

## Q4 2015 Earnings Highlights and Frequently Asked Questions – for Distribution Partners

February 5, 2016

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### Key Messages from Q4 2015 Earnings Release

- Genworth Financial, Inc. reported results for the period ended December 31, 2015. The company reported a net loss<sup>1</sup> of \$292 million, compared with a net loss of \$760 million in the fourth quarter of 2014. Net operating loss<sup>2</sup> for the fourth quarter of 2015 was \$82 million, compared with a net operating loss of \$415 million in the fourth quarter of 2014. The net loss and net operating loss in the quarter include net after-tax charges of \$184 million, primarily driven by assumption updates in universal life insurance. Additionally, the net loss includes an after-tax loss of \$134 million related to the pending sale of the European Mortgage Insurance business and an additional after-tax loss of \$73 million related to the completed Lifestyle Protection Insurance business sale.
- The company has decided to suspend all sales of traditional life insurance and fixed annuity products, effective March 7, 2016<sup>3</sup>, given the continued impact of ratings and recent sales levels of these products. This action is expected to reduce cash expenses by approximately \$50 million pre-tax annually, and the company expects to record an approximately \$15 million pre-tax restructuring charge in the first quarter of 2016 related to this decision.
- In 2016, the company plans to initiate a series of internal restructuring actions aimed at separating and isolating its Long Term Care (LTC) insurance business, subject to regulatory and other potential third party approvals. These actions are focused on addressing LTC legacy block issues that continue to pressure ratings across the organization.
- During the quarter, the company completed its annual review of Generally Accepted Accounting Principles (GAAP) active life margins or loss recognition testing. GAAP loss recognition testing margins for the business written since late 1995 were approximately \$2.5 to \$3.0 billion as higher expected future claim costs and expenses were more than offset by the impact of future in-force rate actions. The company continues to separately test its acquired LTC blocks (representing business written prior to 1995) for recoverability as part of testing its GAAP loss recognition margins. The GAAP loss recognition testing margin for the acquired block was slightly positive and did not require an increase to reserves in the quarter.

<sup>1</sup> Unless otherwise stated, all references to net loss, net loss per share, book value, book value per share and stockholders' equity should be read as net loss available to Genworth's common stockholders, net loss available to Genworth's common stockholders per share, book value available to Genworth's common stockholders, book value available to Genworth's common stockholders per share and stockholders' equity available to Genworth's common stockholders, respectively.

<sup>2</sup> This is a financial measure not calculated based on U.S. Generally Accepted Accounting Principles (Non-GAAP). See the Use of Non-GAAP Measures section of the press release for additional information.

<sup>3</sup> Subject to applicable transition rules and required regulatory approvals.

- During the quarter, the company also completed its annual review of life assumptions and recorded an after-tax charge of \$194 million associated with its universal life insurance products, including \$36 million of corrections related to reinsurance inputs.
- As previously announced, the company still expects to achieve annualized cash expense reductions of \$100 million pre-tax or more. Actions taken in 2015 are expected to reduce cash expenses by approximately \$90 to \$100 million pre-tax on an annualized basis, bringing total expected cash expense reductions to \$150 million or more.
- In January 2016, the company completed the sale of certain blocks of term life insurance to Protective Life Insurance Company. The company expects this transaction to generate capital of approximately \$100 to \$150 million in aggregate to Genworth, which includes an expected tax payment of over \$200 million to the holding company that is scheduled to be settled in July 2016, partially offset by a decrease in the unassigned surplus of the U.S. Life Insurance companies.

### Frequently Asked Questions

*What Genworth products are no longer for sale?*

- All Life products including Asset Builder Index UL II, Foundation Builder Index UL, Colony<sup>SM</sup>Term, and Total Living Coverage<sup>®</sup>.
- All Single Premium Deferred Annuities including SecureLiving<sup>®</sup> Independence, SecureLiving<sup>®</sup> Liberty, SecureLiving<sup>®</sup> SmartRate, SecureLiving<sup>®</sup> Rate Saver (MVA), SecureLiving<sup>®</sup> Advantage Pro, and SecureLiving<sup>®</sup> AmericaPlus.
- All Fixed Index Annuities including SecureLiving<sup>®</sup> Index 5, SecureLiving<sup>®</sup> Index 7, SecureLiving<sup>®</sup> Index 10 Plus, SecureLiving<sup>®</sup> Growth+ with Income Choice Rider, SecureLiving<sup>®</sup> Protection Plus, and SecureLiving<sup>®</sup> Growth Advantage with Income Security Rider.
- And, the following Single Premium Immediate Annuities: SecureLiving<sup>®</sup> Income Provider and SecureLiving<sup>®</sup> Income Provider NY.

*Should policyholders keep their policy with Genworth? Will Genworth be able to pay claims?*

As of the end of fourth quarter 2015, U.S. Life Insurance is solidly capitalized across all of its businesses—with capital ratios in excess of regulatory required ratios. In addition, Genworth’s insurance company subsidiaries are required by law to set aside, or reserve, a certain level of assets calculated to protect the company’s ability to pay claims and other policy benefits. Genworth’s insurance company subsidiaries hold statutory reserves, consistent with those laws, and those reserves are held separate from the holding company assets. These reserves are put into investment-grade corporate securities, treasury bonds, commercial mortgages and other such investments.

*Why should Distributors have confidence recommending the products that Genworth plans to continue to sell?*

Genworth's life insurance companies have more than sufficient capital to pay all eligible claims as they arise. In the fourth quarter, the U.S. Life Insurance Division paid more than \$870 million in insurance benefits to its life insurance, long term care insurance and annuities policyholders and their beneficiaries. Genworth is committed to offering competitive products in defined markets—and the company provides strong value to policyholders. To learn more, consumers can visit the [“Why Genworth” section](#) of Genworth.com.

*Does this mean that Genworth will lower interest crediting rates and/or raise cost of insurance (COI) charges on its existing policies?*

This decision will not affect how Genworth administers the contractual benefits of its existing contracts. Contractually guaranteed benefits remain guaranteed under the contracts. Additionally, where rates and charges are not guaranteed, any decision to lower interest crediting rates and/or raise costs of insurance for in-force business will be based on future expectations for interest rates and mortality experience, and in accordance with contractual terms. In other words, the fact that Genworth does not write new business will not, by itself, provide Genworth a reason to lower interest rates to the minimum or raise COI's.

*What can producers and policyholders expect from Genworth in terms of servicing in-force policies?*

Genworth will continue to service in-force policies as it has before. All contractual rights will continue under the existing policies. Further, policyholders and producers can continue to work with our Customer Service Center as they have before this decision.

*Will all the contractual rights of policyholders' contracts be honored by Genworth?*

Genworth will continue to administer all contracts in accordance with their contractual terms. Guaranteed benefits remain guaranteed, and policyholders can continue to make changes and exercise contractual rights as they did before this announcement.

*Will policyholders be communicated to about these changes?*

Policyholders can read [a message from U.S. Life Insurance CEO David O'Leary](#) regarding these changes on Genworth.com. Additionally, they can contact Policyholder Services with any questions they may have.

*Will Genworth continue to make available in-force illustrations?*

Yes, Genworth will continue to provide both producer and policyholder support for in-force policies, which includes inforce illustration support.

*Whom can I call in regard to my inforce business?*

Genworth will continue to provide both producer and policyholder support for in-force policies as it has prior to announcing this decision. Producers and policyholders should continue to use the existing servicing phone numbers that they have previously used for contacting Genworth about their policies.

**Compensation**

*Will producers' renewal commission on in-force business be impacted by these changes?*

No. Renewal commissions will not be impacted.

*Will producers still be able to log in to the Genworth website to check commissions, track new business, and track inforce business?*

Yes.

**New Business**

*What is the last date that Genworth will accept life and/or annuity applications?*

The last date that Genworth will accept life and/or annuity applications is March 7, 2016<sup>1</sup>.

*When will Life Quick Request be shut down?*

Life Quick Request will be shut down on February 12, however, all applications will still need to be received by March 7, 2016<sup>1</sup>.

*When is the last date for which you will take an application which started with Life Quick Request?*

The last date that Genworth will accept any life applications including those that started with Life Quick Request is March 7, 2016<sup>1</sup>.

*How will Genworth treat pending business?*

We will process pending business as we do today with the goal of having all pending business placed by May 4, 2016. Any policy application not issued by that date, however, will be closed. We will work with you to help ensure that any policies already issued by that date get placed in a timely fashion.

*What is the last date for which pending business must be placed?*

Our goal is to have all pending new business applications received by March 7 placed and inforce by May 4. We will close applications that have not been issued by May 4, and we will work with you to help ensure that any policies already issued by that date get placed in a timely fashion.

*What is the last date by which pending applications must be issued?*

May 4. Any applications not issued by May 4, 2016 will be closed.

*Will replacements and/or 1035's be handled any differently?*

The same deadlines are expected to apply. However, given the unique circumstances of replacements and 1035s, we will work with you to make sure that your customer's instructions are followed.

<sup>1</sup> Subject to applicable transition rules and required regulatory approvals.

*For pending business that is “cancelled,” is Genworth willing to transfer medical records to another carrier?*

Yes, with proper documentation from the other carrier that includes authorization from the applicant to release their information to that carrier.

*Will Genworth accept 1035 money after May 4?*

Yes, if the policy is already placed and awaiting money. If the policy is not placed, given the unique circumstances of 1035's, we will work with you to make sure that your customer's instructions are followed.