



Illinois Department of Insurance

Bruce Rauner
Governor

Anne Melissa Dowling
Acting Director

October 27, 2015

Thomas J. McInerney, President
Genworth Life Insurance Co.
6610 West Broad Street
Richmond, VA 23230

Lou E. Hensley, President
Genworth Life and Annuity Insurance Co.
6610 West Broad Street
Richmond, VA 23230

Re: Genworth Life Insurance Company, NAIC #70025
Genworth Life and Annuity Insurance Company, NAIC #65536
Market Conduct Examination Report Closing Letter

Dear Mr. McInerney and Mr. Hensley:

The Department has reviewed Genworth Life Insurance Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Please contact me if you have any questions.

Sincerely,

Jack Engle, MCM
Assistant Deputy Director-Market Conduct and Analysis
Illinois Department of Insurance
320 West Washington- 5th Floor
Springfield, IL 62767
217-558-1058
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GENWORTH LIFE INSURANCE COMPANY
GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

EXAMINATION REPORT

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: May 12, 2014 through February 9, 2015

EXAMINATION OF: Genworth Life Insurance Company
NAIC Number: 70025
Genworth Life and Annuity Insurance Company
NAIC Number: 65536

LOCATION: 700 Main Street
Lynchburg, VA 24501

PERIOD COVERED
BY EXAMINATION: January 1, 2013 through December 31, 2013

EXAMINERS: André J. Ham, AMCM, EIC
Josephine Sitter, MCM
Lonnie Suggs

INDEX

| | | |
|------|---|--------|
| I. | SUMMARY | Page 1 |
| II. | BACKGROUND | Page 2 |
| III. | METHODOLOGY | Page 3 |
| IV. | FINDINGS | Page 4 |
| | A. COMPANY OPERATIONS AND MANAGEMENT | |
| | B. COMPLAINTS AND APPEALS | |
| | C. MARKETING AND SALES | |
| | D. PRODUCER LICENSING | |
| | E. UNDERWRITING AND RATING | |
| | 1. GLIC- Group Long Term Care Certificates Issued | |
| | 2. GLAIC- Life Policies Issued | |
| | 3. GLIC- Individual Long Term Care Policies Issued | |
| | 4. GLIC- Long Term Care Policies Declined | |
| | 5. GLIC- Long Term Care Policies Issued and Not Taken | |
| V. | INTERRELATED FINDINGS | Page 6 |
| VI. | TECHNICAL APPENDICES | Page 7 |

I. SUMMARY

A comprehensive Market Conduct Examination of Genworth Life Insurance Company (GLIC) and Genworth Life and Annuity Insurance Company (GLAIC) was performed to determine compliance with Illinois Statutes and Illinois Administrative Code.

The following table represents the general findings with the details of each review located in specific sections of the report.

| <u>TABLE OF TOTAL VIOLATIONS</u> | | | | | | |
|---|--|--|-------------------|-----------------------|-----------------------------|----------------|
| Crit # | Statute/Rule | Description of Violation | Population | Files Reviewed | Number of Violations | Error % |
| 1 | 215 ILCS 5/351A-8 | GLIC-Group Long Term Care Certificates did not receive the required Outline of Coverage. | 509 | 83 | 9 | 10.84% |
| 1 | 50 Ill. Adm. Code 2012.90 | GLIC-Group Long Term Care Certificates did not have the required Replacement question on the application. | 509 | 83 | 8 | 9.63% |
| 1 | 50 Ill. Adm. Code 2012.140 | GLIC-Group Long Term Care Certificates did not have the required Shopper's Guide at time of enrollment. | 509 | 83 | 9 | 10.84% |
| 2 | 50 Ill. Adm. Code 916.40 & 215 ILCS 5/143(1) | GLIC-Individual Long Term Care Policies Issued-Application form was not filed with the Department of Insurance. | 2129 | 107 | 105 | 98.1% |
| 2 | 50 Ill. Adm. Code 2012.90 | GLIC-Individual Long Term Care Policies Issued-Timely Replacement letters were not provided. | 2129 | 107 | 2 | 1.8% |
| 2 | 215 ILCS 5/351A-9.2 | GLIC-Individual Long Term Care Policies Issued-Proof that contract or certificate of delivery could not be verified. | 2129 | 107 | 45 | 42% |

| | | | | | | |
|---|--|---|-----|----|----|------|
| 3 | 50 Ill. Adm. Code 916.40 & 215 ILCS 5/143(1) | GLIC-Individual Long Term Care Policies Declined-Application form was not filed with the Department of Insurance. | 607 | 85 | 85 | 100% |
| 4 | 215 ILCS 5/351A-9.2 | GLIC-Individual Long Term Care Policies Issued and Not Taken-No proof that contract or certificate was delivered 30 days after approval. | 203 | 76 | 16 | 21% |
| 4 | 50 Ill. Adm. Code 916.40 & 215 ILCS 5/143(1) | GLIC-Individual Long Term Care Policies Issued and Not Taken- Application form was not filed with the Department of Insurance. | 203 | 76 | 76 | 100% |
| 4 | 50 Ill. Adm. Code 2012.90 | GLIC-Individual Long Term Care Policies Issued and Not Taken-Required Replacement forms and letters were not completed. | 203 | 76 | 2 | 2.6% |
| 4 | 50 Ill. Adm. Code 2012.123 | GLIC-Individual Long Term Care Policies Issued and Not Taken-Suitability Worksheet was dated and signed before the date of application. | 203 | 76 | 1 | 1.3% |

II. BACKGROUND

Genworth Life Insurance Company (GLIC), formerly known as General Electric Capital Assurance Company was incorporated as United Pacific Life Insurance Company in the State of Washington on September 28, 1956, and re-domiciled in Delaware in 1992. GLIC is a stock life insurance company and has certificates of authority in the District of Columbia and all states, except New York, to conduct the business of Life Insurance, including Annuities and Health, Disability and Long Term Care.

Genworth Life and Annuity Insurance Company (GLAIC), is a stock life insurance company operating under the charter granted by the Commonwealth of Virginia on March 21, 1871, to The Life Insurance Company of Virginia. GLAIC has certificates of authority to do the business of Life Insurance, Annuities and Health Insurance in the District of Columbia and all states except the State of New York, with the exception that GLAIC does not have a certificate of authority for Health Insurance in the State of Hawaii.

The Companies market through independent agents, brokers, captive agents and direct sales.

Total Direct Premiums Written in Illinois for GLIC, Life, Long Term Care, Accident and Health insurance are as follows:

| Year | Individual Accident and Health | Current market share | Individual Life | Current market share | Long Term Care | Current market share | Group Accident and Health | Current market share | Group Life | Current market share |
|------|--------------------------------|----------------------|-----------------|----------------------|----------------|----------------------|---------------------------|----------------------|-------------|----------------------|
| 2011 | \$77,923,996 | 0.03389 | \$15,899,711 | 0.00328 | \$80,031,447 | 0.17780 | \$4,344,038 | 0.00033 | \$0 | 0 |
| 2012 | \$84,599,908 | 0.03470 | \$19,437,203 | 0.00392 | \$90,999,858 | 0.19387 | \$6,476,444 | 0.00050 | \$2,397,857 | 0.00177 |
| 2013 | \$84,871,516 | 0.03512 | \$18,007,948 | 0.00357 | \$93,125,659 | 0.19490 | \$8,270,145 | 0.00060 | \$2,487,049 | 0.00157 |

Total Direct Premiums Written in Illinois for GLAIC, Life, Long Term Care, Accident and Health insurance are as follows:

| Year | Individual Accident and Health | Current market share | Individual Life | Current market share | Long Term Care | Current market share | Group Accident and Health | Current market share | Group Life | Current market share |
|------|--------------------------------|----------------------|-----------------|----------------------|----------------|----------------------|---------------------------|----------------------|------------|----------------------|
| 2011 | \$790,474 | 0.00034 | \$62,165,408 | 0.01281 | \$243,581 | 0.00054 | \$8,668 | 0 | \$131,858 | 0.00010 |
| 2012 | \$704,676 | 0.00029 | \$63,016,394 | 0.01270 | \$213,186 | 0.00045 | \$8,058 | 0 | \$104,949 | 0.00008 |
| 2013 | \$675,222 | 0.00028 | \$54,399,253 | 0.01079 | \$213,486 | 0.00045 | \$8,228 | 0 | \$134,332 | 0.00008 |

III. METHODOLOGY

GLIC was examined concurrently with GLAIC.

The Market Conduct Examination covered the business written during January 1, 2013 through December 31, 2013. Specifically, the examination focused on a review of the following areas.

1. Sales and Advertising
2. Producer Licensing
3. Underwriting Procedures
4. Claim Procedures
5. Appeals, Department Complaints and Complaints received directly from Consumers

The review of the categories was accomplished through examination of producer lists, claim files, underwriting files and complaint files. Each of the categories was examined for compliance with IDOI regulations and applicable State laws.

The report concerns itself with improper practices performed by GLIC and GLAIC which resulted in a failure to comply with Illinois statutes and/or administrative rules. Criticisms were prepared and communicated to each Company addressing violations found in the review process.

All found violations are cited in the report.

The following methods were used to obtain the required samples and to ensure a methodical selection.

Producer Licensing

New business was reviewed to determine if solicitations were made by duly licensed persons.

Claims

1. Paid Claims – Payment for claims made during the examination period.
2. Denied Claims – Denial of benefits during the examination period for losses not covered by policy provisions.

All claims were reviewed for compliance with policy contracts and applicable Sections of the Illinois Insurance Code (Section 5/1 *et seq.*) and the Illinois Administrative Code.

The period under review was January 1, 2013 through December 31, 2013.

Department Complaints and Consumer Appeals

GLIC and GLAIC were requested to provide all consumer complaint files and all formal appeals received by the IDOI and those received directly from consumers during the survey period.

The period under review was January 1, 2013 through December 31, 2013.

IV. FINDINGS

A. COMPANY OPERATIONS AND MANAGEMENT

1. Company Procedures, Plans and Guidelines

A review was conducted of GLIC's and GLAIC's underwriting guidelines and procedures, internal audits, disaster recovery plan, anti-fraud program and third-party vendor contracts. No violations were noted.

2. Company Privacy Procedures

A review was conducted of GLIC's and GLAIC's privacy procedures, including compliance with 215 ILCS 5/335(b), which requires the implementation of policies and procedures to prevent the wrongful disclosure of certain data/identifiable information. No violations were noted.

B. COMPLAINTS AND APPEALS

A review was conducted of the complaints received by GLIC and GLAIC, received by the IDOI and all Appeals. No violations were noted.

C. MARKETING AND SALES

A review was conducted of GLIC's and GLAIC's Marketing and Sales procedures, including samples of advertising materials. No violations were noted.

D. PRODUCER LICENSING

A review was conducted of GLIC's and GLAIC's producer licensing guidelines and procedures, as well as a review of a random sample of licensed producers. No violations were noted.

E. UNDERWRITING AND RATING

1. GLIC - Group Long Term Care Certificates Issued

Field Size 509
Sample Size 83
Files in Error 17
Error Ratio 20.5%

FINDING: In nine (9) of the files examined, (10.84%), the Company failed to provide the required Outline of Coverage to the insured, pursuant to 215 ILCS 5/351A-8; and the Company failed to provide the required Shopper's Guide, pursuant to 50 Ill. Adm. Code 2012.140. In eight (8) additional files examined, (9.64%), the Company failed to include the required replacement questions on the application, pursuant to 50 Ill. Adm. Code 2012.90.

2. GLIC - Individual Long Term Care Policies Issued

Field Size 2,129
Sample Size 107
Files in Error 107
Error Ratio 100%

FINDING: In 105 of the files examined, (98.1%), the Company utilized application forms that were not filed with the IDOI, as required by 50 Ill. Adm. Code 916.40 and 215 ILCS 5/143(1). Two additional files (1.8%) failed to contain evidence that a timely replacement letter was sent to the replacing insurer, as required by 50 Ill. Adm. Code 2012.90.

Within the 105 files, 45 files (43%) also were in error due to the Company's failure to provide proof of delivery of the contract or certificate, as required by 215 ILCS 5/351A-9.2.

3. GLIC - Long Term Care Policies Declined

Field Size 607
Sample Size 85
Files in Error 85
Error Ratio 100%

FINDING: The Company utilized application forms that were not filed with the IDOI, as required by 50 Ill. Adm. Code 916.40 and 215 ILCS 5/143(1).

4. GLIC - Long Term Care Policies Issued and Not Taken

Field Size 203
Sample Size 76
Files in Error 76
Error Ratio 100%

FINDING: In 76 (100%) of the files examined, the Company utilized application forms that were not filed with the IDOI, as required by 50 Ill. Adm. Code 916.40. Within the 76 files, 16 files (21%) also failed to contain proof of delivery of the contract or certificate, as required by 215 ILCS 5/351A-9.2; 2 files (2.6%) also failed to contain evidence that a completed Notice of Replacement form and letter was sent to the insurer being replaced, as required by 50 Ill. Adm. Code 2012.90; and one (1) file (1.3%) also contained a Suitability Worksheet that was dated and signed prior to the date of application, thereby violating 50 Ill. Adm. Code 2012.123.

V. CLAIMS

A review was conducted of GLIC's and GLAIC's claim manuals, procedures, guidelines and a random sample of files. No violations were noted.

VI. INTERRELATED FINDINGS

Actuarial Review of Long Term Care Premium Rates

As part of this examination, INS Consultants, Inc. (INS) conducted a review of the Company's Long Term Care (LTC) rates in Illinois to determine whether or not these rates were excessive.

On July 18, 2014, INS submitted a request for information asking the Company to provide the following:

- A chart showing the following: Illinois LTC Policy Forms, Issue Dates, Closed/Open, Number of Policyholders as of 12/31/2013 (Illinois), Average Premium as of 12/31/2013 (Illinois), Number of Policyholders as of 12/31/2013 (Nationwide) and Average Premium as of 12/31/2013 (Nationwide).

- History of rate increases by LTC policy form in Illinois.

- Cumulative rate increase as of 12/31/2013 by LTC policy form for both Illinois and Nationwide.

- National and Illinois experience (incurred claims, earned premiums, loss ratio, actual to expected loss ratio, number of policyholders) by policy form for all calendar years through 12/31/2013; this information is typically provided in rate increase filings.

GLIC provided the requested information on August 13, 2014. INS used this information as part of its review of the Company's Long Term Care rates. INS also performed experience projections to determine compliance with the pre-rate stability loss ratio of 60% [Illinois Administrative Code Title 50, Chapter I, Subchapter z, Part 2012, Section 2012.110(b)] and post-rate stability rate increase requirements [Illinois Administrative Code Title 50, Chapter I, Subchapter z, Part 2012, Section 2012.112(c)].

Based on INS' review and analysis of the information provided by GLIC, it appears that GLIC's Long Term Care rates are not excessive and meet the requirements of the Illinois Long Term Care sections cited above.

GLAIC Life Policies Issued

The Director recommends Genworth Life Insurance Company and Genworth Life Insurance and Annuity Company institute and maintain procedures with respect to the maintenance of signed authorization forms as part of their underwriting files as a best practice.

VI. TECHNICAL APPENDICES

No Technical Appendices were created.

STATE OF PENNSYLVANIA)
) ss
COUNTY OF YORK)

André J. Ham, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Genworth Life Insurance Company, NAIC # 70025, and Genworth Life and Annuity Insurance Company, NAIC #65536 (the "Companies").

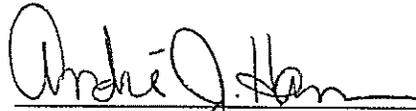
That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies' business and affairs and the manner in which the Companies conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies' affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

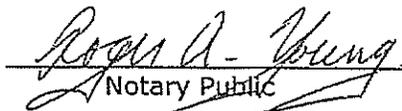
That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

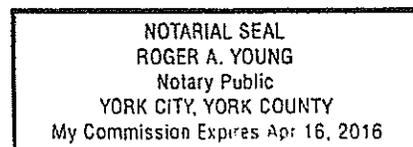
That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Companies for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Companies.


Examiner-In-Charge

Subscribed and sworn to before me
this 25th day of March, 2015.


Notary Public



STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

GENWORTH LIFE INSURANCE COMPANY, NAIC # 70025
6610 WEST BROAD STREET
RICHMOND, VA 23230

STIPULATION AND CONSENT ORDER

WHEREAS, the Director ("Director") of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Genworth Life Insurance Company, ("Company"), NAIC # 70025, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, 407, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, , 5/403, 5/407, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, and 407, 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain procedures whereby the Company will provide prospective applicants with an outline of coverage at the time of initial solicitation as required by 215 ILCS5/351A-8.
2. Institute and maintain procedures to ensure the required Shopper's Guide is provided prior to the presentation of an application or enrollment form for a Long Term Care insurance policy, as required by 50 Ill. Adm. Code 2012.140.
3. Institute and maintain procedures to ensure all Long Term Care forms are filed with the Department of Insurance prior to use, as required by 50 Ill. Adm. Code 916.40 and 215 ILCS 5/143(1).
4. Institute and maintain procedures to maintain proof of delivery for all Long Term Care policies, as required by 215 ILCS 5/351A-9.2.
5. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above four (4) orders within 30 days of receipt of this Order.
6. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$70,500 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of GENWORTH LIFE INSURANCE COMPANY

Elena Edwards
Signature

ELENA EDWARDS
Name

SENIOR VICE PRESIDENT
Title

Subscribed and sworn to before me this
18th day of September 2015.



Rhonda H. Ambler
Notary Public

DATE 9/28/15

DEPARTMENT OF INSURANCE of the
State of Illinois

Anne Melissa Dowling
Anne Melissa Dowling
Acting Director