STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

FIRST GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

CONDITION: DECEMBER 31, 2005

DATE OF REPORT: AUGUST 11, 2006

STATE OF NEW YORK INSURANCE DEPARTMENT

REPORT ON EXAMINATION

OF THE

FIRST GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

AS OF

DECEMBER 31, 2005

DATE OF REPORT:	AUGUST 11, 2006
EXAMINER:	CHACKO THOMAS

TABLE OF CONTENTS

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Howard Mills
Superintendent

August 11, 2006

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

In accordance with instructions contained in Appointment No. 22443, dated December 6, 2005 and annexed hereto, an examination has been made into the condition and affairs of First Great-West Life & Annuity Insurance Company, hereinafter referred to as "the Company," at its home office located at 50 Main Street, 9th Floor, White Plains, NY 10606.

Wherever "Department" appears in this report, it refers to the State of New York Insurance Department.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

Effective December 31, 2005, the First Great-West Life & Annuity Insurance Company merged with and into the Canada Life Insurance Company of New York. Prior to the merger, both companies were wholly-owned subsidiaries of the Great-West Life & Annuity Insurance Company. Upon completion of the merger the surviving company, the Canada Life Insurance Company of New York, changed its name to the First Great-West Life & Annuity Insurance Company.

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2005 filed annual statement. (See item 5 of this report)

The Company violated Section 3214(c) of New York Insurance Law when it failed to pay interest on group death benefits at the same rate as proceeds left under the interest settlement option. The examiner recommends that the Company implement a plan of remediation to identify adversely affected policyholders and pay the appropriate interest. (See item 7C of this report)

The Company violated Section 3227 of New York Insurance Law when it failed to pay interest on surrender benefits payable where payments were not mailed or delivered by the insurer within ten working days of said receipt, and such interest due amounted to at least twenty-five dollars. The Company took remedial action and paid the appropriate interest on any surrenders where interest was due but not previously paid. This remediation resulted in total interest payments of $31,094 made to 209 policyholders. (See item 7C of this report)

2. SCOPE OF EXAMINATION

The prior examinations were conducted as of December 31, 2000. A follow-up examination of the First Great-West Life & Annuity Insurance Company was conducted as of October 22, 2002 to verify that appropriate remedial action was taken by the Company in response to violations reported in the December 31, 2000 examination report. This examination covers the period from January 1, 2001 through December 31, 2005, the effective date of the merger. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2005 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2005 to determine whether the Company's 2005 filed annual statement fairly presents its financial condition. The examiner reviewed the Company's income and disbursements necessary to accomplish such verification and utilized the National Association of Insurance Commissioners' Examiners Handbook or such other examination procedures, as deemed appropriate, in such review and in the review or audit of the following matters:

Company history
Management and control
Corporate records
Fidelity bond and other insurance
Territory and plan of operation
Market conduct activities
Growth of Company
Reinsurance
Accounts and records
Financial statements

The examiner reviewed the corrective actions taken by the Company with respect to the violations, recommendations and/or comments contained in the prior reports on examination. The results of the examiner's review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF COMPANY

A. History

Canada Life Insurance Company of New York ("CLINY") was incorporated as a stock life insurance company under the laws of New York on June 7, 1971, was licensed on December 14, 1971 and commenced business on January 1, 1972. Initial resources of $3,000,000, consisting of common capital stock of $1,000,000 and paid in and contributed surplus of $2,000,000, were provided through the sale of 100,000 shares of common stock (with a par value of $10 each) for $30 per share by CLACO, a Canadian mutual insurance company. In 1972, CLACO made an additional investment in the Company through a cash contribution in the amount of $850,000.

In 1999, Canada Life Financial Corporation ("CLFC") acquired control of CLACO and its subsidiaries. CLFC was established to convert CLACO from a mutual life insurance company to a stock life insurance company.

On July 10, 2003, Great-West Lifeco Inc. ("Lifeco"), a Canadian holding company, completed its acquisition of CLFC. Immediately thereafter, Lifeco transferred all of the common shares of CLFC to its Canadian subsidiary, The Great-West Life Assurance Company ("GWL"). On December 31, 2003, all of the outstanding common shares of CLINY were transferred to Great-West Life & Annuity Insurance Company ("GWL&A"), a stock life insurer domiciled in the State of Colorado.

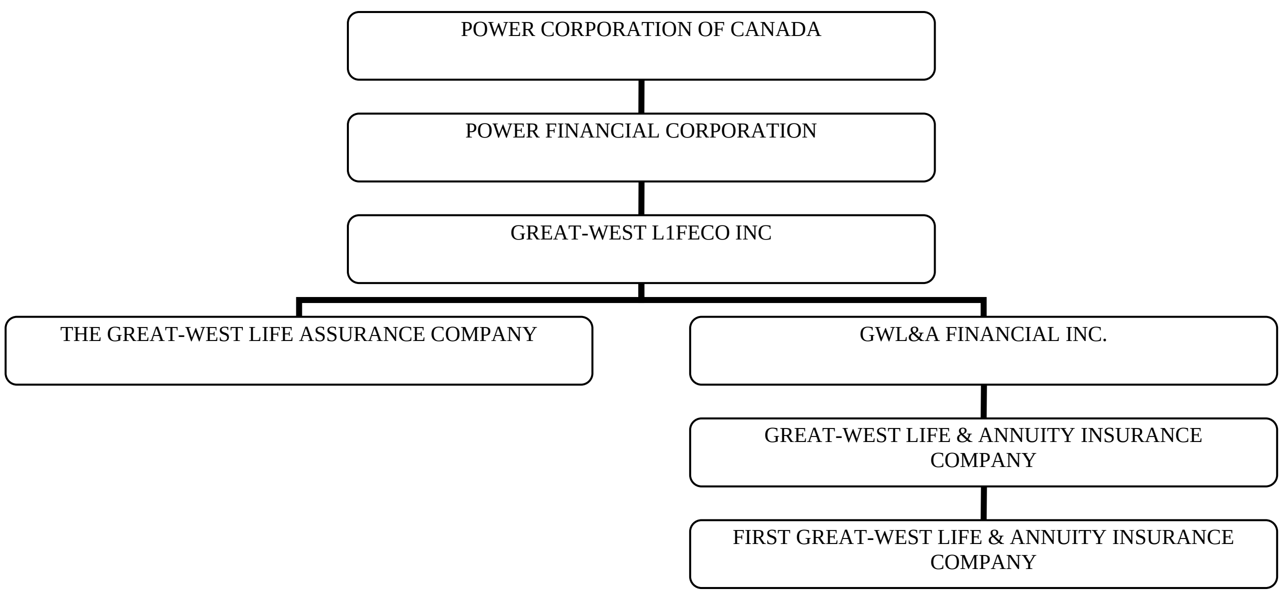
Effective December 31, 2005, CLINY merged with the First Great-West Life & Annuity Insurance Company ("FGWLA"). Prior to the merger both insurers were wholly-owned U.S. subsidiaries of GWL&A. Upon completion of the merger CLINY, the surviving company ("the Company"), adopted the First Great-West Life & Annuity Insurance Company name.

As of December 31, 2005, the Company retained capital stock in the amount of $2,500,000, which consisted of 2500 shares of common stock with a par value of $1,000 each, and paid in and contributed surplus of $32,450,000.

B. <u>Holding Company</u>:

The Company is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company ("GWL&A"), a stock life insurer domiciled in the State of Colorado. GWL&A is a wholly owned subsidiary of the GWL&A Financial Inc., a Delaware holding company, which in turn is an indirect wholly owned subsidiary of Great-West Lifeco Inc. ("Lifeco"), a Canadian holding company. Lifeco, is a member of the Power Financial Corporation group of companies, a diversified management and holding company based in Montreal, Canada, which currently holds 70.6% of Lifeco. The ultimate controlling company is Power Corporation of Canada.

An organization chart reflecting the relationship between the Company and significant entities in its holding company system as of December 31, 2005 follows:



The Company had 3 service agreements in effect with affiliates during the examination period.

Type of Agreement and Department File Number	Effective Date	Provider(s) of Service(s)	Recipient(s) of Service(s)	Specific Service(s) Covered	Income/ (Expense)* For Each Year of the Examination	
Administrative Services Agreement File Nos. 26905 and 30772	August 31, 1999 August 1, 2003 (replaced the 8/31/99 agreement)	Great-West Life & Annuity Insurance Company and certain affiliates	First Great-West Life & Annuity Insurance Company	Underwriting, policyowner services marketing, accounting, corporate support, functional support, and investment services	2001	$(3,070,400)
					2002	$(4,060,300)
					2003	$(4,144,331)
					2004	$(6,077,000)
					2005	$(6,058,583)
Service Agreement File No. 27974	September 6, 2000 (Terminated 12/31/05)	The Canada Life Assurance Company	Canada Life Insurance Company of New York	Accounting, tax, and actuarial services, agent licensing, marketing, audit, claims, corporate communications, data processing, human resources, legal, policyowner services, billing, record-keeping, sales and underwriting services.	2001	$(3,308,164)
					2002	$(4,339,644)
					2003	$(2,778,653)
					2004	$(1,080,500)
					2005	$ (445,818)
Investment Management Agreement File No. 29836	January 1, 2002 (Terminated 12/31/05)	The Canada Life Assurance Company	Canada Life Insurance Company of New York	Investment services	2003	$0
					2004	$0
					2005	$0

*Amount of Income or (Expense) Incurred by the Company

Pursuant to the merger agreement, effective December 31, 2005 the Company began using the Administrative Services Agreement, dated August 1, 2003, to govern services provided by GWL&A to the Company. Consequently, the Service Agreement, dated September 6, 2000, and the Investment Management Agreement, dated January 1, 2002, between the Canada Life Assurance Company and CLINY, were formally terminated.

The Company files its federal income tax return on a consolidated basis with other members of its holding company system. In connection therewith, the Company continues to participate in a written federal tax allocation agreement with GWL&A Financial Inc.

C. Management

The Company's by-laws provide that the board of directors shall be comprised of not less than 9 and not more than 21 directors. Directors are elected for a period of one year at the annual meeting of the stockholders held in June of each year. As of December 31, 2005, the board of directors consisted of 9 members. During the examination period meetings of the board were generally held three times a year.

The 9 board members and their principal business affiliation, as of December 31, 2005, were as follows:

Name and Residence	Principal Business Affiliation	Year First Elected
Marcia Drucker Alazraki* New York, NY	Attorney Manatt, Phelps & Philips, LLP	2003
James Balog* Vero Beach, FL	Retired	2003
Orest Taras Dackow Greenwood Village, CO	Director Great-West Life & Annuity Insurance Company	2003
André Desmarais Montréal, Québec	President and Co-Chief Executive Officer Power Corporation of Canada	2005
Paul Desmarais, Jr. Montréal, Québec	Chairman and Co-Chief Executive Officer Power Corporation of Canada	2003
Robert Gratton Montréal, Québec	Chairman of the Board Power Financial Corporation	2003

Name and Residence	Principal Business Affiliation	Year First Elected
Stuart Z. Katz* New York, NY	Attorney Fried, Frank, Harris, Shriver & Jacobson	2003
William Thomas McCallum Greenwood Village, CO	President and Chief Executive Officer First Great-West Life & Annuity Insurance Company	2003
Brian Edward Walsh* Purchase, NY	Managing Partner Qvan Capital, LLC	2003

* Not affiliated with the Company or any other company in the holding company system

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

The following is a listing of the principal officers of the Company as of December 31, 2005:

Name	Title
William Thomas McCallum	Chairman, President and Chief Executive Officer
Duncan Craig Lennox	Senior Vice President, General Counsel and Secretary
Glen Ray Derback	Senior Vice President and Treasurer
James Lockhart McCallen	Senior Vice President and Actuary
Mitchell T.G. Graye	Executive Vice President and Chief Financial Officer
S.M. Corbett	Senior Vice President, Investments
W.T. Hoffmann	Senior Vice President, Investments
R.K. Shaw	Senior Vice President, Individual Markets
M.J. Pavlik	Financial Compliance Officer
Douglas L. Wooden	Executive Vice President, Financial Services
Cheryl L. McGinness	Vice President, Operations
Barbra H. Varnhagen	Legal Compliance Officer
Glen R. Derback	Senior Vice President and Treasurer
David C. Aspinwall*	Vice President, Counsel and Chief Compliance Officer

* Designated consumer services officer per Section 216.4(c) of Department Regulation No. 64

D. Territory and Plan of Operation

The Company is authorized to write life insurance, annuities and accident and health insurance as defined in paragraphs 1, 2 and 3 of Section 1113(a) of the New York Insurance Law.

The Company is licensed to transact business in New York State only. Prior to the merger, CLINY transacted business exclusively in New York whereas FGWLA transacted business in New York and Iowa. Subsequent to the merger the Company surrendered its license to transact business in Iowa. In 2005, 82.03% of life premiums, 56.8% accident and health premiums and 99.8% annuity considerations, were received from New York. Policies are written on a non-participating basis.

The following tables show the percentage of direct premiums received, by state, and by major lines of business for the year 2005:

Life Insurance Premiums		Annuity Considerations		Accident & Health Insurance Premiums	
New York	82.03%	New York	99.80%	New York	56.08%
New Jersey	3.37	All others	0.20	New Jersey	7.92
Florida	1.68			California	5.98
				Pennsylvania	5.16
Subtotal	87.08%	Total	100.0%		
All others	12.92			Subtotal	75.14%
				All others	24.86
Total	100.0%				
				Total	100.0%

The Company's principal lines of business during the examination period were ordinary and group life insurance, individual and group annuities, and group accident and health insurance. The Company sells individual variable qualified and non-qualified deferred annuities through Charles Schwab & Co., Inc. Since 2002, the Company issues individual term insurance through Citibank. The Company offers its group products to employer groups with membership over fifty lives.

After the acquisition of the Company by Lifeco in 2003 the Company discontinued writing new business using CLINY products. The remaining in-force group business, consisting of life, disability, accidental death and dismemberment, and dental insurance, was sold to Jefferson Pilot LifeAmerica Insurance Company in September 2004. In addition, while FGWLA was previously active in the sale of fully insured medical products, the last policy terminated December 31, 2002. Since that time, FGWLA has neither sold, nor indicated any future intention to sell, a fully insured medical product. FGWLA continues to have in-force a small closed block of fully insured dental cases. These cases are administered by its parent, GWL&A, pursuant to an Administrative Services Agreement.

The Company discontinued selling its universal life insurance product in 2003. Such product was a non-participating modified single premium individual life product designed for sale through the institutional insurance market. The Company is in the process of developing new products for this market.

The Company's agency operations are conducted on a general agency basis.

E. Reinsurance

As of December 31, 2005, the Company had reinsurance treaties in effect with 22 companies, all of which were authorized or accredited. The Company's life and accident and health business is reinsured on a coinsurance, modified-coinsurance, and/or yearly renewable term basis. Reinsurance is provided on an automatic and/or facultative basis.

The maximum retention limit for individual life contracts is $250,000. The total face amount of life insurance ceded as of December 31, 2005 was $3,489,619,503, which represents 56.67% of the total face amount of life insurance in force.

The total face amount of life insurance assumed as of December 31, 2005 was $1,386,500.

4. SIGNIFICANT OPERATING RESULTS

Indicated below is significant information concerning the operations of the Company during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Company's financial growth (decline) during the period under review:

	December 31, 2000*	December 31, 2005	Increase (Decrease)
Admitted assets	$531,850,092	$588,801,101	$56,951,009
Liabilities	$484,040,494	$545,538,122	$61,497,628
Common capital stock	$ 3,500,000	$3,500,000	$ 0
Gross paid in and contributed surplus	31,450,000	31,450,000	0
Unassigned funds (surplus)	12,859,598	8,312,979	(4,546,619)
Total capital and surplus	$ 47,809,598	$ 43,262,979	$ (4,546,619)
Total liabilities, capital and surplus	$531,850,092	$588,801,101	$56,951,009

*The figures noted above are presented as if the merger of the companies had occurred as of December 31, 2000.

In the 2005 Annual statement, page 3, the Company reported common capital stock in the amount of $3,500,000 and gross paid in and contributed surplus in the amount of $31,450,000. The proper amounts that should have been reported were $2,500,000 and $32,450,000, respectively. The Company stated that, upon merger, the surviving company was to be capitalized with common stock of $2,500,000. However, when the two companies' books of account were merged, common stock totaled $3,500,000. The additional $1,000,000 over the agreed upon capitalization of $2,500,000 should have been shifted to gross paid in and contributed surplus. This oversight had no overall effect on total capital and surplus, and the Company made the appropriate corrections in the following reporting period.

In June 2006 the Company filed an amended Annual Statement to correct a reporting error in the calculation of its Deferred Tax Assets ("DTAs") as of December 31, 2005. The Company originally reported $10,560,772 as net DTAs; $7,795,590 as admitted DTAs and

$2,765,182 as non admitted. Although the amended Annual Statement reported the same amount for net DTAs, the non admitted portion increased to $8,537,030, thus reducing the admitted net DTA to $2,023,742. As a result the Company's unassigned surplus decreased from $8,312,979 to $2,541,131, thus reducing the financial growth during the period to $51,179,161.

The Company's invested assets as of December 31, 2005, exclusive of separate accounts, were mainly comprised of bonds (75.6%), mortgage loans (16.9%), policy loans (2.6%), cash and short-term investments (4.7%).

The majority (95.2%) of the Company's bond portfolio, as of December 31, 2005, was comprised of investment grade obligations.

The following indicates, for each of the years listed below, the amount of life insurance issued and in force by type (in thousands of dollars):

	Individual Whole Life		Individual Term		Group Life	
Year	Issued	In Force	Issued	In Force	Issued & Increases	In Force
2005	$ 13,765	$1,643,125	$1,112,300	$4,503,536	$ 6,708	$ 14,382
2004*	$ 400	$2,007,832	$1,364,171	$3,908,754	$ 900	$286,040
2003*	$ 127,719	$1,822,576	$2,095,678	$3,669,982	$557,253	$861,866
2002*	$1,178,369	$2,778,490	$ 634,810	$1,051,497	$ 37,762	$424,317
2001*	$ 168,939	$1,697,286	$ 283,195	$ 460,794	$303,749	$616,568

*The figures for the years 2001 to 2004 are presented in this report as if the merger of the companies had occurred as of December 31, 2000.

There are various reasons that contribute to the fluctuations in business written during the years 2003 through 2005. The primary reasons are the acquisition of CLINY's parent by Lifeco, which resulted in a management decision to discontinue CLINY's writing new business beginning in 2003, and the subsequent merger of FGWLA with CLINY.

The following is the net gain (loss) from operations by line of business after federal income taxes but before realized capital gains (losses) reported for each of the years under examination in the Company's filed annual statements:

	2001*	2002*	2003*	2004*	2005
Ordinary:					
Life insurance	$ 1,619,394	$ (778,975)	$(2,629,045)	$ (92,174)	$3,280,954
Individual annuities	1,440,506	(493,146)	95,836	(275,012)	1,178,693
Supplementary contracts	0	(34,542)	(65,071)	0	124,646
Total ordinary	$ 3,059,900	$(1,306,663)	$(2,598,280)	$(367,186)	$4,584,293
Group:					
Life	$ 354,245	$ 682,588	$ (95,516)	$ 45,434	$ (285,792)
Annuities	40,776	73,794	4,489	(85,878)	2,317,296
Total group	$ 395,021	$ 756,382	$ (91,027)	$ (40,444)	$2,031,504
Accident and health:					
Group	$ 6,299,388	$ 885,961	$ 1,851,499	$(290,554)	$ 928,318
Other	(80,202)	49	(7,256)	11,034	13,570
Total accident and health	$ 6,219,186	$ 886,010	$ 1,844,243	$(279,520)	$ 941,888
All other lines	$ 777,056	$ 1,256,888	$ 295,003	$ 640,610	$1,125,068
Total	$10,451,163	$ 1,592,617	$ (550,061)	$ (46,540)	$8,682,753

*The figures for the years 2001 to 2004 are presented in this report as if the merger of the companies had occurred as of December 31, 2000.

The large increase in income for the ordinary and group life insurance lines from 2004 to 2005 is due to an increase in the influx of life premiums and annuity considerations and a corresponding increase in investment income.

5. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2005, as contained in the Company's 2005 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Company's financial condition as presented in its financial statements contained in the December 31, 2005 filed annual statement.

A. ASSETS, LIABILITIES, CAPITAL AND SURPLUS AS OF DECEMBER 31, 2005

Admitted Assets

Bonds	$376,531,298
Stocks:	
Common stocks	47,783
Mortgage loans on real estate:	
First liens	84,273,597
Real estate:	
Properties held for sale	218,501
Cash, cash equivalents and short term investments	23,589,861
Contract loans	13,136,822
Receivable for securities	520,755
Investment income due and accrued	4,074,252
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	1,477,438
Deferred premiums, agents' balances and installments booked but deferred and not yet due	702,167
Reinsurance:	
Amounts recoverable from reinsurers	3,418,358
Amounts receivable relating to uninsured plans	1,050,121
Current federal and foreign income tax recoverable and interest thereon	2,007,518
Net deferred tax asset	7,795,590
Receivables from parent, subsidiaries and affiliates	40,778
Other assets	329,691
Pharmacy claims receivable	2,442
Taxes, licenses and fees recoverable	20,686
Transfers from separate accounts	21,806
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	69,541,637
Total admitted assets	$588,801,101

Liabilities, Capital and Surplus

Aggregate reserve for life policies and contracts	$429,807,887
Aggregate reserve for accident and health contracts	1,569,885
Liability for deposit-type contracts	8,873,465
Contract claims:	
Life	4,539,709
Accident and health	1,346,244
Dividends apportioned for payment	1,600,000
Premiums and annuity considerations for life and accident and health contracts received in advance	12,866
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	2,808,803
Other amounts payable on reinsurance	985,494
Interest maintenance reserve	3,954,542
Commissions to agents due or accrued	106,524
General expenses due or accrued	728,316
Taxes, licenses and fees due or accrued, excluding federal income taxes	72,328
Current federal and foreign income taxes	1,455,540
Unearned investment income	7,718
Amounts withheld or retained by company as agent or trustee	5,334
Amounts held for agents' account	391,777
Remittances and items not allocated	974,797
Miscellaneous liabilities:	
Asset valuation reserve	2,208,243
Payable to parent, subsidiaries and affiliates	816,014
Liability for amounts held under uninsured accident and health plans	165,112
Payable for securities	8,049
Interest payable	131,928
Dollar repurchase agreement	13,395,312
Accrued interest on outstanding claims	30,598
From Separate Accounts statement	69,541,637
Total liabilities	$545,538,122
Common capital stock	$ 3,500,000
Gross paid in and contributed surplus	31,450,000
Unassigned funds (surplus)	8,312,979
Surplus	$ 39,762,979
Total capital and surplus	$ 43,262,979
Total liabilities, capital and surplus	$588,801,101

B. CONDENSED SUMMARY OF OPERATIONS

	2001*	2002*	2003*	2004*	2005
Premiums and considerations	$52,743,950	$49,800,795	$45,603,827	$38,013,614	$46,132,053
Investment income	32,953,910	34,334,702	31,007,126	34,788,681	33,813,422
Commissions and reserve adjustments on reinsurance ceded	2,182,697	2,749,601	2,622,584	1,125,546	983,387
Miscellaneous income	710,955	,528,584	1,277,178	1,947,634	2,203,289
Total income	$88,591,512	$90,413,682	$80,510,715	$75,875,475	$83,132,151
Benefit payments	$41,725,322	$46,141,564	$48,013,775	$50,727,132	$49,614,411
Increase in reserves	14,966,485	24,386,636	11,627,782	5,486,642	7,919,874
Commissions	6,027,398	7,361,385	10,379,233	7,335,368	7,243,847
General expenses and taxes	6,250,687	10,951,208	11,318,158	6,388,253	3,203,171
Increase in loading on deferred and uncollected premiums	(431,704)	56,298	(11,730)	(99,809)	(2,352)
Net transfers to (from) Separate Accounts	3,230,036	(3,809,601)	(916,373)	(533,390)	4,413,508
Miscellaneous deductions	82,967	408,002	(4,046)	988,714	0
Total deductions	$71,851,191	$85,495,492	$80,406,799	$70,292,910	$72,392,459
Net gain (loss)	$16,740,321	$ 4,918,190	$103,916	$ 5,582,565	$10,739,692
Dividends	2,329,366	2,353,313	725,308	1,587,733	1,696,744
Federal and foreign income taxes incurred	959,786	972,260	(263,566)	4,041,372	360,195
Net gain (loss) from operations before net realized capital gains	$10,451,169	$ 1,592,617	$ (357,826)	$(46,540)	$ 8,682,753
Net realized capital gains (losses)	163,875	(946,796)	292,494	2,320,962	(19,815)
Net income	$10,615,044	$ 645,821	$ (65,332)	$ 2,274,422	$ 8,662,938

** The figures for the years 2001 to 2004 are presented in this report as if the merger of the companies had occurred as of December 31, 2000.

C. CAPITAL AND SURPLUS ACCOUNT

	2001*	2002*	2003*	2004*	2005
Capital and surplus, December 31, prior year	$47,809,598	$57,631,817	$53,752,163	$58,699,992	$58,296,026
Net income	$10,615,044	$ 645,821	$ (65,332)	$ 2,274,422	$ 8,662,938
Change in net unrealized capital gains (losses)	(4,277,212)	(983,205)	1,612,431	(2,716,715)	(21,458)
Change in net unrealized foreign exchange capital gain (loss)	0	(12)	0	(217)	13,572
Change in net deferred income tax	0	684,135	(323,545)	4,878,504	(6,365,877)
Change in non-admitted assets and related items	214,596	(3,131,641)	3,690,166	(6,151,903)	10,163,952
Change in asset valuation reserve	2,295,991	(772,503)	34,109	1,792,943	(486,174)
Change in treasury stock	0	0	0	0	0
Cumulative effect of changes in accounting principles	973,511	1,714,751	0	0	0
Dividends to stockholders	0	(2,037,000)	0	0	(27,000,000)
Aggregate write ins for gains and losses in surplus	289	0	0	(481,000)	0
Net change in capital and surplus for the year	$ 9,822,219	$ (3,879,654)	$ 4,947,829	$ (403,966)	$(15,033,047)
Capital and surplus, December 31, current year	$57,631,817	$53,752,163	$58,699,992	$58,296,026	$ 43,262,979

** The figures for years 2001 to 2004 are presented in this report as if the merger of the companies had occurred as of December 31, 2000.

The $27,000,000 dividend to stockholders paid in 2005 was filed with and approved by the Department.

6. ANNUAL STATEMENT REPORTING ERRORS

At December 31, 2005, the Company reported an amount of $3,418,358 on page 2, line 14.1, for Amounts Recoverable from Reinsurers. Upon reviewing the details of this line item it was revealed that $900,000 of the total amount reported was for recoverables due on unpaid losses. Instead of increasing the asset to include such recoverables, the proper accounting treatment is to deduct the $900,000 from the reserve liability. This reporting error has no effect on surplus. Further review showed that the amounts were recovered during 2006.

As noted previously in Section 4 of this Report, in June 2006 the Company filed an amended Annual Statement to correct a reporting error in the calculation of its Deferred Tax Assets ("DTAs") as of December 31, 2005. The Company originally reported an amount of $10,560,772 as net DTAs on page 2, line 16.2; $7,795,590 as admitted DTAs and $2,765,182 as non admitted. Although the amended Annual Statement reported the same amount for net DTAs, the non admitted portion increased to $8,537,030, thus reducing the admitted net DTA to $2,023,742. As a result the Company's unassigned surplus decreased from $8,312,979 to $2,541,131.

It is recommended that the Company take steps to ensure that the information in the Annual Statement is reported correctly.

7. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Company's market conduct activities affecting policyholders, claimants, and beneficiaries to determine compliance with applicable statutes and regulations and the operating rules of the Company.

A. Advertising and Sales Activities

The examiner reviewed a sample of the Company's advertising files and the sales activities of the agency force including trade practices, solicitation and the replacement of insurance policies.

Based upon the sample reviewed, no significant findings were noted.

B. Underwriting and Policy Forms

The examiner reviewed a sample of new underwriting files, both issued and declined, and the applicable policy forms.

Section 2611(a) of the New York Insurance Law states, in part:

> "No insurer or its designee shall request or require an individual proposed for insurance coverage to be the subject of an HIV related test without receiving the written informed consent of such individual prior to such testing...".

A review of the 62 policy files revealed that 5 policy files did not contain the required HIV consent form in the files.

The Company violated Section 2611(a) of the New York Insurance Law when it failed to obtain written informed consent prior to performing HIV related tests.

C. Treatment of Policyholders

The examiner reviewed a sample of various types of claims, surrenders, changes and lapses. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 3214(c) of New York Insurance Law states, in part:

> "If no action has been commenced, interest upon the principal sum paid to the beneficiary or policyholder shall be computed daily at the rate of interest currently paid by the insurer on proceeds left under the interest settlement option, from the date of the death of an insured or annuitant in connection with a death claim on such a policy of life insurance or contract of annuity …"

During the period under examination the authorized interest rate to be paid on proceeds left under the settlement option was 4% for FGWLA and 3% for CLINY. A review of 32 group life insurance death claims was performed; 17 FGWLA and 15 CLINY. Such review revealed that interest on FGWLA's death claims was paid at a rate ranging from 0.51% to 2.68%. In response to this observation the Company explained that post-mortem interest payments on group life death claims were paid based on the resident state of the deceased.

The Company violated Section 3214(c) of New York Insurance Law when it failed to pay interest on group death benefits at the same rate as proceeds left under the interest settlement option.

The examiner recommends that the Company implement a plan of remediation to identify adversely affected claimants and pay the appropriate interest.

Section 3227 of New York Insurance Law states, in part:

> "(b) The interest calculated on amounts described in paragraphs one and two of subsection (a) hereof shall be calculated from the date the documentation necessary to complete the transaction is received by the insurer and shall be payable if the funds are not mailed or delivered by the insurer within ten working days of said receipt.
> (c) No interest need be payable pursuant to this section unless the amount of such interest is at least twenty-five dollars or if the payment of benefits by the insurer has been deferred pursuant to other provisions of this chapter."

Upon review of a sample of 19 out of a population of 906 surrendered life insurance policies, it was revealed that in 5 instances the surrender benefits were paid more than 10 working days after all required documents were received from the policyowner and, although interest was due, zero interest was paid.

The Company violated Section 3227 of New York Insurance Law by not paying interest on surrender benefits payable, where the payments were not mailed or delivered by the insurer within ten working days of said receipt.

The Company took remedial action and paid the appropriate interest on any surrenders where interest was due but not previously paid. This remediation resulted in total interest payments of $31,094 made to 209 policyholders.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in the prior reports on examination and the subsequent actions taken by the respective Company in response to each citation:

FIRST GREAT-WEST

Item	Description
A	The examiner found deficiencies in the workpapers for the allocation of expenses. The Company is advised that the method ultimately adopted should be in accordance with Department Regulation No. 33 and should be implemented for the 2003 annual statement. The Company adopted and implemented the method filed with the Department during the examination period.
B	The examiner recommended that the Company comply with its method of allocating net investment income and exercise enhanced care in ensuring that net investment income is correctly allocated to all relevant lines of business. The examination review revealed that the Company is complying with its method of allocating net investment income.
C	The Company violated Section 3224-a(a) of the New York Insurance Law by failing to make payment on accident and health claims within 45 days of receipt of the claims The review of health claims revealed that the Company took proactive steps to correct this problem by centralizing its claims processing responsibilities. This centralization allows for daily monitoring of its claims handling procedures. Further, the Company has discontinued selling fully insured group accident and health insurance; it administers to a closed block of business which did not have any first-year premium in 2005.
D	The Company violated Section 3224-a(b) of the New York Insurance Law by failing to provide written notification to the policyholder, covered person or health care provider, within 30 days of the receipt of the claims, stating the reasons why it is not obligated to pay such claims The review of health claims revealed that the Company took proactive steps to correct this problem by centralizing its claims processing responsibilities. This centralization allows for daily monitoring of its claims handling procedures. Further, the Company has discontinued selling fully insured group accident and health insurance; it administers to a closed block of business which did not have any first-year premium in 2005.

Item	Description
E	The Company violated Section 3224-a(c) of the New York Insurance Law by failing to pay interest, as required, on accident and health claims paid after 45 days The review of health claims revealed that the Company took proactive steps to correct this problem by centralizing its claims processing responsibilities. This centralization allows for daily monitoring of its claims handling procedures. Further, the Company has discontinued selling fully insured group accident and health insurance; it administers to a closed block of business which did not have any first-year premium in 2005.
F	The examiner recommends that the Company pay the appropriate interest on any claim where the interest was not previously paid and any claim where interest was previously paid incorrectly The review of health claims revealed that the Company paid appropriate interest on claims where the interest had not been previously paid and/or where the interest had not been paid correctly.

CANADA LIFE

A	The examiner recommended that the derivatives documentation and management reports be improved to address the examiner's findings. The examiner also recommends that the Company take steps to ensure that regulatory limitations are understood and made known to appropriate personnel and that the Company establish adequate controls to monitor regulatory limits The review of investments revealed that the Company has taken steps to improve the management reporting; A derivative approval form is completed which indicates the risk being hedged, hedge effectiveness is analyzed quarterly, and reports are provided to the Management Investment Review Committee and the Board of Directors.

9. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	In June 2006 the Company filed an amended Annual Statement to correct a reporting error in the calculation of its Deferred Tax Assets ("DTAs") as of December 31, 2005. As a result the Company's unassigned surplus decreased from $8,312,979 to $2,541,131.	11-12
B	It is recommended that the Company take steps to ensure that the information in the Annual Statement is reported correctly.	18
C	The Company violated Section 2611(a) of the New York Insurance Law when it failed to obtain written informed consent prior to performing HIV related tests.	19
D	The Company violated Section 3214(c) of the New York Insurance Law when it failed to pay interest on group death benefits at the same rate as proceeds left under the interest settlement option.	19-20
E	The examiner recommends that the Company implement a plan of remediation to identify adversely affected policyholders and pay the appropriate interest.	20
F	The Company violated Section 3227 of the New York Insurance Law when it failed to pay interest on surrender benefits payable where payments were not mailed or delivered by the insurer within ten working days of said receipt, and such interest due amounted to at least twenty-five dollars.	20

Respectfully submitted,

/s/
Chacko Thomas
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

CHACKO THOMAS, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

/s/
Chacko Thomas

Subscribed and sworn to before me

this__________ day of ____________________

APPOINTMENT NO. 22443

STATE OF NEW YORK

INSURANCE DEPARTMENT

*I, **HOWARD MILLS**, Superintendent of Insurance of the State of New York,*

pursuant to the provisions of the Insurance Law, do hereby appoint:

CHACKO THOMAS

as a proper person to examine into the affairs of the

FIRST GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

and to make a report to me in writing of the condition of the said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 6th day of December, 2005

HOWARD MILLS
Superintendent of Insurance