

Report on
Market Conduct Examination

of

Genworth Life and Annuity Insurance Company
Genworth Life Insurance Company

Richmond, Virginia

by Representatives of the
North Carolina Department of Insurance

as of

January 27, 2016

TABLE OF CONTENTS

SALUTATION	1
SCOPE OF EXAMINATION	2
Previous Examination Findings	2
EXECUTIVE SUMMARY	2
UNDERWRITING PRACTICES	3
Individual Annuity Non-Variable Replacements	3
Individual Life Non-Variable Declined	4
Individual Annuity Non-Variable Replacements	5
Individual Long-Term Care Issued.....	6
Individual Long-Term Care Declined	6
Individual Long-Term Care Replacements	7
CLAIMS PRACTICES	8
Individual Long-Term Care Claims Paid	8
Individual Long-Term Care Claims Denied	8
COMMENTS, RECOMMENDATIONS, AND DIRECTIVES.....	9
CONCLUSION.....	9

Raleigh, North Carolina
January 27, 2016

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Virginia State Corporation Commission
Bureau of Insurance
State of Virginia
1300 East Main Street
Richmond, Virginia 23219

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a compliance and/or target examination has been made of the market conduct activities of

Genworth Life and Annuity Insurance Company (NAIC # 65536)

NAIC Exam Tracking System Exam Number: NC299-M68
Richmond, Virginia

Genworth Life Insurance Company (NAIC # 70025)

NAIC Exam Tracking System Exam Number: NC299-M83
Richmond, Virginia

hereinafter generally referred to as the Companies, at the Companies' office located at 700 Main Street, Lynchburg, Virginia, and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon respectfully submitted.

SCOPE OF EXAMINATION

The Department conducted a compliance and/or target examination of the Companies. This examination commenced on September 28, 2015, and covered the period of January 1, 2014, through December 31, 2014, with analyses of certain operations of the Companies being conducted through January 8, 2016. This action was taken due to previous examination findings referenced in the Market Conduct Report of April 4, 2011, and a market analysis review of long-term care. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Companies' practices and procedures in claims and/or underwriting. The findings and conclusion contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance at or above the following levels: 7 percent for claims practices; and 10 percent for all other areas reviewed.

Previous Examination Findings

A compliance examination covering the period January 1, 2008, through December 31, 2008, was performed on the Companies and a report, dated April 4, 2011, was issued. The compliance examination report identified concerns in the area of underwriting practices. Specific previous violations relating to this area are listed within the appropriate sections of this report.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Companies' procedures and practices in the following areas:

Underwriting Practices (Genworth Life and Annuity Insurance Company) – Individual Annuity Non-Variable Replacements: Failure to attach the application to the delivered contract.

Underwriting Practices (Genworth Life Insurance Company) – Individual Life Non-Variable Declined and Individual Long-Term Care Declined: Using an Adverse Underwriting Decision (AUD) notice that was filed with but not approved by the Department. Individual Annuity Non-Variable Replacements and Individual Long-Term Care Replacements: Failure to notify the existing insurer within five business days of the application's receipt. Individual Long-Term Care Issued and Individual Long-Term Care Replacements: Using an AUD notice that was neither filed with nor approved by the Department. Individual Long-Term Care Replacements: Using a replacement notice that was filed with but not approved by the Department.

Specific violations are noted in the appropriate sections of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the Department Web site www.ncdoi.com by clicking "INSURANCE DIVISIONS" then "Legislative Services".

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Companies are directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

UNDERWRITING PRACTICES

Genworth Life and Annuity Insurance Company

Individual Annuity Non-Variable Replacements

The Company's underwriting practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company did not adhere to the provisions of 11 NCAC 12.0611 as 33.3 percent of the policy files did not contain evidence that a suitability questionnaire was provided to the applicant.
- The Company did not adhere to the provisions of 11 NCAC 12.0607 as 66.7 percent of the policy files did not contain written communication to the replaced insurer advising of the replacement.

The Company provided a listing of 67 individual annuity non-variable replacement files. Fifty policy files were randomly selected for review. **The current examination revealed the following:**

The Company did not adhere to the provisions of NCGS 58-58-146 as six policy files (12.0 percent error ratio) demonstrated the delivered contract did not contain a copy of the application.

The average service time from the date the application was received to the date on the notification letter sent to the existing insurer was two calendar days. A chart of the average service time to notify the existing insurer of replacement follows:

Service Days	Number of Files	Percentage of Total
1 - 7	49	98.0
8 - 14	1	2.0
Total	50	100.0

Genworth Life Insurance Company

Individual Life Non-Variable Declined

The Company's underwriting practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company did not adhere to the provisions of NCGS 58-39-55 as 32 application files (64.0 percent error ratio) did not contain evidence that an AUD notice was provided to the applicant, policyholder, or individual proposed for coverage or contained an AUD notice that was neither filed with nor approved by the Department.

The Company provided a listing of 131 individual life non-variable declined files. Fifty files were randomly selected for review. **The current examination revealed the following:**

The Company did not adhere to the provisions of NCGS 58-39-55 as 50 policy files (100 percent error ratio) contained an AUD notice that was filed with but not approved by the Department.

The average service time to underwrite and decline an application was 37 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	8	16.0
8 - 14	6	12.0
15 - 21	4	8.0
22 - 30	5	10.0
31 - 60	19	38.0
Over 60	8	16.0
Total	50	100.0

Individual Annuity Non-Variable Replacements

The Company's underwriting practices were reviewed to determine adherence to Company guidelines and compliance with applicable North Carolina statutes and rules.

The previous examination revealed the following:

- The Company did not adhere to the provisions of 11 NCAC 12.0612(a)(2) as seven policy files (17.1 percent error ratio) did not contain evidence that the Company notified the existing insurer within five business days of receipt of a completed application indicating replacement or did not contain a notification.

The entire population of 30 individual annuity non-variable replacement files was reviewed. **The current examination revealed the following:**

No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time from the date the application was received to the date on the notification letter to the existing insurer was two calendar days. A chart of the average service time to notify the existing insurer of replacement follows:

Service Days	Number of Files	Percentage of Total
1 - 7	30	100.0
Total	30	100.0

Individual Long-Term Care Issued

The Company provided a listing of 1,114 individual long-term care issued files. Fifty files were randomly selected for review.

The Company did not adhere to the provisions of NCGS 58-39-55 as 26 policy files (52.0 percent error ratio) contained an AUD notice that was neither filed with nor approved by the Department.

The average service time to underwrite and issue a policy was 57 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	2	4.0
15 - 21	1	2.0
22 - 30	4	8.0
31 - 60	26	52.0
Over 60	17	34.0
Total	50	100.0

Individual Long-Term Care Declined

The Company provided a listing of 296 individual long-term care declined files. Fifty files were randomly selected for review.

The Company did not adhere to the provisions of NCGS 58-39-55 as 45 files (90.0 percent error ratio) contained an AUD notice that was filed with but not approved by the Department.

The average service time to underwrite and decline an application was 51 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	2	4.0
8 - 14	2	4.0
15 - 21	2	4.0
22 - 30	6	12.0
31 - 60	22	44.0
Over 60	16	32.0
Total	50	100.0

Individual Long-Term Care Replacements

The entire population of 16 individual long-term care replacement files was reviewed.

The Company did not adhere to the provisions of 11 NCAC 12.1010(d) as three policy files (18.8 percent error ratio) contained no notice to the existing insurer or the notice was sent to the wrong insurer.

The Company did not adhere to the provisions of NCGS 58-39-55 as 11 policy files (68.8 percent error ratio) contained an AUD notice that was neither filed with nor approved by the Department.

The Company did not adhere to the provisions of 11 NCAC 12.1010(b) as 16 policy files (100 percent error ratio) contained a replacement notice that was filed with but not approved by the Department.

The average service time from the date the application was received to the date on the notification letter sent to the existing insurer was four calendar days. A chart of the average service time to notify the existing insurer of replacement follows:

Service Days	Number of Files	Percentage of Total
1 - 7	12	92.3
22 - 30	1	7.7
Total	13	100.0

CLAIMS PRACTICES

Genworth Life Insurance Company

Individual Long-Term Care Claims Paid

The Company provided a listing of 631 individual long-term care claims paid. Fifty files were randomly selected for review.

No adverse trends or unfair trade practices were observed in this section of the examination.

The Department questioned how the Company calculated satisfaction of the elimination period for one claim. The Company indicated it restarted the elimination period in accordance with the policy's provisions and based on information provided by the facility. As a result of recently obtaining additional information from the facility, the Company recalculated the elimination period, which resulted in a benefit payment totaling \$6,938.33 that included interest and a premium refund.

The average service time to process a claim payment was 11 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	23	46.0
8 - 14	11	22.0
15 - 21	10	20.0
22 - 30	4	8.0
31 - 60	2	4.0
Total	50	100.0

Individual Long-Term Care Claims Denied

The entire population of 50 individual long-term care claims denied was reviewed.

No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim denial was 87 days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
22 - 30	3	6.0
31 - 60	13	26.0
Over 60	34	68.0
Total	50	100.0

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

Genworth Life and Annuity Insurance Company must attach a copy of the application to the contract that is delivered to the consumer. Genworth Life Insurance Company must send an AUD notice that has been filed with and approved by the Department, give written notice of proposed replacements to existing insurers, and use a replacement notice that has been filed with and approved by the Department.

CONCLUSION

A compliance and/or target examination has been conducted on the market conduct affairs of Genworth Life and Annuity Insurance Company and Genworth Life Insurance Company for the period January 1, 2014, through December 31, 2014, with analyses of certain operations of the Companies being conducted through January 8, 2016.

This examination was conducted in accordance with the Department and the NAIC Market Regulation Handbook procedures, including analyses of the Companies' operations in the areas of claims and/or underwriting practices.

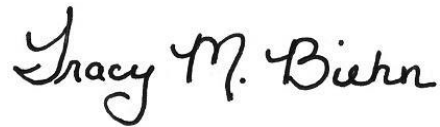
In addition to the undersigned, Shane Masserd, MBA, MCM, MS, and John Curry, CLU, FLMI, REBC, AIRC, MCM, North Carolina Market Conduct Senior Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Vicki S. Royal".

Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the Department.

A handwritten signature in cursive script that reads "Tracy M. Biehn".

Tracy M. Biehn, MBA, MCM, LPCS
Deputy Commissioner
Market Regulation Division
State of North Carolina