



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
GENWORTH LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

MAY 10, 2016

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EXAMINER:

JOCATENA HARGROVE

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Maria T. Vullo  
Acting Superintendent

May 20, 2016

Honorable Maria T. Vullo  
Acting Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31283, dated April 22, 2015 and annexed hereto, an examination has been made into the condition and affairs of Genworth Life Insurance Company of New York, hereinafter referred to as “the Company,” at its main administrative office located at 6620 West Broad Street, Richmond, VA 23230. The Company’s home office is located at 600 Third Avenue, Suite 2400, New York, NY 10016.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

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

## 1. EXECUTIVE SUMMARY

In early 2016 the Department and the Company came to an agreement to refine the LTC reserve analysis and to strengthen reserves in a manner acceptable to the Department which showed the need for additional reserves of \$356 million. The Department learned that the Company was using assets held in trust for the benefit of MetLife in the asset adequacy analysis covering other lines of business. In addition, the Department found that the reserves for certain universal life insurance with secondary guarantees (ULSG) were based on assumptions inconsistent with the Department's interpretation of Department Regulation No. 147. The Department is continuing to discuss both the reinsurance trust and ULSG issues with the Company. At this juncture, the Certificate of Reserve Valuation is being held and is not expected to be issued until these concerns are resolved. (See item 6F of this Report)

## 2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2015 Edition (the "Handbook")*. The examination covers the four-year period from January 1, 2011 through December 31, 2014. The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2014 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

In the course of the examination, a review was also made of the manner in which the Company conducts its business and fulfills its contractual obligations to policyholders and claimants. The results of this review are contained in item 7 of this report.

The examination was conducted on a risk focused basis in accordance with the provisions of the Handbook published by the National Association of Insurance Commissioners ("NAIC"). The Handbook guidance provides for the establishment of an examination plan based on the examiner's assessment of risk in the insurer's operations and utilizing that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the current financial condition as well as identify prospective risks that may threaten the future solvency of the insurer. The examiner identified key processes, assessed the risks within those processes and evaluated the internal control systems and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, and determining management's compliance with New York statutes and Department guidelines, Statutory Accounting Principles as adopted by the Department, and annual statement instructions.

The examination was led by the Commonwealth of Virginia representing its two domestics, Genworth Life and Annuity Insurance Company (VA) and Jamestown Life Insurance Company (VA), with participation from the State of Delaware representing Genworth Life Insurance Company (DE), and the State of New York representing Genworth Life Insurance Company of New York (NY). Since all states are accredited by the NAIC, they all deemed it appropriate to rely on each other's work.

Information about the Company's organizational structure, business approach and control environment were utilized to develop the examination approach. The Company's risks and

management activities were evaluated incorporating the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The Company was audited annually, for the years 2011 through 2014, by the accounting firm of KPMG, LLP. The Company received an unqualified opinion in all years. Certain audit work papers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company's parent has an internal audit department and a separate internal control department which was given the task of assessing the internal control structure and compliance with the Sarbanes-Oxley Act of 2002 ("SOX"). The Company follows the same control processes as the parent. Where applicable, SOX work papers and reports were reviewed and portions were relied upon for this examination.

The examiner reviewed the corrective actions taken by the Company with respect to the comment contained in the prior report on examination.

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. As a result, the Company became an indirect wholly owned subsidiary of Genworth. The Company remained a direct subsidiary of GECA, which changed its name to Genworth Life Insurance Company (“GLIC”) on January 1, 2006.

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

In March 2006, GE sold 71 million shares of Genworth common stock in a secondary offering and an additional 15 million shares of Genworth common stock to Genworth thereby disposing 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.

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 issuance of 1,056 shares of common stock as merger consideration to Genworth Life and Annuity Insurance Company (“GLAIC”), the previous owner of AML, with a par value of \$1,000 each.

During 2008 and 2009 the Company’s parent made two contributions totaling \$181,500,000 to surplus, primarily to offset anticipated reserve increases arising from cash flow testing requirements and to maintain the targeted risk based capital ratio. The first surplus contribution of \$31,500,000 was to support assets held in two separate accounts and was made on December 30, 2008, with the approval of the Department. This facilitated the payment to the note counterparty as a restructuring fee for the purpose of increasing the attachment points on the underlying Credit Default Swaps (“CDS”) relating to the Marvel 2007-1 and Marvel 2007-3 Collateral Debt Obligations (“CDO”). Without this payment, the notes were in danger of suffering significant credit downgrades. The second capital contribution of \$150,000,000 was made on February 24, 2009, with the prior approval of the Department.

In 2011, the Company changed its operating business segments to better align its business. Under the new structure, the Company operates through two segments: (1) U.S. Life Insurance and (2) Runoff. The Company also has Corporate and other activities which include income and expenses not allocated to the segments. The Company offers and manages, term universal life insurance, universal life insurance, long-term care insurance, and fixed deferred and immediate annuities. The Company also has blocks of term life insurance that are no longer actively sold. The runoff segment includes the results of non-strategic products which are no longer actively sold. The Company’s non-strategic products include variable annuity, variable life insurance, and institutional products.

In January 2011, the Company announced that it would discontinue the sales of retail and group variable annuities while continuing to service the existing blocks of business. On October 22, 2012, the Company discontinued sales of its term universal life insurance product and in November 2012, the Company discontinued sales on certain universal life insurance products.

Department Circular Letter No. 33 (1979) requires that when the domestic insurer is a party to a tax agreement with affiliates, and the New York Company is paid for the use of its credits in the consolidated return, including capital losses and operating loss carryovers, the tax benefit is to be recorded as contributed surplus. As a result, the Company reclassified \$58,886,861 of unassigned surplus to contributed surplus as of January 1, 2013.

The Company received a capital contribution of \$35,475,761 from its parents, GLIC and GLAIC. The capital contribution was primarily related to the Company accruing contributions receivable of \$25,000,000 and \$13,167,939 from GLIC and GLAIC, respectively, after receiving approval from the Department to do so in accordance with Statements of Statutory Accounting Principles ("SSAP") No. 72, *Surplus and Quasi-reorganizations*, as the receivable was settled on February 19, 2015 prior to the filing of the 2014 Annual Statement. The remaining difference of \$(2,692,178) related to the Department Circular Letter No. 33 (1979).

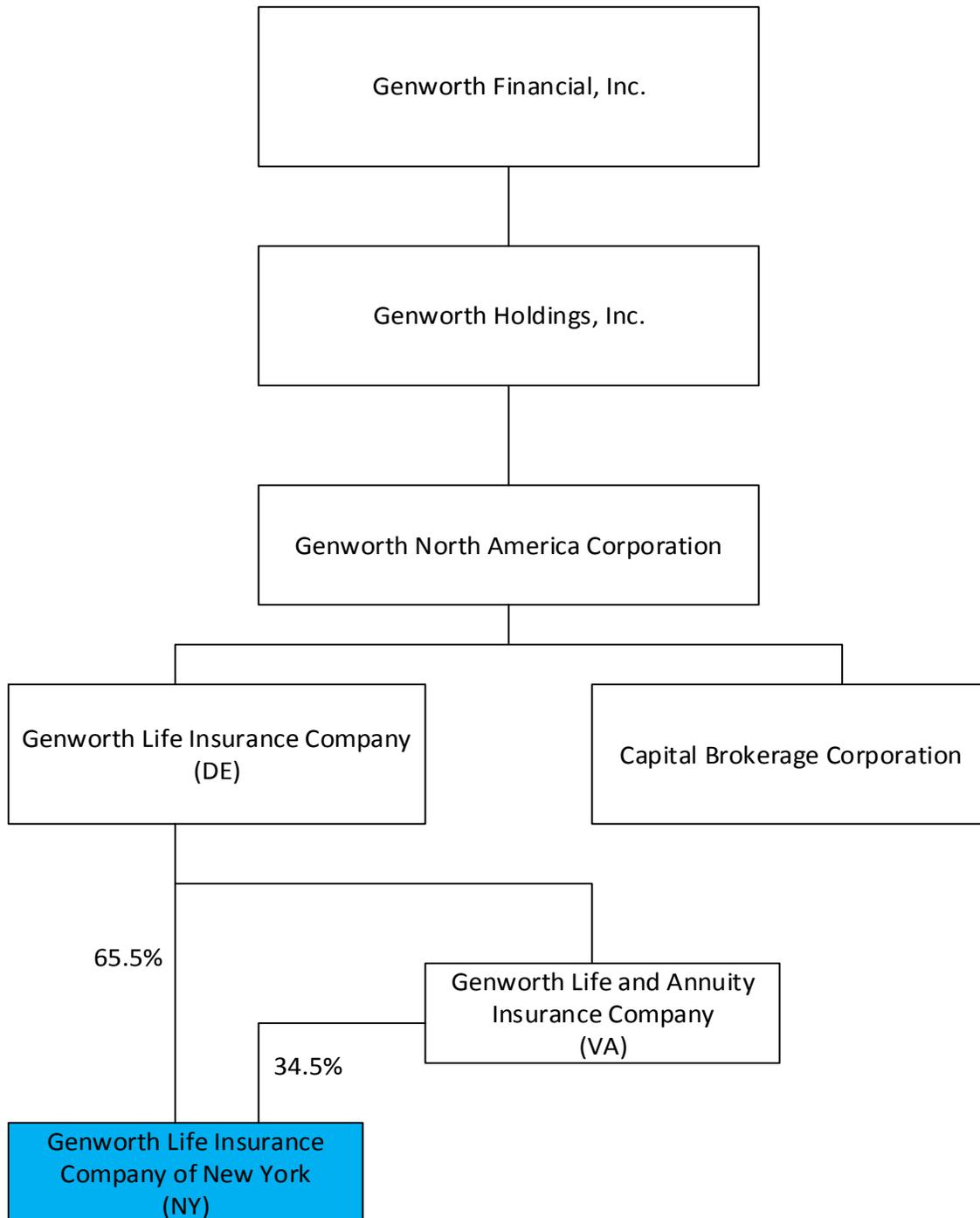
#### B. Holding Company

The Company is 65.5% owned by GLIC, a Delaware life insurance company, and 34.5% owned by GLAIC, a Virginia life insurance company. GLAIC is a wholly owned subsidiary of GLIC. GLIC is in turn a wholly owned subsidiary of Genworth North America Corporation formerly known as GNA Corporation ("GNA"), a Washington holding company. The ultimate parent of the Company is Genworth Financial, Inc. a Delaware financial services holding company.

On April 1, 2013, Genworth completed an internal reorganization pursuant to a merger under Section 251(g) of the Delaware General Corporation Law and certain related transactions. As a result of the merger, a new Delaware holding company was established and became the Company's new ultimate parent. The new holding company assumed the name "Genworth Financial, Inc." The former "Genworth Financial, Inc." was renamed "Genworth Holdings, Inc." Genworth Holdings, Inc. is now an intermediate parent company of the Company.

### C. Organizational Chart

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2014 follows:



#### D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Providers of Services	Recipients of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Service Agreement File No. 37574	Restated 06/01/07	GLAIC, GLIC and GNA	The Company	Certain administrative and special services for day to day operations including EDP processing of financial transactions, payroll, human resources, claims, underwriting, and auditing services.	2011:\$(48,344,431) 2012:\$(42,294,604) 2013:\$(34,509,892) 2014:\$(36,402,454)
Investment Management and Services File No. 32315	5/24/04	GNA	The Company	Investment management and related services	2011:\$(8,681,070) 2012:\$(8,848,655) 2013:\$(9,537,270) 2014:\$(9,698,208)
Collection Agent Service Agreement File No. 35653	11/15/06	The Company	GLIC and GLAIC	Agreement to consolidate eight wire accounts for payments received in connection with certain products.	2011:\$( 9,486) 2012:\$(10,955) 2013:\$( 9,229) 2014:\$( 9,270)
Sub-lease Affiliate Service Agreement File No. 34088	8/1/05	GNA	The Company	Sub-let of NY office (622 Third Avenue)	2011:\$(25,732) 2012:\$(25,338) 2013:\$( 7,139) 2014:\$ 0
Underwriting Agreement File No.025526	5/11/98	Capital Brokerage Corporation	The Company	Agreement for the distribution of the Company's variable annuity products.	2011:\$(5,670,788) 2012:\$(5,263,125) 2013:\$(5,800,484) 2014:\$(6,197,743)

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

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

### E. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than eight and not more than 12 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, 2014, the board of directors consisted of nine members. Meetings of the board are held quarterly.

The nine board members and their principal business affiliation, as of December 31, 2014, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Ward E. Bobitz Richmond, VA	Vice President and Assistant Secretary Genworth Life Insurance Company of New York	2005
James J. Buddle* Doylestown, PA	Retired – Former Chief Compliance Officer Genworth Financial, Inc.	2009
Richard I. Byer* Lake Worth, FL	Retired – Former Executive Vice President Richartz, Fliss, Clark & Pope	1996
Harry D. Dunn Glen Allen, VA	Vice President Genworth Life Insurance Company of New York	2008
Alexandra Duran* New York, NY	Principal and Chief Executive Officer Duran Consulting	2008
Paul A. Haley Richmond, VA	Senior Vice President Genworth Life Insurance Company of New York	2002
Terrence O. Jones* New York, NY	President Battersby Capital Management LLC	2007
Daniel J. Sheehan, IV Easton, CT	Senior Vice President and Chief Investment Officer Genworth Life Insurance Company of New York	2012
David J. Sloane New York, NY	President and Chief Executive Officer Genworth Life Insurance Company of New York	2001

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

Tom McInerney, was elected to the board in April 2015. Richard Byer passed away shortly before the annual meeting in June 2015. He was replaced by Paul Radvany in June 2015. Terrence Jones resigned from the board in January 2015 and was replaced by Elena Edwards in June 2015.

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, 2014:

<u>Name</u>	<u>Title</u>
David J. Sloane*	President and Chief Executive Officer
Jeffrey S. Wright	Treasurer
Milium D. Livesay	Senior Vice President and Chief Financial Officer
Lori M. Evangel	Senior Vice President and Chief Risk Officer
Thomas E. Duffy	Senior Vice President, General Counsel and Secretary
John O. Nigh	Senior Vice President and Chief Actuary
Daniel J. Sheehan, IV	Senior Vice President and Chief Investment Officer
Paul A. Haley	Senior Vice President
Elena K. Edwards	Senior Vice President
Martin P. Klein	Senior Vice President
Scott J. McKay	Senior Vice President
Leon E. Roday	Senior Vice President
John G. Apostle, II	Vice President and Chief Compliance Officer
David C. Armstrong	Vice President and Appointed Actuary
Ward E. Bobitz	Vice President and Assistant Secretary

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

In January of 2015 Matthew P. Keppler replaced Milium D. Livesay as Senior Vice President and Chief Financial Officer. Thomas J. McInerney replaced Leon E. Roday as Senior Vice President in January of 2015. Robert P. Vrolyk replaced David C. Armstrong as Appointed Actuary in January of 2015, and also replaced John O. Nigh as Chief Actuary in June of 2015. Harry Dunn replaced Rob Vrolyk as Appointed Actuary in December of 2015.

#### 4. TERRITORY AND PLAN OF OPERATIONS

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 the District of Columbia and eight states, namely Connecticut, Delaware, Florida, Illinois, New Jersey, New York, Rhode Island, and Virginia. In 2014, 91.5% of life premiums, 97.7% of annuity considerations, 90.2% of accident and health premiums, and 100% of deposit type funds were received from New York. Policies are written on a non-participating basis. The remaining inforce participating policies are in run off.

##### A. Statutory and Special Deposits

As of December 31, 2014, the Company had \$2,100,000 (par value) of United States Treasury Notes on deposit with the State of New York, its domiciliary state, for the benefit of all policyholders, claimants and creditors of the Company. As per a confirmation received, and which was reported in Schedule E of the 2014 filed annual statement, an additional \$260,000 (par value) of United States Treasury Notes was being held by the Commonwealth of Virginia.

##### B. Direct Operations

The Company's principal lines of business are deferred (variable and fixed) and immediate (variable and fixed) annuities, long term care ("LTC"), term universal life and universal life insurance. The Company offers long term care insurance, single premium deferred annuities, single premium immediate annuities, term life and universal life policies. Effective January 6, 2011, the Company discontinued sales of its variable deferred and group variable annuities. In 2012, the Company discontinued sales of its term universal life and certain of its universal life product sales. The current focus is on the sale of deferred and immediate fixed annuities.

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.

### C. Reinsurance

As of December 31, 2014, the Company had reinsurance treaties in effect with 46 companies, of which 28 were authorized or accredited. The Company's life and accident and health business is 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, 2014, was \$21,037,437,778, which represents 71% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling \$1,364,029,549, was supported by trust agreements and funds withheld.

The total face amount of life insurance assumed as of December 31, 2014, was \$41,241,791.

## 5. 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 (decline) during the period under review:

	December 31, <u>2010</u>	December 31, <u>2014</u>	Increase <u>(Decrease)</u>
Admitted assets	<u>\$7,432,015,788</u>	<u>\$8,474,589,501</u>	<u>\$1,042,573,713</u>
Liabilities	<u>\$6,882,881,047</u>	<u>\$7,993,468,692</u>	<u>\$1,110,587,645</u>
Common capital stock	\$ 3,056,000	\$ 3,056,000	\$ 0
Gross paid in and contributed surplus	477,434,143	580,184,747	102,750,604
SSAP No. 10(R) – admitted deferred tax asset	22,381,802	0	(22,381,802)
Unassigned funds (surplus)	<u>46,262,796</u>	<u>(102,119,938)</u>	<u>(148,382,734)</u>
Total capital and surplus	<u>\$ 549,134,741</u>	<u>\$ 481,120,809</u>	<u>\$ (68,013,932)</u>
Total liabilities, capital and surplus	<u>\$7,432,015,788</u>	<u>\$8,474,589,501</u>	<u>\$1,042,573,713</u>

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):

<u>Year</u>	<u>Individual Whole Life</u>		<u>Individual Term</u>	
	<u>Issued</u>	<u>In Force</u>	<u>Issued</u>	<u>In Force</u>
2011	\$3,131,457	\$ 8,293,975	\$ 45,385	\$23,064,296
2012	\$2,590,563	\$10,306,834	\$ 10,811	\$21,998,027
2013	\$ 97,519	\$ 8,685,759	\$ 1,266	\$22,274,748
2014	\$ 48,497	\$ 9,346,666	\$ 2,000	\$20,238,879

In 2012 the Company stopped writing individual whole life and individual term life insurance.

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

	<u>Ordinary Annuities</u>			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Outstanding, end of previous year	75,318	73,192	70,711	68,933
Issued during the year	4,182	3,241	3,955	2,812
Other net changes during the year	<u>(6,308)</u>	<u>(5,722)</u>	<u>(5,733)</u>	<u>(7,019)</u>
Outstanding, end of current year	<u>73,192</u>	<u>70,711</u>	<u>68,933</u>	<u>64,726</u>

The company's sales fluctuate due to consumer demand and market conditions.

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:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Ordinary:				
Life insurance	8,539,837	\$ 12,625,006	\$ (60,315,167)	\$ (22,673,196)
Individual annuities	31,419,828	59,186,218	72,740,514	34,772,439
Supplementary contracts	<u>2,013,609</u>	<u>1,615,178</u>	<u>1,757,420</u>	<u>1,257,024</u>
Total ordinary	\$ <u>41,973,274</u>	\$ <u>73,426,402</u>	\$ <u>14,182,767</u>	\$ <u>13,356,267</u>
Group:				
Life	\$ 38,281	\$ (108,644)	\$ 82,071	\$ 102,165
Annuities	<u>5,635,713</u>	<u>6,448,397</u>	<u>3,734,122</u>	<u>2,110,805</u>
Total group	\$ <u>5,673,994</u>	\$ <u>6,339,753</u>	\$ <u>3,816,193</u>	\$ <u>2,212,970</u>
Accident and health:				
Group	\$ (1,336,933)	\$ (3,386,603)	\$ 818,465	\$ (376,033)
Other	<u>(47,020,091)</u>	<u>(40,507,731)</u>	<u>40,314,290</u>	<u>(110,694,530)</u>
Total accident and health	\$ <u>(48,357,024)</u>	\$ <u>(43,894,334)</u>	\$ <u>41,132,755</u>	\$ <u>(111,070,563)</u>
Total	\$ <u>(709,761)</u>	\$ <u>35,871,821</u>	\$ <u>59,131,715</u>	\$ <u>(95,501,325)</u>

The Company recorded losses on its life insurance business in 2013 and 2014 due to increases in reserves related to the application of Department Regulation No. 147.

The decline in income from individual annuities from 2013 to 2014 was due to lower production, decreases in net investment income as higher yielding assets mature and are replaced.

The decline in the Company's gains from supplementary contracts was primarily related to changes in the allocated tax expense between 2013 and 2014.

The loss on its group life business was primarily related to a single large death claim in 2012.

The decline in the Company's gains from group annuities was primarily related to the allocated tax expense between 2013 and 2014.

The Companies accident and health business is almost entirely long-term care insurance. During 2014, the Company recorded a \$49 million increase in long-term care claims reserves as a result of changes to assumptions from a comprehensive claims review. In addition, the Company also experienced higher severity and frequency on new claims. During 2012, the Company recorded an additional \$79 million in cash flow testing reserves, partially offset by a \$40 million decrease in reserves due to reserve refinements recorded during the year. During 2011, the Company recorded a \$33 million increase in reserves related to the impact of a valuation system conversion, and recorded an additional \$14 million of cash flow testing reserves.

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:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums earned	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Incurred losses	163.1%	163.8%	123.8%	212.2%
Commissions	9.9%	8.5%	6.6%	7.4%
Expenses	<u>16.8%</u>	<u>14.7%</u>	<u>15.4%</u>	<u>15.9%</u>
Underwriting results	<u>(89.8)%</u>	<u>(87.0)%</u>	<u>(45.9)%</u>	<u>(135.5)%</u>

During 2014, the Company recorded a \$49 million increase in long-term care claims reserves during the third quarter as a result of changes to assumptions from a comprehensive claims review. In addition, the Company recorded \$39 million of additional long-term care reserves related to cash flow testing in the fourth quarter of 2014. Furthermore, the Company also experienced higher severity and frequency on new claims.

## 6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2014, as contained in the Company's 2014 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, 2014 filed annual statement.

### A. Independent Accountants

The firm of KPMG, LLC was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31<sup>st</sup> of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

KPMG, LLC concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

B. Net Admitted Assets

Bonds	\$5,602,308,378
Stocks:	
Preferred stocks	49,912,441
Common stocks	3,470,500
Mortgage loans on real estate:	
First liens	830,437,529
Cash, cash equivalents and short term investments	511,484,713
Contract loans	27,563,481
Derivatives	8,555,747
Other invested assets	61,538,359
Receivable for securities	1,838,758
Securities lending reinvested collateral assets	57,818,035
Investment income due and accrued	63,068,051
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	9,257,618
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,803,360
Reinsurance:	
Amounts recoverable from reinsurers	13,516,117
Other amounts receivable under reinsurance contracts	2,243,759
Current federal and foreign income tax recoverable and interest thereon	6,820,321
Net deferred tax asset	50,145,372
Guaranty funds receivable or on deposit	3,394,974
Receivables from parent, subsidiaries and affiliates	204,486
Reinsurance premium receivable - New York Regulation No. 172	6,701,387
Other receivables	3,443,653
Contributions receivable	38,167,939
Premium tax refunds receivable	154,227
From separate accounts, segregated accounts and protected cell accounts	<u>1,116,740,296</u>
Total admitted assets	<u>\$8,474,589,501</u>

### C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	\$4,021,929,424
Aggregate reserve for accident and health contracts	1,953,579,874
Liability for deposit-type contracts	122,743,827
Contract claims:	
Life	5,639,797
Accident and health	11,165,634
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	15,330
Premiums and annuity considerations for life and accident and health contracts received in advance	5,181,487
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	12,846,264
Interest maintenance reserve	33,438,596
Commissions to agents due or accrued	731,605
Commissions and expense allowances payable on reinsurance assumed	191,945
General expenses due or accrued	14,400,628
Transfers to separate accounts due or accrued	(37,304,753)
Taxes, licenses and fees due or accrued, excluding federal income taxes	196,001
Unearned investment income	624,497
Amounts withheld or retained by company as agent or trustee	4,835,572
Remittances and items not allocated	7,187,134
Miscellaneous liabilities:	
Asset valuation reserve	50,545,930
Reinsurance in unauthorized companies	47
Funds held under reinsurance treaties with unauthorized reinsurers	395,043,869
Payable to parent, subsidiaries and affiliates	11,648,455
Derivatives	4,101,685
Payable for Securities Lending	57,818,036
Asset repurchase program liability	85,158,993
Derivatives payable	124,746,000
From Separate Accounts statement	<u>1,107,002,815</u>
 Total liabilities	 <u>\$7,993,468,692</u>

Common capital stock	\$ 3,056,000
Gross paid in and contributed surplus	580,184,747
Unassigned funds (surplus)	(102,119,938)
Surplus	<u>478,064,809</u>
Total capital and surplus	\$ <u>481,120,809</u>
Total liabilities, capital and surplus	<u>\$8,474,589,501</u>

#### D. Condensed Summary of Operations

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums and considerations	\$581,906,175	\$546,888,150	\$ 617,738,428	\$ 532,098,125
Investment income	332,872,834	335,484,159	340,356,405	334,851,734
Net gain from operations from Separate Accounts	(3,547,775)	(3,699,405)	(3,627,760)	(3,596,807)
Commissions and reserve adjustments on reinsurance ceded	22,397,038	26,091,865	29,049,206	19,222,601
Miscellaneous income	<u>23,485,565</u>	<u>24,574,275</u>	<u>22,443,850</u>	<u>21,777,632</u>
 Total income	 <u>\$957,113,837</u>	 <u>\$929,339,044</u>	 <u>\$1,005,960,129</u>	 <u>\$ 904,353,285</u>
 Benefit payments	 \$568,453,399	 \$551,736,188	 \$ 586,750,063	 \$ 738,236,662
Increase in reserves	298,307,201	266,373,917	333,515,700	259,626,055
Commissions	57,401,013	59,178,659	54,150,140	51,770,220
General expenses and taxes	68,852,726	60,650,142	55,767,666	50,064,125
Increase in loading on deferred and uncollected premiums	(177,614)	(27,981)	(376,235)	(812,084)
Net transfers to (from) Separate Accounts	(60,001,303)	(83,590,295)	(104,210,237)	(108,127,441)
Miscellaneous deductions	<u>6,526,866</u>	<u>5,170,394</u>	<u>6,599,183</u>	<u>9,341,438</u>
 Total deductions	 <u>\$939,362,288</u>	 <u>\$859,491,024</u>	 <u>\$ 932,196,280</u>	 <u>\$1,000,098,975</u>
 Net gain (loss)	 \$ 17,751,549	 \$ 69,848,020	 \$ 73,763,849	 \$ (95,745,690)
Dividends	13,796	11,955	11,680	15,992
Federal and foreign income taxes incurred	<u>18,447,514</u>	<u>33,964,244</u>	<u>14,620,455</u>	<u>(260,357)</u>
 Net gain (loss) from operations before net realized capital gains	 \$ (709,761)	 \$ 35,871,821	 \$ 59,131,714	 \$ (95,501,325)
Net realized capital gains (losses)	<u>7,219,893</u>	<u>(16,758,079)</u>	<u>(46,045,572)</u>	<u>2,211,487</u>
 Net income	 <u>\$ 6,510,132</u>	 <u>\$ 19,113,742</u>	 <u>13,086,143</u>	 <u>\$ (93,289,838)</u>

## E. Capital and Surplus Account

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital and surplus, December 31, prior year	\$ <u>549,134,741</u>	\$ <u>559,523,880</u>	\$ <u>540,146,605</u>	\$ <u>527,264,296</u>
Net income	\$ 6,510,132	\$ 19,113,742	\$ 13,086,143	\$ (93,289,838)
Change in net unrealized capital gains (losses)	6,746,643	318,633	1,267,443	5,474,014
Change in net deferred income tax	4,565,371	13,730,951	15,375,989	37,160,293
Change in non-admitted assets and related items	(7,111,061)	(47,355,012)	(12,473,557)	(13,258,020)
Change in liability for reinsurance in unauthorized companies	507	68	(8)	(11)
Change in asset valuation reserve	(8,786,365)	(13,292,931)	(9,836,963)	(6,708,688)
Other changes in surplus in Separate Accounts statement	(3,547,775)	(3,699,405)	(3,627,760)	(3,596,807)
Surplus adjustments:				
Paid in	0	9,144,500	58,130,433	35,475,671
Change in surplus as a result of reinsurance	(98,772)	(429,669)	(4,635,308)	(951,091)
Prior period correction -State Income Tax expense	0	0	0	(1,233,741)
Prior period correction - Universal Life reinsurance premium	0	0	0	(1,280,484)
Prior period correction - Long-Term Care reserves and premium accrual	3,296,246	3,091,848	(10,567,672)	3,934,786)
Prior period correction - Universal Life reserves	0	0	(714,188)	0
Reclassification of unassigned surplus to contributed surplus to comply with NY Circular 33. See Note 9.	0	0	(58,886,861)	0
SSAP 10(R) - Change in admitted deferred tax asset	(908,698)	0	0	0
Prior period correction - Federal Income Tax payable	8,646,769	0	0	0
Prior period correction - Term Life reserves	656,828	0	0	0
Prior period correction - branding allocation	<u>419,314</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus for the year	<u>10,389,139</u>	<u>(19,377,275)</u>	<u>(12,882,309)</u>	<u>(46,143,487)</u>
Capital and surplus, December 31, current year	\$ <u>559,523,880</u>	\$ <u>540,146,605</u>	\$ <u>527,264,296</u>	\$ <u>481,120,809</u>

## F. Reserves

The Department conducted a review of the reserves as of December 31, 2014. This review included an examination of the asset adequacy analysis in accordance with Department Regulation No. 126, and sound value analysis in accordance with Department Regulation No. 56, as well as the formulaic reserves in accordance with Department Regulation No. 147. In early 2016 the Department and the Company came to an agreement to refine the LTC reserve analysis and to strengthen reserves in a manner acceptable to the Department, which showed the need for additional reserves of \$356 million. The Company agreed to phase this amount in over 4 years and is in addition to the \$119 million previously held. The Company also agreed to refine the life and annuity analysis, which did not result in any additional reserves as of December 31, 2015. Also during the review, the Department learned that the Company was using assets held in trust for the benefit of MetLife in the asset adequacy analysis covering other lines of business. In addition, the Department found that the reserves for certain universal life insurance with secondary guarantees (ULSG) were based on assumptions inconsistent with the Department's interpretation of Department Regulation No. 147. The Company estimated that the ULSG formulaic reserves would increase by \$47 million under the Department's interpretation. The Department is continuing to discuss both the reinsurance trust and ULSG issues with the Company. At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until these concerns are resolved.

## 7. 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.

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

### B. Underwriting and Policy Forms

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

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

### 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.

## 8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Department conducted a review of reserves as of December 31, 2010. During this review, the Department found that the Company's formulaic reserves for certain universal life insurance policies with secondary guarantees ("ULSG") were based on an interpretation that differed from the Department actuary's interpretation of Regulation 147. The difference in reserves between these two interpretations is substantial, would produce substantially higher reserves, and the ULSG reserve issues identified by the Department's actuary are part of a larger review of reserve methodologies for ULSG products that the National Association of Insurance Commissioners ("NAIC") is currently conducting. The Company agrees that, depending on the outcome of the NAIC's review, additional reserves may be required for some of its ULSG products and that the Company will increase reserves consistent with the NAIC's findings, as appropriate. Until the ULSG reserve issue is resolved, the Department will not issue the Company's certificate of reserve valuation.</p> <p>The Company engaged the Department's Actuarial Staff and received an agreement to calculate the reserves utilizing X Factors through attained age 105 on the Colony Term UL plans.</p>
B	<p>The Company violated Section 219.4(p) of Department Regulation No. 34-A by using the name of the Company's parent in an advertisement, thereby creating the impression that someone other than the Company had responsibility for the financial obligation of the policy.</p> <p>The review of the Company's advertisements did not reveal any violations of Section 219.4(p) of Department Regulation No. 34A.</p>
C	<p>The Company violated Section 215.7 of Department Regulation No. 34 by mentioning the length of the benefit period in a policy advertisement without disclosing policy provisions relating to renewability, cancellability, and termination and any modification of benefits, losses covered or premiums because of age or for other reasons, in a manner which did not minimize or render obscure the qualifying conditions.</p>

The Company stopped using this advertisement on May 30, 2012.

<u>Item</u>	<u>Description</u>
D	<p>The Company violated Section 215.10(a) of Department Regulation No. 34 by mentioning a benefit without mentioning the additional premium charged for that benefit.</p> <p>The Company stopped using this advertisement on May 30, 2012.</p>
E	<p>The Company violated Section 243.2(b)(4) of Department Regulation No. 64 by failing to maintain death claim files for six calendar years after all elements of the claim were resolved and the file was closed or until after the filing of the report on examination in which the claim file was subject to review.</p> <p>The review of the Company's death claim files did not reveal any violation of Section 243.2(b)(4) of Department Regulation No. 64.</p>

9. SUMMARY AND CONCLUSIONS

Following is the comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Department is continuing to discuss both the reinsurance trust and ULSG issues with the Company. At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until these concerns are resolved.	24

Respectfully submitted,

\_\_\_\_\_/s/  
JoCatena Hargrove  
Senior Insurance Examiner

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

JoCatena Hargrove, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/s/  
JoCatena Hargrove

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_

APPOINTMENT NO. 31283

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, BENJAMIN M. LAWSKY, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**JO CATENA HARGROVE**

as a proper person to examine the affairs of the

**GENWORTH LIFE INSURANCE COMPANY OF NEW YORK**

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

**COMPANY**

with such other information as she shall deem requisite.

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

this 22nd day of April, 2015

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

