

STATE OF ARIZONA
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DEPT. OF INSURANCE

REPORT OF TARGETED EXAMINATION
OF
GE LIFE AND ANNUITY ASSURANCE COMPANY
NKA
GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

NAIC# 65536

AS OF

MARCH 31, 2005

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CHRISTINA URIAS
Director of Insurance

Honorable Christina Urias
Director of Insurance
State of Arizona
2910 North 44th Street, Suite 210
Phoenix, Arizona 85108-7269

Dear Director Urias:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of Arizona, a targeted examination has been made of the market affairs of:

GE LIFE AND ANNUITY ASSURANCE COMPANY

NAIC # 65536

The above examination was conducted by James R. Dargavel, FLMI, CIE, Examiner-in-Charge, Mel Mohs, CIE, Senior Market Examiner, and Helene I. Tomme, CPCU, CIE, Market Examinations Supervisor.

The examination covered the period of October 1, 2004 through March 31, 2005.

As a result of that examination, the following Report of Examination is respectfully submitted.


Sincerely yours,

Paul J. Hogan, FLMI, ALHC, CI, CIE
Market Oversight Administrator
Market Oversight Division

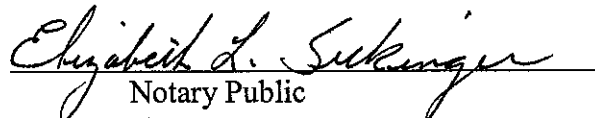
AFFIDAVIT

STATE OF ARIZONA)
)
County of Maricopa) ss.

I, James R. Dargavel, FLMI, CIE, being first duly sworn state that I am a duly appointed Market Examinations Examiner-in-Charge for the Arizona Department of Insurance. That under my direction and with my participation and the participation of Mel Mohs, CIE, Senior Market Examiner and Helene I. Tomme, CPCU, CIE, Market Examinations Supervisor, the Examination of GE Life and Annuity Assurance Company, hereinafter referred to as the "Company." was performed at the offices of the Arizona Department of Insurance. A teleconference meeting with appropriate Company officials was held to discuss this Report, but a copy was not provided to management, as the Examination was not finalized. The information contained in this Report, consisting of the following pages, is true and correct to the best of my knowledge and belief and that any conclusions and recommendations contained in and made a part of this Report are such as may be reasonably warranted from the facts disclosed in the Examination Report.


James R. Dargavel, FLMI, CIE
Market Examinations Examiner-in-Charge

Subscribed and sworn to before me this 14th day of September, 2006.


Notary Public

My Commission Expires Jan 17, 2009



FORWARD

This targeted market examination of GE Life and Annuity Assurance Company (“Company” or “GE”) was prepared by employees of the Arizona Department of Insurance (“Department”) as well as independent examiners contracting with the Department. A targeted market examination is conducted for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Arizona. The Examiners conducted the examination of the Company in accordance with Arizona Revised Statutes (A.R.S. §§20-142, 20-156, 20-157, 20-158, and 20-159). The findings in this report, including all work products developed in the production of this report, are the sole property of the Department.

The examination consisted of a review of the following components of the Company’s annuity business:

1. Provide a proper “free look period” for annuity contracts.
2. Communicate all of the required disclosures relative to annuity contracts.
3. Use of proper replacement practices.

SCOPE AND METHODOLOGY

The examination of the Company was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (NAIC) and the Department. The targeted market examination of the Company covered the period from October 1, 2004 through March 31, 2005 for the business reviewed. The purpose of the examination was to determine: (1) if the Company uses annuity applications and contracts that contain the appropriate notice regarding Free Look and premium refund requirements; (2) if the Company utilizes annuity replacement procedures and practices, and provides training to its producers that complies with the applicable statutes; (3) if the Company uses compliant procedures for processing annuity refunds requested during the Free Look and 30 day option period; and (4) if the Company provides the required disclosure documents, buyer’s guide and annual reports on all annuity applications in compliance with the applicable statutes. This examination targeted the top 75% of the Arizona individual life and annuity insurance market.

The Examiners utilized both examinations by test and examination by sample. Examination by test involves review of all records within the population, while examination by sample involves the review of a selected number of records from within the population. Due to

the small size of some populations examined, examination by test and by sample were completed without the need to utilize computer software.

File sampling was based on a review of annuity new business files that were systematically selected by using Audit Command Language (ACL) software and computer data files provided by the Company's Representative, Mr. John D. Piller, Associate General Counsel. Samples are tested for compliance with standards established by the NAIC and the Department. The tests applied to sample data will result in an exception ratio, which determines whether or not a standard is met. If the exception ratio found in the sample is, generally less than 5%, the standard will be considered as "met".

The standard in the areas of procedures, forms and policy forms use will not be met if any exception is identified.

EXECUTIVE SUMMARY

This examination was completed by applying tests to each examination standard to determine compliance with the standard. Each standard applied during the examination is stated in this report and the results are reported beginning on page seven.

The Company failed Standard No. 1 because:

1. It used five annuity application forms and nine annuity contract forms that failed to include in the free look notice:

- a) An offer to an applicant, who is sixty-five years of age or older on the date of the application, the right to return the contract within 30 days after the contract is delivered and receive a refund of all monies paid.
- b) Or, on variable annuities, an offer of the right to return the annuity contract for a refund of the value of the separate accounts plus the fees and other charges that were paid.

The Company passed Standards No. 2, 3, 4 and 5.

STANDARD 1

The following Life Insurance and Annuity Replacement and Disclosure Standard Failed:

#	STANDARD	Regulatory Authority
1	Company annuity application and policy forms contain compliant notices concerning the policyholder's right to request benefit and contract provision information and the right to return the contract for a refund of premium.	A.R.S. § 20-1233(A), (B) & (C)

The Examiners reviewed GE's annuity application and policy forms to determine if those forms contained notices that state the policyholder's right to request information regarding benefit and contract provisions, and the right to return the contract for a refund of premium.

Procedures Performed:

During the Phase I Examination, the Examiners reviewed three annuity application forms, five annuity contract forms and a random sample of 20 of 139 GE annuity new business application files selected from the issued new business, external replacement new business and internal replacement new business populations..

Findings:

The Examiners issued a preliminary finding on three annuity application forms and five annuity contract forms that failed Standard 1.

- a) An offer to an applicant, who is sixty-five years of age or older on the date of the application, the right to return the contract within 30 days after the contract is delivered and receive a refund of all monies paid.
- b) Or failed on variable annuities to include an offer of the right to return the annuity contract for a refund of the value of the separate accounts plus the fees and other charges that were paid.

During the review of the 20 annuity files the Examiners identified two additional annuity application forms and four annuity contract forms that failed to contain the required notice.

Application Form Number	Contract Form Number
15351 10/2004	P1152 1/99
15351 3/2001	P1152 12/03 AZ
18176 12/2001	P1154 12/03 AZ
19532 4/2003	P1154 4/00
15351 10/2003	P1156 12/03 AZ
	P1156 9/00
	P1161 12/03 AZ
	P1161 3/01
	P1868 12/03 AZ

ANNUITY CONTRACTS AND APPLICATION FORMS

Number of Exceptions	Population Reviewed	Percentage	Applicable Statute
3	Application forms	N/A	A.R.S. §20-1233(A)
5	Application forms	N/A	A.R.S. §20-1233(B)
9	Contract forms	N/A	A.R.S. §20-1233(B)

Recommendation No. 1

Within 90 days of the filed date of this report, provide documentation that procedures and controls are in place to ensure that the Company uses annuity application forms and annuity contract forms that contain a compliant Free Look notice.

SUMMARY OF STANDARDS

#	STANDARD	PASS	FAIL
1	Company annuity application and policy forms contain compliant notices concerning the policyholder's right to request benefit and contract provision information and the right to return the contract for a refund of premium.		X
2	Company producer training procedures and materials regarding replacement of existing coverage are in compliance with applicable statutes, rules and regulations.	X	
3	Company rules pertaining to producer and company replacement requirements are in compliance with applicable statutes, rules and regulations.	X	
4	Company procedures for processing refunds under the "Free Look" option, or the 30 day option, if the application involved replacement of existing coverage, are in compliance with applicable statutes, rules and regulations.	X	
5	Company procedures that require disclosure documents, buyer's guides and annual reports be provided to contract owners are in compliance with applicable statutes, rules and regulations.	X	