

STATE OF ARIZONA  
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DEPT. OF INSURANCE

**REPORT OF TARGETED EXAMINATION  
OF  
GENWORTH LIFE AND ANNUITY INSURANCE COMPANY**

**NAIC# 65536**

**AS OF**

**December 31, 2013**

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**Market Oversight Division**

**Arizona Department of Insurance**

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**Douglas A. Ducey, Governor**  
**Germaine L. Marks, Director**

Honorable Germaine L. Marks  
Director of Insurance  
State of Arizona  
2910 North 44<sup>th</sup> Street, Suite 210  
Phoenix, Arizona 85108-7269

Dear Director Marks:

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:

**GENWORTH LIFE AND ANNUITY INSURANCE COMPANY**

**NAIC # 65536**

The above examination was conducted by Sandra Lewis, CIE, MCM, Examiner-in-Charge; James R. Dargavel, CIE, MCM, Senior Market Conduct Examiner and Data Specialist; Mel Mohs, CIE, Senior Market Conduct Examiner; Jerry D. Paugh, AIE, MCM, Senior Market Conduct Examiner; and John Kilroy, Market Conduct Examiner.

The examination covered the period of January 1, 2013, through December 31, 2013.

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

Sincerely yours,

Helene I. Tomme, CPCU, CIE  
Market Examinations Supervisor  
Market Oversight Division

**AFFIDAVIT**

STATE OF ARIZONA                    )  
  )    ss.  
County of Maricopa                 )

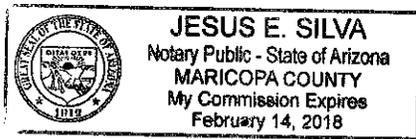
I, Sandra Lewis, CIE, MCM, being first duly sworn state that I am a duly appointed Market Conduct Examiner-in-Charge for the Arizona Department of Insurance, and that under my direction and with my participation and the participation of James R. Dargavel, CIE, MCM, Senior Market Conduct Examiner and Data Specialist, Mel Mohs, CIE, Senior Market Conduct Examiner, Jerry D. Paugh, AIE, MCM, Senior Market Conduct Examiner, and John Kilroy, Market Conduct Examiner, the examination of Genworth Life and Annuity Insurance 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 the findings set forth in this Report. The information contained in this Report, consisting of the following pages, is true and correct to the best of my knowledge and belief and 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.

  
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Sandra Lewis, CIE, MCM  
Market Conduct Examiner-in-Charge

Subscribed and sworn to before me this 29<sup>th</sup> day of December, 2014.

  
\_\_\_\_\_  
Notary Public

My Commission Expires 02-14-2018



## **FOREWORD**

This targeted market conduct examination of the Genworth Life and Annuity Insurance Company (“the Company”), was prepared by employees of the Arizona Department of Insurance (“the Department”) as well as independent examiners contracting with the Department. A targeted market conduct 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 all aspects of the Company’s operations in Arizona, including but not limited to: Advertising, Sales and Marketing, Underwriting, Forms, Claims, Appeals and Grievances, Policyholder Services, and Terminations.

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Director.

Failure to identify or criticize specific Company practices does not constitute acceptance of those practices by the Department.

## **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 conduct examination of the Company covered the period from January 1, 2013, through December 31, 2013, for the lines of business reviewed. The purpose of the examination was to determine the Company’s compliance with Arizona’s insurance laws and to determine whether the Company’s operations and practices are consistent with the public interest. The Examiners completed this examination by applying tests to each examination standard to determine compliance with the standard. The standards applied during the examination are stated in this Report at page 4.

In accordance with Department procedures, the Examiners completed a Preliminary Finding (“PF”) on those policies, claims, complaints, and/or procedures not in apparent compliance with Arizona law. The PF forms were submitted for review and comment to the

Company representative designated by Company management as being knowledgeable about the files. For each PF, the Company was requested to agree, disagree, or otherwise justify the Company's noted action.

The Examiners used both examination-by-test and examination-by-sample. Examination-by-test involves the 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, the Examiners completed examinations-by-test and examinations-by-sample as to those populations without the need to use computer software.

The Examiners based their file sampling on a review of Appeal, New Business, and Claims data provided by the Company. Samples were randomly or systematically selected by using ACL (formerly "Audit Command Language") software and computer data files provided by the Company's Representatives, Robert J. Bowen, Corporate Counsel, and Kathy McKenna Williams, Legal Coordinator. Samples were tested for compliance with standards established by the NAIC and the Department. The tests applied to sample data resulted in an exception ratio, which determined whether or not a standard was met. If the exception ratio found in the sample was, generally, less than 5%, the standard was considered as "met". A standard in the areas of procedures, forms and policy forms use was not met if any exception was identified.

**EXECUTIVE SUMMARY and EXAMINATION FINDINGS**

The Examiners completed this examination by applying tests to each examination standard to determine compliance with the standard. Each standard applied during the examination is stated in this report beginning at page 4.

The Company passed all of the standards established for this examination. No recommendations for corrective action are required.

**ADDENDUM I – STANDARDS FOR REVIEW**

**A. Operations and Management**

#	STANDARD	PASS	FAIL
1	Company maintains and produces records in a timely manner as required by the Examiners for the completion of the market conduct examination. A.R.S. § 20-157(A) and A.A.C. R20-6-801(C).	X	
2	The Company's contracts with a supplier of consulting, investment, administrative, sales, marketing, custodial or other services with respect to variable life products are in writing and afford the Department access to records necessary for the examination of these products. (A.R.S. § 20-2602)	X	

**B. Advertising, Marketing, and Sales**

#	STANDARD	PASS	FAIL
3	All advertising and sales materials are in compliance with applicable statutes and rules. (A.R.S. §§ 20-442, 20-443, 20-444, 20-1110(E), 20-1137, and A.A.C. R20-6-202)	X	
4	The Company markets its products in a fair and nondiscriminatory manner to all eligible individuals and/or groups. (A.R.S. §§ 20-448)	X	
5	<b>(Annuity only)</b> Company applications and policy/contract forms contain notices the right to request information regarding benefit and contract provisions and the right to return the contract for a refund of premium as prescribed by law. A.R.S. § 20-1233(A), (B) & (C)	X	
6	<b>(Annuity Only)</b> Company provides disclosure documents, buyer's guides and annual report to contract owners as prescribed by law. A.R.S. § 20-1242.02.	X	

**C. Forms**

#	STANDARD	PASS	FAIL
7	Policy forms, including but not limited to contracts, certificates, applications, riders, and endorsements, comply with pertinent Arizona laws and/or the laws of the state where the policy was issued. (A.R.S. §§ 20-448, 20-1201 through 20-1277, and 20-2601 through 20-2662)	X	
8	<b>(Annuity Only)</b> Company provides disclosure documents, buyer's guides and annual report to contract owners as prescribed by law. A.R.S. § 20-1242.02.	X	
9	<b>(Life and Annuity)</b> The Company's contracts and applications contain appropriate notices concerning the right to return the policy/contract for a full refund of premiums. A.R.S. §§ 20-1233(A), (B), and (C).	X	

**D. Underwriting**

#	STANDARD	PASS	FAIL
10	The Company obtains prior written consent, using approved consent forms, before conducting tests for HIV or genetic disorders. (A.R.S. §§ 20-448.01, 20-448.02, and A.A.C. R20-6-1203)	X	
11	The Company complies with all notice of insurance information and privacy requirements. (A.R.S. §§ 20-2101, <i>et seq.</i> )	X	

**E. Claims Processing**

#	STANDARD	PASS	FAIL
12	Claims are handled timely and appropriately in accordance with policy provisions and applicable statutes and rules. (A.R.S. §§ 20-448, 20-461, 20-462, and 20-1215, and A.A.C. R20-6-801)	X	
13	Claim files are adequately documented in order to be able to reconstruct the claim. (A.R.S. § 20-461 and A.A.C. R20-6-801)	X	
14	All claim forms contain an appropriate fraud warning. (A.R.S. § 20-466.03)	X	
15	The Company provides accurate benefits information to claimants and does not misstate pertinent provisions of the policy or Arizona law. (A.R.S. § 20-461, A.A.C. R20-6-801)	X	

**F. Policyholder Services**

#	STANDARD	PASS	FAIL
16	The Company takes adequate steps to finalize and dispose of the complaints in accordance with policy provisions and applicable statutes and rules. (A.R.S. § 20-461, A.A.C. R20-6-801)	X	
17	<b>(Health Insurance Only).</b> The Company provides timely appeals from denied claims and/or denied services and provides appropriate and timely acknowledgments, responses, and notices throughout the appeal process. (A.R.S. §§ 20-2530, <i>et seq.</i> )	X	

**G. Nonforfeiture, Dividends, Loans (Life and Annuity)**

#	STANDARD	PASS	FAIL
18	The Company complies with pertinent Arizona law regarding nonforfeiture, dividends and/or policy loans. (A.R.S. §§ 20-1207 through 20-1212, 20-1231 through 20-1232, 20-2602, 20-2604, and 20-2636)	X	

**H. Replacements**

#	STANDARD	PASS	FAIL
19	<b>(Life and Annuity)</b> Company internal policies and procedure, forms and materials regarding replacement of existing coverage are in compliance with applicable statutes, rules and regulations. A.R.S. §§ 20-1241, <i>et seq.</i>	X	

**I. Cancellation, Non-Renewals, and Rescissions**

#	STANDARD	PASS	FAIL
20	The Company affords adequate grace periods without cancellation of coverage for the receipt of premiums as required by law. (A.R.S. §§ 20-191, 20-1203, 20-1219)	X	
21	Individual disability insurance policy forms, except those for which no renewal is provided, contain a 10-day free look provision, which is prominently displayed on the first page of the policy. (A.A.C. R20-6-501)	X	
22	The Company does not cancel, non-renew, or rescind coverage except as allowed by law (A.R.S. §§ 20-448, 20-1204, 20-1213, and 20-2636)	X	
23	<b>(Life and Annuity)</b> Company handling of requests for refunds using 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. A.R.S. §§ 20-1233(A) & (B), 20-1241.05(E), 20-1241.07(B), and 20-1242.02(F).	X	