REPORT ON EXAMINATION

OF THE

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

AS OF

DECEMBER 31, 2003

State of Delaware

Department of Insurance

Dover, Delaware

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2003 of the

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: ______________________

DATE: 30TH JUNE, 2005

In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 30TH DAY OF JUNE, 2005.

____

Insurance Commissioner

____

Deputy Insurance Commissioner

REPORT ON EXAMINATION

OF THE

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

AS OF

December 31, 2003

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 30TH day of JUNE, 2005.

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May 13, 2005

Honorable Alfred W. Gross
Chairman, NAIC Financial Condition Committee
2301 McGee Street, Suite 800
Kansas City, Missouri 64108-2604

Honorable Susan F. Cogswell
Secretary, Northeastern Zone
State of Connecticut
Insurance Department
P.O. Box 816
Hartford, CT 06142-0816

Honorable Alfred W. Gross
Secretary, Southeastern Zone
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
P.O. Box 1157
Richmond, Virginia 23218

Honorable Sally McCarty
Secretary, Midwestern Zone
Indiana Department of Insurance
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Suite 300
Indianapolis, IN 46204-2787

Honorable Merwin Stewart
Secretary, Western Zone
Department of Insurance
State of Utah
State Office Building, Room 3110
Salt Lake City, UT 84114-1201

Honorable Matthew Denn
Insurance Commissioner
Delaware Insurance Department
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 04.003, dated March 16, 2004, an Association examination has been made of the affairs, financial condition and management of the

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

hereinafter referred to as “Company”, incorporated under the laws of the State of Delaware as a stock company with its home office located at 2711 Centerville Road, Suite 400, Wilmington, Delaware. The examination was conducted at the main administrative office of the Company, located at 6604 West Broad Street, Richmond, Virginia and at the Company’s product operating channels located in Lynchburg, VA.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2000. This examination covered the period from January 1, 2001, through December 31, 2003, and consisted of a general survey of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

This report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. The format of this report is designed to explain the procedures employed on this examination and the text will explain changes whenever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible personnel and/or officials during the course of this examination.

The general procedures of the examination followed the rules established by the Committee on Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. In accordance with the aforementioned Handbook, an information systems review was performed by the consulting firm of INS Services, Inc.

The 2003 examination was conducted by the Delaware Insurance Department in accordance with the Association Plan of Examination guidelines established by the National Association of Insurance Commissioners.

HISTORY

The Company was originally named United Pacific Life Insurance Company (UPL) and incorporated as a stock life insurance company under the laws of the State of Washington on September 28, 1956. The Company received its original certificate to transact the business of 1ife, disability and health insurance from the Washington Insurance Commissioner effective as of September 28, 1956. Effective May 12, 1992, the Company was reincorporated and re-domesticated under the corporation laws and insurance laws and regulations of the State of Delaware. Pursuant to a Stock Purchase Agreement effective April 3, 1993, General Electric Capital Corporation (GECC), a subsidiary of General Electric Company (GE), acquired 100% of the capital stock of UPL and five of its seven wholly owned subsidiaries from Reliance Insurance Company and its parent, Reliance Group Holdings, Inc. The stock of the Company was assigned to GNA Corporation (GNA), an insurance holding company subsidiary of GECC. GECC purchased the 35,150 outstanding common stock shares of GNA from the Weyerhaeuser Company on April 15, 1993. On September 29, 1993, GNA transferred 100% of the shares of the Company to its insurance subsidiary, Great Northern Insured Annuity Corporation (GNIAC) with the intention of consolidating the operations of both insurance companies. Pursuant to its Amended and Restated Certificate of Incorporation effective April 1, 1994, the name of the Company was changed to General Electric Capital Assurance Company (GECA).

On October 1, 1995, the Company reversed its position with its former parent, GNIAC, and became the lead insurer in the holding company system. In 1995, GNA also contributed all outstanding shares of Federal Home Life Insurance Company to the Company. On October 2, 1995, GECC acquired AMEX Life Assurance Company (AMEX) and contributed it to the Company. On June 30, 1996, AMEX was merged into the Company.

On April 1, 1996, GECC contributed 80% of the capital stock of the newly acquired Life Insurance Company of Virginia (LOV) to its subsidiary, GNA, which immediately contributed the 80% ownership of LOV to the Company.

On January 1, 1999, GNIAC merged with and into the Company, pursuant to an Agreement and Plan of Merger between GNIAC and the Company dated May 18, 1998. The agreement was filed and approved by regulatory authorities in the States of Delaware and Washington.

On March 31, 1999, GE Financial Assurance Holdings, Inc. (GEFAHI) assigned its rights to receive 100% of the stock of Professional Insurance Company (PIC) to its direct subsidiary, GNA. Simultaneously, GNA contributed its ownership interest in PIC to the Company.

On December 31, 1999, GEFAHI contributed its ownership interest in Union Fidelity Life Insurance Company to the Company.

The Company is licensed by the Delaware Department of Insurance to transact the business of life, including annuities, and health. The Certificate of Authority was last amended to include variable annuities on September 17, 1997.

CAPITALIZATION

The Company was originally capitalized with $400,000, consisting of 4,000 authorized par value $100, shares issued to United Pacific Insurance Company (“UPIC”). On March 30, 1960, December 12, 1961, and July 7, 1978, an additional 1,000, 5,000, and 5,000 shares, respectively, were authorized and issued to the UPIC resulting in total capitalization of 15,000 common shares valued at $1,500,000. In July of 1987, the par value of the Company’s common stock increased from $100 to $200 per share resulting in a capitalized share value of $3,000,000.

On February 1, 1993, the Company ownership authorized a total of 5,000,000, par value $200, shares and transferred all 15,000 issued shares from UPIC to Reliance Insurance Company. As a result of the stock purchase of the Company on July 14, 1993, all shares were transferred to GNA Corporation.

Pursuant to the Certificate of Incorporation, as amended September 29, 1993, the Company authorized 5,000,000 Class A (voting) shares, 2,000,000 Class B (non-voting) shares and 1,000,000 (non-voting) Redeemable Preferred Shares. Each class of shares carries a stated par value of $1. As of the December 31, 1994, the Company had: 2,450,000 Class A shares, 550, 000 Class B shares and, 300,000 preferred shares issued and outstanding resulting in total capitalization of $3,300,000.

On September 28, 1995, the Certificate of Incorporation was amended and restated to increase the number of authorized shares of Class A common stock from 5,000,000 shares to 21,000,000 shares. On October 1, 1995, the Company reversed its position with GNIAC, GNA Corporation contributed all of the 25,000 issued and outstanding shares of GNIAC to the Company in exchange for the issuance of 17,606,291 shares of Class A Common Stock to GNA Corporation. With this contribution, the Company received ownership of its own 2,450,000 issued Class A shares previously owned by GNIAC. At December 31, 2003, 490,000 shares are held as treasury stock and valued at $61,282,801.

On September 24, 1996, the Company’s Class “A” Common authorized shares were reduced 5 to 1 from 21,000,000 to 4,200,000. The issued shares were reduced from 20,056,291 to 4,011,258. At December 31, 2003, there were 3,521,258 Common Class A shares, 550,000 Common Class B and 300,000 preferred shares issued to GNA Corporation.

The Company received $24,375,692 in contributed surplus since the last examination consisting of the following:

Year	Amount
2001	$23,790,000
2002	585,692
2003	-0-

Dividends to Stockholders

Dividends were declared and paid during the period under examination consisting of a $206,250,000 common stock dividend and a $30,000,000 preferred stock dividend on December 20, 2001, a $11,500,000 common stock dividend and a $7,500,000 preferred stock dividend on May 30, 2002, a $7,500,000 preferred stock dividend on September 5, 2002, a $228,800,000 common stock dividend and $7,500,000 preferred stock dividend on December 23, 2002 and a $7,500,000 preferred stock dividend on December 18, 2003 to its preferred stockholder, GNA Corporation.

MANAGEMENT AND CONTROL

Pursuant to general corporation laws of the state of Delaware, as implemented by the Company's Certificate of Incorporation and By-Laws, all corporate powers are exercised by or under the direction of a Board of Directors which shall be determined by the shareholders.

As of the examination date, the Board of Directors was comprised of three members, all of whom were elected by unanimous written consent on May 1, 2003 in lieu of an annual meeting of the shareholders. The members of the Board are elected for a term of one year and serve until their successors are elected and qualified.

At December 31, 2003, the members of the Board of Directors were as follows:

Thomas Melvin Stinson   Leon Ellis Roday   Pamela Sue Schutz

The Company's By-Laws permit the Board of Directors to designate one or more committees. An Investment Committee was established by the Board of Directors in 2000. The Board of Directors is required to ratify on a quarterly basis the actions/minutes of the Investment Committee. A committee of officers and employees of the Company and its affiliates within the GE Financial Assurance Group were re-appointed on May 1, 2003 as the Investment Committee:

Michael D. Frazier	Mark W. Griffin	Victor C. Moses
Rone K. Baldwin	Kathryn C. Karlic	Thomas M. Powers
Stephen N. DeVos	Jon M. Lucia	Leon E. Roday
Ronald C. Gilbert	Richard P. McKenney	Michael R. Schlessinger
William R. Wright, Jr.		

The By-Laws of the Company, as amended and restated November 21, 2000, provide that the officers of the Company shall consist of: a Chairman of the Board; President; an Executive Vice President; one or more Senior Vice Presidents; one or more Vice Presidents; a Secretary; a Treasurer; and such other officers with titles as shall from time to time be set forth by resolution of the Board of Directors.

At December 31, 2003, the Senior Officers of the Company were as follows:

Name	Title
Pamela Sue Schutz	President and Chief Executive Officer, and Chairperson of the Board of Directors
Thomas Melvin Stinson	President and Chief Executive Officer of the Long Term Care Division and Director
Leon Ellis Roday	Senior Vice President and Director
James Daryl Atkins	Senior Vice President
Ward Edward Bobitz	Senior Vice President, General Counsel, and Secretary
Jeffrey Taft Condit	Senior Vice President
John (nmn) Connolly	Senior Vice President, Long Term Care Division
Frank Thomas Gencarelli	Senior Vice President
Debora Dyer Horvath	Senior Vice President and Chief Information Officer
Michael Scott Laming	Senior Vice President
Richard Paul McKenny	Senior Vice President and Chief Financial Officer

Victor Carlyle Moses	Senior Vice President and Chief Actuary
Daniel Clarke Munson	Senior Vice President
Geoffrey Sampson Stiff	Senior Vice President
Mammen George Verghis	Senior Vice President, Long Term Care Division
George Robert Zippel	Senior Vice President
William Robert Wright, Jr.	Senior Vice President
Jamie Sue Miller	Vice President and Controller
Gary Thomas Prizzia	Treasurer

Many of these Officers serve as Officers and/or Directors for subsidiary and affiliated insurance companies.

HOLDING COMPANY SYSTEM

The Company is one of many companies in GE Financial Assurance Holdings, Inc., a holding company owned by General Electric Capital Corporation. General Electric Capital Corporation is a wholly owned subsidiary of General Electric Capital Services, Inc., which in turn, is owned directly or indirectly by General Electric Company, a multi-national holding company with approximately $80 billion in share owners' equity and approximately $135 billion in revenues for the year 2003.

GE Financial Assurance Holdings, Inc., together with its subsidiaries, is engaged in the life insurance, annuity, long-term care insurance, mutual fund, retirement investment and income protection insurance business almost entirely in North America and Asia.

The following partial organizational chart reflects the identities and interrelationships between the Company and Parent at December 31, 2003:

General Electric Company
- General Electric Capital Services, Inc.
  - General Electric Capital Corporation
    - GEI, Inc.
      - GE Financial Assurance Holdings, Inc.
        - GNA Corporation
          - General Electric Capital Assurance Company

Please refer to Schedule Y, Part 1 of the 2003 Annual Statement for a detailed listing that reflects the identities and interrelationships between the Company, its parent and insurance affiliates and subsidiaries.

Copies of the "Form B Holding Registration Statements" filed with the Delaware Insurance Department, during the period under examination, were reviewed. It appears that the Company has complied with the general requirements of Regulation 13 of the Delaware Insurance Code.

MANAGEMENT, SERVICE AND OTHER AGREEMENTS

Related Party Transactions

In review of related party agreements, the following company identifier legend is incorporated as a reference source:

AML = American Mayflower Life Insurance Company
Brookfield = Brookfield Life Assurance Company Limited
FCL = First Colony Life Insurance Company
FHL = Federal Home Life Insurance Company
FFRL Re = FFRL Re Corp
GE = General Electric Company
GECLA = GE Capital Life Assurance Company of New York
GEFA = GE Financial Holdings, Inc.
GEGLAC = GE Group Life Assurance Company
GELAAC = GE Life and Annuity Assurance Company

GNA = GNA Corporation
HIC = Heritage Indemnity Company
JLIC = Jamestown Life Insurance Company
MWIC = Montgomery Ward Insurance Company
PIC = Professional Insurance Company
River Lake = River Lake Insurance Company
UFLIC = Union Fidelity Life Insurance Company

As of December 31, 2003, the Company disclosed participation in the following agreements:

The Company continues to guarantee GECLA's performance under an indemnity reinsurance agreement and an administrative services agreement between GECLA and The Travelers Insurance Company covering Travelers long-term care insurance policies issued in New York.

AML and the Company continue to be parties to the Service Agreement, effective December 1, 1996, whereby the Company provides services to AML for legal, actuarial, accounting, claims and underwriting consulting, executive and miscellaneous consulting, human resources, personnel consulting and employee training, and purchasing.

AML, FCL, FFRL Re, FHL, GECLA, GEGLAC, GELAAC, JLIC, MWIC, PIC, UFLIC and the Company continue to be parties to individual agreements with their affiliate, GE Capital International Services (GECIS) whereby GECIS provides such Registrants with data processing, administrative, actuarial, accounting and related services.

AML, FCL, FFRL Re, FHL, GECLA, GEGLAC, GELAAC, HIC, JLIC, MWIC, PIC, UFLIC and the Company continue to be parties to separate Investment Management and Services Agreements with GE Asset Management Incorporated (GEAM), effective May 1, 2002, whereby GEAM provides investment management and related services to Registrants.

AML, FCL, FFRL Re, FHL, GECLA, GELAAC, JLIC, MWIC, UFLIC and the Company continue to be parties to separate Consulting and Labor Agreements with their affiliate, GE Process Solutions, LLC (f/k/a I Process International, LLC) (GE Process), whereby GE Process provides such Registrants with consulting and labor services in connection with their outsourcing programs.

The Company, FCL, FFRL Re, FHL, GEGLAC, GELAAC, JLIC, MWIC, PIC, UFLIC and affiliates, Brookfield and River Lake continue to be parties to the Services and Shared Expenses Agreement, as amended, that provides for certain management and general services and the sharing of joint expenses by and between such Registrants and such other affiliated insurance companies who execute an Adoption Agreement. In May 2002, GEGLAC amended its adoption agreement to reflect that investment management services would not be provided to it under the Services and Shared Expenses Agreement.

FCL, GEGLAC, GELAAC, UFLIC and the Company (as amended May 13, 2003), (collectively, Companies), continue to be parties to separate Acknowledgement of Agreements (Acknowledgement) with GE IT Solutions, Inc. (formerly known as GE Capital Information Technology Solutions, North America Inc.) (GEITS), whereby GEITS provides helpdesk and other technology infrastructure services to the Companies in connection with the execution of a Master Managed Services Agreement between GEITS and General Electric Capital Services, Inc., dated January 10, 2001. In connection with the GELAAC Acknowledgement, GELAAC continues to be a party to a Statement of Work dated December 13, 2002, with GEITS, whereby GEITS provides GELAAC with server installation services.

FCL, FHL, GECLA, GEGLAC, GELAAC, PIC and the Company continue to be parties to separate agreements with their affiliate, GE Capital International Services - Americas, Inc. (GECIS-US), whereby GECIUS-US provides such Registrants with data entry, mail handling and related services.

The Company, FCL, FHL, and GELAAC (collectively, the Clients), GEFAHI, the Clients' parent company, GEAM and General Electric Capital Corporation (GECC), all of which are subsidiaries of GE, continue to be parties to a Derivatives Management Services Agreement effective July 9, 2002, whereby, GECC's Treasury Operation executes, manages and administers derivative transactions on behalf of the Clients and may appoint certain individuals at GEAM as representatives to assist in the derivative transactions. In connection with the agreement, the Clients, and GECC also continue to be parties to an Administrative Services Agreement, whereby GECC provides the Clients with administrative services in connection with the derivative transactions.

The Company and MWIC continue to be parties to separate Computer Services Agreement dated September 15, 2003, and May 16, 2001, respectively, with GE, Registrant's ultimate controlling person, which, acting through its Global Computer Operations (GCO), provides Registrants with certain computer services.

The Company continues to share office space, common management and employees with certain of its non-insurance company affiliates. Common costs for home office occupancy expenses, administrative services, and other services are allocated between the companies pursuant to a cost-study analysis.

The Company and IFN Insurance Agency, Inc. (IFN) continue to be parties to the Management and Services Agreement, as amended January 1, 1991, for allocation of common costs for home office occupancy expenses, administrative and marketing services.

The Company and IFN continue to be parties to the General Agency and Administrative Services Agreement, which provides that the Company reimburse IFN's administrative services costs resulting from the sale of the Company's products and that the Company may provide IFN with short term cash advances.

The Company and its affiliate, GE Financial Assurance Mortgage Funding Corporation (GEFAMF), continue to be parties to the Loan Origination and Interim Servicing Agreement dated April 15, 1994, pursuant to which the Company provides mortgage investment and servicing services to GEFAMF with respect to commercial mortgage loans originated by the Company. GEFAMF has, through a Trustee, created a mortgage-backed security participation, which GEFAMF subsequently sold to the Company and to an unaffiliated investor.

The Company continues to be a party to separate Investment Services Agreements, with IFN, effective April 1, 1996, and GE Capital Management Corporation (GECMC), effective January 1, 1996, whereby the Company provides investment management and investment accounting services to IFN and GECMC.

The Company and GE Capital Mortgage Services, Inc. (GECMS) continue to be parties to the Mortgage Servicing Marketing Agreement effective January 22, 1999, whereby the Company provides services to certain of GECMS's mortgagees in connection with the sale of long-term care insurance products underwritten by the Company.

The Company and its affiliate, GEFA Special Purpose One, LLC, continue to be parties to the Policy Loan Servicing Agreement dated December 2, 1999.

The Company and its affiliate, GEFA Special Purpose Three, LLC, continue to be parties to a Policy Loan Servicing Agreement dated November 14, 2000.

The Company and its affiliate, GEFA Special Purpose Four, LLC, continue to be parties to a Policy Loan Servicing Agreement dated June 11, 2001.

The Company and its affiliate, GEFA Special Purpose Two, LLC (GEFA Two) continue to be parties to a Servicing Agreement effective June 22, 2001, whereby the Company will provide servicing and administrative services for certain commercial loans acquired by GEFA Two.

The Company and GEITS continue to be parties to a Consulting Agreement, effective August 7, 2002, whereby GEITS provides the Company with technical support services.

The Company continues to be a party to a Personnel Services Agreement with GE Information Services, Inc. (GEIS), acting through its GE Global Exchange Services business (GXS), effective October 23, 2002, whereby GXS provides the Company with software consulting and installation services.

The Company continues to be a party to a separate Master Agency, Servicing and Subordination Agreement, effective October 1, 2003, with GECC, GE Capital Business Asset Funding Corporation and GE Capital Franchise Finance Corporation, whereby the parties may from time to time act as co-lenders in making first mortgage loans to single or multiple borrowers, as more specifically described in the agreement.

The Company and UFLIC continue to be parties to a Sublease, effective May 22, 2003, whereby UFLIC sublets to the Company a portion of 200 Woodfield Corporate Center, 200 North Martingale Drive, Schaumburg, Illinois for a period of 34 months commencing May 1, 2003 and ending February 28, 2006. Under the terms of the Sublease, the Company will pay rent to UFLIC for use of the premises and will incorporate the Master Lease provisions as described in the Sublease.

The Company, AML, GECLA, GELAAC, FCL, FHL, JLIC, PIC, River Lake, UFLIC, and GE continue to be parties to a Tax Allocation Agreement (Tax Agreement), as amended, whereby the parties agree to the method of allocation of consolidated federal income tax liability resulting from the consolidated federal income tax reporting of the Registrants. In connection with the agreement, PIC entered into a Tax Indemnification Agreement, effective September 30, 2002 with its indirect parent, GNA, whereby GNA has agreed to indemnify PIC in the event that the Internal Revenue Service levies upon PIC's assets for unpaid taxes in excess of the amount paid under the Tax Allocation Agreement.

River Lake, FCL and the Company continue to be parties to a Special Tax Agreement dated July 28, 2003. The Special Tax Agreement provides that, among other things, to the extent River Lake generates net operating losses in a period (where such losses are created solely by business ceded by FCL to River Lake), and the parties to the Tax Allocation Agreement benefit from such loses or credits, the amount of such benefits shall be paid to FCL.

The Company has committed to A.M. Best that it will maintain the capital and surplus of FHL at certain minimum levels.

Unaffiliated Transactions

The Company has a Corporate Custodial Account Agreement dated January 23, 2001. The Company has a Security Lending Agency Agreement dated January 23, 2001. The Company has a Global Custody Agreement dated December 8, 2003. The Company has a Security Lending Agreement and Guaranty dated December 8, 2003.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2003, the Company was licensed in the District of Columbia, and all states with the exception of New York.

The Company conducts its operations in two operating segments: (1) The Retirement Income and Investments segment, through which the Company offers various fixed and income annuity products, and specialized products including structured settlements, guaranteed investment contracts and funding agreements. Products are primarily distributed through a network of intermediaries including independent agents, general agencies, brokers, banks and securities dealers. To a lesser extent, products are also distributed through a career agency force. (2) The Protection segment, through which the Company offers life insurance and long term care insurance. Products are mainly distributed through a network that includes career agents, independent agents, general agents and brokers. The Company reported that there were 148,884 agents employed or licensed at December 31, 2003.

The Company does not maintain branch offices, or use managing general agents. The Company does utilize third party administrators to process and service a portion of its business.

The Company’s investments are administered by an affiliate in Stamford, Connecticut. Policyholder operations for the majority of life and annuity business are administered in Lynchburg, Virginia. The Company’s long-term care and corporate owned life business is administered at the offices of its Long Term Care Division in Richmond, VA and San Rafael, CA. The Long Term Care Division also administers the long-term care business for one of its subsidiaries, GE Capital Life Assurance Company of New York.

In the review of Schedule T for the three year period of examination, and prior examination work papers, it was noted the Company was receiving premiums from residents of the State of New York, where the Company is not licensed to write business, and reporting them as Delaware premiums. The Delaware Department of Insurance has stated that these premiums should not be reported as Delaware premiums. A review of the 2001 Annual Statement showed that this trend of receiving premiums from New York residents and reporting them as Delaware premiums, continued in 2001. The 2002 and 2003 Schedule Ts correctly reflected the allocation of premiums received from New York.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements:

Year	Admitted Assets	Surplus	Direct Premiums, Annuity Considerations & Deposits	Net Income
2003	$33,666,016,733	$2,773,781,211	$5,232,284,159	$263,033,816
2002	30,672,614,539	2,405,937,077	6,109,947,523	(9,383,116)
2001	25,229,640,836	2,628,246,167	5,789,903,353	4,820,535
2000	20,637,526,034	2,364,708,218	2,607,468,550	(98,432,248)

The Company's total net admitted assets increased by 10% in 2003, primarily due to the increase in the long-term bonds portfolio driven by cash available for investment generated from new premium production. Statutory surplus increased by $368 million driven by net income of $263 million, and by increase in unrealized capital gains of $221 million. These favorable variances were somewhat offset by an increase of $44 million in AVR due to the higher bonds portfolio, by the amortization of deferred reinsurance gain of $63 million, and by a decrease of $9 million in other surplus items.

The Company's RBC improved from 241.2% in 2002 to 253.5% in 2003, due to the higher unassigned surplus at the end of the year. The main drivers for the increase were net income of $263 million, change in unrealized gain of $221 million, and amortization of deferred reinsurance gain of $63 million; however, this was set off by the amortized gain in net income. Net change for other capital and surplus items was $9 million.

Premium and annuity considerations for the Company's life and accident and health contracts decreased by 20% in 2003, primarily driven by a decrease in deferred annuities of $1,555 million due to the decline in the interest rate environment.

General insurance expenses were lower by 3% in 2003. Personnel related expenses were down by $32 million due to lower headcount. This was offset by the write-down of stop-loss payments on the Travelers block of business totaling $26 million. These payments were included as prepaid assets for the purchase of the remainder of the block. Other items contributed approximately $3 million to the overall change.

Insurance taxes, licenses and fees (excluding Federal Income Tax) increased by 26%, primarily driven by allocated taxes for personnel benefits.

Net realized capital gains/losses decreased by 91% due to significant write-downs recognized in 2002 for impairments relating to WorldCom ($24 million), airline industry ($15 million), technology industry bonds, and other items totaling approximately $30 million.

REINSURANCE

The following is a summary of the reinsurance contracts in place as of December 31, 2003:

Assumed

Life, Annuities, Deposit Funds and Other Liabilities

The Company assumed life reserves of $267 million from four affiliated insurers on single premium annuity contracts issued between 1985 and 1988 by GE Capital Life Assurance

Company of New York and effective January 1, 2000, on new term and universal life business issued by American Mayflower Life Insurance Company ("AML") and First Colony Life Insurance Company ("FCL"), and reinsurance assumed from Westport Insurance Corp effective January 31, 2001. The assumptions represent 100% of affiliated assumed reserves at December 31, 2003.

Of the life reserves assumed of $493 million from non-affiliates, $483 million was related to a private label agreement between Fidelity and GECA. Fidelity Life writes fixed annuity business on their paper and reinsures 100% of the business to GECA.

Accident and Health

Accident and health reserves assumed of $2.0 billion consisted of long-term care business from The Travelers Insurance Company ("Travelers") and IDS Life Insurance Company (“IDS”). The assumptions represent over 92% of assumed reserves at December 31, 2003. The Company has reinsurance agreements on a coinsurance basis with two affiliated insurers, Federal Home Life Insurance Company and GE Life and Annuity Assurance Company, for assumption of long-term care risks representing over 5% of reserves assumed at year-end. The Company assumes long-term care and group accidental death and dismemberment coverage from additional insurers representing less than 2% of reserves assumed at year-end. Assumed reserves include unearned premiums.

Ceded

Life, Annuities, Deposit Funds and Other Liabilities

The Company has agreements for the cession of single premium life and annuity business with IDS representing over 92% of reserves ceded at December 31, 2003.

During 2001 through 2003, the Company's life insurance products issued increased due to a combination of direct writings, as well as assumption agreements with affiliates AML and FCL. The Company maintains reinsurance whereby it subsequently cedes its own and assumed business excess of its retention.

The Company entered into several individual life coinsurance arrangements with affiliate FCL in 2003, representing 1.4% of total ceded life reserves.

A first excess of retention reinsurance program for preferred and standard risk pools, which was effective June 26, 1999 and December 4, 2000 with an affiliate, ERC Life Reinsurance Corporation ("ERC") and several other insurers was replaced by a new pool, in which ERC Life Reinsurance Corp. was not a member. The new pool was effective January 1, 2002 for new issues. As of December 22, 2003, ERC Life Reinsurance had been acquired by Scottish Re and was no longer an affiliate.

An 80/20 quota share YRT reinsurance impaired risk pool, which was effective June 26, 1999 and December 4, 2000 with affiliate ERC and several other insurers for the purpose of mortality reinsurance and facultative capacity, was replaced by a new pool, in which ERC Life Reinsurance Corp. was not a member. The new pool was effective January 1, 2002 for new issues. As of December 22, 2003, ERC Life Reinsurance had been acquired by Scottish Re and was no longer an affiliate.

The Company terminated the January 1, 2000 retrocession pool agreements for assumed AML policies and retroceded those policies dated November 11, 2001 and later to its YRT pools effective December 4, 2000 to December 31, 2001.

Effective August 1, 2001, the Company entered into a facultative YRT agreement with SCOR Life Re. The agreement was terminated for lack of use, with no in force.

Effective November 1, 2002, the Company executed a life catastrophe reinsurance arrangement with Everest Re to reinsure losses up to $20,000,000 from one event in excess of $20,000,000 of losses.

Effective December 1, 2001, the Company entered into a coinsurance agreement where 20% of its retention on certain universal life policies was ceded to FFRL Re Corporation ("FFRL"), an affiliated reinsurer established to permit certain key producers to share in the experience of the business they produce. The maximum cession is $100,000.

Effective January 1, 2002, the Company re-bid its reinsurance pools to replace those effective at December 4, 2000. The arrangements were nearly identical as to the business covered:

a) A first excess of retention reinsurance arrangement for preferred and standard risk pools effective January 1, 2002 without affiliate ERC or other affiliates.

b) An 80/20-quota share YRT reinsurance impaired risk pool effective January 1, 2002 without affiliate ERC or other affiliates.

Effective March 3, 2003 the Company executed a 50/50 Quota Share Coinsurance arrangement whereby it coinsured the first $2,000,000 of certain plans with several different third party reinsurers. New issues ceased being reinsured as successor products became available in the different states after June 30, 2003.

Effective April 1, 2003, the Company executed a YRT reinsurance arrangement whereby it reinsured with Allianz Life Re certain plans recaptured by the Company from Annuity and Life Reassurance Company.

Effective June 30, 2003, the Company executed a 100% coinsurance agreement with First Colony Life Insurance Company, to reinsure certain new Universal Life products with 2003 and later issue dates with First Colony Life (an affiliate).

Effective July 1, 2003, the Company executed a 90% coinsurance agreement with First Colony Life Insurance Company to reinsure term plans issued by the Company, excluding portions reinsured with FFRL Re. The Company retains 10% up to its maximum retention limit on an individual life.

Effective November 1, 2003, the Company executed an extension of the life catastrophe reinsurance arrangement as of November 1, 2002 with Everest Re until December 1, 2003, to reinsure losses up to $20,000,000 from one event in excess of $20,000,000 of losses.

Effective December 1, 2003, the Company executed a renewal of the life catastrophe reinsurance arrangement as of November 1, 2002 with Everest Re until December 1, 2004, to reinsure losses up to $35,000,000 from one event in excess of $25,000,000.

Accident and Health

The Company entered into a retrocession agreement with an affiliate, Brookfield Life Assurance Company Ltd. effective July 1, 2001, for the long-term care business on a coinsurance basis. This treaty is a quota share based on amounts not subject to other reinsurance agreements.

The Company also entered into an agreement with Munich American Reassurance Company effective July 1, 2002. This treaty ceded long-term care business on a YRT basis for both group and individual business. Cessions are on a quota share basis, generally 50% and are limited by issue ages.

Summary

Since June 26, 1999, the maximum retention on each individual life for any combination of individual life and second to die policies with the Company was set at the following limits:

Age	Combined Retention
0-75	$1,000,000
76-85	$ 100,000
86 & over	$ -0-

In addition to the above limits, the Company's retention for accidental death benefits (ADB), group life, group mortgage ADB, or payroll deduction and 401(k) automatic issue coverage was set at the following limits:

ADB	$100,000
Group Life (no underwriting)	$ 75,000
Group Life (underwriting)	$150,000
Group Mortgage ADB	$ 50,000
Payroll Deduction & 401(k) Automatic issue coverage	$150,000

With regard to long-term care business, effective January 1, 2003, the Company executed a 5.0% coinsurance treaty (covering all risks associated with the product) with General Re Life Reinsurance Company. Business written that impacted this agreement became effective after January 1, 2004.

Fidelity Bonds and Other Insurance

The Company was a named insured on all applicable insurance policies issued in the name of its ultimate parent, General Electric Company (GE). GE maintains four programs of insurance. Programs included are; (1) Property, (2) Casualty, (3) Combined Specialty Liability and (4) Aviation. The limits of liability, as of the examination date, were within NAIC established guidelines. GE insuring agreements included: property damage, business interruption, transit (inland and marine) risks, general liability, auto liability, workers' compensation, employer's liability, combined specialty insurance that includes directors and officers liability, professional liability (errors and omissions), fidelity (crime), fiduciary risks, and employment practices liability. GE also provides a surety bond program (license and permit, court, financial guarantee and contract) that is accessible by all GE entities, including the Company. GE automatically covers any entity in its insurance programs where GE or its subsidiary owns 50% or more of the entity. Commercial insurance programs in the United States are handled directly by GE Corporate Insurance. GE utilizes the Marsh Global (Marsh) network outside the United States for the administration of its four insurance programs. The property coverage is written globally with ACE Insurance Company. The casualty program outside the United States is written by ACE Insurance Company or one of its affiliates. Casualty risks in the United States are written by Electric Insurance Company. GE appointed Aon New York (Aon) to administer the combined specialty insurance program which is written with ACE. Marsh was appointed to administer the aviation program, while Allied North America Insurance Brokerage of Illinois was appointed to administer the surety bond program. Surety bonds are centrally purchased from a consortium of insurers including Chubb Corporation, Travelers, Safeco Insurance Company, Liberty Bond Services, XL Specialty Insurance Company, and ACE. GE also employs loss prevention inspection services globally to ensure its entities meet standards of prevention.

ACCOUNTS AND RECORDS

Accounting System

The Company, as one of many companies in the holding company of GE Financial Assurance Holdings, Inc. (“GEFA”), uses the Oracle Accounting System. The design of this system, through codes, allows for use simultaneously by multiple legal entities and various sites within a legal entity. Three different sets of books are in use by the Company within this system:

Operating, GAAP, and Statutory. The Company has established nine different ledger types within Oracle that segregate financial information for specific uses. Combinations of ledger types are added together or “rolled up” to get to a specific basis of accounting.

Operations

The Company conducts its operations in multiple geographic locations, or sites, each operating somewhat autonomously. The locations or sites for the Company are: Corporate, Stamford (investments), San Rafael (some operations moved to Richmond), Richmond and Lynchburg. The five sites also conduct operations for the other insurance companies within GEFA. “Trial Balances by Site” with individual work sheets for the indicated sites were available. When balances from the individual site work sheets are added together, the total equals the consolidated, statutory trial balances that underlie statutory financial reporting for the Company.

Financial Reporting

In order to accelerate financial reporting to its parent, the Company has developed a quarterly and annual practice of closing its books early for GAAP and statutory financial reporting. The Company’s Financial Reporting and Actuarial Departments work together to book accruals for estimated activity between the early close and year-end (or quarter end). Since the sites comprise the “whole” of the Company, and the sites have different operating systems (for premiums, claims, etc.), closing dates vary from site to site.

In the early cut-off, when the required ledger types are transferred or “rolled” to the statutory set of books to initiate financial reporting, sub-account detail and sub-product codes are summarized in total only. Underlying detail is not lost in the process. The detail remains within the original sets of books. This procedure eliminates the detail normally found for statutory examination of balance sheet “line item” account balances that would otherwise be available. Also, in the early cut-off, cash account and investment account balances for year-end must be estimated and/or adjusted to accrued, year-end balances. The Company calculates customary accruals on in-force and renewal business, but does not calculate accruals on estimated new business from early cut-off through year-end (or quarter-end). The same is true for reinsurance calculations. It was noted that some accrual entries ignore the period between cut-off and year-end (or quarter-end). Life product incurred claims are not adjusted for the early cutoff due to the number of claims attributable to the Company is relatively small.

In the prior exam, it was recommended that the Company request permission from the Delaware Department of Insurance ("Delaware") for an earlier closing date. The Company submitted a formal request to Delaware on September 19, 2003, to update the previous request for an early cut-off. Delaware approved the early cut-off request on December 3, 2003.

Information Technology (“IT”)

INS Services, Inc. (“INS”) performed an evaluation of the Company’s information systems (Exhibit C) for Delaware in conjunction with the December 31, 2003 examination. There were four lines of business included in the scope of the INS review: 1) Retirement Income and Investments (“RI&I”) located in Richmond, Virginia; 2) Independent Brokerage Group (“IBG”) located in Lynchburg, Virginia; 3) GE Financial Advisors (“GFA”, formerly the GECA Long-Term Care business) located in Richmond, Virginia and San Rafael, California; and 4) GE Asset Management Incorporated (“GEAM”) located in Stamford, Connecticut. The scope of the INS review included visits to the Richmond and Lynchburg, Virginia facilities, where INS performed full Exhibit C reviews of RI&I, IBG, and GFA; and a visit to the Stamford, Connecticut facilities, where INS performed a limited Exhibit C review of GEAM.

The INS assessment of the overall control risk related to information systems controls at the Company was **low** for those policies and procedures that had been in place as of December 31, 2003 and up to the date of the INS report on July 19, 2004. The design of most control policies and procedures at the Company is sufficient to achieve control objectives consistent with the requirements of Exhibit C.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2003.

Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account

Assets
December 31, 2003

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$ 26,062,068,631	$ -	$ 26,062,068,631	3
Preferred stocks	66,718,474	-	66,718,474	
Common stocks	2,425,320,180	-	2,425,320,180	
Mortgage loans on real estate	3,078,183,626	-	3,078,183,626	
Real estate	358,722	-	358,722	
Cash on short-term investments	238,610,931	-	238,610,931	3
Contract loans	638,349,204	-	638,349,204	
Other invested assets	57,295,689	-	57,295,689	3
Receivable for securities	168,308,412	-	168,308,412	3
Derivatives	12,846,897	-	12,846,897	
Investment income due and accrued	373,301,146	1,133,428	372,167,718	3
Uncollected premiums and agents balances in course of collection	97,836,711	9,235,595	88,601,116	
Deferred premiums, agents' balances and installments booked but deferred	12,683,181	7,724,774	4,958,407	
Amounts recoverable from reinsurers	21,122,615	-	21,122,615	3
Other amounts receivable under reinsurance contracts	22,341,416	-	22,341,416	
Current federal and foreign income tax recoverable and interest thereon	175,542,724	-	175,542,724	3
Net deferred tax asset	543,436,666	469,096,257	74,340,409	
Guaranty funds receivable or on deposit	16,645,134	-	16,645,134	
EDP equipment and software	11,411,829	11,155,940	255,889	
Furniture and equipment	3,784,678	3,784,678	-	
Receivable from parent, subsidiaries and affiliates	4,842,162	-	4,842,162	3
Other assets non-admitted	136,230	136,230	-	
Prepaid expenses	9,598,508	9,598,508	-	
Miscellaneous receivables	34,350,667	3,667,525	30,683,142	3
From separate accounts statement	106,455,235	-	106,455,235	
Totals	$ 34,181,549,668	$ 515,532,935	$ 33,666,016,733	

Liabilities, Surplus and Other Funds
December 31, 2003

Interest maintenance reserve	456,771,609	
Commissions to agents due or accrued	15,321,810	
Commissions and expense allowances payable on reinsurance assumed	10,884,358	
General expenses due or accrued	84,908,261	3
Transfers to separate accounts due or accrued	(14,768,574)	
Taxes, licenses and fees due or accrued	44,590,219	
Amounts withheld or retained by the company as agent or trustee	6,260,698	
Remittances and items not allocated	223,465,298	3
Borrowed money	3,737,000	2
Asset valuation reserve	173,918,028	
Reinsurace in unauthorized companies	9,363,584	3
Funds held under reinsurance treaties with unauthorized companies	2,097,486,101	
Payable to parent, subsidiaries and affiliates	80,565,348	3
Payable for securities	126,836,623	3
Other liabilites	7,878,326	
From separate accounts statement	74,055,236	
Total Liabilities	$30,892,235,523.00	
Common capital stock	4,561,258	
Preferred Capital Stock	300,000	
Gross paid in and contributed surplus	2,212,569,921	
Unassigned funds (surplus)	617,632,833	
Less Treasury Stock	(61,282,801)	
Total Capital and Surplus	$2,773,781,211.00	
Total Liabilities, Surplus and Other Funds	$33,666,016,733.00	

Summary of Operations
December 31, 2003

Disability benefits and benefits under accid. & health contracts	213,756,816		
Surrender benefits and other fund withdrawals	2,964,764,979		
Interest and adjustments on contract or deposit-type funds	79,055,757		
Payments on suppl. contracts with life contingencies	17,666,680		
Increase in aggregate reserves for life and accident and health contracts	2,132,249,235		
Commissions on premiums and annuity considerations and deposit-type contract funds	286,446,122		
Commissions and expense allowance on reinsurance assumed	87,460,022		
General insurance expenses	331,709,599		
Insurance taxes, licenses and fees excl. federal income tax	40,322,658		
Increase in loading on deferred and uncollected premiums	(1,732,166)		
Net transfers to or (from) separate accounts	(13,246,214)		
Reinsurance IMR transfer	(1,376,006)		
Modco adjustment on reinsurance ceded	(249,335)		
Total expenses		$6,882,037,936.00	
Net gain from operations after dividends to policyholders and before federal income taxes	182,490,876		
Federal income taxes incurred	(87,137,328)		3
Net gain from operations after dividends to policyholders and federal income taxes & before realized capital losses		269,628,204	
Net realized capital losses transferred to the IMR		(6,594,387)	
Net income		$ 263,033,816	

Capital and Surplus Account
December 31, 2002 to December 31, 2003

Total Additions		$302,422,926	
Deductions:			
Change in net deferred income tax	(74,234,636)		
Change in liability for reinsurance in unauthorized companies	(648,386)		
Change in asset valuation reserve	(43,596,782)		
Other changes in surplus in separate accounts statement	(8,072,867)		
Dividends to stockholders	(7,500,000)		
Nonadmitted accrued income	(1,048,571)		
Deferral of reinsurance gain	(62,511,366)		
Total Deductions		(197,612,608)	
Net change in capital and surplus for the year		$367,844,134	
Capital and Surplus, December 31, 2003		$ 2,773,781,211	

EXAMINATION ADJUSTMENTS

No financial examination adjustments were made as a result of this examination.

NOTES TO THE FINANCIAL STATEMENTS

Note 1
Aggregate Reserve for Life Contracts
Aggregate Reserve for Accident and Health Contracts

INS Consultants, Inc. (INS Actuaries) was retained by the Delaware Department of Insurance to conduct a review of the Company's reserving methodologies and adequacy. The actuarial staff at the Company provided the consulting actuary with their statement of actuarial opinion and the supporting actuarial data and documents. Additional data, as requested by the INS Actuaries, was also provided by the Company actuaries.

The period under examination covered calendar years 2001, 2002 and 2003, with the primary emphasis of the examination being balance sheet items as of December 31, 2003. The INS Actuaries' findings and recommendations are presented, followed by a description of the balance sheet items and the examination work performed thereon.

FINDINGS and RECOMMENDATIONS

General

As of December 31, 2003, the reserves the Company held were mostly for direct written single premium and flexible premium deferred annuities, structured settlements, single premium immediate annuities, corporate owned life insurance, single premium whole life, guaranteed interest contracts and individual long term care accident and health insurance policies. Smaller reserves were held for traditional life policies, universal life policies, variable deferred annuities, and long term disability policies.

The Company entered into several new reinsurance treaties over the course of the examination period involving the long term care and traditional life businesses. These treaties were previously discussed above in the reinsurance section.

For most of the life insurance and annuity products, the most significant risk to the Company is the matching of the asset and liability cash flows. For the long term care business, the most significant risk is the morbidity risk. These risks are measured through asset adequacy / cash flow testing (CFT) analysis; therefore, the INS Actuaries performed a thorough review of the Company's asset adequacy / (CFT) analysis.

Certificate of Reserve Valuation

As part of the annual certificate of reserve valuation procedure, the INS Actuaries reviewed the reserves reported in Exhibit 5 and in Exhibit 7 of the Company's 2003 General Account Annual Statement and in Exhibit 3 of the Company's 2003 Separate Accounts Annual Statement.

The INS Actuaries found several discrepancies between the data files provided for the certificate and the line items shown in Exhibit 5A of the General Account Annual Statement and in Exhibit 3 of the Separate Accounts Annual Statement. In addition, the Separate Account reserves were slightly underreported due to a clerical error.

The INS Actuaries noted that the Company failed to accurately report disability-active life reserves for a block of business that is assumed and subsequently 100% retroceded. Reserves for this block should have been included in the Company's gross reserves and then reflected in the ceded reserves shown in Schedule S. There was no impact of these errors to reserves in total; however, the INS Actuaries' certificate of reserve valuation issued to the

Company reflected corrections of the above items. Recommendations are being made to address the above items and are included in the recommendations section of this report.

Asset Adequacy / Cash Flow Testing Analysis

The examination process included a review of the Company's asset adequacy / (CFT) analysis, completed annually as part of the Actuarial Opinion and Memorandum (AOM). Based on that review, the INS Actuaries have accepted the appointed actuary's conclusion that no additional actuarial reserves were required as of December 31, 2003.

Data Validity

Samples of randomly selected policies from the Company's direct written business and from material blocks of assumed long-term care (LTC) business were used to test the validity of valuation data. The policy sample tests indicated a general absence of errors in the underlying data used for valuation. In addition, based on completeness testing, it appears that the valuation extract files are complete.

Reinsurance

During the examination period, the Company entered into several reinsurance treaties involving both life insurance and accident and health insurance. In 2001, the Company ceded 40% of its LTC insurance business (excluding business assumed from Travelers) to Brookfield Life Assurance Company (Brookfield), an affiliated company, on a funds withheld coinsurance basis. In 2002, the agreement with Brookfield was modified to include 40% of all LTC insurance sold in 2002 and beyond. In 2003, the Company began ceding 40% of its fixed deferred annuities issued in 2003 and later to Brookfield on a modified coinsurance basis. In 2003, the Company ceded 100% of its traditional life insurance business written in 2003 to First Colony Life Insurance Company, an affiliated company.

The INS Actuaries reviewed the treaties and concluded that there was appropriate risk transfer taking place in accordance with Delaware Insurance Regulation 1002 (formerly Regulation 78). The examiners reviewed settlement sheets for compliance with reinsurance agreement provisions. No exceptions were noted. The INS Actuaries concluded that the reserves reported in Schedule S for the above treaties were reasonable.

Current Examination Recommendations

Based on current examination findings it is recommend that the Company:

Ensure that amounts reported in Exhibit 5 accurately reflect the information in the detail files supporting these reserves. This recommendation is a carryover from the previous actuarial examination report.

Ensure that all blocks of reinsurance business are reported accurately. This recommendation is a carryover from the previous actuarial examination report.

Summary

The balance sheet items enumerated in the examination appear fairly stated, and were calculated using valuation parameters free of material error. Valuation extract files appear to be complete. Therefore, the balance sheet items covered by this examination have been accepted, as stated by the Company, for the purpose of this report.

Note 2
Borrowed Money

The Company reflected only the principal balance in borrowed money on the 2003 annual statement. The interest accrual is immaterial and no adjustment is recommended. The Company included the accrued interest in a suspense account.

It is recommended the Company comply with SSAP No. 15, paragraph 4 which requires the inclusion of accrued interest on borrowed money in Quarterly and Annual Statements as required under Title 18 of the Delaware Insurance Code Section 526(a).

Note 3
General Comment Applicable to Filed Statutory Financial Statements

We noted the Company did not completely follow the annual statement instructions for completing some sections and balances of the annual statements for the period under examination. We provided the Company with our findings throughout the examination fieldwork. We prepared a management letter addressing these issues and discussed our findings with the Company during the examination exit conference. The Company has addressed our findings or proposed a plan of action to alleviate the exceptions noted. The findings did not have a material impact on the Company’s financial statement at December 31, 2003.

It is recommended that the Company comply with Title 18 of the Delaware Insurance Code, Chapter 5, Section 526(a) in completing the required components of the annual and quarterly statements where applicable. The Code states that each authorized insurer shall file a true statement of its financial condition, transactions and affairs in an annual or quarterly statement. The statement filing shall be the statement form approved by the National Association of Insurance Commissioners ("NAIC") prepared in accordance with NAIC Annual Statement Instructions for Life and Accident and Health Companies and NAIC Accounting Practices and Procedures Manual (SSAP).

MARKET CONDUCT ACTIVITIES

The market conduct review of the Company covered the period from January 1, 2001 through December 31, 2003, and was conducted simultaneously with the financial examination of the Company.

A review was made of the Company's market conduct activities with regard to its business practices and ability to fulfill its contractual obligations to policyholders and beneficiaries. Records and documentation relevant to these operations were reviewed. A summary of the results of the market conduct activities which were reviewed follows:

Sales and Advertising

The Company's promotional advertising materials, were reviewed and it was determined that the Company was in compliance with the provisions of Section 2304 of the Delaware Insurance Code.

Underwriting and Rating

The Company's underwriting process is geared to producer/client produced policy issuance. A review of the forms and endorsements filed during the period under examination revealed that the Company is in compliance with Delaware Insurance Code, Sections 2504 and 2712.

A sample of policy and application files was selected for review. The sample covered policies written at several locations. The review was performed to determine the Company's practices concerning the following areas: compliance with policy provisions, compliance with underwriting guidelines, consistency in the application of underwriting standards, and compliance with applicable statutes and regulations. The Company was able to provide complete policy files in the above-mentioned practices in compliance with Delaware Insurance Code 320(c). Manual rate testing was performed on a sub sample of policies and the premiums charged did match the filed rates. The Company is in compliance with Delaware Insurance Code 2307(b).

<u>Agents' Licensing</u>

A review of the Company's agents licensing process indicated the Company failed to maintain accurate agent licensing records. Failure to maintain accurate records of agents' licensing records is a violation of Delaware Insurance Code 1715 and 1716. The Company has presented limited information to verify commissions charged agreed with the underlying agent contracts. Testing of policy files further indicated that commission payments could not be traced to supporting documentation for 59% of the sampled population. Failure to maintain and provide commission contracts with producers is a violation of Delaware Insurance Code 1652(b). The business being accepted by the Company appears to come from properly licensed and appointed agents.

It is recommended the Company maintain proper agent licensing records and inform the Delaware Department of Insurance when agents are added and/or terminated.

It is recommended the Company maintain proper contracts between the producer and the insurer listing commission rates.

Complaint Handling

The Company has adopted complaint handling procedures which comply with the provisions of Section 2304 (17) of the Delaware Insurance Code. Those procedures include recording the number of complaints, classification by line of insurance, the nature of each complaint, disposition and the time it took to process each complaint. The sample of complaints selected for review indicated problems with communication and closing complaints within statutory limitations. This is a violation of Title 26, Regulation 903 of the Delaware Insurance Code.

It is recommended the Company use date stamps appropriately and form initial contact with claimants according to statute.

It is recommended the Company close complaints within statutory time frames.

Claims Practices

The Company's claims are primarily handled in-house. Reviews were conducted of the Company's current claims procedures and samples of paid and resisted claims. The reviews indicated the claim procedures are compliant with fair practices. The settlement of paid claims appeared to be made in a timely manner. However, a review of resisted claims indicated the Company was not in compliance with Delaware Insurance Code 3710(a), Regulation 902-1.2.1.2, & Regulation 902-1.2.1.5.

It is recommended the Company maintain and provide complete and accurate records according to 18 Del 320(c) to ensure compliance with Regulation 902-1.2.1.2 in responding to claimants within 15 working days.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

It should be noted that there were sixteen (16) recommendations made in the prior examination report. It has been determined in the current examination that four (4) of the recommendations had not been addressed by the Company.

Aggregate for Life Policies and Contracts and Related Items

The prior examination report recommended that the Company:

- Ensure that amounts reported in Exhibit 5 accurately reflect the information in the detail files supporting these reserves
- Ensure that all blocks of reinsurance business are reported accurately
- Accurately prepare the Notes to Financial Statements section of the Annual Statement such that the notes are consistent with amounts shown in other schedules and exhibits

INS found several discrepancies between the Company's valuation files and amounts reported in Exhibit 5 during the certificate of valuation process. In addition, there were errors in the reporting of reinsurance blocks of business. Recommendations are being made to address these issues. Notes to the financial statements were consistent with exhibits and schedules.

Borrowed Money

In the prior exam, it was recommended the Company comply with the Delaware Department of Insurance pursuant to Section 526(a) of the Delaware Insurance Code and NAIC requirements that indicate the inclusion of accrued interest on borrowed money in Quarterly and Annual Statements.

We noted the Company did not include accrued interest as part of the borrowed money balance during the current examination

Agents Licensing

In the prior exam, it was recommended that the Company maintain accurate records of the agents' licensing database, and ensure it is in compliance with the applicable state insurance departments' records.

A review of the Company's agents licensing process during the current exam indicated the Company failed to maintain accurate agent licensing records.

Complaint Handling

In the prior exam, it was recommended the Company maintain a complete complaint log and all complaints listed within the complaint log have adequate information to support the detailed issues from which the complaint is based.

A sample of complaints reviewed during the current exam indicated problems with communication and closing complaints within statutory limitations. This is violation of Title 26 Regulation 903 of the Delaware Insurance Code.

SUMMARY OF RECOMMENDATIONS

Aggregate Reserve for Life Contracts
Aggregate Reserve for Accident and Health Contracts

It is recommended that the Company ensure that amounts reported in Exhibit 5 accurately reflect the information in the detail files supporting these reserves. (Page 35)

It is recommended that the Company ensure that all blocks of reinsurance business are reported accurately. (Page 35)

Borrowed Money

It is recommended the Company comply with SSAP No. 15, paragraph 4 which requires the inclusion of accrued interest on borrowed money in Quarterly and Annual Statements as required under Title 18 of the Delaware Insurance Code Section 526(a). (Page 36)

General Comment Applicable to Filed Statutory Financial Statements

It is recommended that the Company comply with Title 18 of the Delaware Insurance Code, Chapter 5 Section 526(a) in completing the required components of the annual and quarterly statements where applicable. The Code states that each authorized insurer shall file a true statement of its financial condition, transactions and affairs in an annual or quarterly statement. The statement filing shall be the statement form approved by the National Association of Insurance Commissioners ("NAIC") prepared in accordance with NAIC Annual Statement Instructions for Life and Accident and Health Companies and NAIC Accounting Practices and Procedures Manual (SSAP). (Page 36)

Market Conduct - Agents Licensing

It is recommended the Company maintain proper agent licensing records and inform the Delaware Department of Insurance when agents are added and/or terminated. It is recommended the Company maintain proper contracts between the producer and the insurer listing commission rates. (Page 38)

Market Conduct - Complaint Handling

It is recommended the Company use date stamps appropriately and form initial contact with claimants according to statute. It is recommended the Company close complaints within statutory time frames. (Page 39)

Market Conduct - Claim Practices

It is recommended the Company maintain and provide complete and accurate records according to 18 Del 320(c) to ensure compliance with Regulation 902-1.2.1.2 in responding to claimants within 15 working days. (Page 39)

CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	December 31, 2003	December 31, 2000	Increase (Decrease)
Assets	$ 33,531,638,881	$ 20,614,937,830	$ 12,916,701,051
Liabilities	$ 30,892,235,523	$ 18,247,200,923	$ 12,645,034,600
Capital and Surplus	$ 2,639,403,359	$ 2,367,736,907	$ 271,666,452

The assistance of Delaware's consulting actuarial firm, INS Consultants Inc. is acknowledged.

Respectfully submitted,

Steven C. Gregory

Steven C. Gregory, CFE, FLMI, AIE
Examiner-In-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

On April 15, 2004, the Company recaptured from Jamestown Life Insurance Company ("Jamestown"), The Travelers Insurance Company's long-term care insurance block, which the Company had previously retroceded to Jamestown pursuant to a modified coinsurance agreement. The Company paid a recapture fee of $355.8 million.

On April 15, 2004, the Company entered into two reinsurance agreements with Union Fidelity Life Insurance Company ("UFLIC") pursuant to which it ceded, effective as of January 1, 2004, its structured settlement block of business and a block of long-term care insurance assumed from The Travelers Insurance Company in 2000. The Company ceded approximately $4.325 billion of structured settlement reserves and $1.144 billion of long-term care insurance reserves to UFLIC under the reinsurance agreements, and recognized a deferred reinsurance gain through surplus of $188.1 million and paid $8.8 million of ceding commissions expense in the transaction. In addition, the Company transferred $112.6 million of historical IMR to UFLIC in the transaction. The reinsurance transactions, which were entered into in connection with Genworth Financials Inc.'s initial public offering, were reviewed and approved by the Delaware Department of Insurance. UFLIC was not transferred to Genworth and remains a wholly-owned subsidiary of GE.

On May 24, 2004, GE Financial Assurance Holdings, Inc. ("GEFAHI") transferred substantially all of its assets to Genworth, including all of the outstanding capital stock of GNA Corporation ("GNA"), the Company's direct parent. As a result, the Company became an indirect, wholly-owned subsidiary of Genworth. On May 25, 2004, Genworth's Class A common stock began trading on The New York Stock Exchange. As of December 31, 2004, approximately 30% of Genworth's common stock is now owned by public shareholders. GEFAHI continues to own approximately 70% of Genworth's common stock.

On May 31, 2004, Genworth contributed to GNA and GNA in turn contributed to the Company (i) 5,125 shares of Federal Home Life Insurance Company ("FHL") common stock and (ii) 800 shares of GE Life and Annuity Assurance Company ("GELAAC") common stock. As a result of the foregoing contributions, FHL and GELAAC became direct, wholly-owned subsidiaries of the Company. In addition, the Company received a dividend from FHL consisting of 3,010 shares of GELAAC common stock.

During the quarter ended September 30, 2004, the Company and its affiliates undertook a review of its reinsurance accounting and reporting processes. As a result of this review, the Company made a correction to its loading on deferred and uncollected premiums process which resulted in an adjustment to surplus of ($452,347). In addition, a subsidiary of the Company made a correction to its loading on deferred and uncollected premiums process and began accruing for an experience refund under a funds withheld reinsurance agreement as result of the review. The value of the Company's equity holdings of subsidiaries was reduced by $29,571, 019 in the aggregate as result of these changes.

Effective October 1, 2004, the Company executed a 90% coinsurance agreement with First Colony Life Insurance Company to reinsure the Company’s retention on in force term plans issued by the Company from January 1, 2001 to June 30, 2003, excluding portions reinsured with FFRL Re. The Company retains 10% up to its maximum retention limit on an individual life.

Effective December 1, 2004, with regard to individual and group life insurance, the Company executed a renewal of the life catastrophe reinsurance arrangement of November 1, 2002 with Everest Re Company until December 1, 2005, to reinsure losses up to $25,000,000 from one event in excess of $35,000,000 of losses otherwise recoverable.