

EXAMINATION REPORT
of
JAMESTOWN LIFE INSURANCE
COMPANY
Lynchburg, Virginia
as of
December 31, 2018

COMMONWEALTH OF VIRGINIA



**SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Jamestown Life Insurance Company, as of December 31, 2018, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 5th day of June 2020

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
May 8, 2020

Honorable Scott A. White
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Dear Commissioner:

Pursuant to your instructions and by authority of Section 38.2-1317 of the Code of Virginia, an examination of the records and affairs of

JAMESTOWN LIFE INSURANCE COMPANY
Lynchburg, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The last examination of the Company was made by representatives of the State Corporation Commission's (the "Commission") Bureau of Insurance (the "Bureau") as of December 31, 2014. This examination covers the four year period from January 1, 2015 through December 31, 2018.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's 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.

The coordinated examination of Genworth and its affiliates was led by the Virginia Bureau of Insurance. The States of Delaware and New York participated in the group examination.

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.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination, that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was issued a certificate of incorporation by the Commission on November 26, 1982, as a wholly owned subsidiary of First Colony Life Insurance Company ("First Colony"). The Company was licensed by the Bureau on December 22, 1982.

On December 1, 1996, First Colony and its subsidiaries were acquired by GE Capital Corporation ("GECC"), whose ultimate parent is General Electric Company ("GE"). In May 2004, in connection with the initial public offering ("IPO") of the common stock of Genworth Financial, Inc. ("Genworth"), GE Financial Assurance Holdings, Inc. ("GEFAHI"), a wholly owned indirect subsidiary of GE, transferred substantially all of its assets to Genworth, including all of the outstanding capital stock of Genworth North America Corporation ("GNA"), the Company's indirect parent at the time. As a result, the Company became an indirect wholly owned subsidiary of Genworth. At December 31, 2004, approximately 30% of Genworth's common stock was owned by public shareholders and approximately 70% of Genworth's common stock was owned by GEFAHI.

In March, September and December 2005, GEFAHI completed secondary offerings of shares of Genworth's common stock. Concurrently with the March 2005 secondary offering, Genworth repurchased shares of its common stock from GEFAHI. As a result of these transactions, at December 31, 2005 approximately 82% of Genworth's common stock was owned by public shareholders and approximately 18% was beneficially owned by GE.

In March 2006, GE disposed of its remaining ownership interest in Genworth. GE completed the disposition through a secondary offering of 71 million shares of

Genworth common stock and Genworth's concurrent repurchase of 15 million shares from GE.

On January 1, 2007, First Colony and Federal Home Life Insurance Company were merged with and into Genworth Life and Annuity Insurance Company ("Genworth Life and Annuity"). Genworth Life and Annuity was the surviving entity. These mergers were approved by the Commission's Bureau. As a result of these mergers, the Company became a wholly-owned subsidiary of Genworth Life and Annuity and First Colony's rights and obligations under the agreements to which it was a party were assumed by Genworth Life and Annuity.

The Company's maximum authorized capital is 100,000 shares of common stock with a par value of \$10 per share. At December 31, 2018, there were 100,000 shares of common stock issued and outstanding, with gross paid in and contributed surplus of \$23,000,000 and unassigned funds of \$36,544,093.

MANAGEMENT AND CONTROL

The bylaws of the Company provide that the property, affairs and business of the Company shall be managed by the board of not less than one and not more than ten directors. A majority of the directors shall constitute a quorum for the transaction of the business.

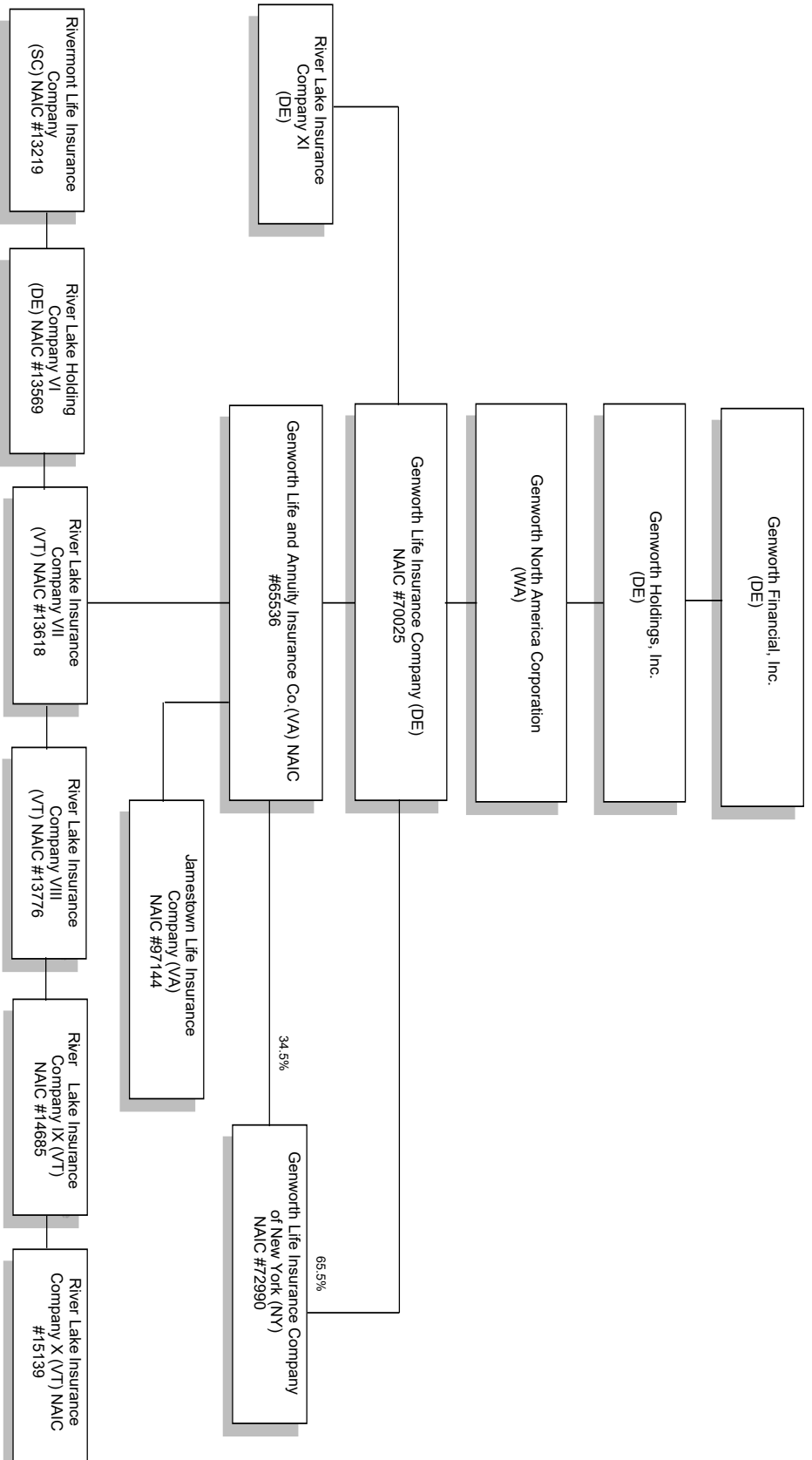
At December 31, 2018, the Board of Directors and selected Officers of the Company were as follows:

<u>Directors</u>	<u>Principal Business Affiliation</u>
Ward E. Bobitz	Executive Vice President and General Counsel Genworth Financial, Inc.
David W. O'Leary	President and Chief Executive Officer, U.S. Life Insurance Genworth Financial, Inc.
Daniel J. Sheehan, IV	Executive Vice President and Chief Investment Officer Genworth Financial, Inc.

<u>Officers</u>	<u>Title</u>
David W. O’Leary	Chairman of the Board, President and Chief Executive Officer
Lisa J. Baldyga	Treasurer

<u>Officers</u>	<u>Title</u>
Ward E. Bobitz	Senior Vice President, General Counsel and Secretary
Matthew P. Keppler	Senior Vice President
Jeffery S. Wright	Senior Vice President and Chief Financial Officer
Kelly L. Groh	Senior Vice President
Angela R. Simmons	Vice President and Controller
Michael T. McGarry	Senior Vice President

Genworth Life and Annuity owns all the outstanding common stock of the Company. By virtue of this ownership, the Company is a member of an insurance holding company system as defined by Section 38.2-1322 of the Code of Virginia. The following chart shows the Company's relationship with selected entities within the holding company system.



RELATED PARTY TRANSACTIONS

Services and Shared Expenses Agreement

The Company is party to and participates in an amended and restated services and shared expenses agreement with its affiliates. Under the agreement, the affiliates agree to provide and to accept certain general services and use of facilities depending on which affiliate needs a service or facility and which affiliate has excess capacity. Such services and facilities will include but are not limited to, the following:

1. Data processing and related services;
2. Communication, marketing, advertising and sales promotion services;
3. Investment and accounting services;
4. Legal, human resources and personnel services;
5. Actuarial, underwriting and claims services;
6. Furniture, fixtures, equipment and office facilities.

During 2018, the Company was not allocated any expenses pursuant to this agreement due to the fact that the expenses attributable to the Company were determined to be insignificant.

Tax Allocation Agreement

At December 31, 2018, the Company participates in a tax allocation agreement with its affiliates. Pursuant to this agreement a consolidated federal income tax return is filed. The provisions from the tax allocation agreement met the requirements from the NAIC Examiners' Handbook, including, but not limited to, a) having a written agreement approved by the board of directors, b) balances are settled within a reasonable time and c) the agreement complies with IRS regulations.

TERRITORY AND PLAN OF OPERATION

At December 31, 2018, the Company was only licensed in Virginia and was authorized to write the following lines of insurance:

Life
Industrial Life
Credit Life
Variable Life
Annuities
Variable Annuities
Accident and Sickness
Credit Accident and Sickness

No direct business was written during the period covered by this examination. All life insurance in force at December 31, 2018, represents assumption reinsurance from Genworth Life and Annuity.

On October 23, 2016, China Oceanwide Holdings Group Co., Ltd. ("China Oceanwide") and Genworth entered into an agreement under which China Oceanwide agreed to acquire all of the outstanding shares of Genworth for a total transaction value of approximately \$2.7 billion, or \$5.43 per share. The acquisition is to be completed through Asia Pacific Global Capital Co., Ltd., one of China Oceanwide's investment platforms. The transaction is subject to approval by Genworth's stockholders, as well as other closing conditions, including the receipt of required regulatory approvals. As of the last day of field work for this examination, the acquisition is still pending.

GROWTH OF THE COMPANY

The following data represents the growth of the Company for the ten-year period ending December 31, 2018. The data is compiled from the Company's filed Annual Statements, previous examination reports, and the current examination report.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Common Capital Stock</u>	<u>Surplus</u>
2009	\$154,171,607	\$106,859,990	\$1,000,000	\$46,311,617
2010	139,478,175	108,371,623	1,000,000	30,106,552
2011	143,328,172	107,705,115	1,000,000	34,623,057
2012	141,190,613	107,223,462	1,000,000	32,967,151
2013	141,143,578	108,154,626	1,000,000	31,988,952
2014	145,008,151	108,349,847	1,000,000	35,658,304
2015	148,265,709	112,278,366	1,000,000	34,987,343
2016	125,497,762	65,008,449	1,000,000	59,489,313
2017	128,679,205	68,800,162	1,000,000	58,879,043
2018	128,285,717	67,741,624	1,000,000	59,544,093

Gross Life Insurance In Force

<u>Year</u>	<u>Ordinary</u>
2009	\$3,959,119,000
2010	3,831,258,000
2011	3,445,657,000
2012	3,193,572,000
2013	3,072,985,000
2014	3,022,543,000
2015	2,926,005,000
2016	542,369,000
2017	447,685,000
2018	425,840,000

REINSURANCE

Assumed

The Company assumes Term and Universal Life business under two coinsurance treaties with its affiliate Genworth Life and Annuity. The Company assumed approximately \$61 million, or 100%, of its total reserves at December 31, 2018. All of the Company's business is assumed from Genworth Life and Annuity.

Ceded

At December 31, 2018, the Company had reinsurance agreements in effect in which it retrocedes Term and Universal Life business to several reinsurers on a yearly-renewable term basis. The Company retrocedes \$839,830, or 1%, of its total reserves at December 31, 2018. The Company's retention limits range from \$0 to \$5,000,000 depending upon the issue age and underwriting classification of the insured. All of the Company's reinsurance treaties contain an acceptable insolvency clause.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Company for the period ending December 31, 2018. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2018.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$107,103,271		\$107,103,271
Cash and short-term investments	16,703,888		16,703,888
Other invested assets	<u>2,999,857</u>		<u>2,999,857</u>
Subtotals, cash and invested assets	\$126,807,016		\$126,807,016
Investment income due and accrued	796,976		796,976
Other amounts receivable under reinsurance contracts	71,152		71,152
Current federal income tax recoverable and interest thereon	484,999		484,999
Net deferred tax asset	<u>3,276,394</u>	<u>3,150,820</u>	<u>125,574</u>
Total assets	<u><u>\$131,436,537</u></u>	<u><u>\$3,150,820</u></u>	<u><u>\$128,285,717</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$59,996,815
Contract claims:	
Life	937,379
Other amounts payable on reinsurance	36,509
Interest maintenance reserve	6,405,923
General expenses due or accrued	3,293
Remittances and items not allocated	22,498
Asset valuation reserve	333,689
Payable to parent, subsidiaries, and affiliates	<u>5,518</u>
 Total liabilities	 <u>\$67,741,624</u>
 Common capital stock	 \$1,000,000
Gross paid in and contributed surplus	23,000,000
Unassigned funds (surplus)	<u>36,544,093</u>
 Total capital and surplus	 <u>\$60,544,093</u>
 Total liabilities, capital and surplus	 <u><u>\$128,285,717</u></u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$926,922
Net investment income	4,223,398
Amortization of Interest Maintenance Reserve	<u>764,476</u>
Total	<u>\$5,914,796</u>
Death benefits	\$1,872,063
Interest and adjustments on contract or deposit-type contract funds	8,584
Increase in aggregate reserves for life and accident and health contracts	<u>(799,241)</u>
Total	\$1,081,406
Commissions and expense allowances on reinsurance assumed	196,090
General insurance expenses	43,532
Insurance taxes, licenses, and fees	<u>1,575</u>
Total	<u>\$1,322,603</u>
Net gain from operations before federal income taxes	\$4,592,193
Federal income taxes incurred	<u>(418,161)</u>
Net gain from operations after federal income taxes and before realized capital gains	\$5,010,354
Net realized capital (losses)	<u>(132,943)</u>
Net income	<u><u>\$4,877,411</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital and surplus, December 31, prior year	<u>\$36,658,304</u>	<u>\$35,987,343</u>	<u>\$60,489,313</u>	<u>\$59,879,043</u>
Net income	(\$1,318,398)	\$25,085,303	(\$573,177)	4,877,411
Change in net unrealized capital gains	34,071	0	0	0
Change in net deferred income tax	1,242,448	2,773,183	(1,723,819)	(1,212,279)
Change in nonadmitted assets	(749,730)	(3,415,466)	1,614,820	332,582
Change in asset valuation reserve	120,648	58,950	71,906	51,200
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,383,864)</u>
Net change in capital and surplus	<u>(\$670,961)</u>	<u>\$24,501,970</u>	<u>(\$610,270)</u>	<u>\$665,050</u>
Capital and surplus, December 31, current year	<u><u>\$35,987,343</u></u>	<u><u>\$60,489,313</u></u>	<u><u>\$59,879,043</u></u>	<u><u>\$60,544,093</u></u>

CASH FLOW**CASH FROM OPERATIONS**

Premiums collected net of reinsurance	\$926,922
Net investment income	3,840,151
Total	<u>\$4,767,073</u>
Benefit and loss related payments	\$5,270,405
Commissions, expenses paid, and aggregate write-ins for deductions	241,517
Federal income taxes paid	(113,478)
Total	<u>\$5,398,444</u>
Net cash from operations	<u>(\$631,371)</u>

CASH FROM INVESTMENTS

Proceeds from investments sold, matured, or repaid:	
Bonds	\$6,546,505
Miscellaneous proceeds	79,500
Total investment proceeds	<u>\$6,626,005</u>
Cost of investments acquired (long-term only):	
Bonds	\$26,918,030
Total investments acquired	<u>\$26,918,030</u>
Net cash from investments	<u>(\$20,292,025)</u>

CASH FROM FINANCING AND MISCELLANEOUS SOURCES

Cash applied	
Other cash applied	(\$198,034)
Net cash from financing and miscellaneous sources	<u>(\$198,034)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	(\$21,121,430)
Cash and short-term investments:	
Beginning of year	37,825,318
End of year	<u>\$16,703,888</u>

SUBSEQUENT EVENTS

1. On January 11, 2019, the Bureau approved the proposed acquisition of control by China Oceanwide of Genworth's insurance companies domiciled in Virginia. After that date, several events and occurrences prevented the parties from closing on the transaction. Some of the obstacles were resolved by the parties, resulting in changes to the transaction. Therefore, based on the new information, on March 31, 2020, the Bureau reapproved the proposed acquisition of control. On that same date, Genworth and China Oceanwide agreed to a 14th waiver and agreement of each party's right to terminate the previously announced merger agreement. The 14th waiver extends the previous deadline of completing the transaction from March 31, 2020 to no later than June 30, 2020.
2. On December 12, 2019, Genworth closed on the sale of its majority stake in Genworth MI Canada, Inc. ("Genworth Canada") to Brookfield Business Partners, L.P. ("Brookfield"). 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, Genworth completed an internal reorganization contributing 100% of its ownership interest in Genworth Mortgage Holdings, Inc. ("GHMI") to Genworth Holdings. As a result of this contribution, Genworth Holdings owns 100% of GMHI, which owns 100% of the issued and outstanding voting securities of Genworth's U.S. mortgage insurance companies, including Genworth Mortgage Insurance Corporation ("GMIC").
3. On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Bureau is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Bureau and all insurance regulators with the

assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S insurers. As lead state, the Bureau has been in communication with Genworth regarding the impact of COVID-19 on its business operations and its financial position. No current material operational, solvency or liquidity concerns resulted from the high-level assessment of Genworth's operational and solvency position as a result of COVID-19.

ACKNOWLEDGMENT

The courteous cooperation extended by the Company's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Craig Chupp, FSA, MAAA, Bonnie Corrigan, Chris Collins, CFE, Kevin Knight, CFE, Hai Nguyen and Michael Peterson participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'John E. Bunce', with a long horizontal flourish extending to the right.

John E. Bunce, CFE
Assistant Chief Examiner
Commonwealth of Virginia



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June 3, 2020

David H. Smith, Chief Examiner
Virginia State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, Virginia 23218

RE: Response to Report of Examination of the Jamestown Life Insurance Company as of December 31, 2018

Dear Mr. Smith:

I am writing on behalf of Jamestown Life Insurance Company (the "Company") in connection with the Report of Examination (the "Report") of the Company as of December 31, 2018, prepared by the Virginia Bureau of Insurance (the "Bureau") and submitted to the Company for review and comment on April 24, 2020.

The Company acknowledges receipt of the Report and has thoroughly reviewed its contents.

We would like the electronic version of the report to be submitted to the Company.

The Company wishes to thank you and your examination staff for the courtesy and cooperation extended to the Company during the exam.

If there are any questions, please do not hesitate to contact me at David.OLeary@genworth.com or Angela Simmons at Angela.Simmons@genworth.com.

Sincerely,

A handwritten signature in blue ink that reads "David W. O'Leary". The signature is written in a cursive, flowing style.

David W. O'Leary
President and Chief Executive Officer
Jamestown Life Insurance Company