,942
Accident and health	2,040,183
Premiums and annuity considerations for life and accident and health policies and contracts received in advance	1,219,723
Policy and contract liabilities:	
Other amounts payable on reinsurance assumed	650,138
Interest maintenance reserve	21,609,752
Commissions to agents due or accrued	2,207,558
Commissions and expense allowances payable on reinsurance assumed	2,769
General expenses due or accrued	3,172,211
Transfers to Separate Accounts due or accrued	(3,052,287)
Taxes, licenses and fees due or accrued	4,623,522
Federal and foreign income taxes	2
Amounts withheld or retained by company as agent or trustee	345,628
Remittances and items not allocated	84,779,957
Borrowed money and interest thereon	27,295,000
Miscellaneous liabilities:	
Asset valuation reserve	22,579,019
Payable to parent, subsidiaries and affiliates	19,519,976
Aggregate write-ins for liabilities, unclaimed funds	254,931
From Separate Accounts statement	73,763,196
Total liabilities	$3,285,577,041
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	215,797,118
Unassigned funds (surplus)	(62,094,154)
Total capital, surplus and other funds	$ 155,702,964
Total liabilities, capital, surplus and other funds	$3,441,280,004

B. CONDENSED SUMMARY OF OPERATIONS

	1999	2000	2001
Premiums and considerations	$374,191,556	$792,104,333	$ 869,249,861
Investment income	136,157,085	158,188,847	201,534,452
Miscellaneous income	837,631	7,350,592	921,572
Total income	$511,186,272	$957,643,772	$1,071,705,885
Benefit payments	$187,018,994	$247,492,954	$ 253,547,659
Increase in reserves	240,660,389	574,387,679	702,913,464
Commissions	27,817,332	138,720,084	74,301,334
General expenses and taxes	20,491,780	30,072,728	35,981,867
Increase in loading on deferred and uncollected premium	(2,706)	(1,399)	378
Net transfers to (from) Separate Accounts	15,445,965	46,574,844	26,366,798
Payments and increase in reserves on supplementary contracts without life contingencies	0	7,885,733	0
Total deductions	$491,431,754	$1,045,132,623	$1,093,111,500
Net gain (loss)	$ 19,754,518	$ (87,488,851)	$ (21,405,615)
Federal and foreign income taxes incurred	14,646,439	(19,533,736)	4,979,753
Net gain (loss) from operations before net realized capital gains	$ 5,108,079	$ (67,955,115)	$ (26,385,368)
Net realized capital gains (losses)	(42,513)	(258,228)	(11,482,281)
Net income	$ 5,065,566	$ (68,213,343)	$ (37,867,649)

C. CAPITAL AND SURPLUS ACCOUNT

	1999	2000	2001
Capital and surplus, December 31, prior year	$168,827,785	$153,684,804	$155,712,657
Net income	$ 5,065,566	$ (68,213,343)	$ (37,867,649)
Change in net unrealized capital gains (losses)	0	(7,354,264)	5,120,824
Change in non-admitted assets and related items	(1,082,664)	(407,750)	(117,573)
Change in reserve valuation basis	0	(104,434)	0
Change in asset valuation reserve	(2,625,883)	3,107,644	(9,216,754)
Cumulative effect of changes in accounting principles	0	0	(2,200,154)
Surplus adjustments:			
Paid in	0	75,000,000	45,000,000
Dividend to stockholders	(16,500,000)	0	0
Non admitted accrued investment income	0	0	(728,386)
Net change in capital and surplus	$ (15,142,981)	$ 2,027,853	$ (9,693)
Capital and surplus, December 31, current year	$153,684,804	$155,712,657	$155,702,964

D. RESERVES

The Department has determined that net contract reserves need to be increased by $15 million ($30 million less $15 million of additional reserves established as of December 31, 2003) to support the Company's existing long-term care business. The Company disagrees with the methodology used by the Department in reaching its decision. However, to facilitate the closure of the examination, the Company has agreed to establish $15 million of additional reserves for the quarter ending June 30, 2004. The Company plans to hire an outside actuarial consulting firm, to be agreed upon by both the Company and the Department, to perform a review of its long-term care reserves. If this review is completed prior to the date on which the Company files its statutory financials for the quarter ending June 30, 2004, the Department will consider the results of the review, as well as any additional analysis and emerging experience it deems relevant, and may reduce the amount of the additional reserve requirement.

6. RESPONSE TO SUPPLEMENT NO. 1 TO DEPARTMENT CIRCULAR LETTER NO. 19 (2000)

Supplement No. 1 to Circular Letter No. 19 (2000) (the "Supplement"), issued by the Department on June 22, 2000, notified all licensed life insurers that the Department was investigating allegations of race-based underwriting of life insurance by its licensees. The Supplement directed, pursuant to Section 308 of the New York Insurance Law, each domestic and foreign life insurer to review its past and present underwriting practices regarding race-based underwriting and to report its findings to the Department, no later than August 15, 2000.

Pursuant to Section 308 of the New York Insurance Law, the Company submitted, in a timely manner, a report of the findings of its review of past and present underwriting practices regarding race-based underwriting made in accordance with the requirements of the Supplement.

The Company was incorporated as a stock life insurer in 1988. United Pacific Reliance Life of New York ("UPL") was incorporated in 1983 and was acquired and merged into the Company in 1993. The Company reported that the policy files for policies issued by UPL were examined.

The Company reviewed the available documentation for New York including, but not limited to the underwriting manuals, life insurance applications, policy files, form filings, agents' product and procedure manual, agent contracts and compensation schedules. In addition, conversations were held with senior underwriting staff, forms filing staff and a senior board member. The Company concluded that there is no evidence of an individual's race, color, creed or national origin being part of the Company's underwriting process.

An analysis of the Company's response to the Supplement and other factors indicated that the Company's review of its past and present underwriting practices complied with the requirements of the Supplement.

7. SUMMARY AND CONCLUSIONS

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

Item	Description	Page No(s).
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.	7 – 8
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).	8
C	The Company violated Section 91.4(a)(2) of Department Regulation No. 33 by failing to maintain documentation of the allocation of expenses.	9
D	The Company failed to conduct a meeting in 2000 of the board of directors in accordance with its by-laws.	10
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.	11
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.	11
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.	20

Respectfully submitted,

/s/
John T. Raffa
Senior Insurance Examiner

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

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

/s/
John T. Raffa

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 21927

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, GREGORY V. SERIO , Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

JOHN RAFFA

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 20th day of August , 2002

GREGORY V. SERIO
Superintendent of Insurance

Superintendent