NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

GENWORTH LIFE INSURANCE COMPANY OF NEW YORK

CONDITION:	DECEMBER 31, 2018
DATE OF REPORT:	APRIL 30, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

FINANCIAL CONDITION REPORT ON EXAMINATION

OF THE

GENWORTH LIFE INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2018

DATE OF REPORT:	APRIL 30, 2020
EXAMINER:	GEORGE BROWN, CFE

TABLE OF CONTENTS

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

May 13, 2020

The Honorable Linda A. Lacewell
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No 31885, dated March 1, 2019, 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

The material comments contained in this report are summarized below.

- During 2018, the Department approved a previously filed in force rate increase for its long term care insurance product. The Company incorporated the approved rate increase, along with other assumption and methodology updates, into its 2018 asset adequacy analysis. As a result, no incremental additional asset adequacy analysis reserves were recorded for the year ended December 31, 2018. As of December 31, 2018, the Company had $454 million of additional statutory reserves as a result of its asset adequacy analysis. (See item 6F of this report.)
- The Department is continuing to discuss both the credibility of the New York's long term care experience and the reinsurance trust 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.)
- On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets. The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the National Association of Insurance Commissioners, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. (See item 7 of this report.)

2. SCOPE OF EXAMINATION

The examination of the Company was a full-scope examination as defined in the National Association of Insurance Commissioners' ("NAIC's") *Financial Condition Examiners Handbook, 2019 Edition* (the "Handbook"). The examination covers the four-year period from January 1, 2015, to December 31, 2018. 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, 2018, 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 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 of the Company was coordinated and conducted with the examination of the Genworth financial group that involved three other life insurers: Genworth Life and Annuity Insurance Company and Jamestown Life Insurance Company, Virginia; and Genworth Life Insurance Company ("GLIC"), Delaware. The examination was led by the State of Virginia, with participation from the states of Delaware and New York. Since the lead and participating states are all accredited by the NAIC, all states 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 2015 through 2018, by the accounting firm of KPMG, LLP. 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 comment contained in the prior report on examination. The result of the examiner's review is included in item 7 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 matters 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 the State 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, a subsidiary of the General Electric Company ("GE"), acquired the Company's ultimate parent, GNA Corporation ("GNA"), by purchasing 100% of its capital stock.

Effective February1, 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 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 public initial offering of the common stock of Genworth, GEFAHI transferred substantially all its assets, including 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 and remained a direct subsidiary of GECA. On January 1, 2006, GECA changed its name to GLIC, and the Company adopted its present name.

In March 2006, GE sold 71 million shares of Genworth's common stock in a secondary offering and sold the remaining 15 million shares back to Genworth, 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 the completion of the merger, the Company reported common capital stock of $3,056,000, of which $1,056,000 was provided through the issuance of 1,056 shares of common stock with a par value of $1,000 each as merger consideration to Genworth Life and Annuity Insurance Company ("GLAIC"), the previous owner of AML.

The Company's parent, with the approval of the Department, made two contributions to surplus, totaling $181,500,000, to primarily offset anticipated reserve increases arising from cash flow testing requirements and to maintain the targeted risk-based capital ratio. The first contribution of $31,500,000 was on December 30, 2008, and was to support assets held in two separate accounts. The contribution facilitated the payment to the note counterparty as a restructuring fee for increasing the attachment points on the underlying credit default swaps relating to the Marvel 2007-1 and Marvel 2007-3 collateral debt obligations, preventing the notes from suffering significant credit downgrades. The second capital contribution of $150,000,000 was on February 24, 2009.

In 2011, the Company changed its operating segments to better align its business. Under the new structure, the Company operates through two segments: the U.S. Life Insurance segment, which includes life and accident and health insurance, and annuities; and the run-off segment, which includes the Company's non-strategic products that are no longer actively sold. The Company also has Corporate and Other Activities, which include income and expenses not allocated to the segments.

Insurance Circular Letter No. 33 (1979) provides that when a domestic insurer is a party to a consolidated federal tax allocation agreement with affiliates, and the domestic insurer is paid for the use of its credits, including investment credits, capital losses and operating loss carryovers, in the consolidated return, the tax benefit is to be recorded on the domestic insurer's books 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 respectively from GLIC and GLAIC, after receiving approval from the Department to do so in accordance with Statements of Statutory Accounting Principles No. 72—*Surplus and Quasi-reorganizations*. The receivable was settled on

February 19, 2015, prior to the filing of the 2014 annual statement. The difference of $2,692,178 was related to the reclassification of surplus pursuant to Insurance Circular Letter No. 33 (1979). On April 8, 2015, the Company received a capital cash contribution of $40,500,000 and $21,332,061 respectively from GLIC and GLAIC; and On December 30, 2016, the Company received a cash return of capital of $408,841 from GLICNY Real Estate Holdings, LLC.

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, a Washington holding company. The ultimate parent of the Company is Genworth, a Delaware financial services holding company.

On April 1, 2013, Genworth completed an internal holding reorganization pursuant to a merger under Section 251(g) of the Delaware General Corporation. As a result, 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.," and the former Genworth was renamed Genworth Holdings, Inc., an intermediate parent of the Company.

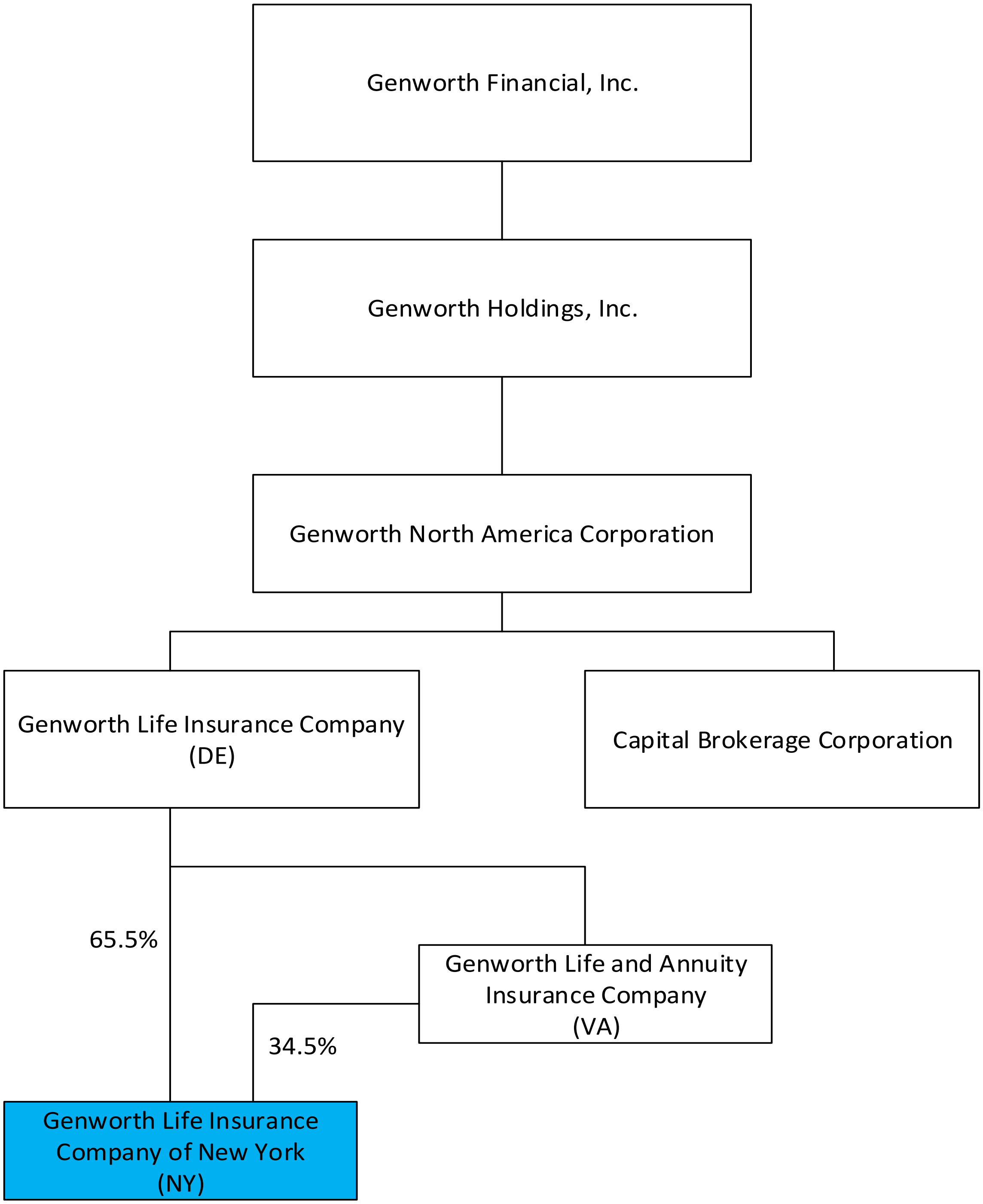
In January 2019, the Department approved the proposed acquisition of control of the Company by entities affiliated with China Oceanwide Holdings Group Company, Ltd. ("Oceanwide"). As part of the approval, Genworth and Oceanwide acknowledged some additional requirements relating to cybersecurity matters and the protection of customers personally identifiable information. With the Department's approval, the proposed acquisition received all required U.S. insurance regulatory approvals.

On December 23, 2019, Genworth and Oceanwide agreed to extend the closing of the merger until March 31, 2020, in consideration of pending regulatory reviews and because the Department's previous approval had expired. The transaction also remains subject to other conditions, including the receipt of other required regulatory approvals from China.

On March 30, 2020, the Department reapproved the proposed acquisition of control of the Company consistent with the requirements of Section 1506 of the New York Insurance Law and 11 NYCRR 80-1 (Insurance Regulation 52). On March 31, the Oceanwide transaction was extended to June 30, 2020.

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, 2018, 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	Provider(s) of Services	Recipient(s) of Services	Specific Services Covered	Income/ (Expense)* For Each Year of the Examination
Administrative Service Agreement File No. 37574	Restated 06/01/2007	GLAIC, GLIC and GNA	The Company	Certain administrative and special services for daily operations including electronic data processing of financial transactions, payroll, human resources, claims, underwriting, and auditing services	2015 $(43,796,933) 2016 $(32,266,617) 2017 $(19,681,707) 2018 $(24,457,202)
Investment Management and Services File No. 32315	05/24/2004	GNA	The Company	Investment management and related services	2015 $(8,919,531) 2016 $(7,857,418) 2017 $(8,696,088) 2018 $(8,875,255)
Collection Agent Service Agreement File No. 35653	11/15/2006	The Company	GLIC and GLAIC	Consolidation of eight wire accounts for payments received in connection with certain products	2015 $(8,080)** 2016 $(7,980)** 2017 $(7,244)** 2018 $(7,194)**
Underwriting Agreement File No. 25526	05/11/1998	Capital Brokerage Corporation	The Company	Distribution of the Company's variable annuity products	2015 $(6,034,932) 2016 $(5,296,861) 2017 $(4,962,842) 2018 $(4,443,264)
Sublease Agreement File No. 51253	10/15/2015	The Company	Genworth North America Corporation (formerly known as GNA)	Subletting of 600 Third Ave, 24th Floor, New York, NY	2015 $ (60,864) 2016 $(286,599) 2017 $(286,599) 2018 $(286,599)

*Amount of income or (expense) incurred by the Company

**Company's administrative expenses exceeded service income received from this agreement

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 8 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, 2018, 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, 2018, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Ward E. Bobitz Richmond, Virginia	Vice President and Assistant Secretary Genworth Life Insurance Company of New York	2005
James J. Buddle* Doylestown, Pennsylvania	Retired Chief Compliance Officer Genworth Financial, Inc.	2009
Harry D. Dunn Glen Allen, Virginia	Vice President and Appointed Actuary Genworth Life Insurance Company of New York	2008
Alexandra Duran* New York, New York	Principal and Chief Executive Officer Duran Consulting	2008
Elena K. Edwards Richmond, Virginia	Senior Vice President Genworth Life Insurance Company of New York	2015
Thomas J. McInerney Richmond, Virginia	Senior Vice President Genworth Life Insurance Company of New York	2015
Paul B. Radvany* New York, New York	Law Professor Fordham University School of Law in New York	2015
Daniel J. Sheehan, IV Easton, Connecticut	Senior Vice President and Chief Investment Officer Genworth Life Insurance Company of New York	2012
David J. Sloane New York, New York	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

On December 31, 2018, Elena K. Edwards resigned from the board and has not yet been replaced. Mr. Harry D. Dunn resigned as Appointed Actuary in May 2020 and was replaced by Mr. Scott G. Goodman.

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, 2018:

Name	Title
David J. Sloane*	President and Chief Executive Officer
Jeffrey S. Wright	Senior Vice President and Chief Financial Officer
Thomas E. Duffy	Senior Vice President, General Counsel and Secretary
Lori M. Evangel	Senior Vice President and Chief Risk Officer
Daniel J. Sheehan, IV	Senior Vice President and Chief Investment Officer
Matthews P. Keppler	Senior Vice President and Chief Actuary
Vincent L. Bodnar	Senior Vice President
Elena K. Edwards	Senior Vice President
Kelly L. Groh	Senior Vice President
Thomas J. McInerney	Senior Vice President
Lawrence M. Nisenson	Senior Vice President
Lisa J. Baldyga	Treasurer
Angela R. Simmons	Vice President and Controller

*Designated consumer services officer per Section 216.4(c) of 11 NYCRR 216 (Insurance Regulation 64)

Mr. Vincent L. Bodnar resigned in March 2019 and Mr. Jeffrey S. Wright resigned in September 2019, and they have not yet been replaced. Ms. Lori M. Evangel passed away in January 2020.

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 2018, 85.6% of life premiums, 87% of accident and health premiums, and 79.5% of annuity considerations were received from New York. Policies are written on a non-participating basis. The in force participating policies are in run-off.

A. Statutory and Special Deposits

As of December 31, 2018, 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. An additional $260,000 (par value) of United States Treasury Notes, which was reported in Schedule E of the 2018 filed annual statement, was being held by the State of Virginia.

B. Direct Operations

The Company's principal lines of business are individual life insurance, individual and group accident and health, and individual annuities. The individual life line of business includes traditional universal life insurance products; the individual and group accident and health line of business includes long term care insurance products; and the annuities line of business includes single premium immediate and deferred fixed annuities.

The Company also has blocks of business that are in run-off. The run-off segment includes term and universal life products and other non-strategic products that 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 discontinued the sales of its retail and group variable annuities while continuing to service the existing blocks of business. On October 22, 2012, the Company discontinued the sales of its term universal life insurance product and replaced it with a new traditional term life insurance product. Also, on March 7, 2016, the Company suspended the sales of its traditional life insurance and fixed annuity products, including the universal life and long-term care insurance single product sold as Total Living Coverage, while continues to service its existing retained and reinsured blocks of business.

The Company's agency operations are conducted on a general agency basis. The Company's products are sold by agents and brokers through various channels, including brokerage general agents, independent marketing organizations, and financial institutions.

C. Reinsurance

As of December 31, 2018, the Company had reinsurance treaties in effect with 32 companies, of which 24 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 bases. Reinsurance is provided on an automatic and facultative basis.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2018, was $17,538,018,928, which represents 71.3% of the total face amount of life insurance in force.

Reserve credit taken for reinsurance ceded to unauthorized companies, totaling $3,768,635,514, was supported by trust agreements, funds withheld, and other miscellaneous balances.

The total face amount of life insurance assumed, as of December 31, 2018, was $32,182,810.

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, 2014	December 31, 2018	Increase (Decrease)
Admitted assets	$8,474,589,501	$7,664,411,406	$(810,178,095)
Liabilities	$7,993,468,692	$7,430,590,256	$(562,878,436)
Common capital stock	$ 3,056,000	$ 3,056,000	$ 0
Gross paid in and contributed surplus	580,184,747	641,229,513	61,044,766
Unassigned funds (surplus)	(102,119,938)	(410,464,363)	(308,344,425)
Total capital and surplus	$ 481,120,809	$ 233,821,150	$(247,299,659)
Total liabilities, capital and surplus	$8,474,589,501	$7,664,411,406	$(810,178,095)

The Company's invested assets as of December 31, 2018, exclusive of separate accounts, mainly comprised bonds (86%), mortgage loans (8.9%), and cash and short-term investments (2.6%).

The majority of the Company's bond portfolio (96.9%), as of December 31, 2018, comprised investment grade obligations.

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

	Ordinary Annuities			
	2015	2016	2017	2018
Outstanding, end of previous year	64,726	59,871	54,930	49,017
Issued during the year	1,157	254	102	77
Other net changes during the year	(6,012)	(5,195)	(6,015)	(6,204)
Outstanding, end of current year	59,871	54,930	49,017	42,890

The decrease in ordinary annuities during examination period resulted from the Company's decision on March 7, 2016, to suspend the sales of its traditional life insurance and fixed annuity products. The increases in other net changes during the examination period mainly include surrenders and deaths. Policyholders elected to surrender their policies due to several factors, including liquidity needs, prevailing interest rates, interest crediting rate, credit risk evaluation, and other criteria.

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:

	2015	2016	2017	2018
Ordinary:				
Life insurance	$ 9,469,624	$(158,904,877)	$ 30,538,347	$ 18,086,914
Individual annuities	58,723,302	74,025,381	58,994,342	22,083,362
Supplementary contracts	3,234,036	5,784,345	2,513,899	2,565,653
Total ordinary	$ 71,426,962	$ (79,095,151)	$ 92,046,588	$ 42,735,929
Group:				
Life	$ (12,332)	$ 6,071	$ 4,898	$ 6,024
Annuities	6,964,340	8,060,968	3,707,296	1,348,406
Total group	$ 6,952,008	$ 8,067,039	$ 3,712,194	$ 1,354,430
Accident and health:				
Group	$ (10,437,247)	$ 993,099	$ (11,783,613)	$ 2,289,564
Other	(99,978,907)	67,310,949	(255,816,355)	(97,268,741)
Total accident and health	$(110,416,154)	$ 68,304,048	$(267,599,968)	$ (94,979,177)
Total	$ (32,037,184)	$ (2,724,064)	$(171,841,186)	$ (50,888,818)

The significant net loss from ordinary life insurance in 2016, compared with 2015, was due to additional reserves relating to universal life products pursuant to 11 NYCRR 98 (Insurance Regulation 147) and to an increase in mortality assumptions update recorded in the fourth quarter of 2016. The significant increase in net gain in 2017 resulted primarily from prior year's change in reserves. The decrease in net gain 2018 was primarily due to an increase in reserves that resulted from an update to mortality X factors.

The increase in net gain from individual annuities in 2016, compared with 2015, was primarily due to separate accounts dividends-received deduction, an increase in interest maintenance reserve, and a decrease in amortization of deferred reinsurance gains. The decrease in net gain in 2017 was primarily due to a decrease in net investment income, reflecting lower assets under management as the block of business continues to run-off. The decrease in net gain in 2018 was primarily due to a decrease in net investment income and an unfavorable variance in the change in reserves for variable annuities. The change in the Variable Annuity Commissioners'

Annuity Reserve Valuation Method reserves was unfavorable largely due to the reduction in U.S. equity markets in 2018.

The significant decrease in net gain from group annuities in 2017, compared with 2016, was primarily due to approximately $1 million increase in general expenses, lower investment income, and an unfavorable change in annuity benefits and reserves, net of separate account transfers. The decrease in net gain from group annuities in 2018 was primarily related to the prior year maturity of certain collateralized debt obligations that did not recur and the federal income taxes incurred. Interest maintenance reserve has also decreased from year to year.

The net gain from supplementary contracts increased in 2016, compared with 2015, because the considerations for supplementary contracts exceeded the increase in reserves and transfers from the separate accounts and the increase in investment income. The net gain from supplementary contracts decreases in 2017 and 2018 because the payments for supplementary contracts and reserves, net of separate account transfers, increased more than the increase in considerations for such supplementary contracts due to the volume of contracts being placed.

The significant net gain from group accident and health in 2016 was primarily due to a $3.2 million increase in reserves recorded in the fourth quarter of 2015 related to cash flow testing and a decrease in the interest maintenance reserve. The significant net loss from group accident and health in 2017 was primarily due to a $8.9 million increase in reserves recorded in 2017 related to cash flow testing. The significant net gain from group accident and health in 2018 was primarily due to the $8.9 million increase in reserves recorded in 2017 related to cash flow testing and a decrease in the interest maintenance reserve.

The significant increase in net gain from other accident and health in 2016, compared with 2015, was primarily due to a $69.7 million decrease in the change in reserves that resulted from policyholders electing reduced benefit options, a $28.1 million increase in premiums in force, and an $85.8 million increase in reserves recorded in the fourth quarter of 2015 related to cash flow testing, partially offset by higher claim reserves of $29.6 million that resulted from the annual claim reserve review completed in the third quarter of 2016. The significant net loss in other accident and health in 2017 was primarily due to a $237.1 million increase in reserves recorded in 2017 related to cash flow testing and a $131.4 million decrease in reserves recorded in 2016 from policyholders electing reduced benefit options as a result of in-force rate actions approved and implemented, partially offset by higher claim reserves of $29.6 million recorded in 2016 that resulted from the annual claim reserve review completed in the third quarter of 2016. The decrease in net loss from other accident and health in 2018 was primarily due to a $237.1 million increase in reserves recorded in 2017 related to cash flow testing, partially offset by $40.1 million higher claim reserves in 2018 that resulted from the annual claim reserve review completed in the fourth quarter of 2018, from higher utilization of available benefits, and from higher severity of new claims in 2018

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:

	2015	2016	2017	2018
Premiums earned	100.0%	100.0%	100.0%	100.0%
Incurred losses	177.4%	104.2%	261.9%	188.8%
Commissions	7.0	5.6	4.4	4.1
Expenses	20.1%	14.1%	11.4%	12.4%
	204.5	123.9	277.7	205.3
Underwriting results (line 12)	(104.5)%	(23.9)%	(177.7)%	(105.3)%

The decrease in incurred losses in 2016 was due a $183 million increase in contract reserves reported in 2015, which included an $89 million increase related to cash flow testing, compared with only $18 million reported in 2016, which included a $131.4 million decrease from policyholders electing reduced benefit options as a result of in force rate actions approved and implemented. The increase in incurred losses in 2017 was due to the $380 million increase in contract reserves reported during the year, which included a $246 million increase related to cash flow testing. The decrease in 2018 was due to the $139 million increase in contract reserves reported during the year.

6. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and capital and surplus as of December 31, 2018, as contained in the Company’s 2018 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, 2018 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 as of December 31 of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the years 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	$6,094,773,437
Stocks:	
Preferred stocks	50,590,936
Common stocks	2,321,600
Mortgage loans on real estate:	
First liens	630,764,012
Cash, cash equivalents and short-term investments	184,283,387
Contract loans	28,481,281
Derivatives	60,789
Other invested assets	77,806,402
Receivable for securities	1,923,601
Securities lending reinvested collateral assets	15,183,338
Investment income due and accrued	64,054,028
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	8,920,347
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,918,871
Reinsurance:	
Amounts recoverable from reinsurers	14,242,642
Other amounts receivable under reinsurance contracts	2,057,941
Net deferred tax asset	30,533,811
Guaranty funds receivable or on deposit	484,103
Electronic data processing equipment and software	1,712
Receivables from parent, subsidiaries and affiliates	66,658
Reinsurance premium receivable-New York Regulation No. 172	5,435,362
Other receivables	2,081,733
Premium tax refunds receivable	845,887
From separate accounts, segregated accounts and protected cell accounts	$ 445,579,528
Total admitted assets	$7,664,411,406

C. Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$3,127,664,215
Aggregate reserve for accident and health contracts	2,958,790,301
Liability for deposit-type contracts	73,964,885
Contract claims:	
Life	4,962,482
Accident and health	18,145,919
Provision for policyholders' dividends and coupons payable in following calendar year – estimated amounts	
Dividends apportioned for payment	2,626
Premiums and annuity considerations for life and accident and health contracts received in advance	6,670,427
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	11,232,276
Interest maintenance reserve	78,479,333
Commissions to agents due or accrued	467,886
Commissions and expense allowances payable on reinsurance assumed	157,557
General expenses due or accrued	17,414,218
Transfers to separate accounts due or accrued	(90,256)
Taxes, licenses and fees due or accrued, excluding federal income taxes	9,763
Current federal and foreign income taxes	9,028,349
Unearned investment income	637,146
Amounts withheld or retained by company as agent or trustee	5,624,367
Remittances and items not allocated	2,764,673
Miscellaneous liabilities:	
Asset valuation reserve	40,670,223
Reinsurance in unauthorized companies	101
Funds held under reinsurance treaties with unauthorized reinsurers	430,043,869
Payable to parent, subsidiaries and affiliates	9,288,862
Payable for Securities Lending	15,183,338
Derivatives collateral	173,898,168
From Separate Accounts statement	445,579,528
Total liabilities	$7,430,590,256
Common capital stock	3,056,000
Gross paid in and contributed surplus	641,229,513
Unassigned funds (surplus)	(410,464,363)
Surplus	$ 230,765,150
Total capital and surplus	$ 233,821,150
Total liabilities, capital and surplus	$7,664,411,406

D. Condensed Summary of Operations

	2015	2016	2017	2018
Premiums and considerations	$366,278,084	$291,245,333	$ 277,651,580	$273,158,641
Investment income	331,533,792	333,753,751	338,261,730	331,612,755
Net gain from operations from Separate Accounts	(3,521,887)	(3,249,798)	(2,965,796)	0
Commissions and reserve adjustments on reinsurance ceded	21,712,015	50,203,089	21,484,657	13,554,919
Miscellaneous income	19,245,228	16,689,947	15,932,058	14,279,054
Total income	$735,247,232	$688,642,322	$ 650,364,229	$632,605,369
Benefit payments	$678,238,432	$565,885,577	$ 683,665,531	$ 747,881,183
Increase in reserves	60,657,343	13,148,313	128,892,906	(91,753,344)
Commissions	42,155,467	90,418,882	30,739,166	28,819,968
General expenses and taxes	61,217,713	49,644,797	43,924,052	43,862,414
Increase in loading on deferred and uncollected premiums	698,169	939,382	(231,382)	867,779
Net transfers to (from) Separate Accounts	(97,062,882)	(81,923,333)	(85,372,700)	(73,042,208)
Miscellaneous deductions	9,087,787	8,479,631	11,359,610	14,524,732
Total deductions	$754,992,029	$646,593,249	$ 812,977,183	$671,160,524
Net gain (loss)	$ (19,744,797)	$ 42,049,073	$(162,612,954)	$(38,555,155)
Dividends	10,893	(8,763)	2,336	2,711
Federal and foreign income taxes incurred	12,281,494	44,781,900	9,225,896	12,330,952
Net gain (loss) from operations before net realized capital gains	$ (32,037,184)	$ (2,724,064)	$(171,841,186)	$(50,888,818)
Net realized capital gains (losses)	(7,758,660)	(17,227,751)	3,733,675	(5,094,273)
Net income (loss)	$ (39,795,844)	$ (19,951,815)	$(168,107,511)	$(55,983,091)

The significant decrease in premiums and considerations in 2016, compared with 2015, was primarily driven by the suspension of sales of the traditional life insurance and fixed annuity products in March 2016 and the run-off of the in force blocks of business, resulting in decreases of $95 million in fixed annuity, $7 million in life insurance, and $2.2 million in variable annuity. The decrease was offset by a $25.4 million increase in long-term care insurance primarily from in-force rate actions approved and implemented and an approximately $4.2 million increase in supplementary contracts. The decrease in premiums and consideration in 2017 was primarily driven by decreases of $13.2 million in fixed annuity products and $5.5 million in life insurance, offset by a $3.2 million increase in supplementary contracts.

The net losses from operations in separate accounts from 2015 to 2017, compared with 2018, were due to the amortization of the contributed surplus for the funding agreement-backed notes (“FABNs”) during the years. Net gain from separate accounts was zero in 2018 because the FABNs had fully matured in December 2017, and their contributed surplus had fully amortized as of December 31, 2017.

The increase in commissions and reserves adjustments on reinsurance ceded in 2016, compared with 2015, was primarily due to a $27.5 million consideration received for the recapture of the fixed annuity treaty previously ceded to GLIC, effective November 1, 2016. The decrease in 2017, compared with 2016, was primarily due to the $27.5 million one-time consideration received for the recapture in 2016 of the fixed annuity treaty ceded to GLIC and the decrease in product sales during the year. The decrease in 2018, compared with 2017, was primarily due to a $4.7 million decrease in commissions and a $3.8 million decrease in reserve adjustments on reinsurance ceded.

The decrease in benefit payments in 2016, compared with 2015, was primarily due to the $114 million decrease in annuity benefits payments. The increase in benefit payments 2017 was primarily due to a $17.9 million increase in disability payments and a $98.7 million in surrender payments and withdrawals, and the increase in 2018 was due a $19.5 million increase in disability payments and a $46 million increase in surrender payments and withdrawals.

The decrease in aggregate reserves for life and accident and health contracts in 2016, compared with 2015, was driven by policyholders’ election of the reduced benefits option as a result of newly approved and implemented in force rate actions. The decrease was partially offset by higher claim reserves. The increase in aggregate reserves in 2017 was due to a $415 million increase in accident and health reserves, offset by a $325.6 million decrease in annuity reserves. The decrease in 2018 resulted from a $190 million decrease in accident and health reserves and a $43 million decrease in and annuity reserves.

The increase in commissions in 2016, compared with 2015, was due to a $55.2 million consideration paid to Empire Fidelity Investments Life Insurance Company ("Empire Fidelity") in 2016 for the recapture of the single premium immediate annuity business previously assumed by the Company, partially offset by lower commissions driven by decreased production of the fixed annuity and long term care insurance products during the year. The decrease in commissions in 2017 was due to the $55.2 million recapture consideration paid to Empire Fidelity in 2016 and the decreased production of the fixed annuity and long term care insurance products in 2017.

The decrease in net transfer from separate accounts in 2016, compared with 2015, was primarily due to changes in variable annuity surrenders and annuity benefits. The decrease in 2018 was primarily due to changes in variable annuity surrenders, annuity benefits, and the FABNs that matured in 2017.

The Company had realized capital gains of $3.7 million in 2017 compared with realized capital losses of $17.2 million in 2016. The change resulted from lower realized losses on investments of $34.3 million, a decrease in capital gain taxes of $13.6 million, and a change in realized gains and losses transferred to interest maintenance reserve of $3.7 million. The changes were partially offset by a $31.1 million decrease in realized gains on investments.

E. Capital and Surplus Account

	2015	2016	2017	2018
Capital and surplus, December 31, prior year	$481,120,809	$494,777,303	$ 481,157,685	$288,424,072
Net income	$ (39,795,844)	$ (19,951,815)	$(168,107,511)	$(55,983,091)
Change in net unrealized capital gains (losses)	(2,371,596)	1,055,230	(725,165)	7,807,532
Change in net deferred income tax	29,895,516	40,970,244	(76,470,042)	25,167,275
Change in non-admitted assets and related items	(23,710,704)	(29,153,160)	54,346,666	(30,245,430)
Change in liability for reinsurance in unauthorized companies	(16)	(20)	(19)	1
Change in asset valuation reserve	(1,248,594)	2,748,923	7,107,568	1,267,809
Other changes in surplus in Separate Accounts statement	(3,521,887)	(3,249,798)	(2,965,796)	0
Surplus adjustments:				
Paid in	60,663,074	381,692	0	0
Change in surplus as a result of reinsurance	(6,253,455)	(6,420,914)	(5,919,314)	(2,617,018)
Net change in capital and surplus for the year	13,656,494	(13,619,618)	(192,733,613)	(54,602,922)
Capital and surplus, December 31, current year	$494,777,303	$481,157,685	$ 288,424,072	$233,821,150

F. Reserves

In the second quarter of 2017, the Department required the Company to record an additional $58 million of statutory reserves related to its 2016 asset adequacy analysis. As a result of the Company's 2017 year-end asset adequacy analysis, the Company recorded an additional $188 million of statutory reserves in the fourth quarter of 2017. As of December 31, 2017, the Company expected to record approximately $302 million of additional statutory reserves over a two-year phase-in period. During 2018, the Department approved a previously filed in force rate increase for its long term care insurance product. The Company incorporated the approved rate increase, along with other assumption and methodology updates, into its 2018 asset adequacy analysis. As a result, no incremental additional asset adequacy analysis reserves were recorded for the year ended December 31, 2018. As of December 31, 2018, the Company had $454 million of additional statutory reserves as a result of its asset adequacy analysis.

The Department reviewed the Company's reserves as of December 31, 2018. The review included an examination of the asset adequacy analysis according to 11 NYCRR 95 (Insurance Regulation 126), and sound value analysis according to 11 NYCRR 94 (Insurance Regulation 56). During the review, it was noted that the experience for the company's long term care business was worse for the New York's only business versus the Nationwide's experience. The credibility of the New York's experience is under review. If it is determined that the New York's experience is highly credible, this could result in the need for additional reserves. It was also noted during the review that the Company continues to use assets held in trust for the benefit of Brighthouse Life Insurance Company of New York in the asset adequacy analysis covering other lines of business.

The Department is continuing to discuss both the credibility of the New York's long term care experience and the reinsurance trust 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. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

Item	Description
A	In early 2016, the Department and the Company came to an agreement to refine the long term care insurance (“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 Company was using assets held in trust for the benefit of Brighthouse Life Insurance Company of New York (formerly MetLife Insurance Company USA (“MetLife”)) in the asset adequacy analysis covering other lines of business. In addition, the Department found that reserves for certain universal life insurance with secondary guarantees were based on assumptions inconsistent with the Department’s interpretation of 11 NYCRR 98 (Insurance Regulation 147). The Department is continuing to discuss the reinsurance trust and the universal life with secondary guarantees’ (“ULSG’s”) issues with the Department. At this juncture, the certificate of reserve valuation is being held and is not expected to be issued until these concerns are resolved. The Company’s issues related to the ULSG’s formulaic reserves determined under 11 NYCRR 98 (Insurance Regulation 147) have been resolved with the Department. However, the Department is continuing to discuss both the credibility of the New York’s long term care experience and the reinsurance trust issue with the Company. (See item 6F of this report.)

9. SUMMARY AND CONCLUSIONS

Following are the comments contained in this report:

Item	Description	Page No(s).
A	During 2018, the Department approved a previously filed in force rate increase for its long term care insurance product. The Company incorporated the approved rate increase, along with other assumption and methodology updates, into its 2018 asset adequacy analysis. As a result, no incremental additional asset adequacy analysis reserves were recorded for the year ended December 31, 2018. As of December 31, 2018, the Company had $454 million of additional statutory reserves as a result of its asset adequacy analysis.	27
B	The Department is continuing to discuss both the credibility of the New York's long term care experience and the reinsurance trust 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.	27
C	On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets. The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the National Association of Insurance Commissioners, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.	28

Respectfully submitted,

George Brown

George Brown, CFE
Global Insurance Enterprises, Inc.

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

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

George Brown

George Brown

Subscribed and sworn to before me

this 11th day of May, 2020

ANGELA RICHARDS
NOTARY
EXPIRES
GEORGIA
OCT. 18, 2021
PUBLIC
DEKALB COUNTY

5-4-2020

Respectfully submitted,

______________/s/___________________
Flora Egbuchulam
Associate Insurance Examiner

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

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

______________/s/___________________
Flora Egbuchulam

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 31885

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Acting 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:

GEORGE BROWN
(GLOBAL INSURANCE ENTERPRISES, INC.)

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 1st day of March, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU