

EXAMINATION REPORT
OF
GENWORTH LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

Office of the
Commissioner



Delaware
Department of Insurance

REPORT ON EXAMINATION
OF
GENWORTH LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2018

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

Consideration has been duly 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.

Handwritten signature of Trinidad Navarro in blue ink.

Trinidad Navarro
Insurance Commissioner

Dated this 11 day of June, 2020

TABLE OF CONTENTS

SCOPE OF EXAMINATION..... 1

SUMMARY OF SIGNIFICANT FINDINGS 3

COMPANY HISTORY 3

 CAPITALIZATION..... 4

 DIVIDENDS 4

MANAGEMENT AND CONTROL 5

 DIRECTORS 5

 COMMITTEES 5

 OFFICERS 7

 CORPORATE RECORDS 7

 INSURANCE HOLDING COMPANY SYSTEM 7

TERRITORY AND PLAN OF OPERATION 12

REINSURANCE..... 14

FINANCIAL STATEMENTS 18

 ASSETS 19

 LIABILITIES, SURPLUS AND OTHER FUNDS 20

 SUMMARY OF OPERATIONS..... 21

 RECONCILIATION OF CAPITAL AND SURPLUS..... 22

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION 22

COMMENTS ON FINANCIAL STATEMENT ITEMS..... 23

SUBSEQUENT EVENTS 24

SUMMARY OF RECOMMENDATIONS 24

May 29, 2020

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 19.015, dated May 15, 2019, an examination has been made of the affairs, financial condition and management of

GENWORTH LIFE INSURANCE COMPANY

hereinafter referred to as the Company or GLIC and incorporated under the laws of Delaware as a stock company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The examination was conducted at the administrative office of the Company located at 6604 West Broad Street, Richmond, Virginia 23230. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our full-scope risk-focused surveillance examination of GLIC. The last examination was conducted as of December 31, 2014, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2015 through December 31, 2018. Our examination was performed as part of the multi-state coordinated

examination of insurance companies within the Genworth Financial, Inc. (GFI) holding company system, wherein the Commonwealth of Virginia was the lead state. The coordinated examination also included the following companies with their respective state of domicile:

<u>State of Domicile</u>	<u>Entity</u>	<u>Acronyms</u>
NY	Genworth Life Insurance Company of New York	GLICNY
VA	Genworth Life and Annuity Insurance Company	GLAIC
VA	Jamestown Life Insurance Company	JLIC
DE	River Lake Insurance Company VI	RLIC VI
VT	River Lake Insurance Company VII	RLIC VII
VT	River Lake Insurance Company VIII	RLIC VIII
VT	River Lake Insurance Company IX	RLIC IX
VT	River Lake Insurance Company X	RLIC X

To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Delaware Insurance Code and Regulations. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included

herein. If during the course of the examination an adjustment is identified the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the general Delaware Corporation Law as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, KPMG LLP (KPMG). Certain auditor work papers of the 2018 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY 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. 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 (5) of its seven (7) wholly-owned subsidiaries from Reliance Insurance Company and its parent, Reliance Group Holdings, Inc. The stock of the Company was assigned to GNA Corporation, subsequently

Genworth Life Insurance Company

named Genworth North America Corporation (GNA), an insurance holding company subsidiary of GECC. Effective April 1, 1994, the name of the Company was changed to General Electric Capital Assurance Company.

In May 2004, the Company became a controlled insurer of Genworth Holdings Inc. (Genworth Holdings), immediately prior to the initial public offering of Genworth Holdings' common stock, when its direct parent, GNA, was transferred to GFI by GE Financial Assurance Holdings, Inc. Effective January 1, 2006, the name of the Company was changed to Genworth Life Insurance Company and in April, 2013, GFI became the ultimate parent of the Company following an internal reorganization.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 6,200,000 shares of common stock at \$1.00 per share par value, of which 4,561,258 shares were issued and outstanding as of December 31, 2018, for a reported balance of \$4,561,258 as of December 31, 2018.

The Company also has 1,000,000 shares of preferred stock at \$1.00 per share par value authorized, of which 300,000 shares were issued and outstanding as of December 31, 2018, for a reported balance of \$300,000 at December 31, 2018.

Dividends

On February 3, 2015 and July 29, 2015, the Company's Board of Directors (Board) declared ordinary cash dividends on its preferred stock totaling \$15,000,000. The dividend payments of \$7,500,000 each were approved by the Department on February 19, 2015 and July 17, 2015.

On February 27, 2015, the Company paid dividend amounts of \$6,637,925 and \$862,075

to Genworth Mortgage Insurance Corporation (GMIC) and Genworth Mortgage Insurance Corporation of North Carolina, respectively. On August 31, 2015, the Company paid a dividend of \$7,500,000 to Genworth Holdings

MANAGEMENT AND CONTROL

Directors

Pursuant to the general Delaware Corporation Laws, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board, which shall not have less than one or more than five (5) members.

Each Director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2018, are as follows:

<u>Name</u>	<u>Title</u>
Thomas J. McInerney	President and CEO of GFI
Daniel J. Sheehan, IV	SVP and Chief Investment Officer
Elena K. Edwards	SVP
David W. O'Leary	President and CEO of GLIC, GLAIC and JLIC
Matthew P. Keppler	Genworth U.S. Life Insurance Chief Actuary

Committees

Article III of the amended bylaws states that the Board may, by one or more resolutions passed by a majority of the whole Board, designate from among its members one or more committees, each committee to consist of one or more directors of the Company. The Board, by resolution, may designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member at any meeting of the committee.

On April 1, 2013, GFI designated the GFI Audit Committee as the Audit Committee of the Company, consisting of four (4) independent members of the Board. As of December 31, 2018, the following Genworth directors were members of the Audit Committee:

<u>Name</u>	<u>Title</u>
Robert P. Restrepo Jr.	Director of GFI, Chairperson of the Audit Committee
Thomas Moloney	Director of GFI
Debra Perry	Director of GFI
James Riepe	Director of GFI

A management Investment Committee, which reports to the Company's Board, was established by the Board on March 23, 2000. The Investment Committee consisted of seven (7) members as of December 31, 2018. The meetings of the Investment Committee shall be held as deemed necessary, but not less than quarterly. A quorum for the transaction of business shall be a majority of the members of the Investment Committee and the agenda for each meeting shall be established in advance of the meeting. Minutes of all Investment Committee meetings shall be taken and approved at subsequent meetings and shall be submitted to the Board on a quarterly basis for ratification. As of July 30, 2018, date of the Company's last annual meeting, the following individuals were appointed to serve as the Company's Investment Committee:

<u>Name</u>	<u>Title</u>
Thomas J. McInerney	President and Chief Executive Officer, GFI
Daniel J. Sheehan, IV	SVP and Chief Investment Officer, GFI
Lori Evangel #	Chief Risk Officer, GFI
David W. O'Leary	President and CEO of GLIC, GLAIC and JLIC
Kelly Groh	Chief Financial Officer, GFI
Kevin Schneider	EVP and Chief Operating Officer, Global Mortgage Insurance
Ward Bobitz	General Counsel and Chief Legal Officer, GFI

Lori Evangel passed away January 20, 2020.

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a President, Secretary and Treasurer. Any number of offices may be held by the same person except the offices of President and Secretary. The primary officers serving as of December 31, 2018, were as follows:

<u>Name</u>	<u>Title</u>
David W. O'Leary	President and CEO
Ward E. Bobitz	Secretary
Lisa J. Baldyga	Treasurer

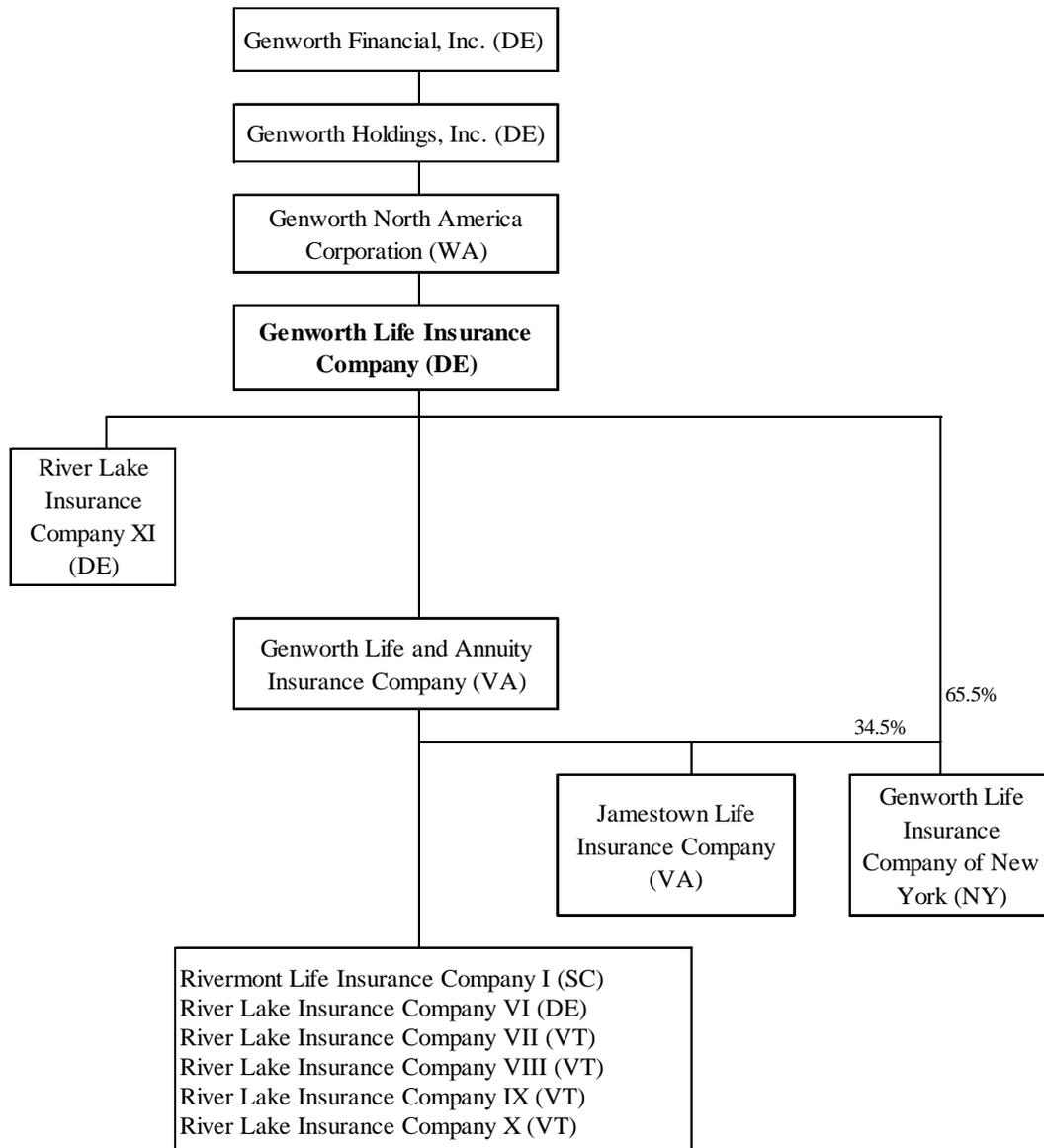
Corporate Records

The recorded shareholder and Board minutes were reviewed for the period under examination. The recorded Board minutes adequately documented the Board's meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The ultimate controlling entity within the holding company system is GFI. The Company is a wholly owned subsidiary of GNA. GNA is a wholly owned subsidiary of Genworth Holdings.

The following abbreviated organizational chart depicts the Company's relationship within the holding company system as of December 31, 2018 (ownership of subsidiaries is 100% unless otherwise noted):



Agreements with Affiliates

Administrative Services Agreement

Effective June 1, 2007, the Company became a party to an amended and restated Administrative Services Agreement, whereby the Company, along with GLAIC and GNA, collectively provide GLICNY certain administrative services for day-to-day operations

including, but not limited to, EDP processing of financial transactions, payroll, human resources, claims, underwriting, and auditing services. GLIC provides GLICNY services pertaining to its Long Term Care (LTC) business, with GLAIC providing services related to GLICNY's life and annuity business and GNA providing services for GLICNY's corporate functions. The total cost charged to GLICNY by GNA, GLAIC and the Company for these services in 2018 was \$24,457,202.

Collection Agent Services Agreement

Effective November 15, 2006, the Company became a party to a Collection Agent Services Agreement, whereby GLICNY provides the Company and GLAIC a consolidation of eight (8) wire accounts for payments received in connection with certain products into a single New York based account maintained by GLICNY. The total cost charged for the services rendered in 2018 was \$7,194.

Amended and Restated Services and Shared Expenses Agreement

Effective January 1, 2004, the Company, GLAIC, JLIC, GNA, RLIC VI, RLIC VII, RLIC VIII, RLIC IX, RLIC X, GMIC and Rivermont, continue to be parties to an Amended and Restated Services and Shared Expenses Agreement, which provides for certain management and general services and the sharing of joint expenses by and between each party and other such affiliated insurance companies who execute an Adoption Agreement.

Loan Origination and Interim Servicing Agreement

Effective August 15, 1994, GLIC and its affiliate, Genworth Financial Mortgage Funding Corporation (GNWFMF), continue to be parties to the Loan Origination and Interim Servicing Agreement, pursuant to which GLIC provides mortgage investment and servicing services to GNWFMF with respect to commercial mortgage loans originated by GLIC. GNWFMF has,

through a Trustee, created a mortgage-backed security participation, which GNWFMF subsequently sold to GLIC and to The State of California Public Employee's Retirement System (CALPERS). GLIC subsequently repurchased the participation interest from CALPERS on June 27, 2000.

Master Services and Shared Expenses Agreement

Effective October 1, 2013, GLIC and GLAIC continue to be parties to a Master Services and Shared Expenses Agreement with two affiliates, GMIC and Genworth Financial India Private, Ltd. (GFIPL), whereby the parties benefit from centralized functions and processes by pooling their purchasing power by entering separate Statements of Work (SOW), which provide specifics of each service to be provided.

Statements of Work (SOW)

Effective November 1, 2013, GLIC and GFIPL continue to be parties to separate SOW (numbered SOW 1, SOW 3 and SOW 4), whereby GFIPL provides technical production support, maintenance, and off-shore leadership to GLIC's third party suppliers.

Effective March 15, March 1 and May 1, 2014, respectively, GLIC and GFIPL continue to be parties to separate SOW (numbered SOW 5, SOW 6 and SOW 7), whereby GFIPL will provides technical production support, maintenance, and off-shore leadership to GLIC's third party suppliers.

Master Services and Shared Expenses Agreement

Effective September 29, 2011, GLIC and GLAIC continue to be parties to separate Agency Contracts with an affiliate, Genworth Financial Agency, Inc. (GFA), whereby GFA distributes certain Medicare supplemental insurance products offered by GLAIC and GLIC and in return GFA receives standard commissions paid by GLAIC and GLIC.

Management and Services Agreement

Effective January 1, 1991, GLIC and GFA continue to be parties to the Management and Services Agreement, as amended, for allocation of common costs for home office occupancy expenses, administrative and marketing services.

Amended and Restated Assumption Agreement

Effective December 22, 2009, GNA agrees to pay the tax reserves on certain business, provided the aggregate amount of payments does not exceed \$20,000,000 with respects to GLIC and \$75,000,000 with respect to GLAIC.

Tax Allocation Agreement

Effective May 24, 2004, Genworth and its insurance affiliates, including the Company, entered into a Tax Allocation Agreement. The tax allocation methodology is based on the separate return liabilities with offsets for losses and credits utilized to reduce the current consolidated tax liability as allowed by applicable law and regulation. The Tax Allocation Agreement was amended for the method of allocation for tax periods commencing on or after January 1, 2011. All subsequently joining parties to this agreement have executed individual Tax Allocation Agreements.

Special Tax Allocation Agreement

Effective January 1, 2018, the Company entered into an amended Special Tax Allocation Agreement which provides that the Company pay tax under terms of the Tax Allocation Agreement as if the Company did not make the changes to the calculation of its tax reserves. The purpose of this agreement is to defer the recognition of tax expense and related intercompany tax settlements by the Company until the time at which it would have recognized the expense absent the change in the calculation of tax reserves.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company is licensed to conduct life and health business in the District of Columbia, the U.S. Virgin Islands, Puerto Rico and all States except New York. On March 7, 2016, the Company suspended sales of its traditional life insurance and fixed annuity products, but continues to service its existing retained and reinsured blocks of business. The Company's main product is LTC insurance.

China Oceanwide Transaction

On October 21, 2016, GFI entered into an agreement and plan of merger (Merger Agreement) with Asia Pacific Global Capital Co., Ltd., a limited liability company incorporated in the People's Republic of China and a subsidiary of China Oceanwide and Asia Pacific Global Capital USA Corporation (Merger Sub), a Delaware corporation and a direct, wholly-owned subsidiary of Asia Pacific Insurance USA Holdings LLC (Asia Pacific), a Delaware limited liability company and owned by China Oceanwide.

Subject to the terms and conditions of the Merger Agreement, the Merger Sub would merge with and into GFI with GFI surviving the merger as a direct, wholly-owned subsidiary of Asia Pacific. China Oceanwide agreed to acquire all of the outstanding common stock for a total transaction value of approximately \$2.7 billion, or \$5.43 per share in cash. On March 7, 2017, GFI's stockholders approved a proposal to adopt the Merger Agreement. GFI is committed to the merger transaction with China Oceanwide. However, if the parties are unable to satisfy the closing conditions and are unable to reach an agreement, then either party may terminate the Merger Agreement.

Genworth MI Canada Inc. Sale

On December 12, 2019, Brookfield Business Partners L.P. (Brookfield) closed the purchase of GFI's majority interest in Genworth MI Canada Inc. (Genworth Canada), the largest private sector residential mortgage insurer in Canada. The net cash proceeds, including a special dividend paid in October 2019 and adjustments for foreign exchange, fees and expenses, were approximately \$1.8 billion. In connection with and prior to the closing of the transaction, GFI completed an internal reorganization contributing 100% of its ownership interest in Genworth Mortgage Holdings, Inc. (GMHI) to Genworth Holdings. As a result of this contribution, GHI owns 100% of GMHI, which owns 100% of the issued and outstanding voting securities of GFI's U.S. mortgage insurance companies, including GMIC.

Rate Actions and Other Initiatives

Included in GFI's plan of operation is pursuing premium rate increases and associated benefit reductions on its in-force policies; product refinements; changes to current product offerings in certain states; new distribution strategies; refining underwriting requirements; managing expense levels; actively exploring additional reinsurance strategies; executing investment strategies targeting higher returns; enhancing financial and actuarial analytical capabilities; and considering other actions to improve the performance of its overall business.

As part of GFI's strategy for its long-term care business, GLIC has requested premium rate increases on newer blocks of business and as of June 30, 2019, GLIC has suspended long-term care sales in Hawaii, Massachusetts, New Hampshire, Vermont, and Montana, and will consider taking similar actions in other states where they are unable to obtain satisfactory rate increases on in-force policies.

The approval process for in-force premium rate increases varies by state and the amount approved may be phased in over time. After approval, insureds are provided with written notice of the increase and increases are generally applied on the insured's next policy anniversary date.

REINSURANCE

The Company reported the following distribution of premiums earned for the years ended December 31, 2018, and the prior examination date of December 31, 2014:

	2018	2014
Direct premiums earned	\$ 2,777,490,354	\$ 3,481,610,458
Assumed premiums (from affiliates)	67,693,805	122,596,564
Assumed premiums (from non-affiliates)	263,548,273	277,218,490
Gross premiums earned	\$ 3,108,732,432	\$ 3,881,425,512
Ceded premiums (to affiliates)	251,759,011	1,510,071,742
Ceded premiums (to non-affiliates)	569,175,188	658,048,498
Net premiums earned	\$ 2,287,798,233	\$ 1,713,305,272

Life Insurance and Annuities

Assumed Reinsurance – Affiliates

Effective January 1, 2000, the Company assumed certain life insurance business from GLAIC through two co-insurance treaties. As of December 31, 2018, the amount in-force related to the treaties was \$37,697,552,597, with reported reserves totaling \$343,276,539.

Effective January 1, 2000, the Company assumed certain life insurance business from GLICNY through a co-insurance funds withheld treaty. As of December 31, 2018, the amount in-force related to the treaty was \$1,488,633,150, with a reported reserve of \$22,051,502.

Effective October 1, 2000, the Company assumed certain life insurance business from GLICNY through a yearly renewable term treaty. As of December 31, 2018, the amount in-force related to the treaty was \$92,626,853, with a reported reserve of \$752,693.

Assumed Reinsurance – Non-Affiliates

Effective October 1, 2001, the Company assumed certain annuity business from non-affiliate Fidelity Investments Life Insurance Company through a co-insurance treaty. As of December 31, 2018, the amount in-force related to the treaty was \$0, with a reported reserve of \$486,008,446.

Ceded Reinsurance - Affiliates

Effective April 1, 2017, the Company ceded certain term life, universal life and single premium whole life insurance business to GLAIC through three co-insurance treaties. As of December 31, 2018, the amount in-force related to the treaties was \$3,357,305,425, with total reserve credits taken of \$312,437,354.

Effective July 1, 2006, the Company ceded certain life insurance business to GLAIC through a co-insurance treaty. As of December 31, 2018, the amount in-force related to the treaty was \$42,123,597,794, with reserve credit taken of \$1,333,076,309.

Effective October 1, 2004, the Company ceded certain life insurance business to GLAIC through a co-insurance treaty. As of December 31, 2018, the amount in-force related to the treaty was \$5,628,611,743, with reserve credit taken of \$177,569,696.

Effective July 1, 2003, the Company ceded certain life insurance business to GLAIC through a co-insurance treaty and a yearly renewable term treaty. As of December 31, 2018, the amount in-force related to the treaties was \$60,945,733,459, with total reserve credits taken of \$1,552,875,308.

Ceded Reinsurance – Non-Affiliates

Effective January 1, 2004, the Company ceded certain annuity business to Union Fidelity Life Insurance Company (UFLIC) through a co-insurance treaty. As of December 31, 2018, the amount in-force related to the treaty was \$0, with a reported reserve of \$3,799,878,888, which is approximately 84.0% of the Company's total ceded reserves related to its non-affiliated life insurance and annuity business.

Effective December 31, 2013, the Company ceded certain life insurance business to SCOR Global Life Americas Reinsurance Company through two yearly renewable term treaties. As of December 31, 2018, the amount in-force related to the treaties was \$36,173,090,135, with reserve credits taken of \$216,466,980. The in-force amount as of December 31, 2018 related to these treaties was approximately 84.6% of the Company's total non-affiliated ceded life insurance and annuity business.

Accident and Health Insurance

Assumed Reinsurance – Affiliates

Effective October 1, 1998, the Company assumes long term care insurance risk from GLAIC. As of December 31, 2018, pursuant to the treaty, the Company reported assumed premiums of \$3,549,025 and assumed reserves of \$89,792,693.

Assumed Reinsurance – Non-Affiliates

In 2018, the Company assumed accident and health premiums of \$160,371,902, or approximately 60.8% of its total assumed non-affiliate business, from Brighthouse Life Insurance Company (BLIC). The remaining significant assumed non-affiliate business was with Riversource Life Insurance Company, where the Company assumed \$95,855,156 or approximately 36.4% of its total assumed non-affiliate business.

Ceded Reinsurance - Affiliates

The Company did not cede any accident and health insurance risk to affiliates in 2018.

Ceded Reinsurance – Non-Affiliates

Effective January 1, 2004, the Company retrocedes certain long term care business it assumes from BLIC to UFLIC. As of December 31, 2018, the amount in-force related to the treaty was \$160,371,903, with reserves of \$4,550,713,343, which is approximately 74.7% of the Company's total reserves related to its non-affiliated ceded accident and health business. To secure payment of its obligations to the Company pursuant to both the life insurance and annuity treaty (above) and the accident and health treaty, UFLIC established trust accounts that maintain eligible securities in aggregate at least equal to the general account reserves totaling \$8,350,592,231 as of December 31, 2018, less amounts held in certain claims paying accounts. The Bank of New York administers to the trust accounts as the trustee, whereby the Company withdrawals for amounts due under terms of the treaties (not otherwise paid by UFLIC). As of December 31, 2018, the amount of eligible securities held in the trust accounts totaled \$8,591,571,778.

The Company reported various other reinsurance ceded treaties to non-affiliates in 2018, with RGA Reinsurance Company (RGA) as the most significant reinsurer after UFLIC. The Company ceded long term care business to RGA through seven quota share agreements (both individual and group) in 2018. As of December 31, 2018, total premiums associated with these treaties amounted to \$225,087,047, with total reserve credits taken by the Company of \$836,041,832.

FINANCIAL STATEMENTS

The Company's financial statements, as reported and filed by the Company with the Department, are reflected in the following sections:

- Assets as of December 31, 2018
- Liabilities, Surplus and Other Funds as of December 31, 2018
- Summary of Operations for the year ended December 31, 2018
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2014 to December 31, 2018

Assets
As of December 31, 2018

	Assets	Assets Nonadmitted	Net Admitted Assets	Notes
Bonds	\$ 30,610,758,060	\$ -	\$ 30,610,758,060	1
Preferred stocks	200,309,742		200,309,742	
Common stocks	1,337,877,566	21,493	1,337,856,073	
Mortgage loans on real estate, first liens	4,199,018,345		4,199,018,345	
Cash, cash equivalents, short-term investments	374,990,620		374,990,620	
Contract loans	1,316,596,666	1,291,594	1,315,305,072	
Derivatives	217,003,620		217,003,620	
Other invested assets	603,836,821	6,975,786	596,861,035	
Receivables for securities	37,598,013	100,777	37,497,236	
Securities lending reinvested collateral assets	63,235,588		63,235,588	
Subtotals, cash and invested assets	38,961,225,041	8,389,650	38,952,835,391	
Investment income due and accrued	418,612,145		418,612,145	
Uncollected premiums and agents' balances in the course of collection	86,268,748	1,659,819	84,608,929	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	102,254,991	47,686	102,207,305	
Amounts recoverable from reinsurers	54,483,827		54,483,827	
Funds held by or deposited with reinsured companies	40,881,243		40,881,243	
Other amounts receivable under reinsurance contracts	19,257,717		19,257,717	
Current federal and foreign income tax Recoverable and interest thereon	4,535		4,535	
Net deferred tax asset	744,698,792	492,278,725	252,420,067	
Guaranty funds receivable or on deposit	32,770,417		32,770,417	
Electronic data processing equipment and software	42,695,937	40,038,460	2,657,477	
Furniture and equipment	256,755	256,755	-	
Receivables from parent, subsidiaries and affiliates	609,473		609,473	
Aggregate write-ins for other than invested assets	23,825,885	4,840,239	18,985,646	
Total, excluding Separate Accounts	40,527,845,506	547,511,334	39,980,334,172	
From Separate Accounts	15,077,267		15,077,267	
Total	\$ 40,542,922,773	\$ 547,511,334	\$ 39,995,411,439	

Liabilities, Surplus and Other Funds
As of December 31, 2018

		<u>Notes</u>
Aggregate reserves for life contracts	\$ 9,251,561,476	2
Aggregate reserves for accident and health contracts	26,079,907,549	2
Liability for deposit type contracts	735,336,531	2
Contract claims:		
Life	11,993,816	
Accident and health	197,897,845	
Premiums and annuity considerations for life and accident and health contracts received in advance	82,487,042	
Contract liabilities not included elsewhere:		
Other amounts payable on reinsurance	79,110,898	
Interest maintenance reserve	809,082,903	
Commissions to agents due or accrued	5,318,563	
Commissions and expense allowances payable on reinsurance assumed	464,345	
General expenses due or accrued	212,632,732	
Transfers to Separate Accounts due or accrued	(5,640,846)	
Taxes, licenses and fees	34,403,342	
Current federal and foreign income taxes	9,516,625	
Amounts withheld or retained by company as agent or trustee	40,305,712	
Remittances and items not allocated	15,290,998	
Miscellaneous liabilities:		
Asset valuation reserve	298,359,178	
Payable to parent, subsidiaries and affiliates	11,439,706	
Derivatives	58,998,914	
Payable for securities	25,353,235	
Payable for securities lending	63,235,588	
Aggregate write-ins for liabilities:		
Derivatives interest payable	556,963	
Derivatives collateral	91,713,028	
Total liabilities excluding Separate Accounts	<u>\$ 38,109,326,143</u>	
From Separate Accounts Statement	<u>15,077,267</u>	
Total Liabilities	<u>\$ 38,124,403,410</u>	
Common capital stock	4,561,258	
Preferred capital stock	300,000	
Gross paid-in and contributed surplus	3,978,715,795	
Unassigned funds	(2,051,286,223)	
Less treasury stock, at cost: shares common	61,282,801	
Capital and Surplus	<u>\$ 1,871,008,029</u>	
Total Liabilities, Capital and Surplus	<u>\$ 39,995,411,439</u>	

Summary of Operations
For the Year Ended December 31, 2018

Premiums and annuity considerations for life and A&H contracts	\$ 2,287,798,233
Consideration for supplementary contracts with life contingencies	23,867,789
Net investment income	1,821,883,324
Amortization of interest maintenance reserve	70,327,856
Commissions and expenses allowances on reinsurance ceded	134,631,488
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	80,559
Charges and fees for deposit-type contracts	224
Aggregate write-ins for miscellaneous income	1,590,290
Totals	<u>\$ 4,340,179,763</u>
Death benefits	43,121,627
Annuity benefits	477,538,418
Disability benefits and benefits under A&H contracts	1,953,080,192
Surrender benefits and withdrawals for life contracts	783,247,620
Interest and adjustments on contract or deposit-type contract funds	22,570,436
Payments on supplementary contracts with life contingencies	27,996,091
Increase in aggregate reserves for life and A&H contracts	1,033,940,884
Totals	<u>\$ 4,341,495,268</u>
Commissions on premiums, annuity considerations and deposit-type contract funds	176,892,049
Commissions and expense allowances on reinsurance assumed	34,840,942
General insurance expenses	321,746,326
Insurance, taxes, licenses and fees, excluding federal income taxes	73,220,548
Increase in loading on deferred and uncollected premiums	3,021,772
Net transfers to or (from) Separate Accounts	(1,086,596)
Totals	<u>\$ 4,950,130,309</u>
Net gain from operations before dividends to policyholders and federal income taxes	\$ (609,950,546)
Dividend to policyholders	-
Net gain from operations after dividends to policyholders and before federal income taxes	\$ (609,950,546)
Federal and foreign income taxes	9,264,402
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	\$ (619,214,948)
Net realized capital gains (losses)	(5,746,226)
Net Income	<u><u>\$ (624,961,174)</u></u>

**Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2014 to December 31, 2018**

	Common and Preferred Capital Stock	Gross Paid-In and Contributed Surplus	Unassigned Surplus	Less Treasury Stock, at Cost:	Total
12/31/2014	\$ 4,861,258	\$ 3,125,742,875	\$ 155,038,119	\$ 61,282,801	\$ 3,224,359,451
12/31/2015 (1)			(584,029,672)		(584,029,672)
12/31/2015 (2)			(15,000,000)		(15,000,000)
12/31/2015 (3)			(3,257,640)		(3,257,640)
12/31/2015 (4)		882,129,886			882,129,886
12/31/2016 (1)			(312,752,642)		(312,752,642)
12/31/2016 (3)			(3,144,899)		(3,144,899)
12/31/2016 (5)		(29,156,966)			(29,156,966)
12/31/2016 (6)			(6,293,768)		(6,293,768)
12/31/2017 (1)			(426,068,635)		(426,068,635)
12/31/2017 (3)			32,390,308		32,390,308
12/31/2017 (7)			(31,439,392)		(31,439,392)
12/31/2018 (1)			(851,791,465)		(851,791,465)
12/31/2018 (3)			(7,440,057)		(7,440,057)
12/31/2018 (8)			2,503,520		2,503,520
	<u>\$ 4,861,258</u>	<u>\$ 3,978,715,795</u>	<u>\$ (2,051,286,223)</u>	<u>\$ 61,282,802</u>	<u>\$ 1,871,008,029</u>

- (1) Represents net income, change in unrealized capital gains(losses), change in unrealized foreign exchange gain(losses), change in net deferred income tax, change in non-admitted assets, change in liability for reinsurance in unauthorized and certified companies, and change in asset valuation reserve.
- (2) Dividends to stockholders.
- (3) Change in surplus as a result of reinsurance.
- (4) Surplus adjustment from BLAIC merger.
- (5) Surplus adjustment – Paid In (GLAIC repayment of capital contribution).
- (6) Reclassification of taxes between unassigned surplus and paid-in capital.
- (7) Aggregate write-ins - Prior period corrections (LTC reserves and due premiums).
- (8) Aggregate write-ins - Prior period corrections (LTC reserves and UL ceded death benefits).

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMSNote 1:

Bonds	\$ 30,610,758,060
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As of December 31, 2018, the total bond portfolio book/adjusted carrying value reported by the Company was \$30,610,758,060. The majority or 71.7% of the Company's bond portfolio was held in corporate bonds and 94.2% of the total bond portfolio had NAIC 1 and NAIC 2 (investment grade) asset classifications.

Note 2:

Aggregate reserve for life contracts	\$ 9,251,561,476
Aggregate reserve for accident and health contracts	\$ 26,079,907,549
Liability for deposit-type contracts	\$ 735,336,531

In order for the examination team to gain an adequate comfort level with the Company's aggregate reserve estimates, the Department retained the actuarial services of INS Consultants, Inc. (INS) to perform a risk-focused review of the Company's reserving and pricing activities. Certain risks within the pricing and reserving processes required Phase 5 substantive test work.

Based on the procedures performed and results obtained by INS, the examination team obtained sufficient evidence to support the conclusion that the Company's net aggregate reserve estimates are reasonably stated as of December 31, 2018.

As part of their review, the INS team was tasked with reviewing the GLIC reserves for compliance with standard valuation laws and applicable NAIC Actuarial Guidelines and Model Regulations. LTC reserves comprise the majority of the reserves held by GLIC, and these reserves are subject to Actuarial Guideline LI (AG 51). AG 51 is intended to provide uniform guidance and clarification of requirements for the appropriate support of certain assumptions for the Asset Adequacy Testing applied to a company's LTC block of contracts.

The Department additionally contracted PricewaterhouseCoopers (PwC) to assist in the review of the LTC assumptions. Specifically, PwC augmented the INS actuarial team by performing an additional level of review of the LTC rate increase assumption impact on the 2018 AG 51 LTC reserve analysis. Both the INS actuarial team and PwC concluded that the LTC rate increase assumption impact on the AG 51 test of the adequacy of the LTC reserves carried by GLIC was fairly stated and consistent with actuarial practices they see applied in practice.

INS reviewed the methodologies used to arrive at the future rate increase assumptions and generally found such methodologies to be reasonable.

SUBSEQUENT EVENTS

CareScout Sale

On January 31, 2019, the Company sold National Eldercare Referral Systems, LLC (aka CareScout), a provider of long-term care support services, to GNA for \$7.5 million and recorded a pretax gain of approximately \$500,000. Pursuant to terms of the purchase agreement, the Company subsequently received additional cash of approximately \$100,000 attributable to a working capital adjustment.

COVID-19

During 2020, the world experienced a pandemic related to the COVID-19 virus. As of the date of this report, the Company has not been able to quantify the effects of this pandemic on its current or future financial statements. In addition, as of the date of this report, the Company was fully operational and was providing services to its policyholders.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS, the consulting information systems specialist firm, INS Services, Inc., the Company's outside audit firm, KPMG, PwC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

A handwritten signature in black ink that reads "James M. Perkins". The signature is written in a cursive style with a large, looping initial "J".

James M. Perkins, CFE
Examiner In-Charge
State of Delaware

A handwritten signature in black ink that reads "James Call". The signature is written in a cursive style with a large, looping initial "J".

James Call, CFE
Supervising Examiner
State of Delaware

Genworth Life Insurance Company

I, James M. Perkins, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 19.015.

A handwritten signature in cursive script that reads "James M. Perkins".

James M. Perkins, CFE