REPORT ON EXAMINATION

OF THE

AMERICAN CONTINENTAL INSURANCE COMPANY

BRENTWOOD, TENNESSEE

AS OF

DECEMBER 31, 2009

THE DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

NASHVILLE, TENNESSEE

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Brentwood, Tennessee
June 3, 2011

Honorable Mary Taylor
Chair, Financial Condition (E) Committee, NAIC
Director, Ohio Department of Insurance
50 West Town Street
Third Floor, Suite 300
Columbus, Ohio 43215

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Honorable Jim L Ridling
Secretary, Southeastern Zone, NAIC
Commissioner
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Commissioners:

Pursuant to your instructions and in accordance with the Tennessee Insurance laws regulations, and resolutions adopted by the National Association of Insurance Commissioners ("NAIC"), an examination was made of the conditions and affairs of the

AMERICAN CONTINENTAL INSURANCE COMPANY
101 Continental Place
Brentwood, Tennessee 37027

hereinafter and generally referred to as the "Company."

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee through the Examination Tracking System of the NAIC and commenced on April 22, 2010. The examination was conducted under the association plan of the NAIC by duly authorized representatives of the Tennessee Department of Commerce and Insurance.

SCOPE OF EXAMINATION

The period covered by this examination is from August 4, 2005, the date of the last previous examination, to the close of business on December 31, 2009, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination of the financial condition was conducted in accordance with guidelines and procedures contained in the *NAIC Financial Condition Examiners Handbook*. During the course of examination, assets were verified and valued and liabilities were determined and estimated as of December 31, 2009. The financial condition of the Company and its degree of solvency were thereby established. Test checks, covering selected periods, were made of income and disbursement items and a general review was made of the Company's operations, practices, and compliance with applicable statutes and regulations. Independent actuaries were utilized in the review of the Company's loss reserves and due and deferred premiums.

All asset and liability items contained in the financial statement of this report were examined and verified with relative emphasis according to their amount and potential impact on capital and surplus. In addition, an examination of the following areas was made:

- Prior Examination Comments and Recommendations
- Company History
- Growth of Company
- Charter and Bylaws
- Management and Control
- Pecuniary Interest
- Corporate Records
- Fidelity Bond and Other Insurance
- Employee Benefits and Pension Plans
- Territory and Plan of Operation
- Insurance Products and Related Practices
- Mortality and Loss Experience
- Agreements with Parent, Subsidiaries and Affiliates
- Litigation and Contingent Liabilities
- Statutory Deposits
- Accounts and Records
- Actuarial Review
- Financial Statements

These are discussed in detail as follows:

PREVIOUS EXAMINATION COMMENTS AND RECOMMENDATIONS

The previous examination of the Company was conducted as of August 4, 2005, by examiners of the Tennessee Department of Commerce and Insurance. That examination was the Company's organizational examination and did not result in any adverse findings.

COMPANY HISTORY

The Company was incorporated on March 18, 2005 under the Tennessee Business Corporation Act as a for-profit corporation authorized to transact business in the State of Tennessee. The Company's original Charter authorized 5,000,000 shares of common stock with a par value of $1.00 per share.

On July 6, 2005, Continental Life Insurance Company of Brentwood (CLIC) purchased 1,000,000 shares of the Company's common stock at a purchase price of $3.20 per share for a total of $3,200,000 of which $1,000,000 was capital stock and $2,200,000 was gross paid in and contributed surplus.

On May 1, 2006, all outstanding shares of Continental Insurance Service, Inc., the parent of CLIC, were purchased by Genworth Life Insurance Company (GLIC), which is an indirect wholly-owned subsidiary of Genworth Financial, Inc. (Genworth).

On November 30, 2006, the Company sold 500,000 shares of its common capital stock to CLIC for $500,000 in cash. On December 21, 2006, CLIC contributed $5,292,209 in the form of securities to the Company's gross paid in and contributed surplus. An additional contribution of $2,765 to paid in surplus was noted in the 2007 Annual Statement, which was a correction to the amount actually contributed in 2006. On December 12, 2008, CLIC contributed $7,000,000 in cash to the Company's gross paid in and contributed surplus. On June 23, 2009 and again on December 20, 2009, CLIC made contributions of $10,000,000 to the Company's gross paid in and contributed surplus.

The history of the Company's common capital stock is presented as follows:

Date	# of Shares Outstanding	Par Value	Capital Stock	Gross Paid In Surplus
09/05/05	1,000,000	$1.00	$1,000,000	$2,200,000
11/30/06	1,500,000	1.00	1,500,000	2,200,000
12/21/06	1,500,000	1.00	1,500,000	7,492,209
12/31/07	1,500,000	1.00	1,500,000	7,494,974
12/12/08	1,500,000	1.00	1,500,000	14,494,974
06/23/09	1,500,000	1.00	1,500,000	24,494,974
12/20/09	1,500,000	1.00	1,500,000	34,494,974

GROWTH OF COMPANY

The following schedule reflects the growth and financial history of the Company since the previous examination, as shown by its annual statements for the years indicated:

Year	Admitted Assets	Liabilities	Unassigned Funds (Surplus)	Premiums and Annuity Considerations
2005	$ 3,231,405	$ 19,786	$ 11,619	$ 10,696
2006	9,081,376	85,609	3,558	172,266
2007	10,696,592	2,198,036	(496,418)	2,101,896
2008	21,176,310	11,205,615	(6,024,279)	23,033,300
2009	36,738,562	20,381,721	(21,135,830)	66,488,469

CHARTER AND BYLAWS

The Company's original charter was filed and recorded with the Tennessee Secretary of State on March 18, 2005, after having been approved by the Department of Commerce and Insurance, State of Tennessee on March 10, 2005. There have been no amendments to the Company's charter.

According to the charter, the Company was organized ". . . to engage in the business of insurance as a principal, including but not limited to life insurance and accident and health insurance, and to engage in any other lawful business under the laws of the State of Tennessee."

The Bylaws of the Company were adopted by the Board of Directors on March 18, 2005, and have not been amended. The Bylaws provide for an annual Shareholders meeting at which a Board of Directors is elected. The business and affairs of the Company shall be managed by the Board. The number of directors shall not be less than three nor more than fifteen. The Board may designate and executive committee or such other committees it deems desirable.

The officers for the Company shall be a President, a Secretary/Treasurer and such other officers as the Board shall deem necessary. One person may simultaneously hold more than one office, except that the President may not also hold the office of Secretary.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of CLIC, which is a wholly-owned subsidiary of GLIC, which is in turn a wholly-owned subsidiary of Genworth North America Corporation.

Genworth North America Corporation is a wholly-owned subsidiary of Genworth Financial, Inc., which is the Company's ultimate parent.

The Company's Bylaws state that an annual meeting of the Shareholders shall be held each year at which meeting the Shareholders shall elect a Board of Directors and that the number of Directors shall be not less than three.

As reported in the Annual Statement, the following persons were serving as Directors of the Company as of December 31, 2009:

Name and Address	Principal Occupation
Aaron Christian Ball Richmond, VA	Senior General Counsel of Genworth Financial, Inc.
Steven Louis Hendrich Brentwood, TN	Senior Vice President, General Counsel and Secretary of the Company
Christopher Milton Olson Brentwood, TN	President and Chief Executive Officer of the Company
Thomas Melvin Stinson Richmond, VA	President and Chief Executive Officer, Long Term Care Division of Genworth Life Insurance Company
Steven Andrew Zabel Richmond, VA	Chief Financial Officer, Long Term Care Division of Genworth Life Insurance Company

The Bylaws of the Company state that the Board of Directors shall elect a Chairman of the Board, President, a Vice President, a Secretary, and a Treasurer annually. The offices of President and Secretary may not be held by the same person. The following were the duly elected officers of the Company as of December 31, 2009:

Name	Title
Christopher Milton Olson	President and Chief Executive Officer
Steven Louis Hendrich	Senior Vice President, General Counsel and Secretary
Brian Christopher Stewart	Chief Financial Officer
Gary Thomas Prizzia	Treasurer

PECUNIARY INTEREST, TENN. CODE ANN. § 56-3-103

During the period under examination, the Company had an established procedure for disclosure to its Board of Directors of any material interest or affiliation on the part of its officers and directors which conflicts with the person's official duties with the Company. Statements regarding such conflicts of interest were executed by the officers and directors on an annual basis. The statements were found to be in order with no exceptions noted.

CORPORATE RECORDS

The minutes of the meetings of the Shareholder, the Board of Directors, and Investment Committee held during the period under examination were reviewed and were found to be complete as to necessary detail and appear to adequately reflect the acts of the respective bodies.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured under certain insurance coverages being carried by its parent, Genworth Financial, Inc. The following is a summary of the various bonds and insurance policies that provided the enumerated coverages to the Company at December 31, 2009:

Type of Coverage	Limits of Liability
1.Fidelity bond, Standard Form No. 25	\$ 10,000,000 single loss limit \$ 25,000,000 single loss deductible
2.General liability	\$ 1,000,000 per occurrence \$ 2,000,000 general aggregate
3.Excess liability	\$ 25,000,000 each occurrence and aggregate
2nd Excess liability	\$ 25,000,000 per occurrence, excess of \$25,000,000
3rd Excess liability	\$ 25,000,000 per occurrence, excess of \$50,000,000
4th Excess liability	\$ 25,000,000 per occurrence, excess of \$75,000,000
4.Business automobile liability	\$ 1,000,000, after \$100,000 self-insured retention
5.General and employers liability	\$ 1,000,000 each claim \$ 2,000,000 aggregate
6.Workers compensation liability	Statutory limit, after \$250,000 self-insured retention

Minimum fidelity coverage suggested in the *NAIC Financial Condition Examiners Handbook* for a company of the Company's size and premium volume is not less than \$500,000, which the Company exceeds. The bonds and policies affording the aforementioned coverages were inspected and appear to be in-force as of the date of this examination. Said bonds and policies were written by companies licensed to transact business in the State of Tennessee.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees of its own. All services are provided by affiliates, under a written service agreement.

TERRITORY AND PLAN OF OPERATION

Territory

At December 31, 2009, the Company was an authorized insurer in the following states:

Alabama	Indiana	Mississippi	North Dakota	Tennessee
Arizona	Iowa	Missouri	Ohio	Texas
Arkansas	Kansas	Montana	Oklahoma	Virginia
Colorado	Kentucky	Nebraska	Pennsylvania	West Virginia
Florida	Michigan	New Mexico	South Carolina	Wyoming
Illinois	Minnesota	North Carolina	South Dakota	

Prior to the completion of this examination, the company was granted licenses to do business in Georgia, Louisiana, and Nevada. In addition to its authorized writings, the Company also collects premiums in other states due to geographical moves by policyholders. Premium tax records were reviewed for all states in which the Company writes business and no exceptions were noted.

Shown below are the figures for premiums by state in which the Company operated for the year ending December 31, 2009, as reported in Schedule T of the Company's Annual Statement:

State	Life Premium	Accident and Health Premium
Alabama	$ -	$ 88,032
Arizona	-	98,596
Arkansas	-	4,337,558
Colorado	-	1,165,644
Florida	-	60,458
Georgia	46	-
Illinois	-	4,276,753
Indiana	-	843,176
Kansas	-	922,091
Kentucky	-	4,186,587
Michigan	-	487,430
Mississippi	-	832,809

State	Life Premium	Accident and Health Premium
Missouri	-	9,386,359
Montana	-	349,333
Nebraska	-	196,760
New Mexico	-	8,891
North Dakota	-	142,970
Ohio	-	4,681,085
Oklahoma	-	2,333,080
Pennsylvania	-	9,359,790
South Carolina	-	8,939,533
South Dakota	-	1,331,567
Tennessee	64,849	2,930,253
Texas	-	9,451,159
Virginia	-	13,520
Wyoming	-	18,439
Total	**$ 64,895**	**$ 66,441,873**

Plan of Operation

The Company writes life insurance, but over 99% of its written premiums are for Medicare Supplement policies. The Company markets and distributes its products through independent agents. The agents represent the Company according to the terms and provisions of standard contracts which establish respective rights and responsibilities.

INSURANCE PRODUCTS AND RELATED PRACTICES

Advertising

The Company maintains advertising and sales material files in their compliance department. Copies of all material are placed in a state file and the date used or replaced is noted with the revised version. Advertising and sales material that require prior approval (Medicare Supplement, Long Term Care Insurance) are filed with the appropriate State Insurance Department before use.

Underwriting

The Company uses strict underwriting rules in all of its products with numerous health and history questions contained in the applications. Applications vary somewhat depending on the type of insurance being applied for. All applicants of new agents are audited to verify the correctness of the information furnished and to establish a level of confidence in the field underwriting abilities of the new agent. Thereafter, periodic reviews are also conducted on a random basis for established agents in an effort to monitor the level of completeness of the agents' information.

Rates and Policy Forms

The Company writes several different individual life insurance plans, but most policies written are for Medicare supplement coverages. No other A&H insurance is written by the Company. The life plans include variations of whole life coverage with terminal illness benefits and optional accidental death benefits. Most of the Company's policies are guaranteed renewable.

The Company's rates and policy forms were reviewed for compliance with state statutes and regulations concerning approval by their respective State Insurance Departments. As discussed under "Territory and Plan of Operation", the Company is authorized to write business in 29 states.

The Company's policies are computerized and are rated automatically by in-house software. The examiners reviewed a random sample of policies issued during the examination period to determine compliance with rates and forms as approved by their respective State Insurance Departments. A review was also made of the Company's procedures for documenting approval of rates and forms. Approved policies for all states are filed by plan and files reviewed appear to be complete.

Complaints

The Company's complaint handling practices were reviewed during the examination. The Company maintains a complaint register that records all pertinent information regarding the complaint including date received, date closed, complainant name, respective State Insurance Department involved, nature of complaint, and disposition. A sample of complaints from this listing was traced to the documentation in the respective policy and complaint files. Complaints to the Company generally result from claims not covered, refund requests and policies being rescinded due to misrepresentations on applications submitted.

Claims

The Company's claims handling practices were reviewed for timeliness, adherence to proper procedure and fair and consistent treatment of policyholders.

A random sample of policy files was reviewed for proper documentation of policy and claims data and consistency with computerized policy data. This review disclosed that the Company maintains accurate policy and claim file records that correspond correctly to their computer data. In addition to testing the accuracy of the Company's data, a review was made of the Company's practices pertaining to the handling of claim settlements by sampling both open and closed claim files. The sample consisted of claims paid, claims denied and pending claims as of December

31, 2009. The review disclosed that the Company settled its claims promptly after receipt of the necessary documents and in accordance with policy provisions.

The Company maintains an updated set of written claim procedures, claim training manual, and anti-fraud procedures.

MORTALITY AND LOSS EXPERIENCE

As developed from applicable amounts included in the Company's annual statements filed with the Tennessee Department of Commerce and Insurance, the loss and mortality experience of the Company for the examination period is presented as follows:

Ordinary Life

	2005	2006	2007	2008	2009
Net Death Benefits Incurred	$ 0	$ 0	$ 5,000	$ 20,502	$ 11,500
Deduct:					
Reserves Released by Death	0	0	0	522	483
Actual Death Benefits Incurred	0	0	5,000	19,980	11,017
Expected Mortality	0	1,434	10,738	23,953	14,207
Mortality Experience	0.0%	0.0%	46.56%	83.41%	77.54%

Accident and Health

	2005	2006	2007	2008	2009
Net Incurred Claims	$ 5,663	$ 152,511	$ 1,093,727	$ 13,836,984	$ 50,093,417
Net Premiums Earned	1,191	155,153	1,666,935	21,034,221	64,810,916
Loss Experience Ratio	475.48%	98.30%	65.61%	65.78%	77.29%

AGREEMENTS WITH PARENT, SUBSIDIARIES AND AFFILIATES

The Company had three agreements with affiliated companies in effect as of December 31, 2009. The following are summaries of the agreements:

Tax Allocation Agreement

The original agreement, dated May 24, 2004, was between GLIC, Genworth Financial, Inc., and several insurance subsidiaries of Genworth Financial, Inc. The Company became a party to the agreement by executing an Adoption Agreement on May 1, 2006. The agreement states that the participating companies shall allocate the consolidated federal income tax liability of the affiliated group to each participating company by multiplying the consolidated tax liability times a fraction, the numerator of which is the federal income tax liability of the participating company, computed as if it filed a separate federal income tax return, and the denominator of which is the sum of the separate tax liabilities of the participating companies. The amount of the consolidated tax liability allocated to each participating company shall not exceed the separate tax liability of such company; provided, however, that for purposes of computing the separate tax liability of a participating company, any income, deduction, or loss recognized by such participating company in an intercompany transaction with another participating company shall be taken into account as provided in Treasury Regulation §§ 1.1502-13 and 1.1502-13T. Pursuant to Tenn. Code Ann. § 56-11-206(a)(2)(D), this agreement was filed with the Tennessee Department of Commerce and Insurance on Form D on February 22, 2006, and was approved on May 1, 2006.

Amended and Restated Services and Shared Expenses Agreement

This agreement, dated as of January 16, 2004 was made by GNA Corporation and various insurance company subsidiaries of General Electric Capital Services, Inc. who were party to the Services and Shared Expenses Agreement effective as of July 14, 1993. The amendment was made primarily to allow a non-insurance company to be party to the agreement. Under the agreement, each company agrees to provide, and each company accepts, certain general services, including data processing, communications, marketing, investment, human resources, personnel, payroll, finance, accounting, tax, treasury, actuarial, accounting, agent administration, underwriting, and claims services. Each company agrees to pay its share of the actual costs incurred by the other companies in providing such services. The Company executed an Adoption Agreement and became party to the Amended and Restated Services and Shared Expenses Agreement on May 1, 2006. Pursuant to Tenn. Code Ann. § 56-11-206(a)(2)(D), this agreement was filed with the Tennessee Department of Commerce and Insurance on Form D on February 22, 2006, and was approved on May 1, 2006.

Unconditional Guaranty Agreement

This agreement between the Company and CLIC was executed on August 29, 2008. Under the terms of the agreement the CLIC agrees that it will maintain the capital & surplus of the Company at the greater of the financial admission requirements or the risk-based capital requirements set out in North Carolina statute. The agreement is to extend for a minimum of three years after the Company is issued a certificate of authority in North Carolina or until the Company can provide a Report on Examination that certifies three consecutive years of net gain from operations, whichever occurs last.

LITIGATION AND CONTINGENT LIABILITIES

From the data made available during the progress of this examination, it would appear that the only matters at law in which the Company was involved, during the period under review, were those relating to the settlement of claims.

The Company also apparently had no agreements or pending matters of contingent nature that would materially affect its financial position or operating results at December 31, 2009.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained the following deposits with the named jurisdictions or custodians as of December 31, 2009:

DEPOSITS WHICH ARE NOT FOR THE BENEFIT OF ALL POLICYHOLDERS:

Jurisdiction	Description of Security	Par Value	Book Value	Market Value
New Mexico	US Treasury Bond, Due 9/30/13, 3.125%, Cusip # 912828JM3	$ 110,000	$ 111,634	$ 114,323
North Carolina	US Treasury Note, Due 7/31/16, 3.250%, Cusip # 912828LD0	640,000	647,085	641,152
South Carolina	US Treasury Note, Due 8/15/12, 4.375%, Cusip # 912828AJ9	137,000	135,005	147,393
Virginia	US Treasury Note, Due 2/15/12, 4.875%, Cusip # 9128277L0	320,000	322,172	344,413
Total		$1,207,000	$1,215,896	$1,247,281

DEPOSITS WHICH ARE FOR THE BENEFIT OF ALL POLICYHOLDERS:

Jurisdiction	Description of Security	Par Value	Book Value	Market Value
Tennessee	US Treasury Note, Due 2/15/12, 4.875%, Cusip # 9128277L0	$ 2,500,000	$ 2,510,680	$ 2,690,725
Total		$ 2,500,000	$ 2,510,680	$ 2,690,725

Deposits with said jurisdictions or custodians were verified by direct correspondence with the custodian of such deposit.

ACCOUNTS AND RECORDS

During the course of the examination, accounts were verified by various tests and procedures deemed necessary to establish values for assets and liabilities appearing in the Company's financial statements. Test checks, for selected periods, were made of premium receipts, investment income, interest due and accrued, claim payments, and other disbursements. All annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed and recalculated. These test checks and reviews revealed no material discrepancies.

A letter of representation, dated as of the date of this report and certifying that management has disclosed all significant matters and records, was obtained from management and has been included in the work papers of this report.

ACTUARIAL REVIEW

Michael A. Mayberry, FSA, MAAA, and Sarah A. Hoover, FSA, MAAA, of Lewis & Ellis, Inc. performed an actuarial examination of the following reserves reported on the Company's balance sheet:

Aggregate reserve for life policies and contracts (Page 3, Line 1)	$47,925
Aggregate reserve for accident and health policies (Page 3, Line 2)	$3,975,519
Liability for deposit-type contracts (Page 3, Line 3)	$0
Policy and contract claims	
Life (Page 3, Line 4.1)	$5,000
Accident and health (Page 3, Line4.2)	$7,586,427
Life insurance premiums and annuity considerations deferred and uncollected (Page 2, Lines 13.1 and 13.2)	$2,778,760
Liability for advanced premiums (Page 3, Line 8)	$1,920,439

There were no problems noted with the reserve amounts reported on the Company's balance sheet, nor in the methodology used to obtain those amounts.

SUBSEQUENT EVENTS

On March 30, 2010, CLIC made a capital contribution to the Company in the amount of $17,000,000. On June 25, 2010, CLIC made capital contributions of $7,035,933 in securities, with $150,317 in accrued interest, and $3,321,649 in cash to the Company. On September 16, 2010, CLIC made a capital contribution of $7,000,000 to the Company.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, capital and surplus, and summary of operations at December 31, 2009, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$ 7,762,277	$ 1,058,481	$ 6,703,796
Cash and short-term investments	25,602,026	-	25,602,026
Subtotals, cash and invested assets	33,364,303	1,058,481	32,305,822
Investment income due and accrued	93,194	-	93,194
Uncollected premiums or agents' balances in the course of collection	324,192	-	324,192
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,455,801	1,233	2,454,568
Net deferred tax asset	5,631,512	4,133,815	1,497,697
Electronic data processing equipment and software	2,418,133	2,418,133	-
Aggregate write-ins for other than invested assets	977,384	914,295	63,089
Total Assets	**$ 45,264,519**	**$ 8,525,957**	**$ 36,738,562**

Liabilities and Net Worth

		Net Liabilities
Aggregate reserve for life contracts		$ 47,925
Aggregate reserve for accident and health contracts		3,975,519
Contract claims – life		5,000
Contract claims - accident and health		7,586,427
Premiums and annuity considerations received in advance		1,920,439
Contract liabilities not included elsewhere - Interest Maintenance Reserve		722
Commissions to agents due or accrued		50,973
General expenses due or accrued		228,324
Taxes, licenses & fees due or accrued		709,822
Current federal or foreign income taxes		1,258,975
Amounts withheld by company as agent or trustee		50,831
Remittances and items not allocated		926,718
Miscellaneous liabilities: Asset valuation reserve		12,182
Payable to parent, subsidiaries and affiliates		3,607,864
Total liabilities		**20,381,721**
Common capital stock		1,500,000
Gross paid in and contributed surplus	34,494,974	
Aggregate write-ins for special surplus funds	1,497,697	
Unassigned funds	(21,135,830)	
Surplus		14,856,841
Total Capital and Surplus		16,356,841
Total liabilities, capital and surplus		**$36,738,562**

Statement of Revenue, Expenses and Net Worth

Premiums and annuity considerations		$ 66,488,469
Net Investment Income		293,186
Amortization of interest maintenance reserve		366
Aggregate write-ins for miscellaneous income		271,698
Totals		**67,053,689**
Death Benefits		11,500
Disability benefits and benefits under accident and health contracts		50,093,417
Increase in aggregate reserves for life and accident and health contracts		1,629,956
Totals		**51,734,873**
Commissions on premiums, annuity considerations and deposit-type funds		13,845,338
General insurance expenses		11,756,966
Taxes, licenses and fees		1,831,388
Increase in loading on deferred and uncollected premiums		204
Totals		**79,168,769**
Net gain from operations before federal income taxes		(12,115,080)
Federal income taxes incurred		(562,948)
Net gain from operations after federal income taxes and before realized capital gains or (losses)		(11,552,132)
Net realized capital gains or (losses)		-
Net Income		**$ (11,552,132)**
Capital and surplus, December 31, prior year		9,970,695
Net Income	(11,522,132)	
Change in net deferred income tax	3,336,419	
Change in nonadmitted assets	(7,404,438)	
Change in asset valuation reserve	(6,380)	
Cumulative effect of changes in accounting principles	(31,366)	
Surplus adjustment: Paid in	20,000,000	
Aggregate write-ins for gains and losses in surplus	2,044,043	
Net change in capital and surplus for the year		6,386,146
Capital and surplus, December 31, current year		$ 16,356,841

Net Worth

Capital and surplus, December 31, 2004	**$ 0**
Net income	14,540
Change in net deferred income tax	1,265
Change in nonadmitted assets	(4,186)
Capital paid in	1,000,000
Surplus paid in	2,200,000
Capital and surplus, December 31, 2005	**3,211,619**
Net income	5,075
Change in net deferred income tax	9,889
Change in nonadmitted assets	(18,814)
Change in asset valuation reserve	(4,212)
Capital paid in	500,000
Surplus paid in	5,292,210
Capital and surplus, December 31, 2006	**8,995,767**
Net income	(226,208)
Change in net deferred income tax	187,136
Change in nonadmitted assets	(465,117)
Change in asset valuation reserve	4,213
Surplus paid in	2,765
Capital and surplus, December 31, 2007	**8,498,556**
Net income	(5,487,767)
Change in net deferred income tax	599,110
Change in nonadmitted assets	(633,403)
Change in asset valuation reserve	(5,801)
Surplus paid in	7,000,000
Capital and surplus, December 31, 2008	**9,970,695**
Net income	(11,552,132)
Change in net deferred income tax	3,336,419
Change in nonadmitted assets	(7,404,438)
Change in asset valuation reserve	(6,380)
Cumulative effect of change in accounting principles	(31,366)
Surplus paid in	20,000,000
Aggregate write-ins for gains and losses in surplus	2,044,043
Capital and surplus, December 31, 2009	**$ 16,356,841**

ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION

Differences in various items were noted during the course of examination; however, none were considered to produce a material effect on surplus funds as regards policyholders, either singly or in the aggregate.

SUMMARY SCHEDULE FOR "ANALYSIS OF CHANGES IN FINANCIAL STATEMENT AND COMMENTS RESULTING FROM EXAMINATION" AS THEY AFFECT SURPLUS

No schedule or comment is applicable. All noted differences were below the threshold established for examination purposes.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments noted in this report:

Comments:

The Custodial Agreement with Bank of New York did not contain the required language as referenced in Tenn. Comp. R. & Regs. § 0780-1-46-.03(2)(a)(4). It was recommended to the Company that the agreement be modified to fully comply with this regulation. An amendment containing the language required by Tenn. Comp. R. & Regs. § 0780-1-46-.03(2)(a)(4) was executed prior to the completion of the examination.

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the verification and valuation of assets and the determination of liabilities of American Continental Insurance Company.

In such manner, it was found that as of December 31, 2009, the Company had admitted assets of $36,738,562 and liabilities, exclusive of capital and surplus, of $20,381,721. Thus, there existed for the additional protection of the policyholders, the amount of $16,356,841 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Michael A. Mayberry, FSA, MAAA, and Sarah A. Hoover, FSA, MAAA, participated in the work of this examination.

Respectfully submitted,

Rhonda Bowling-Black
Rhonda Bowling-Black, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

Mike Bacon
Mike Bacon
Insurance Examiner
State of Tennessee
Southeastern Zone, NAIC

Sandy Banks
Sandy Banks
Insurance Examiner
State of Tennessee
Southeastern Zone, NAIC

EXAMINATION AFFIDAVIT

The undersigned deposes and says that she has duly executed the attached examination report of American Continental Insurance Company dated June 3, 2011, and made as of December 31, 2009, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says she is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of her knowledge, information and belief.

Rhonda Bowling-Black
Rhonda Bowling-Black, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

County Davidson

State Tennessee

Subscribed and sworn to before me
this 3rd day of
June, 2011

Helen W. Dorsey
(NOTARY)

My Commission Expires

03/03/2014

HELEN W DORSEY
STATE
OF
TENNESSEE
NOTARY
PUBLIC
DAVIDSON COUNTY

ORGANIZATIONAL CHART

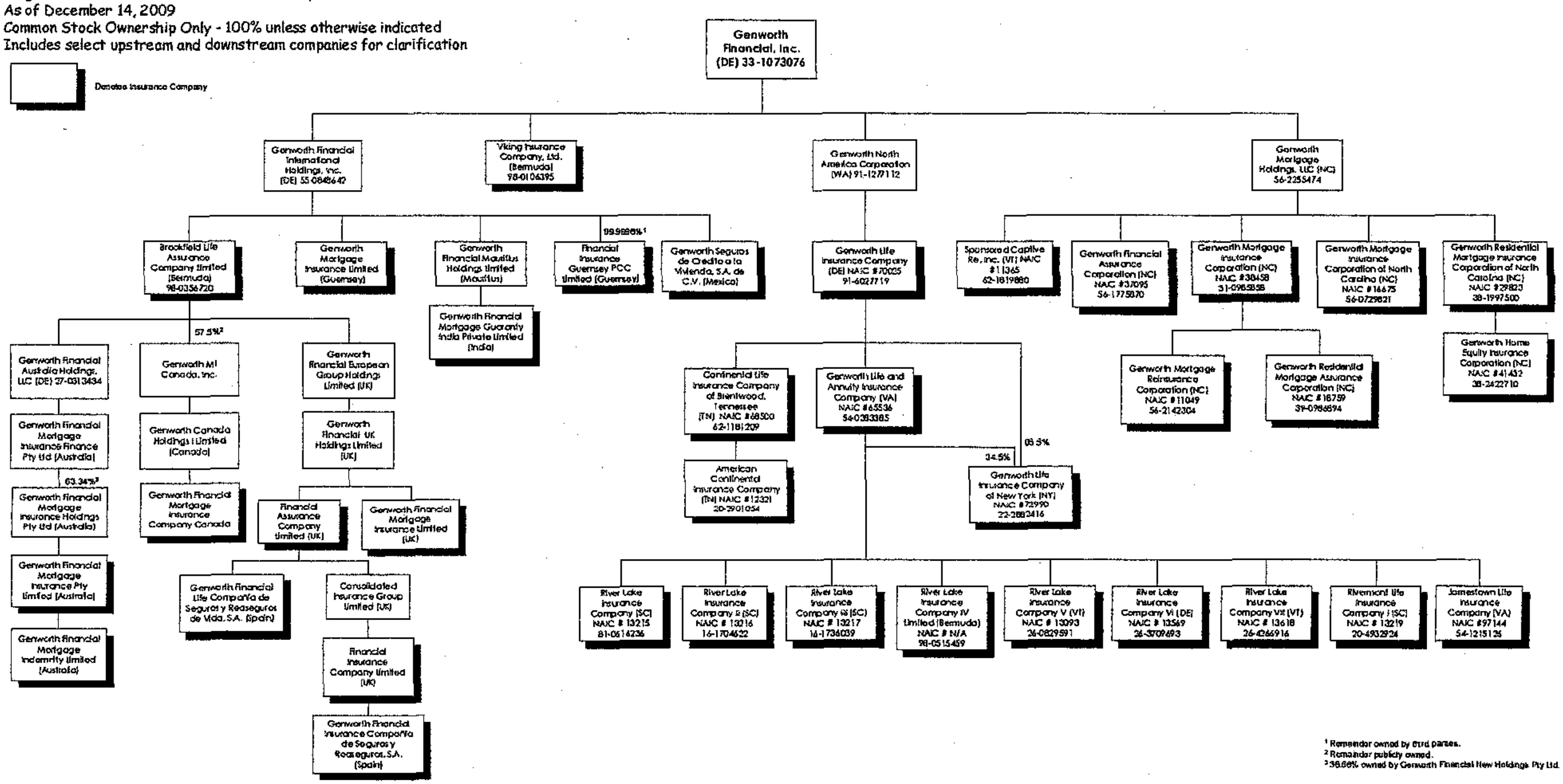
Genworth Financial, Inc.

Organizational Chart - Insurance Companies

As of December 14, 2009

Common Stock Ownership Only - 100% unless otherwise indicated

Includes select upstream and downstream companies for clarification



¹ Remainder owned by third parties.
² Remainder publicly owned.
³ 36.66% owned by Genworth Financial New Holdings Pty Ltd.

Genworth
Financial

6620 W. Broad Street
Richmond, VA 23230
genworth.com

June 7, 2011

Horace E. Gaddis, Jr., CFE
State of Tennessee
Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

RE: Response to Report of Financial Condition Examination of the American Continental Insurance Company as of December 31, 2009

Dear Mr. Gaddis:

I am writing on behalf of American Continental Insurance Company (the "Company") in connection with the Report of Financial Condition Examination ("Report") of the Company as of December 31, 2009, prepared by the State of Tennessee Department of Commerce and Insurance ("Department") and submitted to the Company for review and comment by cover letter dated June 3, 2011.

The Company acknowledges receipt of the Report, has thoroughly reviewed its contents and agrees with the comments and recommendations.

We would like to request 20 internal copies of the report be submitted to the Company.

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

If there are any questions, please do not hesitate to contact me at 804-662-2458 or at Michele.Trampe@genworth.com.

Very truly yours,

Michele Trampe

Michele Trampe
Genworth Financial Inc.
Retirement and Protection
Vice President and Controller, Accounting and Reporting

RECEIVED

JUN 09 2011

Dept. of Commerce & Insurance
Company Examinations

EXHIBIT
B