NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON FINANCIAL CONDITION EXAMINATION

OF THE

GENWORTH LIFE INSURANCE COMPANY OF NEW YORK

CONDITION: DECEMBER 31, 2010

DATE OF REPORT: FEBRUARY 8, 2012

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<u>EXAMINER</u>:	PAUL E. ELLIS, CFE

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 11, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30700, dated March 28, 2011 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" or "GLICNY" at its home office located at 666 Third Avenue, 9th Floor, New York, New York 10017 and at its main administrative office located at 6620 West Broad Street, Richmond, VA 23230.

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

On October 3, 2011, the Insurance Department merged with the Banking Department to create the New York State Department of Financial Services.

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

1. EXECUTIVE SUMMARY

The material comment contained in this report is summarized below.

- 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.

2. SCOPE OF EXAMINATION

The examination of the Company was a full scope examination as defined in the *NAIC Financial Condition Examiners Handbook, 2011 Edition* (the "Handbook"). The examination covers the three-year period from January 1, 2008 through December 31, 2010. 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, 2010 but prior to the date of this report (i.e., the completion date of the examination) were also reviewed.

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.

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 2008 through 2010, by the accounting firm of KPMG. The Company received an unqualified opinion in all years. Certain audit workpapers of the accounting firm were reviewed and relied upon in conjunction with this examination. The Company 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"). Where applicable, SOX workpapers 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 recommendations and comments contained in the prior report on examination. The results of the examiner's review are contained in item 8 of this report.

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

3. DESCRIPTION OF COMPANY

A. History

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

Effective April 1, 1993, General Electric Capital Corporation ("GE Capital"), 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.

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.

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 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.

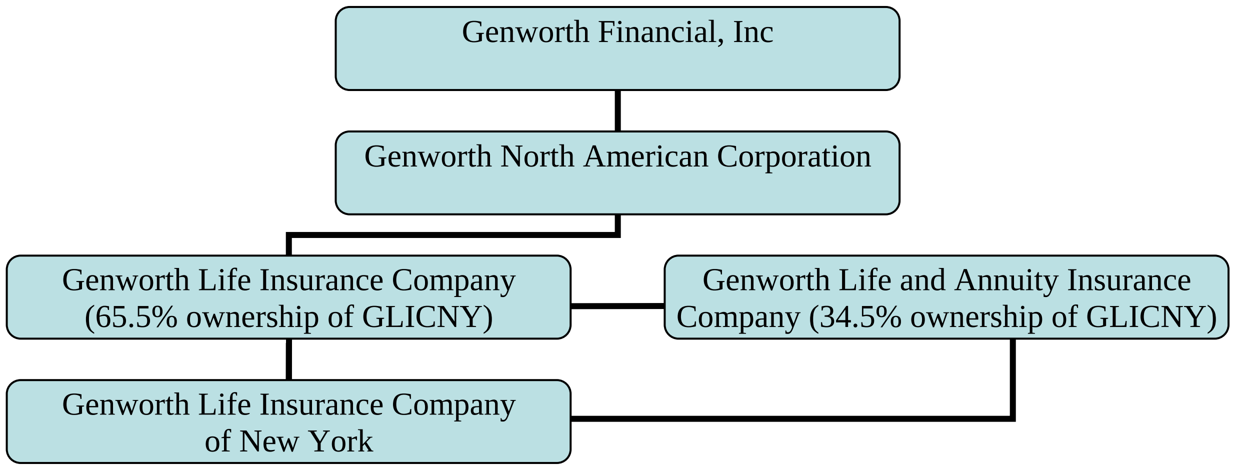
There was no change in Paid in Surplus during the years under examination. During 2008 and 2009 the Company's parent made two contributions totaling $181,500,000 to surplus primarily to offset anticipated reserve increases arising from cash flow testing requirements and to maintain the targeted risk 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.

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 American Corporation, formerly known as GNA Corporation ("GNA"), a Washington holding company. The ultimate parent of the Company is Genworth, a Delaware financial services holding company.

C. <u>Organizational Chart</u>

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2010 follows:



D. Service Agreements

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

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Services Agreement 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.	2008: $(44,473,145) 2009: $(41,714,397) 2010: $(44,693,513)
Investment Management and Services File No. 32315	05/24/04	GNA	The Company	Investment management and related services	2008: $(7,759,868) 2009: $(7,863,471) 2010: $(8,658,101)
Sub-lease Affiliate Service Agreement File No. 34088	08/01/05	GNA	The Company	Sub-lease of NY office	2008: $ (19,626) 2009: $ (23,654) 2010: $ (25,797)

* 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 13 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the shareholders held in April of each year. As of December 31, 2010, the board of directors consisted of 13 members. Meetings of the board of directors are held annually immediately following the annual meeting of the shareholders. 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 13 board members and their principal business affiliation, as of December 31, 2010, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Marshall S. Belkin* Irvington, NY	Retired – Sole Principal Attorney Marshall S. Belkin, Attorney at Law	1995
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
Kelly L. Groh Midlothian, VA	Senior Vice President, Portfolio Management Genworth Life Insurance Company of New York	2008
Paul A. Haley Glen Allen, VA	Senior Vice President and Chief Actuary Genworth Life Insurance Company of New York	2002
Ronald P. Joelson Far Hills, NJ	Senior Vice President and Chief Investment Officer Genworth Life Insurance Company of New York	2010
Terrence O. Jones* Cranburry, NJ	President Battersby Capital Management LLC	2007
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
Thomas M. Stinson Manakin Sabot, VA	President, Long Term Care Division Genworth Life Insurance Company of New York	2000

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

In January 2011, Kelly L. Groh resigned from the board and was replaced by Kevin Walker. Mr. Walker left the Company in September 2011 and his position has not been replaced. In February 2011, Pamela S. Schutz retired from the Company and was replaced by Patrick B. Kelleher.

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, 2010:

Name	Title
David J. Sloane*	President and Chief Executive Officer
Gary T. Prizzia	Treasurer
Thomas E. Duffy	Senior Vice President, General Counsel and Secretary
Paul A. Haley	Senior Vice President and Chief Actuary
Elena K. Edwards	Senior Vice President
Kelly L. Groh	Senior Vice President and Chief Financial Officer
Ronald P. Joelson	Senior Vice President and Chief Investment Officer
Patrick B. Kelleher	Senior Vice President
Scott J. McKay	Senior Vice President
James H. Reinhart	Senior Vice President
Leon E. Roday	Senior Vice President
Pamela S. Schultz	Executive Vice President
Geoffrey S. Stiff	Senior Vice President
Thomas M. Stinson	President, Long Term Care Division

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

In January 2011, Kelly L. Groh was replaced by Kevin Walker as an officer of the Company. Kevin Walker resigned in September 2011 and was replaced by Amy Corbin. In February 2011, Pamela S. Schutz retired from the Company and was replaced by Patrick B. Kelleher, who was already a Senior Vice President. Marty Klein became a Senior Vice President to replace Patrick B. Kelleher's position. Additionally, Pat Foley became a Senior Vice President during 2011.

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 eight states, namely Connecticut, Delaware, Florida, Illinois, New Jersey, New York, Rhode Island, Virginia and the District of Columbia. In 2010, 91.1% of life premiums, 97.3% of annuity considerations, 90.5% of accident and health premiums and 94.7% of deposit type funds were received from New York. Policies are written on a non-participating basis. There are a few participating policies remaining on the books.

A. Statutory and Special Deposits

As of December 31, 2010, the Company had $ 2,100,000 (par value) of U.S. 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 confirmation received from the following state which was reported in Schedule E of the 2010 filed annual statement an additional $260,000 (par value) of U.S. Treasury Notes was 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, 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. In January 2011, the Company announced that effective January 6, 2011, it will discontinue sales of its variable deferred and group variable annuities. The current focus is on the sale of deferred and immediate fixed annuities.

Deferred annuities are investment vehicles intended for contractholders whose goal is to accumulate tax-deferred assets for retirement. The majority of the Company's variable annuities include a guaranteed minimum death benefit. Some of the Company's group and individual variable annuity products include guaranteed minimum withdrawal benefits and certain types of guaranteed annuitization benefit features. Long term care products provide defined levels of protection against the significant and escalating cost of long term care services provided in the insured's home or in assisted living or nursing facilities. Life insurance provides protection against financial hardships after the death of an insured.

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, 2010, the Company had reinsurance treaties in effect with 45 companies, of which 27 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 also 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, 2010, was $22,166,206,861, which represents 75% of the total face amount of life insurance in force. Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $2,502,307,949 was supported by trust agreements and funds withheld. Effective December 30, 2009, Union Fidelity Life Insurance Company ("UFLIC") voluntarily withdrew as a foreign licensee with the State of New York, and surrendered its license to transact life, accident and health, annuity and credit insurance in the State of New York. In connection with this voluntary withdrawal, to secure payment of its obligations to the Company under the reinsurance agreements governing the reinsurance transactions, UFLIC established a trust account pursuant to the provisions of Department Regulation No. 114, and amended the respective treaties to comply with Department Regulation No. 114 and allow the Company to obtain the statutory financial statement credit for reinsurance for the affected risks. The trusts were approved by the Department. The amount reported for the trust account on December 31, 2010 was $992,168,873 for life and annuity business and $1,255,238,283 for accident and health business.

The total face amount of life insurance assumed as of December 31, 2010, was $47,610,000.

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, 2007	December 31, 2010	Increase (Decrease)
Admitted assets	$6,465,057,785	$7,432,015,788	$966,958,003
Liabilities	$6,056,217,273	$6,882,881,047	$826,663,774
Common capital stock	$ 3,056,000	$ 3,056,000	$ 0
Gross paid in and contributed surplus	295,934,143	477,434,143	181,500,000
SSAP No. 10R-admittted deferred tax asset	0	22,381,802	22,381,802
Unassigned funds (surplus)	109,850,369	46,262,796	(63,587,573)
Total capital and surplus	$ 408,840,512	$ 549,134,741	$140,294,229
Total liabilities, capital and surplus	$6,465,057,785	$7,432,015,788	$966,958,003

The Company's invested assets as of December 31, 2010, exclusive of separate accounts, were mainly comprised of bonds (81.9%) and mortgage loans (13.5%).

The majority (89.7%) of the Company's bond portfolio, as of December 31, 2010, 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		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2008	$ 205,302	$4,106,668	$2,138,099	$24,546,537	$0	$1,015
2009	$ 130,847	$3,792,693	$1,355,395	$24,636,754	$0	$1,015
2010	$2,144,376	$5,589,990	$ 450,011	$23,888,307	$0	$ 915

The decrease in term life issued premiums between 2009 and 2010 is due to the Company discontinuing the sale of traditional term life insurance, effective May 2010, which placed the block of business in run-off with no new business. Individual whole life issued increased between 2009 and 2010 due to increasing sales in the new Term-Universal Life product which drove up corresponding in force premiums.

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:

	2008	2009	2010
Ordinary:			
Life insurance	$ 1,545,970	$ (6,594,487)	$ 25,613,569
Individual annuities	(95,894,575)	98,837,701	48,563,732
Supplementary contracts	3,504,522	1,399,660	1,024,464
Total ordinary	$ (90,844,083)	$ 93,642,874	$ 75,201,765
Group:			
Life	$46,312	$ 28,516	$ (83,126)
Annuities	(5,608,220)	11,433,478	3,557,670
Total group	$ (5,561,908)	$ 11,461,994	$ 3,474,544
Accident and health:			
Group	$7,522,903	$ (7,637,721)	$ 2,467,688
Other	(22,501,385)	7,403,063	60,915,275
Total accident and health	$ (14,978,482)	$ (234,658)	$ 63,382,963
Total	$(111,384,473)	$104,870,210	$142,059,272

In 2008, both individual and group annuities experienced operating losses due primarily to a $75 million increase in cash flow testing reserves required by the Department recorded in the fourth quarter, and an increase in reserves established for the guaranteed value of policyholder account values that were driven by the change in equity market impacts, partially offset by spread income from the Company's fixed annuity products and $14 million in fee income driven by the account values of the Company's variable annuity products. Also in 2008, the other accident and health net loss from operations of $22.5 million is due primarily to a $12 million increase in reserves due to a reserve adjustment between other accident and health and group accident and health and a $7 million increase in reserves relating to cash flow testing required by the Department.

During 2009, the net loss from operations of $6.6 million reported for life insurance is primarily due to the Federal taxes incurred. The net gain from operations before Federal income tax was $11.9 million for the year ended December 31, 2009. The Federal income tax is due to the accounting for the net operating loss ("NOL") carryover. The Company's current tax benefit is not fully recognized in the current year because the Consolidated Life group has a net taxable loss. That net loss is reclassed to Deferred Tax for the NOL carryover. The Company's share of the NOL carryover reclass was all recorded in Ordinary Life, resulting in the large tax expense for that product. Also during 2009, the net loss from operations of $7.6 million reported for group accident and health is primarily due to a $13.5 million reserve adjustment between group accident and health and other accident and health.

The increase in 2010 net income from operations before realized gains (losses) of $53.5 million reported for other accident and health was due primarily to a $70 million decrease in reserves relating to cash flow testing required by the Department.

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:

	2008	2009	2010
Premiums earned	100.0%	100.0%	100.0%
Incurred losses	118.6%	121.9%	84.4%
Commissions	12.9	9.2	10.0
Expenses	13.6	14.4	18.7
Underwriting results	(45.1)%	(45.5)%	(13.1)%

The poor underwriting results in 2008 are due primarily to an increase of $82 million in claims reserves as a result of recommendations by the Department pursuant to Regulation No. 126 and Regulation No. 56. This created total cash flow testing reserves of $172 million for annuity and accident and health business. The poor underwriting results in 2009 are primarily due to increases in contract reserve for individual accident and health business lines due to growth and aging of the block of business. In 2010, incurred losses decreased due primarily to a decrease in reserves of $70 million relating to cash flow testing required by the Department.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2010, as contained in the Company's 2010 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, 2010 filed annual statement.

The Company requested, and the Department granted, a permitted accounting practice from the requirements of SSAP 43R relating to the determination of NAIC designations for the Marvel Collateralized Debt Obligations ("CDO"). Accordingly, the Company will not use the NAIC structured security valuation and ratings matrix in determining the NAIC designation of the subject securities. Such permitted accounting practice is effective for the Statutory Financial Statement period ending December 31, 2010. As of December 31, 2010, the permitted accounting practice resulted in a $4,459,443 increase in capital and surplus. While it is anticipated that the permitted accounting practice will be in effect through the maturity of the subject securities, the permitted accounting practice may be withdrawn by the Department at its discretion. As a condition of granting the permitted accounting practice, the Company must submit to the Department, on a yearly basis, the information noted in paragraph 56 of the Preamble of the NAIC Accounting Practices and Procedures Manual.

A. Independent Accountants

The firm of KPMG was retained by the Company to audit the Company's combined statutory basis statements of financial position of the Company as of December 31st 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 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	$4,752,158,007
Stocks:	
Preferred stocks	38,797,312
Common stocks	240,494
Mortgage loans on real estate:	
First liens	785,006,549
Cash, cash equivalents and short term investments	78,605,138
Contract loans	29,534,923
Derivatives	13,019,857
Other invested assets	40,835,827
Receivable for securities	1,758,725
Securities lending reinvested collateral assets	65,828,004
Investment income due and accrued	61,410,612
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	7,353,144
Deferred premiums, agents' balances and installments booked but deferred and not yet due	5,870,442
Reinsurance:	
Amounts recoverable from reinsurers	9,868,892
Other amounts receivable under reinsurance contracts	4,077,640
Current federal and foreign income tax recoverable and interest thereon	11,299,764
Net deferred tax asset	67,016,104
Guaranty funds receivable or on deposit	17,733
Receivables from parent, subsidiaries and affiliates	9,759,523
Reinsurance premium receivable - New York Regulation No. 172	8,115,797
Other receivables	2,006,061
Premium tax refund	1,416,457
From separate accounts, segregated accounts and protected cell accounts	1,438,018,783
Total admitted assets	$7,432,015,788

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$3,643,262,026
Aggregate reserve for accident and health contracts	1,166,658,830
Liability for deposit-type contracts	134,380,471
Contract claims:	
Life	4,571,918
Accident and health	8,064,060
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	12,551
Premiums and annuity considerations for life and accident and health contracts received in advance	4,614,453
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	12,977,294
Interest maintenance reserve	28,543,815
Commissions to agents due or accrued	69,812
Commissions and expense allowances payable on reinsurance assumed	58,617
General expenses due or accrued	9,381,838
Transfers to separate accounts due or accrued	(45,086,331)
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,409,275
Unearned investment income	753,454
Amounts withheld or retained by company as agent or trustee	2,375,677
Remittances and items not allocated	4,608,136
Miscellaneous liabilities:	
Asset valuation reserve	11,920,984
Reinsurance in unauthorized companies	603
Funds held under reinsurance treaties with unauthorized reinsurers	282,543,868
Payable to parent, subsidiaries and affiliates	2,738,675
Derivatives	1,502,481
Payable for securities	66,051,847
Reserve asset repurchase liability	127,657,137
From Separate Accounts statement	1,413,809,556
Total liabilities	$6,882,881,047
Common capital stock	$ 3,056,000
Gross paid in and contributed surplus	477,434,143
SSAP No. 10R-admitted deferred tax asset	22,381,802
Unassigned funds (surplus)	46,262,796
Surplus	$ 546,078,741
Total capital and surplus	$ 549,134,741
Total liabilities, capital and surplus	$7,432,015,788

D. Condensed Summary of Operations

	2008	2009	2010
Premiums and considerations	$1,180,509,164	$344,792,244	$339,358,070
Investment income	300,889,423	305,593,572	322,265,491
Net gain from operations from Separate Accounts	0	(3,666,026)	(3,624,746)
Commissions and reserve adjustments on reinsurance ceded	70,213,572	36,791,209	32,029,197
Miscellaneous income	14,255,760	14,804,015	30,003,004
Total income	$1,565,867,919	$698,315,014	$720,031,016
Benefit payments	$ 716,191,442	$555,715,475	$510,820,627
Increase (decrease) in reserves	544,329,896	(98,219,881)	(100,270,274)
Commissions	90,939,255	41,187,575	44,144,905
General expenses and taxes	77,056,040	52,542,143	66,888,063
Increase in loading on deferred and uncollected premium	(421,549)	(606,121)	193,258
Net transfers to (from) Separate Accounts	233,727,425	44,094,811	21,232,107
Miscellaneous deductions	6,335,698	6,825,393	6,935,065
Total deductions	$1,668,158,207	$601,539,395	$549,943,751
Net gain (loss)	$ (102,290,288)	$ 96,775,619	$170,087,265
Dividends	9,650	29,366	2,643
Federal and foreign income taxes incurred	9,084,534	(8,123,957)	28,025,350
Net gain (loss) from operations before net realized capital gains	$ (111,384,472)	$104,870,210	$142,059,272
Net realized capital gains (losses)	(147,462,655)	(63,999,593)	(12,023,217)
Net income	$ (258,847,127)	$ 40,870,617	$130,036,055

E. Capital and Surplus Account

	2008	2009	2010
Capital and surplus, December 31, prior year	$ 408,840,513	$434,358,097	$429,513,045
Net income (loss)	$(258,847,127)	$ 40,870,617	$130,036,055
Change in net unrealized capital gains (losses)	42,208,921	(48,787,513)	(7,497,905)
Change in net deferred income tax	85,200,823	(47,544,825)	(37,246,861)
Change in non-admitted assets and related items	(52,933,312)	38,074,273	40,918,663
Change in liability for reinsurance in unauthorized companies	7,006	21	(519)
Change in reserve valuation basis	(4,858,547)	0	0
Change in asset valuation reserve	38,860,403	2,224,237	(7,929,358)
Surplus (contributed to), withdrawn from Separate Accounts during period	(31,500,000)	0	0
Other changes in surplus in Separate Accounts statement	31,500,000	(3,666,026)	(3,624,746)
Cumulative effect of changes in accounting Principles	0	(7,419,015)	0
Surplus adjustments:			
Paid in	181,500,000	0	0
Change in surplus as a result of reinsurance	(1,259,056)	(3,729,946)	(2,060,603)
SSAP 10R-change in admitted deferred tax asset	0	26,030,818	(3,649,016)
Prior period correction-fees share revenue	0	0	9,379,840
Prior period correction-federal income tax payable	0	0	2,196,982
Prior period correction-SUL reserves	(4,361,527)	0	0
Prior period correction-ceded unearned premium reserve	0	0	(900,836)
Prior period correction – non-qualified derivatives	0	(1,116,300)	0
Prior period correction-LTC reserves and settlements	0	218,607	0
Net change in capital and surplus for the year	$ 25,517,584	$ (4,845,052)	$119,621,696
Capital and surplus, December 31, current year	$ 434,358,097	$429,513,045	$549,134,741

7. RESERVES

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.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	The examiner recommends that the Company continue to compute reserves using the assumptions and methodology as agreed upon with the Department. The Company advised it will continue to use the agreed upon refinements for future years.
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. The Company agreed and produced a written response to the accountants' report noting certain derivative control deficiencies including all of the necessary remedial actions that the company has identified in order to alleviate the concerns of the accountant and the Department. The response was provided to the certified public accounting firm and to the Audit Committee of the Company's (GLICNY) Board of Directors. The Company responded to the Department on August 24, 2011.
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. The Company has been vigilant in monitoring the progress of these accounts, making appropriate substitutions and, with the Department's approval, taking the appropriate action to insulate the separate and general accounts from additional strain.
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.

Lacking pricing and valuation direction from the market, the Company engaged a consulting firm with recognized expertise in these instruments, and both the Company and its consulting firm have provided presentations to the Markets Bureau and the Life Bureau of the Department to update them on the status of the separate accounts. The Company and the Department have agreed to continue these communications on a regular basis.

E In 2009, the Company obtained an independent financial appraisal of the note 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.

The Company notes that the appraisal reflects the distressed market conditions they have experienced and the impact on perceived value and risk. Such value assessments are likely to fluctuate and express more volatility during times of stress, regardless of the underlying performance characteristics of the assets.

F On January 2, 2009, the Department approved a capital contribution to the Company in the amount of up to $60 million in cash by GLIC on behalf of itself and GLAIC. The capital contribution would be used to support the restructuring of two assets held in two separate accounts.

The Department provided verbal approval for the transaction on December 29, 2008, subject to written confirmation received as the examiner indicated. This gave the Company the ability to take advantage of a favorable turn in the market on December 30 to execute the trades, with the result that a contribution in the amount of $31.5 million sufficed. The transaction had the effect of maintaining the ratings of the two separate accounts involved.

G The examiner recommends that any proposed transaction, excluding those involving government-sponsored agencies, that utilizes derivatives has limited or no ready marketability be submitted to the Markets Bureau prior to issuance.

The Company intends to review such product concepts with the Markets Bureau prior to filing, approval and issuance. However, the Company has no plans to issue additional Funding Agreements at this time.

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).

The Company has been providing the Department with frequent updates anytime there is a development or other change related to the four funding agreement trusts.. The Company has been reporting all substitutions, upgrades and downgrades to the Department, and the finance area has been reporting changes in market valuation on a monthly basis.

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.

A procedure has been implemented (and has been effective since the beginning of 2009) to inform the Life Bureau and the Markets Bureau of any substitutions or other adjustments, along with any resulting change in attachment/detachment points. Notification, along with the rationale for the change, will be provided as quickly as possible, well within the ten day horizon suggested by the examiner.

J The examiner recommends that any changes in agreements between the Company and Morgan Stanley and relevant parties be provided in writing to the Markets Bureau within 10 business days of any such change.

The Company adopted the recommendation as part of its communication plan with the Department regarding these accounts.

K The examiner recommends that investment staff overseeing these investments on behalf of the Company meet with the Markets Bureau on a periodic basis.

The Company has continued its dialogue with the Markets Bureau regarding the status of the accounts and made its appropriate investment staff available for such meetings.

L The examiner recommends that the Company notify the Department to issue additional funding agreements through one of its separate accounts.

The Company does not intend to issue additional funding agreements. Should that position change before issuing any additional funding agreements through any existing separate account, the Company will discuss the matter with the Department.

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.

In accordance with SSAP 43, the Company evaluates its cost basis or carrying value of the notes quarterly. If the Company determines that new currently estimated cash flows are less than the current carrying value, the carrying value is written down to the undiscounted estimated future cash flows. Based on the Company’s review, evidence suggests they will collect the full amount of their carrying value. Therefore, they concluded that it was appropriate to retain the current carrying value. Should the Company obtain evidence that suggests future estimates of cash flows will fall below their carrying value, they will make the appropriate adjustment.

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.

The Company is providing the monthly reports to the Markets Bureau.

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.

The contribution was made for the reasons stated.

9. SUMMARY AND CONCLUSIONS

Following is the comment contained in this report:

Item	Description	Page No(s).
A	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.	23

Respectfully submitted,

_____________/s/___________
Paul E. Ellis, CFE
Examiner In-Charge

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

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

_____________/s/___________
Paul E. Ellis

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 30700

STATE OF NEW YORK

INSURANCE DEPARTMENT

I, JAMES J. WRYNN, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

PAUL ELLIS

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 28th day of March, 2011

JAMES J. WRYNN
Superintendent of Insurance

Superintendent