GENWORTH FINANCIAL INC
Form 10-K
March 02, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 001-32195

GENWORTH FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**80-0873306**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6620 West Broad Street Richmond, Virginia	**23230**
(Address of principal executive offices)	**(Zip Code)**

(804) 281-6000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act

Title of Each Class	Name of each exchange on which registered
Class A Common Stock, par value $.001 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of February 12, 2015, 496,996,382 shares of Class A Common Stock, par value $0.001 per share were outstanding.

The aggregate market value of the common equity (based on the closing price of the Class A Common Stock on the New York Stock Exchange) held by non-affiliates of the registrant on June 30, 2014, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $8.6 billion. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant s definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the 2015 annual meeting of the registrant s stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Cautionary Note Regarding Forward-looking Statements

This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as expects, intends, anticipates, plans, believes, seeks, estimates, will, or words of similar meaning and include, but are not limite statements regarding the outlook for our future business and financial performance. Forward-looking statements are based on management s current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially from those in the forward-looking statements due to global political, economic, business, competitive, market, regulatory and other factors and risks, including the items identified under Part I Item 1A Risk Factors. We therefore caution you against relying on any forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

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PART I

Item 1. Business

Overview

Genworth Holdings, Inc. (Genworth Holdings) (formerly known as Genworth Financial, Inc.) was incorporated in Delaware in 2003 in preparation for an initial public offering (IPO) of Genworth common stock, which was completed on May 28, 2004. On April 1, 2013, Genworth Holdings completed a holding company reorganization pursuant to which Genworth Holdings became a direct, 100% owned subsidiary of a new public holding company that it had formed. The new public holding company was incorporated in Delaware on December 5, 2012, in connection with the reorganization, under the name Sub XLVI, Inc., and was renamed Genworth Financial, Inc. (Genworth Financial) upon the completion of the reorganization.

We are dedicated to helping meet the insurance, retirement and homeownership needs of our customers, with a presence in more than 25 countries. We are headquartered in Richmond, Virginia. We offer individual and group long-term care insurance products to meet growing consumer needs for long-term care. Our life insurance products protect people during unexpected events. In the United States, retirement products include various types of annuity and guaranteed retirement income products. We facilitate homeownership in the United States and internationally by providing mortgage insurance products that allow people to purchase homes with low down payments while protecting lenders against the risk of default. Through our homeownership education and assistance programs, we also help people keep their homes when they experience financial difficulties. Our lifestyle protection insurance business provides payment protection coverages in several international markets to help consumers meet specified payment obligations in time of need.

We operate through three divisions: U.S. Life Insurance, Global Mortgage Insurance and Corporate and Other. The U.S. Life Insurance Division includes the U.S. Life Insurance segment. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The Corporate and Other Division includes the International Protection and Runoff segments and Corporate and Other activities. The following reflects a discussion of our operating segments:

U.S. Life Insurance. We offer and manage a variety of insurance and fixed annuity products in the United States. Our primary products include long-term care insurance, life insurance and fixed annuities. For the year ended December 31, 2014, our U.S. Life Insurance segment had a net loss available to Genworth Financial, Inc. s common stockholders and a net operating loss of $1,405 million and $641 million, respectively.

International Mortgage Insurance. We are a leading provider of mortgage insurance products and related services in Canada and Australia and also participate in select European and other countries. Our products predominantly insure prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We also selectively provide mortgage insurance on a structured, or bulk, basis that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk. For the year ended December 31, 2014, our International Mortgage Insurance segment s net income available to

Genworth Financial, Inc. s common stockholders and net operating income were $169 million and $345 million, respectively.

U.S. Mortgage Insurance. In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We selectively provide mortgage insurance on a bulk basis with essentially all of our bulk writings being prime-based. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk. For the year ended December 31, 2014, our U.S. Mortgage Insurance segment s net income available to Genworth Financial, Inc. s common stockholders and net operating income was $91 million for each measure.

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International Protection. We provide payment protection coverages (referred to as lifestyle protection) in multiple European countries and have operations in select other countries. Our lifestyle protection insurance products primarily help consumers meet specified payment obligations should they become unable to pay due to accident, illness, involuntary unemployment, disability or death. For the year ended December 31, 2014, our International Protection segment s net income available to Genworth Financial, Inc. s common stockholders and net operating income were $116 million and $8 million, respectively.

Runoff. The Runoff segment includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of: funding agreements, funding agreements backing notes (FABNs) and guaranteed investment contracts (GICs). We no longer offer retail and group variable annuities but continue to service our existing blocks of business. For the year ended December 31, 2014, our Runoff segment s net income available to Genworth Financial, Inc. s common stockholders and net operating income were $14 million and $48 million, respectively.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other businesses that are managed outside of our operating segments, including discontinued operations. For the year ended December 31, 2014, Corporate and Other activities had a net loss available to Genworth Financial, Inc. s common stockholders and a net operating loss of $229 million and $232 million, respectively.

We had $14.9 billion of total Genworth Financial, Inc. s stockholders equity and $111.4 billion of total assets as of December 31, 2014. For the year ended December 31, 2014, our revenues were $9.6 billion and we had a net loss available to Genworth Financial, Inc. s common stockholders of $1.2 billion.

Positioning for the Future

We have two core businesses: (1) U.S. Life Insurance, which includes our long-term care insurance, life insurance, and fixed annuities businesses; and (2) Global Mortgage Insurance, which includes mortgage insurance in the United States, Canada, Australia and other markets.

In our U.S. Life Insurance business, we are focused on the execution of our long-term care insurance strategy, which includes: obtaining significant premium rate increases and benefit reductions on certain of our in-force blocks of long-term care insurance to improve profitability and reduce the strain on capital; requesting smaller rate increases more proactively on newer in-force blocks of long-term care insurance as needed; and introducing new products with appropriately priced benefits.

In our Global Mortgage Insurance business, we are working to grow our businesses, with a focus on earnings growth of our U.S. mortgage insurance business, executing loss mitigation strategies, maintaining our distribution network and writing profitable new business. In addition, the government-sponsored enterprises (the GSEs) are currently considering changes to their respective capital standards which would impact our U.S. mortgage insurance business. We plan to address any new capital requirements once these changes are finalized primarily through reinsurance.

We have identified the following businesses as non-core: (1) lifestyle protection insurance business and (2) businesses included in our Runoff segment, which primarily consist of our variable annuity and institutional products. We are pursuing the planned sale of our lifestyle protection insurance business and we are managing our runoff businesses to maximize their value.

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In the fourth quarter of 2014, we commenced a review of a broad range of strategic options to maximize long-term stockholder value. In assessing our options, we are considering, among other factors, the level of, and restrictions contained in, our existing indebtedness, tax considerations, the views of regulators and rating agencies, and the performance and prospects of our businesses. We are seeking to rebuild stockholder value through the following key initiatives:

Cost and portfolio rationalization. We are embarking on a multi-step restructuring plan targeting cash savings in excess of $100 million over the next two years. In addition, we are evaluating potential changes to our portfolio of businesses that we believe will improve our ability to reduce debt levels, increase capital buffers and improve earnings and return on equity.

Improve business performance. We strive to improve operating income and return on equity, while maintaining appropriate risk thresholds in our product offerings. We re-priced products in our long-term care, life, U.S. mortgage and lifestyle protection insurance businesses, as well as in certain of our international mortgage insurance markets. We continue to review our pricing and underwriting guidelines and make adjustments as necessary. We further reduced our mortgage insurance risk in-force in Europe (driven primarily by reductions in Ireland) and we have limited new sales to four countries where we believe the market conditions are favorable. We maintain active loss mitigation efforts in our U.S. mortgage insurance business, including pursuing appropriate loan and claim modifications, investigating loans for underwriting and master policy compliance and, where appropriate, executing loan rescissions. Additionally, we pursue targeted loss mitigation strategies in mortgage insurance markets outside the United States.

Capital generation and deployment. Our objective is to maintain appropriate levels of capital in the event of unforeseen events and potential in-force block volatility, while still meeting our targeted goals. We generate statutory capital from earnings on our in-force business, as well as from ongoing capital management and efficiency strategies such as use of reinsurance, management of new business mix and levels and cost reductions. We also continue to evaluate and pursue opportunities to redeploy capital from lower returning blocks of business. In our U.S. Life Insurance Division, we intend to increase capital by, among other things, at least over the near term, not paying dividends from our life insurance subsidiaries to the holding company, pursuing additional long-term care insurance rate actions, seeking opportunities to reduce risk in legacy long-term care insurance blocks of business, utilizing reinsurance to increase available capital, pursuing block transactions and significantly reducing expenses. In addition, we will manage our non-core businesses to enhance and generate capital.

Increase financial strength and flexibility. At Genworth Holdings, we anticipate continuing to maintain cash and highly liquid securities of at least one and one-half times debt service plus a $350 million buffer in the near term and focus on deleveraging over time. We also seek to increase financial flexibility by improving elements of our credit profile, including by reducing our debt levels, which impact our financial strength ratings.

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U.S. Life Insurance Division

U.S. Life Insurance

Through our U.S. Life Insurance segment, we offer various forms of long-term care insurance, life insurance and fixed annuities.

The following table sets forth financial information regarding our U.S. Life Insurance segment as of or for the periods indicated. Additional selected financial information and operating performance measures regarding our U.S. Life Insurance segment as of or for these periods are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations U.S. Life Insurance.

(Amounts in millions)	As of or for the years ended December 31, 2014	2013	2012
Revenues:			
Long-term care insurance	$ 3,523	$ 3,316	$ 3,207
Life insurance	1,981	1,982	1,926
Fixed annuities	1,083	1,032	1,117
Total revenues	$ 6,587	$ 6,330	$ 6,250
Net operating income (loss):			
Long-term care insurance	$ (815)	$ 129	$ 101
Life insurance	74	173	151
Fixed annuities	100	92	82
Total net operating income (loss)	(641)	394	334
Net investment gains (losses), net	27	(1)	(16)
Goodwill impairment, net	(791)		
Gains (losses) on early extinguishment of debt, net			3
Gains (losses) from life block transactions, net			(47)
Expenses related to restructuring, net		(9)	
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	$ (1,405)	$ 384	$ 274
Total segment assets	$ 82,906	$ 77,261	$ 79,214

Long-term care insurance

We established ourselves as a pioneer in long-term care insurance 40 years ago and remain a leading provider in the industry. Our experience helps us plan for disciplined growth built on a foundation of risk management, product innovation, a diversified distribution strategy and claims processing expertise. We believe our hedging strategies and reinsurance reduce some of the risks associated with these products.

Products

Our individual and group long-term care insurance products provide defined levels of protection against the significant and escalating costs of long-term care services provided in the insured s home or in assisted living or nursing facilities. In contrast to health insurance, long-term care insurance provides coverage for skilled and custodial care provided outside of a hospital or health-related facility.

In July 2012, we introduced changes to our individual long-term care insurance product to improve profitability and reduce risk. Lifetime benefits coverage and limited pay options are no longer available, underwriting was further tightened and certain discounts were reduced or suspended, effectively increasing average pricing by more than 20% on the products impacted. In 2013, we introduced a product that includes

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gender distinct pricing for single applicants and blood and lab underwriting requirements for all applicants. In addition, in the fourth quarter of 2013, we began filing for regulatory approval of a new product which increased premium rates but gave consumers the flexibility to choose the right fit for their long-term care needs, combined with the simplicity of prepackaged benefits. As of December 31, 2014, this new product had been launched in 45 states. In the fourth quarter of 2014, we began filing for regulatory approval of an amended product to improve competitiveness, while meeting our targeted returns, by, among other things, reducing premium rates and adjusting coverage options. As of December 31, 2014, this amended product was filed in 38 states through the Interstate Insurance Compact. In 2015, the product either was, or we expect will be, directly filed in additional states. During the fourth quarter of 2014, we suspended sales of our individual long-term care insurance products in Massachusetts and New Hampshire because we were unable to obtain satisfactory rates and rate increases on in-force policies. We had previously suspended sales of our individual long-term care insurance products in Vermont. Effective June 1, 2013, we also no longer offer AARP-branded long-term care insurance products.

Underwriting and pricing

We employ medical underwriting procedures to assess and quantify risks before we issue our individual long-term care insurance policies, similar to, but separate from, those we use in underwriting life insurance products. Our group long-term care insurance product utilizes various underwriting processes, including modified guaranteed underwriting for actively at work employees, simplified underwriting for spouses of actively at work employees and full medical underwriting for employees outside their enrollment window, retirees or others.

We have accumulated extensive pricing and claims experience, and believe we have the largest claims database in the industry. The overall financial performance of our long-term care insurance business depends primarily on the accuracy of our pricing assumptions, including for claims experience, morbidity and mortality experience, persistency and investment yields. Our claims database provides us with substantial data that has helped us develop pricing methodologies for our newer policies. We tailor pricing based on segmented risk categories, including couples, gender, medical history and other factors. Financial performance on older policies issued without the full benefit of this experience has been lower than initially assumed in pricing of those blocks. We continually monitor trends and developments and update assumptions that may affect the risk, pricing and profitability of our long-term care insurance products and adjust our new product pricing and other terms, as appropriate. We also work with a medical advisory board comprised of independent experts from the medical field that provides insights on emerging morbidity and medical trends, enabling us to be more proactive in our risk segmentation, pricing and product development strategies.

As part of our strategy for our long-term care insurance business, we have been implementing, and expect to continue to pursue, significant premium rate increases on the older generation blocks of business that were written before 2002 in order to bring those blocks closer to a break-even point over time and reduce the strain on our earnings and capital. We are also requesting premium rate increases on newer blocks of business, as needed, to help bring their loss ratios back towards their original pricing and introducing new products that are underwritten and priced to reflect our recent experience and updated assumptions.

In the third quarter of 2012, we initiated a round of long-term care insurance in-force premium rate increases with an expectation of achieving an average premium increase in excess of 50% on three policy series of older generation policies and an average premium increase in excess of 25% on one early series of new generation policies. Subject to regulatory approval, this premium rate increase is expected to generate approximately $250 million to $300 million of additional annual premiums when fully implemented over the next several years. Reserve levels, and thus our expected profitability, have been impacted, and we expect they will continue to be impacted, by policyholder behavior which could include taking reduced benefits or non-forfeiture options within their policy coverage. The goal of our rate actions is to mitigate losses on the three older generation policy series and help offset higher than priced-for loss ratios due to unfavorable business mix and lower lapse rates than expected on one newer generation product, with returns lower than original expectations.

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As of December 31, 2014, the initial round of rate actions had been approved in whole or in part in 47 states and six of those states that had not approved the request in whole have approved additional incremental increases in a subsequent round of rate action filings. As of December 31, 2014, our estimate of the net premiums increase from these 47 initial state approvals and six subsequent approvals was approximately $200 million to $210 million when fully implemented by 2017.

In the third quarter of 2013, we began filing for regulatory approval for premium rate increases ranging between 6% and 13% on more than $800 million in annualized in-force premiums on another series of new generation policies. As of December 31, 2014, we have been notified by 30 states of their initial decision, of which 22 states approved all or part of the requested increase. We continue to pursue these rate increases in the states that have either not responded or initially denied our rate increase request.

The approval process for in-force rate increases and the amount and timing of the rate increases approved varies by state. In certain states, the decision to approve or disapprove a rate increase can take several years. Upon approval, insureds are provided with written notice of the increase and increases are generally applied on the insured s next policy anniversary date. Therefore, the benefits of any rate increase are not fully realized until the implementation cycle is complete. For certain risks related to our long-term care insurance premiums and rate increases, see Item 1A Risk Factors We may not be able to increase premiums or reduce benefits on our in-force long-term care insurance policies by enough or quickly enough and the rate actions or reduced benefits currently being implemented and any future rate actions may adversely affect demand for our long-term care insurance products, our reputation in the market, our results of operations and our financial condition.

Distribution

We distribute our long-term care insurance products through diversified sales channels consisting of appointed independent producers, financial intermediaries and dedicated sales specialists. We have made significant investments in our servicing and support for both independent and dedicated sales specialists.

Competition

Competition in the long-term care insurance industry is primarily from a limited segment of insurance companies. Our products compete by providing consumers with an array of long-term care coverage solutions, coupled with long-term care support services. We offer a diverse product portfolio with a wide range of price points and benefits designed to appeal to a broad spectrum of the population who are concerned about mitigating the costs of future long-term care needs.

Over the past several years, the competitive landscape of the long-term care insurance market has changed significantly, with several competitors announcing their intent to exit the market and several others re-entering in either targeted state markets or nationwide. Since 2012, several competitors have announced changes to their individual long-term care insurance product benefits and pricing similar to our product changes previously discussed. Continued changes in the competitive landscape of the long-term care insurance market will continue to impact our sales levels.

Life insurance

Our life insurance business provides a personal financial safety net for individuals and their families. These products provide protection against financial hardship after the death of an insured. Some of these products also offer a savings element that can help accumulate funds to meet future financial needs.

Products

Our current life insurance products include universal life insurance in the form of index universal life and linked-benefit products, combining a universal life insurance contract with a long-term care insurance rider, and term life insurance. Our universal life insurance products are designed to provide permanent protection for the life of the insured. In addition, we also offer linked-benefits riders for all of our current indexed universal life products for customers who have traditionally self-funded long-term care risk or seek multiple benefits.

We launched our first indexed universal life product, Asset Builder IUL, in the second quarter of 2013. This product was developed to provide the opportunity for greater policy value growth by linking the crediting strategy to an equity market index while protecting against negative market returns by flooring the crediting rate at 0% even if the index experiences a negative return. Monthly charges and fees will continue regardless of the crediting rate and will reduce policy value. In December 2013, we launched our second indexed universal life insurance product, Foundation Builder IUL, designed to offer affordable death benefit protection plus the opportunity to build cash value. Since launching Foundation Builder in 2013, we have re-priced the product and added features to make it more competitive and we plan on doing the same for our Asset Builder IUL product.

Our term life insurance products provide coverage with guaranteed level premiums for a specified period of time and generally have little or no buildup of cash value. We also have in-force blocks of term universal life and whole life insurance; however, we no longer solicit sales of these products.

Underwriting and pricing

Underwriting and pricing are significant drivers of profitability in our life insurance business, and we have established underwriting and pricing practices. We generally reinsure risks in excess of $5 million per individual life policy. We set pricing assumptions for expected claims, lapses, investment returns, expenses and customer demographics based on our historical experience and other factors.

We target individuals primarily in standard or better risk categories, which include individuals who generally have family histories that do not present increased mortality risk. We also have expertise in evaluating applicants with health problems and offer coverage based on pre-established underwriting criteria.

Distribution

We offer life insurance products through an extensive network of independent brokerage general agencies (BGAs) throughout the United States and through financial intermediaries and insurance marketing organizations.

Competition

In our life insurance business, we compete against several life insurance companies, including several companies with overall stronger financial strength ratings. The life insurance market is highly fragmented. Some of these competitors have multiple access points to the market through BGAs, financial institutions, career sales agents, multi-line exclusive agents, e-retail and other life insurance distributors. We operate primarily in the BGA channel and have built additional capabilities in other channels. We have a long history of serving the life insurance market with a reputation for service and significant mortality experience.

Fixed annuities

We are focused on helping individuals create dependable income streams for life or for a specified period of time and helping them save and invest to achieve financial goals. We believe our product designs, investment strategy, hedging disciplines and use of reinsurance reduce some of the risks associated with these products.

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Products

Single premium deferred annuities

We offer fixed single premium deferred annuities which require a single premium payment at time of issue and provide an accumulation period and an annuity payout period. The annuity payout period in these products may be either a defined number of years, the annuitant s lifetime or the longer of a defined number of years and the annuitant s lifetime. During the accumulation period, we credit the account value of the annuity with interest earned at a crediting rate guaranteed for no less than one year at issue, but which may be guaranteed for up to seven years, and thereafter is subject to annual crediting rate resets at our discretion. The crediting rate is based upon many factors including prevailing market rates, spreads and targeted returns, subject to statutory and contractual minimums. The majority of our fixed single premium deferred annuity contractholders retain their contracts for five to ten years.

We also offer fixed indexed annuities as part of our product suite of single premium deferred annuities. Fixed indexed annuities provide an annual crediting rate that is based on the performance of a defined external index rather than a rate that is declared by the insurance company. The external index we use is the S&P 500®. We currently offer five separate index crediting strategies, each of which credits interest based on how the index performs and the limit for that strategy. In addition, we also offer multiple fixed interest rate options.

Single premium immediate annuities

We offer single premium immediate annuities which provide a fixed amount of income for either a defined number of years, the annuitant s lifetime or the longer of a defined number of years and the annuitant s lifetime in exchange for a single premium.

Structured settlements

Structured settlement annuity contracts provide an alternative to a lump sum settlement, generally in a personal injury lawsuit or workers compensation claim, and typically are purchased by property and casualty insurance companies for the benefit of an injured claimant. The structured settlements provide scheduled payments over a fixed period or, in the case of a life-contingent structured settlement, for the life of the claimant with a guaranteed minimum period of payments. In 2006, we discontinued sales of our structured settlement annuities while continuing to service our retained and reinsured blocks of business.

Distribution

We distribute our fixed annuity products through BGAs, independent broker/dealers and select banks and national brokerage and financial firms.

Competition

We compete with a large number of life insurance companies in the fixed annuity marketplace. Overall sales of fixed annuities are related to current interest rate yield curves, which affect the relative competitiveness of alternative products, such as certificates of deposit and money market funds. We have experienced fluctuations in sales levels for these products and we may experience fluctuations in the future based on changes in interest rates and other factors including our ability to achieve desired targeted returns. Following adverse rating actions in the fourth quarter of 2014, several of our distributors suspended distribution of our products. Those distributors made up approximately 16% of the sales of our fixed annuity products. We expect that our sales will continue to be adversely impacted by our current ratings.

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Global Mortgage Insurance Division

International Mortgage Insurance

Through our International Mortgage Insurance segment, we are a leading provider of mortgage insurance in Canada and Australia and also participate in select European and other countries. We have a presence in 15 countries. We expanded our international operations beginning in the mid-1990s and, today, we believe we are the largest overall provider of private mortgage insurance outside of the United States.

Private mortgage insurance enables borrowers to buy homes with low-down-payment mortgages, which are usually defined as loans with a down payment of less than 20% of the home s value. Low-down-payment mortgages are also referred to as high loan-to-value mortgages. Mortgage insurance protects lenders against loss in the event of a borrower s default. It also generally aids financial institutions in managing their capital and risk profile in particular by reducing the capital required for low-down-payment mortgages. If a borrower defaults on mortgage payments, private mortgage insurance reduces and may eliminate losses to the insured institution. Private mortgage insurance may also facilitate the sale of mortgage loans in the secondary mortgage market.

The following table sets forth financial information regarding our International Mortgage Insurance segment as of or for the periods indicated. Additional selected financial information and operating performance measures regarding our International Mortgage Insurance segment as of or for these periods are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations International Mortgage Insurance.

	As of or for the years ended December 31,		
(Amounts in millions)	**2014**	**2013**	**2012**
Revenues:			
Canada	$ 669	$ 760	$ 786
Australia	537	555	567
Other Countries	34	46	55
Total revenues	$ 1,240	$ 1,361	$ 1,408
Net operating income (loss):			
Canada	$ 170	$ 170	$ 234
Australia	200	228	142
Other Countries	(25)	(37)	(34)
Total net operating income	345	361	342
Net investment gains (losses), net		12	7
Gains (losses) on early extinguishment of debt, net	(2)		
Tax impact from potential business portfolio changes	(174)		
Expenses related to restructuring, net		(1)	
Income from continuing operations available to Genworth Financial, Inc. s common stockholders	169	372	349
Add: net income attributable to noncontrolling interests	196	154	200

Net income	$	365	$	526	$	549
Total segment assets	$	8,815	$	9,194	$	10,063

The mortgage loan markets in Canada and Australia are well developed, and mortgage insurance plays an important role in each of these markets. However, these markets vary significantly and are influenced by different economic, public policy, regulatory, distributor, credit, demographic and cultural conditions.

We believe the following factors have contributed to mortgage insurance demand in these countries:

a desire by lenders to offer low-down-payment mortgage loans;

- the recognition of the higher default risk inherent in low-down-payment lending and the need for specialized underwriting expertise to conduct this business prudently;
- government housing policies that support a high level of homeownership;
- government policies that support the use of securitization and secondary market mortgage sales, in which third-party credit enhancement is often used to facilitate funding and liquidity for mortgage lending; and
- bank regulatory capital policies that provide incentives to Canadian lenders and certain Australian lenders to transfer some or all of the default risk on low-down-payment mortgages to third parties, such as mortgage insurers.

Based upon our experience in these mature markets, we believe a favorable regulatory framework is important to the development of high loan-to-value lending and the use of products such as mortgage insurance to protect against default risk or to obtain capital relief. As a result, we have advocated government and policymaking agencies throughout our markets to adopt legislative and regulatory policies supporting increased homeownership and the use of private mortgage insurance. We have significant expertise in mature markets, and we leverage this experience in selected developing markets to encourage regulatory authorities to implement incentives to use private mortgage insurance as an important element of their housing finance systems.

We believe the revisions to a set of regulatory rules and procedures governing global bank capital standards that were introduced by the Basel Committee of the Bank for International Settlements, recently revised to strengthen regulatory capital requirements for banks and now referred to as Basel III, may impact the use of mortgage insurance as a risk and capital management tool in international markets. While Basel III was issued in December 2010, its adoption by individual countries internationally and in the United States has not concluded. Changes in national implementation could occur which might aid or detract from future demand for mortgage insurance.

Mortgage insurance in our International Mortgage Insurance segment is predominantly single premium and provides 100% coverage in the two largest markets, Canada and Australia. With single premium policies, the premium is usually included as part of the aggregate loan amount and paid to us as the mortgage insurer. We record the proceeds to unearned premium reserves, invest those proceeds and recognize the premiums over time in accordance with the expected pattern of risk emergence.

Canada

We entered the Canadian mortgage insurance market in 1995 and operate in every province and territory. We are currently the leading private mortgage insurer in the Canadian market. Residential mortgage financing in Canada is concentrated in the country s largest five banks and a limited number of other mortgage originators. The majority of our business in Canada comes from this group of residential mortgage originators. For example, two major lender customers (defined as lenders that individually account for more than 10% of gross written premiums in our Canadian mortgage insurance business), together, represented 26% of total gross written premiums in our Canadian mortgage insurance business for the year ended December 31, 2014.

In July 2009, Genworth MI Canada Inc. (Genworth Canada), our indirect subsidiary, completed the initial public offering (the Offering) of its common shares. Following completion of the Offering, we beneficially owned 57.5% of the common shares of Genworth Canada. Since the Offering, Genworth Canada has completed several share repurchases in which Genworth has participated proportionately to maintain its ownership. We currently hold approximately 57.3% of the outstanding common shares of Genworth Canada on a consolidated basis, with Brookfield Life Assurance Company Limited (Brookfield) holding 40.6% and our U.S. mortgage insurance business holding 16.7%. In addition, Brookfield has the right, exercisable at its discretion, to purchase for cash the common shares of Genworth Canada held by our U.S. mortgage insurance companies at the then-

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current market price. Brookfield also has a right of first refusal with respect to the transfer of these common shares of Genworth Canada by the U.S. mortgage insurance companies. See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

Products

Our main products are primary flow insurance and portfolio credit enhancement insurance. Regulations in Canada require the use of mortgage insurance for all mortgage loans extended by federally incorporated banks, trust companies and insurers, where the loan-to-value ratio exceeds 80%. Most mortgage lenders in Canada offer a portability feature, which allows borrowers to transfer their original mortgage loan to a new property, subject to certain criteria. Our flow insurance policies contain a portability feature which allows borrowers to also transfer the mortgage default insurance associated with the mortgage loan.

We also provide portfolio credit enhancement insurance to lenders that have originated loans with loan-to-value ratios of less than or equal to 80%. These policies provide lenders with immediate capital relief from applicable bank regulatory capital requirements and facilitate the securitization of mortgages in the Canadian market.

In both primary flow insurance and portfolio policies, our mortgage insurance in Canada provides insurance coverage for the entire unpaid loan balance, including interest, selling costs and expenses. In the 2013 federal budget, the Canadian government proposed to gradually limit the insurance of low loan-to-value mortgages to only those mortgages that will be used in government backed securitization programs. We are in dialogue with the Canadian government as it designs the structure to implement the proposed changes. The final impact of these proposed changes on our business cannot be assessed at this time.

Government guarantee

We had an agreement with the Canadian government (the Government Guarantee Agreement) under which it guaranteed the benefits payable under a mortgage insurance policy, less 10% of the original principal amount of an insured loan, in the event that we fail to make claim payments with respect to that loan because of insolvency. We paid the Canadian government a risk premium for this guarantee and made other payments to the government guarantee fund, a reserve fund in respect of the government s obligation. Because banks are not required to maintain regulatory capital on an asset backed by a sovereign guarantee, our 90% sovereign guarantee permits lenders purchasing our mortgage insurance to reduce their regulatory capital charges for credit risks on mortgages by 90%. Our primary government-sponsored competitor receives a 100% sovereign guarantee.

The Canadian government passed the Protection of Residential Mortgage or Hypothecary Insurance Act (Canada) (PRMHIA) in 2011 and PRMHIA came into force on January 1, 2013. The purpose of PRMHIA was to formalize existing mortgage insurance arrangements with private mortgage insurers and terminate the Government Guarantee Agreement, including the elimination of the Canadian government guarantee fund. The amount held in the Canadian government guarantee fund reverted back to us on January 1, 2013. See Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations International Mortgage Insurance for additional information regarding the elimination of the Canadian government guarantee fund. As a result of the elimination of the guarantee fund, we are required to hold higher regulatory capital under PRMHIA and the Insurance Companies Act of Canada. However, the increase in required capital was predominantly offset by the increase in available capital that results from the guarantee fund assets that reverted back to us.

Under PRMHIA, all new mortgages that we insure and all mortgages that were previously insured and covered by the Government Guarantee Agreement will continue to be covered by the same 90% level of government guarantee under

PRMHIA. The maximum outstanding insured exposure for private insured mortgages was increased from CAD$250.0 billion to CAD$300.0 billion and the risk fee that we and other private mortgage insurers pay to the Canadian government is equal to 2.25% of gross premiums written for private mortgage insurers. Under PRMHIA, our direct insurance activities continue to be restricted to insuring mortgages that meet the government mortgage insurance eligibility. Our reinsurance business is not subject to PRMHIA restrictions.

Over the past several years, the Canadian government also implemented a series of revisions to the rules for government guaranteed mortgages aimed at strengthening Canada s housing finance system and ensuring the long-term stability of the Canadian housing market. Under PRMHIA, the regulations establish the following criteria a high loan-to-value mortgage has to meet in order to be insured:

- a maximum mortgage amortization of 25 years
- insurance of refinanced mortgage limited to loans with a loan-to-value of 80% or less
- capping the maximum gross debt service ratios at 39% and total debt service ratios at 44%
- capping home purchase price to less than $1 million
- setting a minimum credit score of 600

We have incorporated these adjustments into our underwriting guidelines.

Competition

Our primary mortgage insurance competitor in Canada is the Canada Mortgage and Housing Corporation (CMHC) which is owned by the Canadian government, although we have one other private competitor in the Canadian market. CMHC s mortgage insurance provides lenders with 100% capital relief from bank regulatory requirements. We compete with CMHC primarily based upon our reputation for high quality customer service, quick decision making on insurance applications, strong underwriting expertise, and provision of support services.

Australia

We entered the Australian mortgage insurance market in 1997 and subsequently entered the New Zealand mortgage insurance market. In 2014, we were a leading provider of mortgage insurance in Australia based upon flow new insurance written. We maintain strong relationships within the major bank and regional bank channels, as well as building societies, credit unions and non-bank mortgage originators called mortgage managers. The four largest mortgage originators in Australia provide the majority of the financing for residential mortgage financing in that country. Our Australian mortgage insurance business is concentrated in a small number of key customers. For the year ended December 31, 2014, approximately 54% and 64% of our new insurance written and gross written premiums, respectively, in our Australian mortgage insurance business was attributable to our largest three customers, with the largest customer representing 32% and 39% of new insurance written and gross written premiums, respectively, in our Australian mortgage insurance business during that year. Subsequent to December 31, 2014, one of our three largest customers notified us that it was terminating its relationship with respect to new business effective May 2015. For the year ended December 31, 2014, this customer represented 10% and 14% of new insurance written and gross written premiums, respectively. The term of the current supply and service contract with our largest customer expires on December 31, 2016, unless it is terminated earlier in certain circumstances, including, among other things, a downgrade of the financial strength rating of our principal mortgage insurance subsidiary in Australia by Standard & Poor s Financial Services, LLC (S&P) to below A- (subject to certain exceptions). The term of the current supply and service contract with our next remaining largest customer expires on September 30, 2015. This contract may be terminated by either party by giving 90 days written notice.

During 2011, we ceased writing new business in New Zealand, although we provided for a limited period of time flow insurance on top-up loans, which allowed a borrower to extend the credit limit on an existing loan. We no longer write any new business in New Zealand, including with respect to top-up loans. New Zealand represented approximately 2% of our insurance in-force for our mortgage insurance business in Australia as of December 31, 2014.

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On May 15, 2014, Genworth Mortgage Insurance Australia Limited (Genworth Australia), a holding company for Genworth s Australian mortgage insurance business, priced its IPO of 220,000,000 of its ordinary shares at an initial public offering price of AUD$2.65 per ordinary share. The offering closed on May 21, 2014. Following completion of the offering, Genworth Financial beneficially owns 66.2% of the ordinary shares of Genworth Australia. See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

In Australia, there is concentration among a small group of banks that write most of the mortgages. These banks continue to evaluate the utilization of mortgage insurance in connection with the implementation of the bank capital standards in Australia introduced by the Basel Committee, and this could impact both the size of the private mortgage insurance market in Australia and our market share. The response of banks to the new capital standards will develop over time and this response could impact our Australian mortgage insurance business.

Products

In Australia, our main products are primary flow mortgage insurance, also known as lenders mortgage insurance (LMI), and portfolio credit enhancement policies. Our principal product is LMI which is similar to single premium primary flow insurance we offer in Canada with 100% coverage. Unlike in Canada, LMI policies are not portable in Australia. Lenders remit the single premium to us as the mortgage insurer following settlement of the loan and, generally, either collect the equivalent amount from the borrower at the time the loan proceeds are advanced or capitalize it in the loan.

Banks, building societies and credit unions generally acquire LMI only for residential mortgage loans with loan-to-value ratios above 80%. The Australian Prudential Regulation Authority (APRA) regulations for authorized deposit-taking institutions (ADIs) using the standard Basel II approach provide reduced capital requirements for high loan-to-value residential mortgages if they have been insured by a mortgage insurance company regulated by APRA. The capital levels for Australian internal ratings-based ADIs are determined by their APRA-approved internal ratings-based models, which may or may not allocate capital credit for LMI. We believe that APRA and the internal ratings-based ADIs have not yet finalized internal models for residential mortgage risk, so we do not believe that the internal ratings-based ADIs currently benefit from an explicit reduction in their capital requirements for mortgages covered by mortgage insurance. APRA s insurance authorization conditions require Australian mortgage insurance companies, including ours, to be monoline insurers, which are insurance companies that offer just one type of insurance product.

We also provide portfolio credit enhancement policies mainly to APRA-regulated lenders who intend to securitize Australian residential loans they have originated. Portfolio mortgage insurance serves as an important source of credit enhancement for the Australian securitization market, and our portfolio credit enhancement coverage is generally purchased for low loan-to-value, seasoned loans, and accounted for approximately 3% of new insurance written in our Australian mortgage insurance business for the year ended December 31, 2014.

Competition

The Australian flow mortgage insurance market is primarily served by us and one other private mortgage insurance company, as well as various lender-affiliated captive mortgage insurance companies. In addition, some lenders may self-insure certain high loan-to-value mortgage risks. We compete primarily based upon our reputation for high quality customer service, quick decision making on insurance applications, strong underwriting expertise and flexibility in terms of product development and provision of support services.

Other Countries

We began our European operations in the United Kingdom, which is Europe s largest market for mortgage loan originations, and over time have expanded our presence to additional countries. We are a large private mortgage insurance provider in Europe and have a leading market presence in select markets, based upon flow new insurance written. Since 2009, we have reduced our risk in-force in Europe, driven primarily by reductions in Spain and Ireland as a result of our loss mitigation activities, inclusive of normal course settlements. Currently, we write new business in the United Kingdom, Italy, Germany and Finland. We are no longer writing new business in Spain and Ireland, which represented approximately 1% of our insurance in-force in our international mortgage insurance business and 18% of our insurance in-force in Other Countries as of December 31, 2014. Additionally, we have a presence in the private mortgage insurance market in Mexico, maintain a license in Korea with a small portfolio currently in runoff and continue to selectively assess other markets as well.

During the second quarter of 2012, we became a minority shareholder of a newly-formed joint venture partnership in India. The joint venture offers mortgage guarantees against borrower defaults on housing loans from mortgage lenders in India. The financial impact of this joint venture was minimal during 2012, 2013 and 2014.

Products

Our mortgage insurance products in Europe consist principally of primary flow insurance with single premium payments. Our primary flow insurance generally provides first-loss coverage in the event of default on a portion (typically 10% to 20%) of the balance of an individual mortgage loan and our flow insurance policies are not portable. We also offer portfolio credit enhancement to facilitate the securitization of mortgage loans.

Competition

Our competition in Europe includes both public and private entities, including traditional insurance companies, as well as providers of alternative credit enhancement products and public mortgage guarantee facilities. Competition from alternative credit enhancement products include personal guarantees on high loan-to-value loans, second mortgages and bank guarantees, captive insurance companies organized by lenders, and alternative forms of risk transfer including capital markets solutions. We believe that our global expertise and coverage flexibility differentiate us from competitors and alternative products.

Underwriting

Loan applications for all flow loans we insure are reviewed to evaluate each individual borrower s credit strength and history, the characteristics of the loan and the value of the underlying property. The credit strength of a borrower is evaluated by reviewing his or her credit history and credit score. Unlike in the United States where Fair Isaac Company (FICO) credit scores are broadly used, credit scores are not available in all countries. In countries, such as Canada, where scores are available, they are included in the underwriting guidelines used to evaluate the loan. Internal mortgage scoring models are also used in the underwriting processes of Canada and Australia. In addition, risk rules models, such as Blaze Advisor®, are used in Australia and Mexico to enhance the underwriter s ability to evaluate the loan risk and make consistent underwriting decisions. Additional tools used by our international businesses include automated valuation models to evaluate property risk and fraud application prevention and management tools such as *ModelMax*® and *Interceptor*™ in Australia and *Citadel*™ in Canada.

Loan applications for flow mortgage insurance are reviewed by our employees or by employees of qualified mortgage lender customers who underwrite loan applications for mortgage insurance under a delegated underwriting program. This delegated underwriting program permits approved lenders to commit us to insure loans using underwriting guidelines we have previously approved. Each of our mortgage insurance platforms has established an audit plan to review delegated underwritten loans to ensure compliance with the approved underwriting guidelines, operational procedures and master policy requirements. Samples (statistically valid and/or stratified) of performing loans are requested and reviewed by our audit teams. Once an audit review has been completed, findings are summarized and evaluated against targets. If non-compliance issues are detected, we work with the lender to develop appropriate corrective actions which may include rescinding coverage on non-compliant loans or discontinuing delegated underwriting.

When underwriting bulk insurance transactions, we evaluate characteristics of the loans in the portfolio and examine loan files on a sample basis. Loans that do not meet the approved bulk parameters are removed from the transaction. Each bulk transaction is assigned an overall claim rate based on a weighted-average of the expected claim rates for each stratified group of loans with similar characteristics that comprises the transaction.

Since 2009, we have taken additional actions to reduce our new business risk profile, which included: tightening underwriting guidelines, product restrictions, reducing new business in geographic areas we believe are more economically sensitive, and terminating commercial relationships as a result of weaker business performance. We have also increased prices in certain markets based on periodic reviews of product performance. We believe these underwriting and pricing actions have improved our performance on new books of business.

Loss mitigation

Each of our international mortgage insurance platforms works closely with lenders to identify and monitor delinquent borrowers. When a delinquency cannot be cured through basic collections, we will work with the lender and, if permitted, with the borrower to identify an optimal loan workout solution. If it is determined that the borrower has the capacity to make a modified mortgage payment, we will work with the lender to implement the most appropriate payment plan to address the borrower s hardship situation. If the borrower does not have the capacity to make payments on a modified loan, we work with the lender and borrower to sell the property at the best price to minimize the severity of our claim and provide the borrower with a reasonable resolution. In Canada, we continue to execute a strategy to accelerate and facilitate the conveyance of real estate properties to us in selected circumstances. This strategy allows for better control of the remediation and marketing processes, reduction in carrying costs during the sale process and potential realization of a higher sales price with the cumulative impact being lower losses.

After a delinquency is reported to us, or after a claim is received, we review, and where appropriate conduct further investigations, to determine if there has been an event of underwriting non-compliance, non-disclosure of relevant information or any misrepresentation of information provided during the underwriting process. Our master policies provide that we may rescind coverage if there has been any failure to comply with agreed underwriting criteria or in the event of fraud or misrepresentation involving the lender or an agent of the lender. If such issues are identified, the claim or delinquent loan file is reviewed to determine the appropriate action, including potentially reducing the claim amount to be paid or rescinding the coverage. Generally, the issues we have initially identified are reviewed with the lender and the lender has an opportunity to provide further information or documentation to resolve the issue.

We may also review a group or portfolio of insured loans if we believe there may be systemic misrepresentations or non-compliance issues. If such issues are detected, we generally will work with the lender to develop an agreed settlement in respect of the group of loans so identified or, if such discussions fail to result in an agreed settlement, the lender may institute arbitration or other legal proceedings with respect to the loans for which we have rescinded or reduced coverage that are subject to the dispute. We have expanded these reviews to include collections activities in Mexico and Europe to determine compliance with our master policies. Where non-compliance is detected, we have negotiated settlements or have adjusted the claim for the impact of the servicing breach.

Distribution

We maintain dedicated sales forces that market our mortgage insurance products internationally to lenders. As in the U.S. market, our sales forces market to financial institutions and mortgage originators, who in turn offer mortgage insurance products to borrowers.

U.S. Mortgage Insurance

Through our U.S. Mortgage Insurance segment, we provide private mortgage insurance. Private mortgage insurance enables borrowers to buy homes with low-down-payment mortgages, which are usually defined as

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loans with a down payment of less than 20% of the home s value. Low-down-payment mortgages are sometimes also referred to as high loan-to-value mortgages. Mortgage insurance protects lenders against loss in the event of a borrower s default. It also generally aids financial institutions in managing their capital efficiently by, in some cases, reducing the capital required for low-down-payment mortgages. If a borrower defaults on mortgage payments, private mortgage insurance reduces and may eliminate losses to the insured institution. Private mortgage insurance may also facilitate the sale of mortgage loans in the secondary mortgage market because of the credit enhancement it provides.

We have been providing mortgage insurance products and services in the United States since 1981 and operate in all 50 states and the District of Columbia. Our principal mortgage insurance customers are originators of residential mortgage loans who typically determine which mortgage insurer or insurers they will use for the placement of mortgage insurance written on loans they originate. For the year ended December 31, 2014, approximately 26% of new insurance written in our U.S. mortgage insurance business was attributable to our largest five lender customers, with no customer representing more than 10% of new insurance written.

The U.S. private mortgage insurance industry is affected in part by the requirements and practices of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Fannie Mae and Freddie Mac are government-sponsored enterprises and we refer to them collectively as the GSEs. The GSEs purchase and provide guarantees on residential mortgages as part of their governmental mandate to provide liquidity through the secondary mortgage market. The GSEs may purchase mortgages with unpaid principal amounts up to a specified maximum, known as the conforming loan limit, which is currently $417,000 (up to $625,000 in certain high-cost geographical areas of the country) and subject to annual adjustment.

Each GSE s Congressional charter generally prohibits it from purchasing a mortgage where the loan-to-value ratio exceeds 80% of home value unless the portion of the unpaid principal balance of the mortgage in excess of 80% of the value of the property securing the mortgage is protected against default by lender recourse, participation or by a qualified insurer. As a result, high loan-to-value mortgages purchased by Fannie Mae or Freddie Mac generally are insured with private mortgage insurance. Fannie Mae and Freddie Mac purchased the majority of the flow loans we insured as of December 31, 2014. In furtherance of their respective charter requirements, each GSE has adopted eligibility criteria to establish when a mortgage insurer is qualified to issue coverage that will be acceptable to the GSEs for purchase or guarantee of high loan-to-value mortgages (the MI Eligibility Standards). Each GSE has issued proposed changes to their respective MI Eligibility Standards as part of the draft private mortgage insurance eligibility requirements (PMIERs). See Regulation Mortgage Insurance Regulation Federal regulation for additional information related to the revised draft PMIERs.

The following table sets forth selected financial information regarding our U.S. Mortgage Insurance segment as of or for the periods indicated. Additional selected financial information and operating performance measures regarding our U.S. Mortgage Insurance segment as of or for these periods are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations U.S. Mortgage Insurance.

	As of or for the years ended December 31,		
(Amounts in millions)	**2014**	**2013**	**2012**
Total revenues	$ 639	$ 616	$ 676
Net operating income (loss)	$ 91	$ 37	$ (138)
Net investment gains (losses), net			24

Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	$	91	$	37	$	(114)
Total segment assets	$	2,324	$	2,361	$	2,357

Products and services

The majority of our U.S. mortgage insurance policies provide default loss protection on a portion (typically 10% to 40%) of the balance of an individual mortgage loan. Our primary mortgage insurance policies are predominantly flow insurance policies, which cover individual loans at the time the loan is originated. We also from time to time enter into bulk insurance transactions or lender-paid insurance transactions with lenders and investors in selected instances, under which we insure individual loans on a flow basis or a portfolio of loans at or after origination for a negotiated price and terms.

In addition to flow and bulk primary mortgage insurance, we have in prior years written mortgage insurance on a pool basis. Under pool insurance, the mortgage insurer provides coverage on a group of specified loans, typically for 100% of all losses on every loan in the portfolio, subject to an agreed aggregate loss limit contemporaneously with loan origination.

Flow insurance

Flow insurance is primary mortgage insurance placed on an individual loan pursuant to the terms and conditions of a master policy. Our primary mortgage insurance covers default risk on first mortgage loans generally secured by one- to four-unit residential properties and can be used to protect mortgage lenders and investors from default on any type of residential mortgage loan instrument that we have approved. Our insurance covers a specified coverage percentage of a claim amount consisting of unpaid loan principal, delinquent interest and certain expenses associated with the default and subsequent foreclosure. As the insurer, we are generally required to pay the coverage percentage of a claim amount specified in the primary master policy, but we also have the option to pay the lender an amount equal to the unpaid loan principal, delinquent interest and certain expenses incurred with the default and foreclosure, and acquire title to the property. In addition, the claim amount may be reduced or eliminated if the loss on the defaulted loan is reduced as a result of the lender s disposition of the property. The lender selects the coverage percentage at the time the loan is originated, often to comply with investor requirements to reduce the loss exposure on loans purchased by the investor. Our master policies require that loans be underwritten to approved guidelines and provide for cancellation of coverage and return of premium for material breach of obligations. Our master policies generally do not extend to or cover material breach of obligations and misrepresentations known to the insured or specified agents. From time to time, based on various factors, we request loan files to verify compliance with our master policies and required procedures. Where our review and any related investigation establish material non-compliance or misrepresentation or there is a failure to deliver complete loan files as required, we rescind coverage with a return of all premiums paid.

Effective October 1, 2014, we issued a revised Master Policy to each of our actual and prospective insureds. The new Master Policy, among other things, adopted provisions sought for inclusion by the GSEs in every master policy in use by all mortgage insurers in the industry. While these changes resulted in the modification of a significant number of terms and conditions from our prior policy, we do not believe use of the new Master Policy will have a material impact on the financial condition or results of operations of our U.S. mortgage insurance business.

We also perform fee-based contract underwriting services for mortgage lenders. The provision of underwriting services by mortgage insurers eliminates the duplicative lender and mortgage insurer underwriting activities and speeds the approval process. Under the terms of our contract underwriting agreements, we agree to indemnify the lender against losses incurred in the event we make material errors in determining whether loans processed by our contract underwriters meet specified underwriting or purchase criteria, subject to contractual limitations on liability.

In prior years, our U.S. mortgage insurance business entered into a number of reinsurance agreements in which we share portions of our flow mortgage insurance risk written on loans originated or purchased by lenders with captive reinsurers affiliated with these lenders. In return, we cede a predetermined portion of our gross premiums on insurance written to the captive reinsurers. Substantially all of our captive mortgage reinsurance

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arrangements are structured on an excess of loss basis. In April 2013, we agreed under the terms and conditions of a consent order with the Consumer Financial Protection Bureau (CFPB) not to enter into any new captive reinsurance transactions for a period of 10 years without the prior consent of the CFPB. As of December 31, 2014, our U.S. mortgage insurance risk in-force reinsured to all captive reinsurers was $86 million, and the total capital held in trust for our benefit by all captive reinsurers was $260 million. These captive reinsurers are not rated, and their claims-paying obligations to us are secured by an amount of capital held in trust as determined by the underlying treaties. As of December 31, 2014 and 2013, we ceded U.S. mortgage insurance loss reserves of $24 million and $44 million, respectively, under these captive reinsurance arrangements. We have exhausted certain captive reinsurance tiers for our 2005 through 2008 book years based on loss development trends. Once the captive reinsurance or trust assets are exhausted, we are responsible for any additional losses incurred. All of our excess of loss captive reinsurance arrangements are in runoff with no new insured books of business being added going forward; however, while this level of benefit is declining, we do continue to benefit from captive reinsurance on our 2005 through 2008 books of business. New insurance written through the bulk channel generally is not subject to these arrangements.

The following table sets forth selected financial information regarding our captive reinsurance arrangements as of or for the periods indicated:

	As of or for the years ended December 31,		
	2014	**2013**	**2012**
Flow risk in-force subject to captive reinsurance arrangements, as a percentage of flow risk in-force	6%	9%	14%
Primary risk in-force subject to captive reinsurance arrangements, as a percentage of total primary risk in-force	6%	9%	14%
Gross written premiums ceded pursuant to captive reinsurance arrangements, as a percentage of total gross written premiums	3%	4%	9%
Primary new risk written subject to captive reinsurance arrangements, as a percentage of total primary new risk written	%	1%	2%

Bulk insurance

Under primary bulk insurance, we insure a portfolio of loans in a single, bulk transaction. Generally, in our bulk insurance, the individual loans in the portfolio are insured to specified levels of coverage and there may be deductible provisions and aggregate loss limits applicable to all of the insured loans. In addition, loans that we insure in bulk transactions with loan-to-value ratios above 80% typically are also covered by flow mortgage insurance, written either by us or another private mortgage insurer, which helps mitigate our exposure under the bulk transactions. We base the premium on our bulk insurance upon our evaluation of the overall risk of the insured loans included in a transaction and we negotiate the premium directly with the securitizer or other owner of the loans. Premiums for bulk transactions generally are paid monthly by lenders, investors or a securitization vehicle in connection with a securitization transaction or the sale of a loan portfolio.

Pool insurance

Pool insurance generally covers the loss on a defaulted mortgage loan that either exceeds the claim payment under the primary coverage (if primary insurance is required on that loan) or the total loss (if that loan does not require primary insurance), in each case up to a stated aggregate loss limit on the pool. We do not currently write pool insurance.

Underwriting and pricing

Loan applications for all flow loans we insure are reviewed to evaluate each individual borrower s credit strength and history, the characteristics of the loan and the value of the underlying property.

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Fair Isaac Company developed the FICO credit scoring model to calculate a score based upon a borrower s credit history. We use the FICO credit score as one indicator of a borrower s credit quality. Typically, a borrower with a higher credit score has a lower likelihood of defaulting on a loan. FICO credit scores range up to 850, with a score of 620 or more generally viewed as a prime loan and a score below 620 generally viewed as a sub-prime loan. A minus loans generally are loans where the borrowers have FICO credit scores between 575 and 660, and where the borrower has a blemished credit history. As of December 31, 2014, on a risk in-force basis and at the time of loan closing, approximately 97% of our primary insurance loans were prime in credit quality with FICO credit scores of at least 620, approximately 2% had FICO credit scores between 575 and 619, and approximately 1% had FICO credit scores of 574 or less. Loan applications for flow mortgage insurance are either directly reviewed by us (or our contract underwriters), or as noted below, by lenders under delegated authority and either course may utilize automated underwriting systems. The majority of our mortgage lender customers underwrite loan applications for mortgage insurance under a delegated underwriting program, in which we permit approved lenders to commit us to insure loans using underwriting guidelines we have previously approved. When underwriting bulk insurance transactions, we evaluate credit scores and loan characteristics of the loans in the portfolio and examine loan files on a sample basis.

We previously offered mortgage insurance for Alt-A loans, which were originated under programs in which there was a reduced level of verification or disclosure of the borrower s income or assets and a higher historical and expected default rate at origination than standard documentation loans; Interest Only loans, which allowed the borrower flexibility to pay interest only, or to pay interest and as much principal as desired, during an initial period of time; and payment option adjustable rate mortgages, which typically provided four payment options that a borrower could select for the first five years of a loan. Since 2007, we have made a number of adjustments to our underwriting and pricing guidelines intended to improve the risk and profitability profiles of new business written and the related effect on capital. These measures included exiting certain products and types of coverages, changing prices, product levels and underwriting guidelines, imposing geographical and third-party loan origination guidelines, refining delegated underwriting guidelines, developing specific underwriting guidelines on lower-credit and higher loan-to-value risks and adjusting restrictions on FICO and debt-to-income ratios. Sequentially, in September and October 2013, we reduced pricing and expanded underwriting guidelines that we believe are generally competitive with prevailing industry prices and guideline standards. We continue to monitor current housing conditions and the performance of our books of business to determine if we need to make further changes in our underwriting guidelines and practices.

Loss mitigation

We request loan files to verify compliance with our master policies. Our master policy gives us the right to obtain a copy of the complete loan file for any insured loan. If no file is produced in response to our request, the master policy provides that coverage may be canceled. If a file is delivered but lacks certain documents that are critical to demonstrating compliance with applicable underwriting standards (discussed below) or to our ability to investigate the loan for misrepresentation, we issue a follow-up request and give the servicer an additional period of time (approximately 30 additional days) to produce the missing documents. If these documents are not received after the additional time period, the master policy provides that coverage may be canceled.

Where underwriting is delegated to counterparties under specified criteria, our master policy requires that an insured loan be underwritten in strict accordance with applicable guidelines. Where our file review finds material non-compliance with the guidelines, the master policy provides that coverage may be canceled. The master policy also excludes coverage for fraud and misrepresentation, among other matters. Where our investigation establishes non-compliance or fraud or misrepresentation involving an agent of the lender, we invoke our rights by issuing a letter rescinding coverage on the loan.

Following an action to rescind coverage on insured loan certificates, we permit reconsideration of our decision to rescind such coverage through an appeals process. If an insured counterparty appeals our decision to rescind coverage on given loan certificates and we concur that new or additional information is sufficient for us to reinstate coverage, we take the necessary steps to reinstate uninterrupted insurance coverage and reactivate the loan certificate. If the parties are unable to resolve the dispute within the stated appeal period provided by us and such additional time as the parties may agree to, lenders may choose to pursue arbitration or litigation under the master policies and challenge the results. If arbitrated, ultimate resolution of the dispute would be pursuant to a panel s binding arbitration award. Challenges to rescissions may be made several years after we have rescinded coverage on an insured loan certificate. As part of our loss mitigation efforts, we routinely investigate insured loans and evaluate the related servicing to ensure compliance with applicable requirements under our master policy. As a result, from time to time, we curtail the amount of the claim payable based upon this evaluation. Curtailments are subject to the same dispute resolution procedures described above.

Estimated savings related to rescissions are the reduction in carried loss reserves, net of premium refunds and reinstatement of prior rescissions. Estimated savings related to loan modifications and other cure related loss mitigation actions represent the reduction in carried loss reserves. Estimated savings related to claims mitigation activities represent amounts deducted or curtailed from claims due to acts or omissions by the insured or the servicer with respect to the servicing of an insured loan that is not in compliance with obligations under our master policy. For non-cure related actions, including pre-sales, the estimated savings represent the difference between the full claim obligation and the actual amount paid. If a loan certificate that was previously rescinded is reinstated and the underlying loan certificate remains delinquent, we record an accrual for any liabilities that were relieved in connection with our decision to rescind coverage on the loan certificate. Loans subject to our loss mitigation actions, the results of which have been included in our reported estimated loss mitigation savings, are subject to re-default and may result in a potential claim in future periods.

Distribution

We distribute our mortgage insurance products through our dedicated sales force throughout the United States. This sales force primarily markets to financial institutions and mortgage originators, which impose a requirement for mortgage insurance as part of the borrower s financing. In addition to our field sales force, we also distribute our products through a telephone sales force serving our smaller lenders, as well as through our Action Center which provides live phone and web chat-based support for all customer segments.

Competition

In recent years, our principal sources of competition comprised U.S. and state government agencies and other private mortgage insurers. Historically, we have also competed with mortgage lenders and other investors, the GSEs, the Federal Home Loan Banks (FHLBs), structured transactions in the capital markets and with other financial instruments designed to mitigate credit risk.

U.S. and state government agencies. We and other private mortgage insurers compete for flow business directly with U.S. federal and state governmental and quasi-governmental agencies, principally the Federal Housing Administration (FHA) and, to a lesser degree, the Veteran s Administration (VA). In addition to competition from the FHA and the VA, we and other private mortgage insurers face competition from state-supported mortgage insurance funds in several states, including California, Illinois and New York.

Private mortgage insurers. Since the financial crisis, the competitive landscape of the U.S. private mortgage insurance industry has changed and continues to do so. Over that period, certain competitors ceased writing new business while other new entrants began writing business. While we cannot predict the level of impact, continued changes in the competitive landscape of the U.S. private mortgage insurance industry will likely impact our sales levels. The private mortgage insurance industry currently consists of seven active mortgage insurers, including us.

Mortgage lenders and other investors. We and other mortgage insurers have competed with transactions structured by mortgage lenders to avoid mortgage insurance on low-down-payment mortgage loans. These

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transactions include self-insuring and simultaneous second loans, which separate a mortgage with a loan-to-value ratio of more than 80%, which in the absence of such a structure would require mortgage insurance, into two loans: a first mortgage with a loan-to-value ratio of 80% and a simultaneous second mortgage for the excess portion of the loan.

The GSEs Fannie Mae, Freddie Mac and FHLBs. As the predominant purchasers of conventional mortgage loans in the United States, Fannie Mae and Freddie Mac provide a direct link between mortgage origination and capital markets. As discussed above, most high loan-to-value mortgages purchased by Fannie Mae or Freddie Mac are insured with private mortgage insurance issued by an insurer deemed qualified by the GSEs. Private mortgage insurers may be subject to competition from Fannie Mae and Freddie Mac to the extent the GSEs are compensated for assuming default risk that would otherwise be insured by the private mortgage insurance industry. In February 2011, the Obama Administration issued a white paper setting forth various proposals to gradually eliminate Fannie Mae and Freddie Mac. Since that date, members of Congress, various housing experts and others within the industry have also published similar proposals. We cannot predict whether or when any proposals will be implemented, and if so, in what form, nor can we predict the effect such proposals, if so implemented, would have on our business, results of operations or financial condition.

We also compete with structured transactions in the capital markets and other financial instruments designed to mitigate the risk of mortgage defaults, such as credit default swaps and credit linked notes, with reinsurers of mortgage insurance risk and with lenders who forego mortgage insurance (self-insure) on loans held in their portfolios.

The MI Eligibility Standards include specified insurance coverage levels established by the GSEs. The GSEs have the authority to change the pricing arrangements for purchasing retained-participation mortgages, or mortgages with lender recourse, as compared to insured mortgages, increase or reduce required mortgage insurance coverage percentages, and alter or liberalize underwriting standards and pricing terms on low-down-payment mortgages they purchase. In addition to the GSEs, FHLBs purchase single-family conforming mortgage loans. Although not required to do so, the FHLBs currently use mortgage insurance on substantially all mortgage loans with a loan-to-value ratio above 80%.

Corporate and Other Division

International Protection

The following table sets forth financial information regarding our International Protection segment as of or for the periods indicated. Additional selected financial information and operating performance measures regarding our International Protection segment as of or for these periods are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations International Protection.

(Amounts in millions)	As of or for the years ended December 31, 2014	2013	2012
Total revenues	$ 837	$ 786	$ 822
Net operating income	$ 8	$ 24	$ 24
Net investment gains (losses), net		18	3
Goodwill impairment, net			(86)

Tax impact from potential business portfolio changes	108		
Expenses related to restructuring, net		(3)	
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	$ 116	$ 39	$ (59)
Total segment assets	$ 1,833	$ 2,061	$ 2,145

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Lifestyle protection insurance

We currently provide lifestyle protection insurance that is principally offered by financial services companies at the point of sale of consumer products and we have a presence in more than 20 countries.

Products and services

Our lifestyle protection insurance products include primarily protection from illness, accident, involuntary unemployment, disability and death. The benefits on these policies pay the periodic payments on a consumer loan or other form of committed payment for a limited period of time, typically 12 months, though they can be up to 84 months. In some cases, for certain coverages, we may make lump sum payments. Our policies that cover disability and unemployment include an exclusion period that is usually 30 to 90 days, respectively, and a waiting period (time between claim submission and claim payment) of typically 30 days. Our policies either require an upfront single premium or monthly premiums.

We also provide third-party administrative services and administer non-risk premium with some relationships in Europe. Additionally, we have entered into structured portfolio transactions covering risks in Canada, Europe and Asia.

Underwriting and pricing

Our lifestyle protection insurance products are currently underwritten and priced on a program basis, by type of product and by distributor, rather than on an individual policyholder basis. In setting prices and in some cases the nature of coverage offered, we take into account the underlying obligation, the particular product features and the average customer profile of a given distributor. For our monthly premium policies, most contracts allow for monthly price adjustments after consultation with our distribution partners which help us to reduce our business risk profile when there are adverse changes in the market. Additionally, certain of our distribution contracts provide for profit or loss sharing with our distribution partners, which provide our business and our distribution partners with risk protection and aligned economic interests over the life of the contract. We believe our experience in underwriting allows us to provide competitive pricing to distributors and generate targeted returns and profits for our business.

Distribution

We distribute our lifestyle protection insurance products primarily through financial institutions, including major European banks, that offer our insurance products in connection with underlying loans or other financial products they sell to their customers. Under these arrangements, the distributors typically take responsibility for branding and marketing the products, while we take responsibility for pricing, underwriting and claims payment.

We continue to pursue expanding our current geographical distribution in Latin America and building new distribution in China and have secured large insurance partners in both of these regions. We are currently working with these partners to establish product, distribution and servicing capabilities in order to bring our products and services to the market.

Competition

The lifestyle protection insurance market has several large, international participants, including both captive insurers of large financial institutions and independent providers. We compete through our high service levels, depth of expertise in providing tailored product and service solutions and our ability to service clients at a local level and across multiple countries.

Runoff

The Runoff segment includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include variable annuity, variable life insurance, institutional, corporate-owned

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life insurance and other accident and health insurance products. Institutional products consist of funding agreements, FABNs and GICs. We no longer offer retail and group variable annuities but continue to service our existing blocks of business.

The following table sets forth financial information regarding our Runoff segment as of or for the periods indicated. Additional selected financial information and operating performance measures regarding our Runoff segment as of or for these periods are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Runoff.

(Amounts in millions)	As of or for the years ended December 31, 2014	2013	2012
Total revenues	$ 275	$ 302	$ 381
Net operating income	$ 48	$ 66	$ 46
Net investment gains (losses), net	(34)	(17)	12
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	$ 14	$ 49	$ 58
Total segment assets	$ 12,971	$ 14,062	$ 15,308

Products

Variable annuities and variable life insurance

Our variable annuities provide contractholders the ability to allocate purchase payments and contract value to underlying investment options available in a separate account format. The contractholder bears the risk associated with the performance of investments in the separate account. In addition, some of our variable annuities permit customers to allocate assets to a guaranteed interest account managed within our general account. Certain of our variable annuity products provide contractholders with lifetime guaranteed income benefits. Our variable annuity products generally provide guaranteed minimum death benefits (GMDBs) and may provide guaranteed minimum withdrawal benefits (GMWBs) and certain types of guaranteed annuitization benefits.

Variable annuities generally provide us fees including mortality and expense risk charges and, in some cases, administrative charges. The fees equal a percentage of the contractholder s policy account value or related benefit base value, and as of December 31, 2014, ranged from 0.75% to 4.20% per annum depending on the features and options within a contract.

Our variable annuity contracts with a basic GMDB provide a minimum benefit to be paid upon the annuitant s death, usually equal to the larger of account value and the return of net deposits. Some contractholders also have riders that provide enhanced death benefits. Assuming every annuitant died on December 31, 2014, as of that date, contracts with death benefit features not covered by reinsurance had an account value of $6,319 million and a related death benefit exposure, or net amount at risk, of $125 million.

Some of our variable annuity products provide the contractholder with a guaranteed minimum income stream that they cannot outlive, along with an opportunity to participate in market appreciation.

We no longer offer retail and group variable annuities or variable life insurance products; however, we continue to service our existing block of business which could include additional deposits on existing annuity contracts.

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Institutional

Our institutional products consist of funding agreements, FABNs and GICs, which are deposit-type products that pay a guaranteed return to the contractholder on specified dates. We explore periodic issuance of our institutional products for asset-liability management purposes.

Corporate-owned life insurance

We no longer offer our corporate-owned life insurance product; however, we continue to manage our existing block of business.

Other accident and health insurance

Our other accident and health insurance includes Medicare supplement insurance reinsured to a third party, and certain disability, accident and health insurance that we no longer sell.

Corporate and Other Activities

Our Corporate and Other activities include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other businesses that are managed outside our operating segments, including discontinued operations.

On August 30, 2013, we sold our wealth management business to AqGen Liberty Acquisition, Inc., a subsidiary of AqGen Liberty Holdings LLC, a partnership of Aquiline Capital Partners and Genstar Capital, for approximately $412 million. This business was accounted for as discontinued operations and its financial position, results of operations and cash flows were separately reported for all periods presented. We received net proceeds of approximately $360 million from the sale. Also included in discontinued operations was our tax and advisor unit, Genworth Financial Investment Services (GFIS), which was part of our wealth management business until its sale on April 2, 2012. See note 25 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information related to discontinued operations.

Effective April 1, 2013 (immediately prior to the holding company reorganization), Genworth Holdings completed the sale of its reverse mortgage business for total proceeds of $22 million. The gain on the sale was not significant.

International Operations

Our total revenues attributed to international operations for the years ended December 31, 2014, 2013 and 2012 were approximately $2.1 billion, $2.1 billion and $2.2 billion, respectively. More information regarding our international operations and revenue in our largest countries is presented in note 20 to the consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Marketing

As an insurance provider, we position, promote and differentiate our products and services through product value and innovation, risk management expertise, specialized support and technology for our distributors and marketing programs tailored to particular consumer groups.

We offer a targeted set of products that are designed to meet key needs of consumers throughout the various stages of their lives, with a focus on consumers with household incomes of between $50,000 and $250,000. We are selective in the products we offer and seek to maintain appropriate return and risk thresholds on our product offerings. We also have developed technological approaches that enhance performance by automating key processes and reducing response times, expenses and process variations. We believe these approaches also make it easier for our customers and distributors to do business with us.

We have focused our marketing approach on promoting our products and services to key constituencies, including sales intermediaries, consumers, employees and investors. We seek to build recognition of our offerings and maintain deep relationships with leading distributors by providing specialized and differentiated distribution support, including product training, sales services and technology solutions that support the distributors sales efforts. We also leverage technology to extend our presence and marketing communications, using interactive tools, search engine marketing expertise and efficient web services to enhance our customers experience.

Our publications on financial security issues help build our reputation and inform our key constituencies, such as distributors, consumers, policymakers and regulators, on relevant topics, including the cost of long-term care, the life insurance coverage gap, consumer financial security as well as mortgage and mortgage insurance trends. In addition, we sponsor various advisory councils with independent sales intermediaries and dedicated sales specialists to gather their feedback on industry trends, new product ideas, approaches to improve service and ways to enhance our relationships.

Risk Management

Risk management is a critical part of our business. We have an enterprise risk management framework that includes risk management processes relating to economic capital analysis, product development, product pricing and management of in-force business, credit risk management, asset-liability management, liquidity management, investment activities, portfolio diversification, underwriting and risk and loss mitigation, financial databases and information systems, business acquisitions and dispositions, and operational capabilities. The risk management framework includes the identification and assessment of risks, a proactive decision process to determine which risks are acceptable to be retained, based on risk and reward considerations, limit setting on major risks, emerging risk identification and the ongoing monitoring, reporting and management of risks. We adhere to risk management disciplines and aim to leverage these efforts into a competitive advantage in distribution and management of our products.

In our evaluation of in-force product performance, new product initiatives and risk mitigation alternatives includes monitoring regulatory and rating agency capital models as well as internal economic capital models to determine the appropriate level of risk-adjusted capital. We utilize our internal economic capital model to assess the risk of loss to our capital resources based upon the portfolio of risks we underwrite and retain and upon our asset and operational risk profiles. Our commitment to risk management involves the ongoing review and expansion of internal risk management capabilities with a focus on utilizing top talent, improved infrastructure and modeling.

Product development and management

Our risk management process begins with the development and introduction of new products and services. We have established a product development process that specifies a series of required analyses, reviews and approvals for any new product. For each proposed product, this process includes a review of the market opportunity and competitive landscape, major pricing assumptions and methodologies, return expectations and variability of returns, sensitivity analysis, asset-liability management, reinsurance and other risk mitigating strategies, underwriting criteria, legal, compliance and business risks and potential mitigating actions. Before we introduce a new product, we establish a monitoring program with specific performance targets and leading indicators, which we monitor frequently to identify any deviations from expected performance so that we can take corrective action when necessary. Significant product introductions, measured either by volume, level or type of risk, require approval by our senior management team at either the business or enterprise level.

We use a similar process to introduce changes to existing products and to offer existing products in new markets and through new distribution channels. Product performance reviews include an analysis of the major

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drivers of profitability, underwriting performance and variations from expected results including an in-depth experience analysis of the product s major risk factors. Other areas of focus include the regulatory and competitive environments and other emerging factors that may affect product performance.

In addition, we initiate special reviews when a product s performance fails to meet the indicators we established during that product s introductory review process for subsequent reviews of in-force blocks of business. If a product does not meet our performance criteria, we consider adjustments in pricing, design and marketing or ultimately discontinuing sales of that product. We review our underwriting, pricing, distribution and risk selection strategies on a regular basis in an effort to ensure that our products remain competitive and consistent with our marketing and profitability objectives. For example, in our U.S. and international mortgage insurance and lifestyle protection insurance businesses, we review the profitability of lender accounts to assess whether our business with these lenders is achieving anticipated performance levels and to identify trends requiring remedial action, including changes to underwriting guidelines, product mix or other customer performance.

Asset-liability management

We maintain segmented investment portfolios for the majority of our product lines. This enables us to perform an ongoing analysis of the interest rate, credit, foreign exchange, equity, volatility and liquidity risks associated with each major product line, in addition to credit risks for our overall enterprise versus approved limits. We analyze the behavior of our liability cash flows across a wide variety of scenarios, reflecting policy features and expected policyholder behavior. We also analyze the cash flows of our asset portfolios across the same scenarios. We believe this analysis shows the sensitivity of both our assets and liabilities to changes in economic environments and enables us to manage our assets and liabilities more effectively. In addition, we deploy hedging programs to mitigate certain economic risks associated with our assets, liabilities and capital. For example, we partially hedge the equity, interest rate and market volatility risks in our variable annuity products, as well as interest rate risks in our long-term care insurance products.

Liquidity management

We monitor the cash and highly marketable investment positions in each of our operating companies against operating targets that are designed to ensure that we will have the cash necessary to meet our obligations as they come due. The targets are set based on stress scenarios that have the effect of increasing our expected cash outflows and decreasing our expected cash inflows. In addition, we monitor the ability of our operating companies to provide the dividends needed to meet the cash needs of our holding companies and analyze the impact of reduced dividend levels under stress scenarios.

Portfolio diversification and investments

We use new business and in-force product limits to manage our risk concentrations and to manage product, business level, geographic and other risk exposures. We manage unique product exposures in our business segments. For example, in managing our mortgage insurance risk exposure, we monitor geographic concentrations in our portfolio and the condition of housing markets in each major area in the countries in which we operate. We also monitor fundamental price indicators and factors that affect home prices and their affordability at the national and regional levels.

In addition, our assets are managed within limitations to control credit risk and to avoid excessive concentration in our investment portfolio using defined investment and concentration guidelines that help ensure disciplined underwriting and oversight standards. We seek diversification in our investment portfolio by investing in multiple asset classes and limiting size of exposures. The portfolios are tailored to match the cash flow characteristics of our liabilities, and actively monitoring exposures, changes in credit characteristics and shifts in markets.

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We utilize surveillance and quantitative credit risk analytics to identify concentrations and drive diversification of portfolio risks with respect to issuer, sector, rating and geographic concentration. Issuer credit limits for the investment portfolios of each of our businesses (based on business capital, portfolio size and relative issuer cumulative default risk) govern and control credit concentrations in our portfolio. Derivatives counterparty risk and credit derivatives are integrated into issuer limits as well. We also limit and actively monitor country and sovereign exposures in our global portfolio and evaluate and adjust our risk profiles, where needed, in response to geopolitical and economic developments in the relevant areas.

Underwriting and risk and loss mitigation

Underwriting guidelines for all products are routinely reviewed and adjusted as needed to ensure policyholders are provided with the appropriate premium and benefit structure. We seek external reviews from the reinsurance and consulting communities and to utilize their experience to calibrate our risk taking to expected outcomes.

Our risk and loss mitigation activities include ensuring that new policies are issued based on accurate information that we receive and that policy benefit payments are paid in accordance with the policy contract terms.

Financial databases and information systems

Our financial databases and information systems technology are important tools in our risk management. For example, we believe we have the largest database for long-term care insurance claims with 40 years of experience in offering those products. We also have substantial experience in offering individual life insurance products with a large database of claims experience, particularly in preferred risk classes, which has significant predictive value. We have extensive data on the performance of mortgage originations in the United States and other major markets we operate in which we use to assess the drivers and distributions of delinquency and claims experience.

We use technology, in some cases proprietary technology, to manage variations in our underwriting process. For example, in our mortgage insurance businesses, we use borrower credit bureau information, proprietary mortgage scoring models and/or our extensive database of mortgage insurance experience along with external data including rating agency data to evaluate new products and portfolio performance. In the United States and Canada, our proprietary mortgage scoring models use the borrower s credit score and additional data concerning the borrower, the loan and the property, including loan-to-value ratio, loan type, loan amount, property type, occupancy status and borrower employment to predict the likelihood of having to pay a claim. In addition, our models take into consideration macroeconomic variables such as unemployment, interest rate and home price changes. We believe assessing housing market and mortgage loan attributes across a range of economic outcomes enhances our ability to manage and price for risk. We perform portfolio analysis on an ongoing basis to determine if modifications are required to our product offerings, underwriting guidelines or premium rates.

We rely extensively on complex models to calculate the value of assets and liabilities (including reserves), capital levels and other financial metrics, as well as for other purposes. We have a model risk management framework in place that is designed to ensure appropriate governance of model risk. Independent model validation teams assess on a systematic basis the appropriate use of models, taking into account the risks associated with assumptions, algorithms and process controls supporting the use of the models.

Business acquisitions and dispositions

When we consider an acquisition or a disposition of a block or book of business or entity, we use various business, financial and risk management disciplines to evaluate the merits of the proposals and assess its strategic fit with our current business model. We have a review process that includes a series of required analyses, reviews and approvals similar to those employed for new product introductions.

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Operational capabilities

We have risk management programs in place to review the continued operation of our businesses in the event of loss or other adverse consequences on business outcomes resulting from inadequate or failed internal processes, people and systems or from external events. We provide risk assessments, together with control reviews, to provide an indication as to how the risks need to be managed. Significant events impacting our businesses are assessed in terms of their impact on our risk profile. Controls are used to mitigate the likelihood of a risk occurring or minimizing the consequence of the risk if it did occur. Investigative teams are maintained in our various locations to address potential operational risk incidents from both internal and external sources.

Operations and Technology

Service and support

In our U.S. Life Insurance segment, we interact directly with our independent sales intermediaries and dedicated sales specialists through secure websites that have enabled them to transact business with us electronically.

In our International Mortgage Insurance and U.S. Mortgage Insurance segments, we introduced technology enabled services to help our customers (lenders and servicers) as well as our consumers (borrowers and homeowners). Technology advancements have allowed us to reduce application approval turn-times, error rates and enhance our customers ease of doing business with us. Through our secure internet-enabled information systems and data warehouses, servicers can transact business with us in a timely manner. In the United States, proprietary, decision models have helped generate loss mitigation strategies for distressed borrowers. Our models use information from various third-party sources, such as consumer credit agencies, to indicate borrower willingness and capacity to fulfill debt obligations. Identification of specific borrower groups that are likely to work their loans out allows us to create custom outreach strategies to achieve a favorable loss mitigation outcome.

In our International Protection segment, we have existing operations in Europe and Mexico and have established new operations in Asia and South America. We have built a scalable operations model with the ability to customize service based on client and end user needs. We are continuously developing new processes and technologies (for example, an online integrated claims management experience) to reduce costs and enhance end user experience by reducing customer effort and cycle time.

Operating centers

We have established scalable, low-cost operating centers in Virginia, North Carolina and Ireland. In addition, through an arrangement with an outsourcing provider, we have a substantial team of professionals in India who provide a variety of services to us, including data entry, transaction processing and functional support to our insurance operations.

Reserves

We calculate and maintain reserves for estimated future payments of claims to our policyholders and contractholders in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and industry accounting practices. We build these reserves as the estimated value of those obligations increases, and we release these reserves as those future obligations are paid, experience changes or the policy lapses. The reserves we establish reflect estimates and actuarial assumptions and methodologies with regard to our future experience. These estimates and actuarial assumptions and methodologies involve the exercise of significant judgment and are inherently uncertain. These estimates and actuarial assumptions and methodologies are subjected to a variety of internal reviews and, in some cases, external independent reviews. Our future financial results depend significantly upon the extent to which our actual future experience is consistent with the assumptions we have used in determining our reserves as well as the assumptions originally used in pricing our products. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past had, material impacts on our reserves, results of operations and financial condition. Many factors, and changes in these factors, can affect future experience including, but not limited to: interest rates; market returns and volatility; economic and social conditions such as inflation, unemployment, home price appreciation or depreciation, and healthcare experience (including type of care and cost of care); policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next); insured life expectancy or longevity; insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates); and doctrines of legal liability and damage awards in litigation. Because these assumptions relate to factors that are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. Moreover, we may not be able to mitigate the impact of unexpected adverse experience by increasing premiums and/or other charges to policyholders (where we have the right to do so) or by offering reduced benefits as an alternative to increasing premiums.

For additional information on reserves, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Insurance liabilities and reserves.

Reinsurance

We reinsure a portion of our annuity, life insurance, long-term care insurance, mortgage insurance and lifestyle protection insurance with unaffiliated reinsurers. In a reinsurance transaction, a reinsurer agrees to indemnify another insurer for part or all of its liability under a policy or policies it has issued for an agreed upon premium. We participate in reinsurance activities in order to minimize exposure to significant risks, limit losses, and provide additional capacity for future growth. We also obtain reinsurance to meet certain capital requirements, including sometimes utilizing intercompany reinsurance agreements to manage our statutory capital positions. However, these inter-company agreements do not have an effect on our consolidated U.S. GAAP financial statements.

We enter into various agreements with reinsurers that cover individual risks, group risks or defined blocks of business, primarily on a coinsurance, yearly renewable term, excess of loss or catastrophe excess basis. These reinsurance agreements spread risk and minimize the effect or losses. For example, in addition to reinsuring mortality risk on our life insurance products, we are coinsuring approximately 20% of all our long-term care insurance sales. The extent of each risk retained by us depends on our evaluation of the specific risk, subject, in certain circumstances, to maximum retention limits based on the characteristics of coverages.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded amount in the event a claim is paid. Cessions under reinsurance agreements do not discharge our obligations as the primary insurer. In the event that reinsurers do not meet their obligations under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. Our amounts recoverable from reinsurers represent receivables from and/or reserves ceded to reinsurers. The amounts recoverable from reinsurers were $17.3 billion and $17.2 billion as of December 31, 2014 and 2013, respectively.

We focus on obtaining reinsurance from a diverse group of reinsurers. We regularly evaluate the financial condition of our reinsurers and monitor concentration risk with our reinsurers at least annually. We have established standards and criteria for our use and selection of reinsurers. In order for a new reinsurer to participate in our current program, without collateralization, we require the reinsurer to have an S&P rating of A- or better or a Moody s Investors Services Inc. (Moody s) rating of A3 or better and a minimum capital and surplus level of $350 million. If the reinsurer does not have these ratings, we generally require them to post collateral as described below. In addition, we may require collateral from a reinsurer to mitigate credit/collectability risk. Typically, in such cases, the reinsurer must either maintain minimum specified ratings and

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risk-based capital ratios or provide the specified quality and quantity of collateral. Similarly, we have also required collateral in connection with books of business sold pursuant to indemnity reinsurance agreements. We have been required to post collateral when purchasing books of business.

Reinsurers that are not licensed, accredited or authorized in the state of domicile of the reinsured (ceding company) are required to post statutorily prescribed forms of collateral for the ceding company to receive reinsurance credit. The three primary forms of collateral are: (i) qualifying assets held in a reserve credit trust; (ii) irrevocable, unconditional, evergreen letters of credit issued by a qualified U.S. financial institution; and (iii) assets held by the ceding company in a segregated funds withheld account. Collateral must be maintained in accordance with the rules of the ceding company s state of domicile and must be readily accessible by the ceding company to cover claims under the reinsurance agreement. Accordingly, our insurance subsidiaries require unauthorized reinsurers that are not so licensed, accredited or authorized to post acceptable forms of collateral to support their reinsurance obligations to us.

The following table sets forth our exposure to our principal reinsurers in our U.S. life insurance businesses as of December 31, 2014:

(Amounts in millions)	Reinsurance recoverable
UFLIC [(1)]	$ 14,494
RGA Reinsurance Company	798
Munich American Reassurance Company	724
Riversource Life Insurance Company [(2)]	558
General Re Life Corporation	311

(1) We have several significant reinsurance transactions with Union Fidelity Life Insurance Company (UFLIC), an affiliate of our former parent, General Electric Company (GE), which results in a significant concentration of reinsurance risk. UFLIC s obligations to us are secured by trust accounts. See note 9 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data.

(2) Our reinsurance arrangement with Riversource Life Insurance Company covers a runoff block of single premium term life insurance policies.

In our international mortgage insurance business, the majority of the reinsurance treaties are on an excess of loss basis that are designed to attach only under stress loss events and are renewable (with the agreement of both us and the relevant reinsurers) on a periodic basis. The largest coverage amount from a single reinsurer was approximately $100 million. The top five reinsurers of our international mortgage insurance business represented approximately 45% of our reinsurance coverage in that business. As of December 31, 2014, we recorded international mortgage insurance ceded loss reserves of $23 million within reinsurance recoverable.

We have also historically entered into reinsurance programs in which we share portions of our U.S. mortgage insurance risk written on loans originated or purchased by lenders with captive reinsurance companies affiliated with these lenders. In return, we cede to the captive reinsurers a predetermined portion of our gross premiums on flow insurance written. New insurance written through the bulk channel generally is not subject to these arrangements. See Business U.S. Mortgage Insurance for additional information regarding reinsurance captives. As of December 31, 2014, we recorded U.S. mortgage insurance ceded loss reserves of $24 million within reinsurance recoverable where cumulative losses have exceeded the attachment points in several captive reinsurance arrangements.

For additional information related to reinsurance, see note 9 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data.

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Financial Strength Ratings

Ratings with respect to financial strength are an important factor in establishing the competitive position of insurance companies. Ratings are important to maintaining public confidence in us and our ability to market our products. Rating organizations review the financial performance and condition of most insurers and provide opinions regarding financial strength, operating performance and ability to meet obligations to policyholders.

As of February 27, 2015, our principal life insurance subsidiaries were rated in terms of financial strength by S&P, Moody s and A.M. Best Company, Inc. (A.M. Best) as follows:

Company	S&P rating	Moody s rating	A.M. Best rating
Genworth Life Insurance Company	BBB- (Good)	Baa1 (Adequate)	A- (Excellent)
Genworth Life and Annuity Insurance Company	BBB- (Good)	Baa1 (Adequate)	A- (Excellent)
Genworth Life Insurance Company of New York	BBB- (Good)	Baa1 (Adequate)	A- (Excellent)

As of February 27, 2015, our principal mortgage insurance subsidiaries were rated in terms of financial strength by S&P, Moody s and Dominion Bond Rating Service (DBRS) as follows:

Company	S&P rating	Moody s rating	DBRS rating
Genworth Mortgage Insurance Corporation	BB- (Marginal)	Ba1 (Questionable)	Not rated
Genworth Residential Mortgage Insurance Corporation of NC	BB- (Marginal)	Ba1 (Questionable)	Not rated
Genworth Financial Mortgage Insurance Pty. Limited (Australia) (1)	A+ (Strong)	A3 (Good)	Not rated
Genworth Financial Mortgage Insurance Limited (Europe)	BB- (Marginal)	Not rated	Not rated
Genworth Financial Mortgage Insurance Company Canada	A+ (Strong)	Not rated	AA (Superior)
Genworth Seguros de Credito a la Vivienda S.A. de C.V. (2)	Not rated	Aa3.mx	Not rated

(1) Also rated A+ by Fitch Ratings (Fitch).

(2) Rated at the local country level.

As of February 27, 2015, our principal lifestyle protection insurance subsidiaries were rated in terms of financial strength by S&P as follows:

Company	S&P rating
Financial Assurance Company Limited	A- (Strong)
Financial Insurance Company Limited	A- (Strong)

The S&P, Moody s, A.M. Best and DBRS ratings included are not designed to be, and do not serve as, measures of protection or valuation offered to investors. These financial strength ratings should not be relied on with respect to making an investment in our securities. At our request, S&P and Moody s no longer provide short-term ratings for Genworth Life Insurance Company and Genworth Life and Annuity Insurance Company. In addition, at our request, S&P no longer provides a rating on Genworth Seguros de Credito a la Vivienda S.A. de C.V.

S&P states that insurers rated A (Strong), BBB (Good) or BB (Marginal) have strong, good or marginal financial security characteristics, respectively. The A, BBB and BB ranges are the third-, fourth- and fifth-highest of nine financial strength rating ranges assigned by S&P, which range from AAA to R. A plus (+) or minus (-) shows relative standing within a major rating category. These suffixes are not added to ratings in the AAA category or to ratings below the CCC category. Accordingly, the A+, A-, BBB- and BB- ratings are the fifth-, seventh-, tenth- and thirteenth-highest of S&P s 21 ratings categories.

Moody s states that insurance companies rated A (Good) offer good financial security, that insurance companies rated Baa (Adequate) offer adequate financial security and that insurance companies rated Ba (Questionable) offer questionable financial security. The A (Good), Baa (Adequate) and Ba (Questionable) ranges are the third-, fourth- and fifth-highest, respectively, of nine financial strength rating ranges assigned by Moody s, which range from Aaa to C. Numeric modifiers are used to refer to the ranking within the group, with 1 being the highest and 3 being the lowest. These modifiers are not added to ratings in the Aaa category or to ratings below the Caa category. Accordingly, the A3 , Baal and Ba1 ratings are the seventh-, eighth- and eleventh-highest, respectively, of Moody s 2 ratings categories. Issuers or issues rated Aa.mx demonstrate very strong creditworthiness relative to other issuers in Mexico.

A.M. Best states that the A- (Excellent) rating is assigned to those companies that have, in its opinion, an excellent ability to meet their ongoing insurance obligations. The A- (Excellent) rating is the fourth-highest of 15 ratings assigned by A.M. Best, which range from A++ to F.

DBRS states that long-term obligations rated AA are of superior credit quality. The capacity for the payment of financial obligations is considered high and unlikely to be significantly vulnerable to future events. Credit quality differs from AAA only to a small degree.

We also solicit a rating from Fitch for our Australian mortgage insurance subsidiary. Fitch states that A (Strong) rated insurance companies are viewed as possessing strong capacity to meet policyholder and contract obligations. The A rating category is the third-highest of nine financial strength rating categories, which range from AAA to C. The symbol (+) or (-) may be appended to a rating to indicate the relative position of a credit within a rating category. These suffixes are not added to ratings in the AAA category or to ratings below the B category. Accordingly, the A+ rating is the fifth-highest of Fitch s 21 ratings categories.

On November 6, 2014, following our earnings announcement for the third quarter of 2014, which included a discussion of the completion of a comprehensive review of our long-term care insurance claim reserves conducted, Moody s announced, among other things, that it placed the credit ratings of Genworth Holdings and the financial strength ratings of its principal life insurance subsidiaries on review for downgrade. Moody s also announced that it placed the financial strength rating of Genworth Seguros de Credit a la Vivienda S.A. de C.V. under review for downgrade and withdrew the rating and re-issued it at the local country level. On February 11, 2015, following our earnings announcement for the fourth quarter of 2014, Moody s announced, among other things, its downgrade of the financial strength ratings of our principal life insurance subsidiaries to Baa1 (Adequate) from A3 (Good). The announcement on February 11, 2015 concluded its review for downgrade initiated on November 6, 2014. The ratings of our U.S. and Australian mortgage insurance subsidiaries as well as Genworth Seguros de Credito a la Vivienda were not affected by this specific rating action.

On November 6, 2014, S&P also announced that it had lowered the issuer credit and senior unsecured debt ratings on Genworth Holdings and lowered its financial strength ratings of our principal life insurance subsidiaries to BBB+ from A-, in each case with a negative outlook, and had also lowered its financial strength ratings of certain of our financing entities. As a result, because of their ratings approach linking ratings of affiliated companies, S&P also announced that it had lowered its financial strength ratings on our principal Canadian, Australian and European mortgage insurance subsidiaries and placed its ratings of our principal lifestyle protection insurance subsidiaries on credit-watch with negative implications. On February 18, 2015, following our earnings announcement for the fourth quarter of 2014, S&P announced, among other things, its downgrade of the financial strength ratings of our principal life insurance subsidiaries to BBB- (Good) from BBB+ (Good). S&P also announced the downgrade of the financial strength rating of our European mortgage insurance subsidiary to BB- (Marginal) from BB+ (Marginal) due to the corporate guarantee from the parent. S&P affirmed the financial strength ratings of our Canadian, Australian and U.S.

mortgage insurance and lifestyle protection insurance subsidiaries.

A.M. Best affirmed our life insurance subsidiaries ratings at A (Excellent) with stable outlook on November 6, 2014. However, on December 18, 2014, A.M. Best placed our life insurance subsidiaries under review with negative implications. On February 13, 2015, following our earnings announcement for the fourth quarter of 2014, A.M. Best announced its downgrade of our principal life insurance subsidiaries from A (Excellent) to A- (Excellent).

S&P, Moody s, A.M. Best, DBRS and Fitch review their ratings periodically and we cannot assure you that we will maintain our current ratings in the future. Other agencies may also rate our company or our insurance subsidiaries on a solicited or an unsolicited basis. We do not provide information to agencies issuing unsolicited ratings and we cannot ensure that any agencies that rate our company or our insurance subsidiaries on an unsolicited basis will continue to do so.

For information on adverse credit rating actions related to Genworth Holdings, see Item 1A Risk Factors Recent adverse rating agency actions have resulted in a loss of business and adversely affected our results of operations, financial condition and business and future adverse rating actions could have a further and more significant adverse impact on us.

Investments

Organization

Our investment department includes asset management, portfolio management, derivatives, risk management, operations, accounting and other functions. Under the direction of the investment committee and our Chief Investment Officer, it is responsible for managing the assets in our various portfolios, including establishing investment and derivatives policies and strategies, reviewing asset-liability management, performing asset allocation for our domestic subsidiaries and coordinating investment activities with our international subsidiaries.

We use both internal and external asset managers to take advantage of expertise in particular asset classes or to leverage country-specific investing capabilities. We internally manage certain asset classes for our domestic insurance operations, including public corporate and municipal securities, structured securities, government securities, commercial mortgage loans, privately placed debt securities and derivatives. We utilize external asset managers primarily for our international portfolios and captive reinsurers, as well as select asset classes. Management of investments for our international operations is overseen by the investment committees reporting to the boards of directors of the applicable non-U.S. legal entities in consultation with our Chief Investment Officer. The majority of the assets in our lifestyle protection insurance business and European, Canadian and Australian mortgage insurance businesses are managed by unaffiliated investment managers located in their respective countries. As of December 31, 2014 and 2013, approximately 18% and 20%, respectively, of our invested assets were held by our international businesses and were invested primarily in non-U.S.-denominated securities.

As of December 31, 2014, we had total cash, cash equivalents and invested assets of $78.2 billion. We manage our assets to meet diversification, credit quality, yield and liquidity requirements of our policy and contract liabilities by investing primarily in fixed maturity securities, including government, municipal and corporate bonds and mortgage-backed and other asset-backed securities. We also hold mortgage loans on commercial real estate and other invested assets, which include derivatives, trading securities, limited partnerships and short-term investments. Investments for our particular insurance company subsidiaries are required to comply with our risk management requirements, as well as applicable laws and insurance regulations.

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The following table sets forth our cash, cash equivalents and invested assets as of December 31:

	2014		2013	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Fixed maturity securities, available-for-sale:				
Public	$ 46,636	60%	$ 44,375	61%
Private	15,811	20	14,254	20
Commercial mortgage loans	6,100	8	5,899	8
Other invested assets	2,296	3	1,686	2
Policy loans	1,501	2	1,434	2
Restricted other invested assets related to securitization entities [(1)]	411	1	391	1
Equity securities, available-for-sale	282		341	
Restricted commercial mortgage loans related to securitization entities [(1)]	201		233	
Cash and cash equivalents	4,918	6	4,214	6
Total cash, cash equivalents and invested assets	$ 78,156	100%	$ 72,827	100%

(1) See note 18 to our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information related to consolidated securitization entities.

For a discussion of our investments, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Balance Sheets.

Our primary investment objective is to meet our obligations to policyholders and contractholders while increasing value to our stockholders by investing in a diversified, high quality portfolio, comprising income producing securities and other assets. Our investment strategy focuses on:

- managing interest rate risk, as appropriate, through monitoring asset durations relative to policyholder and contractholder obligations;
- selecting assets based on fundamental, research-driven strategies;
- emphasizing fixed-income, low-volatility assets while pursuing active strategies to enhance yield;
- maintaining sufficient liquidity to meet unexpected financial obligations;
- regularly evaluating our asset class mix and pursuing additional investment classes; and

- continuously monitoring asset quality and market conditions that could affect our assets.

We are exposed to two primary sources of investment risk:

- credit risk relating to the uncertainty associated with the continued ability of a given issuer to make timely payments of principal and interest and

- interest rate risk relating to the market price and cash flow variability associated with changes in market interest rates.

We manage credit risk by analyzing issuers, transaction structures and any associated collateral. We continually evaluate the probability of credit default and estimated loss in the event of such a default, which provides us with early notification of worsening credits. We also manage credit risk through industry and issuer diversification and asset allocation practices. For commercial mortgage loans, we manage credit risk through property type, geographic region and product type diversification and asset allocation.

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We manage interest rate risk by monitoring the relationship between the duration of our assets and the duration of our liabilities, seeking to manage interest rate risk in both rising and falling interest rate environments, and by utilizing various derivative strategies. For further information on our management of interest rate risk, see Part II Item 7A Quantitative and Qualitative Disclosures About Market Risk.

Fixed maturity securities

Fixed maturity securities, which were primarily classified as available-for-sale, including tax-exempt bonds, consisted principally of publicly traded and privately placed debt securities, and represented 80% and 81%, respectively, of total cash, cash equivalents and invested assets as of December 31, 2014 and 2013.

We invest in privately placed fixed maturity securities to increase diversification and obtain higher yields than can ordinarily be obtained with comparable public market securities. Generally, private placements provide us with protective covenants, call protection features and, where applicable, a higher level of collateral. However, our private placements are generally not as freely transferable as public securities because of restrictions imposed by federal and state securities laws, the terms of the securities and the characteristics of the private market.

The following table presents our public, private and total fixed maturity securities by the Nationally Recognized Statistical Rating Organizations (NRSRO) designations and/or equivalent ratings, as well as the percentage, based upon fair value, that each designation comprises. Certain fixed maturity securities that are not rated by an NRSRO are shown based upon internally prepared credit evaluations.

(Amounts in millions)	December 31, 2014			December 31, 2013		
NRSRO designation	**Amortized cost**	**Fair value**	**% of total**	**Amortized cost**	**Fair value**	**% of total**
Public fixed maturity securities						
AAA	$ 14,050	$ 15,743	34%	$ 14,724	$ 15,148	34%
AA	4,467	4,844	10	4,531	4,627	11
A	12,214	13,887	30	11,621	12,488	28
BBB	9,599	10,612	23	10,164	10,720	24
BB	1,304	1,362	3	1,114	1,148	3
B	76	76		121	132	
CCC and lower	100	112		115	112	
Total public fixed maturity securities	$ 41,810	$ 46,636	100%	$ 42,390	$ 44,375	100%
Private fixed maturity securities						
AAA	$ 1,533	$ 1,597	10%	$ 1,464	$ 1,483	11%
AA	2,021	2,104	14	1,536	1,570	11
A	4,639	4,928	31	4,217	4,331	30
BBB	5,972	6,214	39	5,832	5,984	42
BB	794	794	5	711	736	5
B	103	95	1	61	56	
CCC and lower	78	79		98	94	1
Total private fixed maturity securities	$ 15,140	$ 15,811	100%	$ 13,919	$ 14,254	100%
Total fixed maturity securities						
AAA	$ 15,583	$ 17,340	28%	$ 16,188	$ 16,631	28%
AA	6,488	6,948	11	6,067	6,197	11
A	16,853	18,815	30	15,838	16,819	29
BBB	15,571	16,826	27	15,996	16,704	29
BB	2,098	2,156	4	1,825	1,884	3
B	179	171		182	188	
CCC and lower	178	191		213	206	
Total fixed maturity securities	$ 56,950	$ 62,447	100%	$ 56,309	$ 58,629	100%

Based upon fair value, public fixed maturity securities represented 75% and 76%, respectively, of total fixed maturity securities as of December 31, 2014 and 2013. Private fixed maturity securities represented 25% and 24%, respectively, of total fixed maturity securities as of December 31, 2014 and 2013.

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We diversify our fixed maturity securities by security sector. The following table sets forth the fair value of our fixed maturity securities by sector, as well as the percentage of the total fixed maturity securities holdings that each security sector comprised as of December 31:

	2014		2013	
(Amounts in millions)	**Fair value**	**% of total**	**Fair value**	**% of total**
U.S. government, agencies and government-sponsored enterprises	$ 6,000	10%	$ 4,810	8%
Tax-exempt	362	1	295	
Government non-U.S.	2,106	3	2,146	4
U.S. corporate	27,200	44	25,035	43
Corporate non-U.S.	15,132	24	15,071	26
Residential mortgage-backed	5,240	8	5,225	9
Commercial mortgage-backed	2,702	4	2,898	5
Other asset-backed	3,705	6	3,149	5
Total fixed maturity securities	$ 62,447	100%	$ 58,629	100%

The following table sets forth the major industry types that comprise our corporate bond holdings, based primarily on industry codes established in the Barclays Capital Aggregate Index, as well as the percentage of the total corporate bond holdings that each industry comprised as of December 31:

	2014		2013	
(Amounts in millions)	**Fair value**	**% of total**	**Fair value**	**% of total**
Utilities and energy	$ 10,270	24%	$ 9,510	24%
Finance and insurance	8,152	19	7,719	19
Consumer non-cyclical	5,002	12	4,863	12
Technology and communications	3,449	8	3,183	8
Industrial	3,202	8	2,862	7
Capital goods	2,634	6	2,533	6
Consumer cyclical	2,510	6	2,353	6
Transportation	1,706	4	1,600	4
Other	5,407	13	5,483	14
Total	$ 42,332	100%	$ 40,106	100%

We diversify our corporate bond holdings by industry and issuer. As of December 31, 2014, our combined corporate bond holdings in the 10 issuers to which we had the greatest exposure were $2.3 billion, which was approximately 3% of our total cash, cash equivalents and invested assets. The exposure to the largest single issuer of corporate bonds held as of December 31, 2014 was $286 million, which was less than 1% of our total cash, cash equivalents and invested assets.

We do not have material unhedged exposure to foreign currency risk in our invested assets of our U.S. operations. In our international insurance operations, both our assets and liabilities are generally denominated in local currencies.

Further analysis related to our investments portfolio as of December 31, 2014 and 2013 is included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Investment and Derivative Instruments.

Commercial mortgage loans and other invested assets

Our mortgage loans are collateralized by commercial properties, including multi-family residential buildings. Commercial mortgage loans are primarily stated at principal amounts outstanding, net of deferred expenses and allowance for loan loss. We diversify our commercial mortgage loans by both property type and geographic region. See note 4 to our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information on distribution across property type and geographic region for commercial mortgage loans, as well as information on our interest in equity securities and other invested assets.

Selected financial information regarding our other invested assets and derivative instruments as of December 31, 2014 and 2013 is included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Investment and Derivative Instruments.

Regulation

Our businesses are subject to extensive regulation and supervision.

General

Our insurance operations are subject to a wide variety of laws and regulations. State insurance laws and regulations (Insurance Laws) regulate most aspects of our U.S. insurance businesses, and our U.S. insurers are regulated by the insurance departments of the states in which they are domiciled and licensed. Our non-U.S. insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are domiciled. Our insurance products and businesses also are affected by U.S. federal, state and local tax laws, and the tax laws of non-U.S. jurisdictions. Our securities operations, including our insurance products that are regulated as securities, such as variable annuities and variable life insurance, also are subject to U.S. federal and state and non-U.S. securities laws and regulations. The U.S. Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), state securities authorities and similar non-U.S. authorities regulate and supervise these products.

The primary purpose of the Insurance Laws regulating our insurance businesses and their equivalents in the other countries in which we operate, and the securities laws affecting our variable annuity products, variable life insurance products, registered FABNs and our broker/dealer, is to protect our policyholders, contractholders and clients, not our stockholders. These laws and regulations are regularly re-examined and any changes to these laws or new laws may be more restrictive or otherwise adversely affect our operations. Insurance and securities regulatory authorities (including state law enforcement agencies and attorneys general or their non-U.S. equivalents) periodically make inquiries regarding compliance with insurance, securities and other laws and regulations, and we cooperate with such inquiries and take corrective action when warranted.

Our distributors and institutional customers also operate in regulated environments. Changes in the regulations that affect their operations may affect our business relationships with them and their decision to distribute or purchase our subsidiaries products.

In addition, the Insurance Laws of our U.S. insurers domiciliary jurisdictions and the equivalent laws in the United Kingdom, Australia, Canada and certain other jurisdictions in which we operate require that a person obtain the approval of the applicable insurance regulator prior to acquiring control, and in some cases prior to divesting its control, of an insurer. These laws may discourage potential acquisition proposals and may delay, deter or prevent an investment in or a change of control involving us, or one or more of our regulated subsidiaries, including transactions that our management and some or all of our stockholders might consider desirable.

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U.S. Insurance Regulation

Our U.S. insurers are licensed and regulated in all jurisdictions in which they conduct insurance business. The extent of this regulation varies, but Insurance Laws generally govern the financial condition of insurers, including standards of solvency, types and concentrations of permissible investments, establishment and maintenance of reserves, credit for reinsurance and requirements of capital adequacy, and the business conduct of insurers, including marketing and sales practices and claims handling. In addition, Insurance Laws usually require the licensing of insurers and agents, and the approval of policy forms, related materials and the rates for certain lines of insurance.

The Insurance Laws applicable to us or our U.S. insurers are described below. Our U.S. mortgage insurers are also subject to additional Insurance Laws applicable specifically to mortgage insurers discussed below under Mortgage Insurance.

Insurance holding company regulation

All U.S. jurisdictions in which our U.S. insurers conduct business have enacted legislation requiring each U.S. insurer (except captive insurers) in a holding company system to register with the insurance regulatory authority of its domiciliary jurisdiction and furnish that regulatory authority various information concerning the operations of, and the interrelationships and transactions among, companies within its holding company system that may materially affect the operations, management or financial condition of the insurers within the system. These Insurance Laws regulate transactions between insurers and their affiliates, sometimes mandating prior notice to the regulator and/or regulatory approval. Generally, these Insurance Laws require that all transactions between an insurer and an affiliate be fair and reasonable, and that the insurer s statutory surplus following such transaction be reasonable in relation to its outstanding liabilities and adequate to its financial needs.

As a holding company with no significant business operations of our own, we depend on dividends or other distributions from our subsidiaries as the principal source of cash to meet our obligations, including the payment of operating expenses, amounts we owe to GE under the Tax Matters Agreement and to our subsidiaries for tax sharing agreements and interest on, and repayment of principal of, any debt obligations, among other things. Our U.S. insurers payment of dividends or other distributions is regulated by the Insurance Laws of their respective domiciliary states, and insurers may not pay an extraordinary dividend or distribution, or pay a dividend except out of earned surplus, without prior regulatory approval. In general, an extraordinary dividend or distribution is defined as a dividend or distribution that, together with other dividends and distributions made within the preceding 12 months, exceeds the greater (or, in some jurisdictions, the lesser) of:

- 10% of the insurer s statutory surplus as of the immediately prior year end or

- the statutory net gain from the insurer s operations (if a life insurer) or the statutory net income (if not a life insurer) during the prior calendar year.

In addition, insurance regulators may prohibit the payment of ordinary dividends or other payments by our insurers (such as a payment under a tax sharing agreement or for employment or other services) if they determine that such payment could be adverse to our policyholders or contractholders.

The Insurance Laws require that a person obtain the approval of the insurance commissioner of an insurer s domiciliary jurisdiction prior to acquiring control of such insurer. Control of an insurer is generally presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of the insurer or its ultimate parent entity. In considering an application to acquire control of an insurer, the insurance commissioner generally considers factors such as the experience, competence and financial strength of the applicant, the integrity of the applicant s board of directors and executive officers, the acquirer s plans for the management and operation of the insurer, and any anti-competitive results that may arise from the acquisition. Some states require a person seeking to acquire control of an insurer licensed but not domiciled in that state to make a filing prior to completing an acquisition if the

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acquirer and its affiliates and the target insurer and its affiliates have specified market shares in the same lines of insurance in that state. These provisions may not require acquisition approval but can lead to imposition of conditions on an acquisition that could delay or prevent its consummation.

In December 2010, the National Association of Insurance Commissioners (the NAIC) adopted significant changes to the insurance holding company act and regulations (the NAIC Amendments). The NAIC Amendments are designed to respond to perceived gaps in the regulation of insurance holding company systems in the United States. One of the major changes is a requirement that an insurance holding company system s ultimate controlling person submit annually to its lead state insurance regulator an enterprise risk report that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. Other changes include requiring a controlling person to submit prior notice to its domiciliary insurance regulator of a divestiture of control, having detailed minimum requirements for cost sharing and management agreements between an insurer and its affiliates and expanding the agreements between an insurer and its affiliates to be filed with its domiciliary insurance regulator. The NAIC Amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. We expect most or all of the states will adopt them in whole or substantial part by January 2016.

In 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the ORSA Model Act). The ORSA Mod