UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2019

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 **(State or other jurisdiction of incorporation or organization)**	**80-0873306** **(I.R.S. Employer Identification Number)**
6620 West Broad Street **Richmond, Virginia** **(Address of principal executive offices)**	**23230** **(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	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $.001 per share	GNW	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 25, 2019, 503,465,078 shares of Class A Common Stock, par value $0.001 per share, were outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except per share amounts)

	June 30, 2019 (Unaudited)	December 31, 2018
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	$ 63,774	$ 59,661
Equity securities, at fair value	644	655
Commercial mortgage loans ($56 and $62 are restricted as of June 30, 2019 and December 31, 2018, respectively, related to a securitization entity)	7,019	6,749
Policy loans	2,076	1,861
Other invested assets	1,535	1,188
Total investments	75,048	70,114
Cash, cash equivalents and restricted cash	1,938	2,177
Accrued investment income	626	675
Deferred acquisition costs	2,105	3,263
Intangible assets and goodwill	244	347
Reinsurance recoverable	17,211	17,278
Other assets	564	474
Deferred tax asset	383	736
Separate account assets	6,187	5,859
Total assets	$ 104,306	$ 100,923
Liabilities and equity		
Liabilities:		
Future policy benefits	$ 39,583	$ 37,940
Policyholder account balances	22,673	22,968
Liability for policy and contract claims	10,677	10,379
Unearned premiums	3,488	3,546
Other liabilities	1,723	1,682
Non-recourse funding obligations	311	311
Long-term borrowings	4,044	4,025
Deferred tax liability	28	24
Separate account liabilities	6,187	5,859
Total liabilities	88,714	86,734
Commitments and contingencies		
Equity:		
Class A common stock, $0.001 par value; 1.5 billion shares authorized; 592 million and 589 million shares issued as of June 30, 2019 and December 31, 2018, respectively; 504 million and 501 million shares outstanding as of June 30, 2019 and December 31, 2018, respectively	1	1
Additional paid-in capital	11,983	11,987
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	1,294	585
Net unrealized gains (losses) on other-than-temporarily impaired securities	11	10
Net unrealized investment gains (losses)	1,305	595
Derivatives qualifying as hedges	1,983	1,781
Foreign currency translation and other adjustments	(275)	(332)
Total accumulated other comprehensive income (loss)	3,013	2,044
Retained earnings	1,460	1,118
Treasury stock, at cost (88 million shares as of June 30, 2019 and December 31, 2018)	(2,700)	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	13,757	12,450
Noncontrolling interests	1,835	1,739
Total equity	15,592	14,189

Total liabilities and equity	$ 104,306	$ 100,923

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in millions, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues:				
Premiums	$ 1,126	$ 1,136	$2,240	$2,276
Net investment income	852	828	1,681	1,632
Net investment gains (losses)	(45)	(14)	29	(45)
Policy fees and other income	223	209	410	411
Total revenues	2,156	2,159	4,360	4,274
Benefits and expenses:				
Benefits and other changes in policy reserves	1,270	1,205	2,571	2,516
Interest credited	146	152	293	308
Acquisition and operating expenses, net of deferrals	247	253	498	493
Amortization of deferred acquisition costs and intangibles	95	112	186	216
Interest expense	73	77	145	153
Total benefits and expenses	1,831	1,799	3,693	3,686
Income before income taxes	325	360	667	588
Provision for income taxes	107	111	219	174
Net income	218	249	448	414
Less: net income attributable to noncontrolling interests	50	59	106	112
Net income available to Genworth Financial, Inc.’s common stockholders	$ 168	$ 190	$ 342	$ 302
Net income available to Genworth Financial, Inc.’s common stockholders per share:				
Basic	$ 0.33	$ 0.38	$ 0.68	$ 0.60
Diluted	$ 0.33	$ 0.38	$ 0.67	$ 0.60
Weighted-average common shares outstanding:				
Basic	503.4	500.6	502.3	500.1
Diluted	508.7	502.6	508.7	502.6
Supplemental disclosures:				
Total other-than-temporary impairments	$ —	$ —	$ —	$ —
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	—	—	—
Net other-than-temporary impairments	—	—	—	—
Other investments gains (losses)	(45)	(14)	29	(45)
Total net investment gains (losses)	$ (45)	$ (14)	$ 29	$ (45)

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income	$ 218	$ 249	$ 448	$ 414
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities not other-than-temporarily impaired	376	(185)	755	(526)
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	(2)	1	(2)
Derivatives qualifying as hedges	133	(64)	202	(216)
Foreign currency translation and other adjustments	43	(98)	97	(185)
Total other comprehensive income (loss)	552	(349)	1,055	(929)
Total comprehensive income (loss)	770	(100)	1,503	(515)
Less: comprehensive income attributable to noncontrolling interests	81	10	192	14
Total comprehensive income (loss) available to Genworth Financial, Inc.’s common stockholders	$ 689	$ (110)	$1,311	$ (529)

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in millions)
(Unaudited)

	Three months ended June 30, 2019							
	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc.'s stockholders' equity	Noncontrolling interests	Total equity
Balances as of March 31, 2019	$ 1	$ 11,989	$ 2,492	$ 1,292	$ (2,700)	$ 13,074	$ 1,808	$14,882
Repurchase of subsidiary shares	—	—	—	—	—	—	(32)	(32)
Comprehensive income:								
Net income	—	—	—	168	—	168	50	218
Other comprehensive income, net of taxes	—	—	521	—	—	521	31	552
Total comprehensive income	—					689	81	770
Dividends to noncontrolling interests	—	—	—	—	—	—	(25)	(25)
Stock-based compensation expense and exercises and other	—	(6)	—	—	—	(6)	3	(3)
Balances as of June 30, 2019	$ 1	$ 11,983	$ 3,013	$ 1,460	$ (2,700)	$ 13,757	$ 1,835	$15,592

	Three months ended June 30, 2018							
	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc.'s stockholders' equity	Noncontrolling interests	Total equity
Balances as of March 31, 2018	$ 1	$ 11,979	$ 2,627	$ 1,111	$ (2,700)	$ 13,018	$ 1,844	$14,862
Repurchase of subsidiary shares	—	—	—	—	—	—	(13)	(13)
Comprehensive income (loss):								
Net income	—	—	—	190	—	190	59	249
Other comprehensive loss, net of taxes	—	—	(300)	—	—	(300)	(49)	(349)
Total comprehensive income (loss)						(110)	10	(100)
Dividends to noncontrolling interests	—	—	—	—	—	—	(14)	(14)
Stock-based compensation expense and exercises and other	—	2	—	—	—	2	4	6
Balances as of June 30, 2018	$ 1	$ 11,981	$ 2,327	$ 1,301	$ (2,700)	$ 12,910	$ 1,831	$14,741

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY, CONTINUED
(Amounts in millions)
(Unaudited)

	Six months ended June 30, 2019							
	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc.'s stockholders' equity	Noncontrolling interests	Total equity
Balances as of December 31, 2018	$ 1	$ 11,987	$ 2,044	$ 1,118	$ (2,700)	$ 12,450	$ 1,739	$14,189
Repurchase of subsidiary shares	—	—	—	—	—	—	(44)	(44)
Comprehensive income:								
Net income	—	—	—	342	—	342	106	448
Other comprehensive income, net of taxes	—	—	969	—	—	969	86	1,055
Total comprehensive income						1,311	192	1,503
Dividends to noncontrolling interests	—	—	—	—	—	—	(53)	(53)
Stock-based compensation expense and exercises and other	—	(4)	—	—	—	(4)	1	(3)
Balances as of June 30, 2019	$ 1	$ 11,983	$ 3,013	$ 1,460	$ (2,700)	$ 13,757	$ 1,835	$15,592

	Six months ended June 30, 2018							
	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc.'s stockholders' equity	Noncontrolling interests	Total equity
Balances as of December 31, 2017	$ 1	$ 11,977	$ 3,027	$ 1,113	$ (2,700)	$ 13,418	$ 1,910	$15,328
Cumulative effect of change in accounting, net of taxes	—	—	131	(114)	—	17	—	17
Repurchase of subsidiary shares	—	—	—	—	—	—	(49)	(49)
Comprehensive income (loss):								
Net income	—	—	—	302	—	302	112	414
Other comprehensive loss, net of taxes	—	—	(831)	—	—	(831)	(98)	(929)

Total comprehensive income (loss)						(529)	14	(515)
Dividends to noncontrolling interests	—	—	—	—	—	—	(50)	(50)
Stock-based compensation expense and exercises and other	—	4	—	—	—	4	6	10
Balances as of June 30, 2018	$ 1	$ 11,981	$ 2,327	$ 1,301	$ (2,700)	$ 12,910	$ 1,831	$14,741

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flows from operating activities:		
Net income	$ 448	$ 414
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of fixed maturity securities discounts and premiums	(54)	(62)
Net investment (gains) losses	(29)	45
Charges assessed to policyholders	(364)	(359)
Acquisition costs deferred	(35)	(40)
Amortization of deferred acquisition costs and intangibles	186	216
Deferred income taxes	134	83
Derivative instruments and limited partnerships	22	(195)
Stock-based compensation expense	12	16
Change in certain assets and liabilities:		
Accrued investment income and other assets	(290)	(89)
Insurance reserves	609	691
Current tax liabilities	27	(37)
Other liabilities, policy and contract claims and other policy-related balances	129	(122)
Net cash from operating activities	795	561
Cash flows used by investing activities:		
Proceeds from maturities and repayments of investments:		
Fixed maturity securities	1,929	1,979
Commercial mortgage loans	285	350
Restricted commercial mortgage loans related to a securitization entity	6	16
Proceeds from sales of investments:		
Fixed maturity and equity securities	2,859	1,920
Purchases and originations of investments:		
Fixed maturity and equity securities	(4,681)	(4,082)
Commercial mortgage loans	(561)	(489)
Other invested assets, net	(227)	93
Policy loans, net	39	15
Net cash used by investing activities	(351)	(198)
Cash flows used by financing activities:		
Deposits to universal life and investment contracts	444	503
Withdrawals from universal life and investment contracts	(1,096)	(1,177)
Proceeds from issuance of long-term debt	77	441
Repayment and repurchase of long-term debt	(78)	(597)
Repayment of borrowings related to a securitization entity	—	(12)
Repurchase of subsidiary shares	(44)	(49)
Dividends paid to noncontrolling interests	(53)	(50)
Other, net	55	(2)
Net cash used by financing activities	(695)	(943)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	12	(52)
Net change in cash, cash equivalents and restricted cash	(239)	(632)
Cash, cash equivalents and restricted cash at beginning of period	2,177	2,875
Cash, cash equivalents and restricted cash at end of period	$ 1,938	$ 2,243

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Formation of Genworth and Basis of Presentation

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's 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, and was renamed Genworth Financial, Inc. ("Genworth Financial") upon the completion of the reorganization.

On October 21, 2016, Genworth Financial entered into an agreement and plan of merger (the "Merger Agreement") with Asia Pacific Global Capital Co., Ltd. ("Parent"), a limited liability company incorporated in the People's Republic of China and a subsidiary of China Oceanwide Holdings Group Co., Ltd., a limited liability company incorporated in the People's Republic of China (together with its affiliates, "China Oceanwide"), and Asia Pacific Global Capital USA Corporation ("Merger Sub"), a Delaware corporation and a direct, wholly-owned subsidiary of Asia Pacific Insurance USA Holdings LLC ("Asia Pacific Insurance"), which is a Delaware limited liability company and owned by China Oceanwide, pursuant to which, subject to the terms and conditions set forth therein, Merger Sub would merge with and into Genworth Financial with Genworth Financial surviving the merger as a direct, wholly-owned subsidiary of Asia Pacific Insurance. China Oceanwide has agreed to acquire all of our outstanding common stock for a total transaction value of approximately $2.7 billion, or $5.43 per share in cash.

At a special meeting held on March 7, 2017, Genworth Financial's stockholders voted on and approved a proposal to adopt the Merger Agreement. The closing of the transaction remains subject to other closing conditions and approvals.

The accompanying unaudited condensed financial statements include on a consolidated basis the accounts of Genworth Financial and the affiliate companies in which it holds a majority voting interest or where it is the primary beneficiary of a variable interest entity ("VIE"). All intercompany accounts and transactions have been eliminated in consolidation.

References to "Genworth Financial," "Genworth," the "Company," "we" or "our" in the accompanying unaudited condensed consolidated financial statements and these notes thereto are, unless the context otherwise requires, to Genworth Financial on a consolidated basis.

We operate our business through the following five operating segments:

- ***U.S. Mortgage Insurance.*** In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans ("flow mortgage insurance"). We selectively provide mortgage insurance on a bulk basis ("bulk mortgage insurance") with essentially all of our bulk writings being prime-based.
- ***Canada Mortgage Insurance.*** We offer flow mortgage insurance and also provide bulk mortgage insurance that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk in Canada.
- ***Australia Mortgage Insurance.*** In Australia, we offer flow mortgage insurance and selectively provide bulk mortgage insurance that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk.

- ***U.S. Life Insurance.*** We offer long-term care insurance products as well as service traditional life insurance and fixed annuity products in the United States.
- ***Runoff.*** The Runoff segment includes the results of non-strategic products which are no longer actively sold but we continue to service our existing blocks of business. 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 and funding agreements backing notes.

In addition to our five operating business segments, 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 certain smaller international mortgage insurance businesses.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. These unaudited condensed consolidated financial statements include all adjustments (including normal recurring adjustments) considered necessary by management to present a fair statement of the financial position, results of operations and cash flows for the periods presented. The results reported in these unaudited condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and related notes contained in our 2018 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) Accounting Changes

Accounting Pronouncements Recently Adopted

On January 1, 2019, we adopted new accounting guidance related to benchmark interest rates used in derivative hedge accounting. The guidance adds an additional permissible U.S. benchmark interest rate, the Secured Overnight Financing Rate, for hedge accounting purposes. We adopted this new accounting guidance using the prospective method, which did not have any impact on our condensed consolidated financial statements and disclosures.

On January 1, 2019, we adopted new accounting guidance related to accounting for nonemployee share-based payments. The guidance aligns the measurement and classification of share-based payments to nonemployees issued in exchange for goods or services with the guidance for share-based payments to employees, with certain exceptions. We adopted this new accounting guidance using the modified retrospective method. This guidance is consistent with our previous accounting practices and, accordingly, had no impact on our condensed consolidated financial statements at adoption.

On January 1, 2019, we adopted new accounting guidance related to shortening the amortization period of certain callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. This change does not apply to securities held at a discount. We adopted this new accounting guidance using the modified retrospective method, which did not have a significant impact on our condensed consolidated financial statements at adoption.

On January 1, 2019, we adopted new accounting guidance related to the accounting for leases. The new guidance generally requires lessees to recognize both a right-of-use asset and a corresponding lease liability on the balance sheet. We adopted this new accounting guidance using the effective date transition method, which permits entities to apply the new lease standard using a modified retrospective transition approach at the date of adoption. As such, historical periods will continue to be measured and presented under the previous guidance while current and future periods will be subject to this new accounting guidance. The package of practical expedients was also elected upon adoption. Upon adoption we recorded a $60 million right-of-use asset related to operating leases and a $63 million lease liability. In addition, we de-recognized accrued rent expense of $3 million recorded under the previous accounting guidance. The right-of-use asset and the lease liability are included in other assets and other liabilities, respectively, but did not have a material impact on our condensed consolidated balance sheet as of June 30, 2019. The initial measurement of our right-of-use asset had no significant initial direct costs, prepaid lease payments or lease incentives; therefore, a cumulative-effect adjustment was not recorded to the opening retained earnings balance as a result of the change in accounting principle.

Our leased assets are predominantly classified as operating leases and consist of office space in15 locations primarily in the United States, Canada and Australia. Lease payments included in the calculation of our lease liability include fixed amounts contained within each rental agreement and variable lease payments that are based upon an index or rate. We have elected to combine lease and non-lease components, as permitted under this new accounting guidance, and as a result, non-lease components are included in the calculation of our lease liability as opposed to being separated and accounted for as consideration under the new revenue recognition standard. Our remaining lease terms ranged from less than 1 year to 13 years and had a weighted-average remaining lease term of 7.3 years as of June 30, 2019. The implicit rate of our lease agreements was not readily determinable; therefore, we utilized our incremental borrowing rate to discount future lease payments. The weighted-average discount rate was 6.23% as of June 30, 2019.

Our aggregate annual rental expense for all leases under the previous guidance was approximately $11 million. Annual rental expense and future minimum lease payments are not expected to be materially different under this new accounting guidance.

Accounting Pronouncements Not Yet Adopted

In August 2018, the Financial Accounting Standards Board ("the FASB") issued new accounting guidance that significantly changes the recognition and measurement of long-duration insurance contracts and expands disclosure requirements, which impacts our life insurance deferred acquisition costs ("DAC") and liabilities. In accordance with the guidance, the more significant changes include:

- assumptions will no longer belocked-in at contract inception and all cash flow assumptions used to estimate the liability for future policy benefits will be reviewed at least annually in the same period each year or more frequently if actual experience indicates a change is required;
- changes in cash flow assumptions (except the discount rate) will be recorded in net income (loss) using a retrospective approach with a cumulative catch-up adjustment by recalculating the net premium ratio (which will be capped at 100%) using actual historical and updated future cash flow assumptions;
- the discount rate used to determine the liability for future policy benefits will be a current upper-medium grade (low credit risk) fixed-income instrument yield, which is generally interpreted to mean a single-A rated bond rate for the same duration, and is required to be reviewed quarterly, with changes in the discount rate recorded in other comprehensive income (loss);

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

- the provision for adverse deviation and the premium deficiency test will be eliminated;
- market risk benefits associated with deposit-type contracts will be measured at fair value with changes recorded in net income (loss);
- the amortization method for DAC will generally be on a straight-line basis over the expected contract term; and
- disclosures will be greatly expanded to include significant assumptions and product liability rollforwards.

The guidance is currently effective for us on January 1, 2021 using the modified retrospective method, with early adoption permitted.The FASB plans to propose delaying the effective date to January 1, 2022. We are in process of evaluating the new guidance and the impact it will have on our condensed consolidated financial statements.

In August 2018, the FASB issued new accounting guidance related to disclosure requirements for defined benefit plans as part of its disclosure framework project. The guidance adds, eliminates and modifies certain disclosure requirements for defined benefit pension and other postretirement benefit plans. The guidance is currently effective for us on January 1, 2020 using the retrospective method, with early adoption permitted. We do not expect any significant impact from this guidance on our condensed consolidated financial statements and disclosures.

In August 2018, the FASB issued new accounting guidance related to fair value disclosure requirements as part of its disclosure framework project. The guidance adds, eliminates and modifies certain disclosure requirements for fair value measurements. The guidance includes new disclosure requirements related to the change in unrealized gains and losses included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements. The guidance is currently effective for us on January 1, 2020 using the prospective method for certain disclosures and the retrospective method for all other disclosures. Early adoption of either the entire standard or only the provisions that eliminate or modify the requirements is permitted. While we are still evaluating the full impact, at this time we do not expect a significant impact from this guidance on our condensed consolidated financial statements and we are in process of evaluating the impact to our disclosures.

In June 2016, the FASB issued new accounting guidance related to accounting for credit losses on financial instruments. The guidance requires that entities recognize an allowance equal to its estimate of lifetime expected credit losses and applies to most debt instruments not measured at fair value, which would primarily include our commercial mortgage loans and reinsurance recoverables. The new guidance retains most of the existing impairment guidance for available-for-sale debt securities but amends the presentation of credit losses to be presented as an allowance as opposed to a write-down and permits the reversal of credit losses when reassessing changes in the credit losses each reporting period. The FASB also issued an amendment to the guidance allowing entities to irrevocably elect the fair value option on an instrument-by-instrument basis for eligible instruments, which we are in the process of evaluating for certain portfolios. The new guidance is currently effective for us on January 1, 2020, with early adoption permitted beginning January 1, 2019. Upon adoption, the modified retrospective method will be used and a cumulative effect adjustment will be recorded to retained earnings. We have performed a gap analysis, developed a detailed implementation plan, identified model inputs and are in process of establishing policies, systems and controls that will be necessary to implement this new accounting guidance. While we are still in process of evaluating the impact the guidance may have on our condensed consolidated financial statements, the extent of the impact may vary and will depend on, among other things,

economic conditions and the composition and credit quality of our investments and reinsurance recoverables as of the date of adoption.

(3) Earnings Per Share

Basic and diluted earnings per share are calculated by dividing each income category presented below by the weighted-average basic and diluted common shares outstanding for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions, except per share amounts)	2019	2018	2019	2018
Weighted-average shares used in basic earnings per share calculations	503.4	500.6	502.3	500.1
Potentially dilutive securities:				
Stock options, restricted stock units and stock appreciation rights	5.3	2.0	6.4	2.5
Weighted-average shares used in diluted earnings per share calculations	508.7	502.6	508.7	502.6
Net income:				
Net income	$ 218	$ 249	$ 448	$ 414
Less: net income attributable to noncontrolling interests	50	59	106	112
Net income available to Genworth Financial, Inc.'s common stockholders	$ 168	$ 190	$ 342	$ 302
Basic earnings per share:				
Net income	$ 0.44	$ 0.50	$ 0.89	$ 0.83
Less: net income attributable to noncontrolling interests	0.10	0.12	0.21	0.22
Net income available to Genworth Financial, Inc.'s common stockholders (1)	$ 0.33	$ 0.38	$ 0.68	$ 0.60
Diluted earnings per share:				
Net income	$ 0.43	$ 0.50	$ 0.88	$ 0.82
Less: net income attributable to noncontrolling interests	0.10	0.12	0.21	0.22
Net income available to Genworth Financial, Inc.'s common stockholders	$ 0.33	$ 0.38	$ 0.67	$ 0.60

(1) May not total due to whole number calculation.

(4) Investments

(a) Net Investment Income

Sources of net investment income were as follows for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	2019	2018	2019	2018
Fixed maturity securities—taxable	$ 665	$ 651	$1,308	$ 1,286
Fixed maturity securities—non-taxable	2	3	4	6
Equity securities	10	10	19	20
Commercial mortgage loans	84	77	165	159
Restricted commercial mortgage loans related to a securitization entity	1	2	2	4
Policy loans	45	41	91	84
Other invested assets	59	53	118	92
Cash, cash equivalents, restricted cash and short-term investments	11	14	23	26
Gross investment income before expenses and fees	877	851	1,730	1,677
Expenses and fees	(25)	(23)	(49)	(45)
Net investment income	$ 852	$ 828	$ 1,681	$ 1,632

(b) Net Investment Gains (Losses)

The following table sets forth net investment gains (losses) for the periods indicated:

Three months ended June 30,	Six months ended June 30,

(Amounts in millions)	2019	2018	2019	2018
Available-for-sale fixed maturity securities:				
Realized gains	$ 5	$ 13	$ 86	$ 20
Realized losses	(6)	(21)	(28)	(37)
Net realized gains (losses) on available-for-sale fixed maturity securities	(1)	(8)	58	(17)
Impairments:				
Total other-than-temporary impairments	—	—	—	—
Portion of other-than-temporary impairments included inother comprehensive income (loss)	—	—	—	—
Net other-than-temporary impairments	—	—	—	—
Net realized gains (losses) on equity securities sold	—	8	3	10
Net unrealized gains (losses) on equity securities still held	(12)	3	(4)	(15)
Limited partnerships	(11)	(2)	4	5
Commercial mortgage loans	1	—	—	—
Derivative instruments (1)	(22)	(15)	(32)	(28)
Net investment gains (losses)	$ (45)	$ (14)	$ 29	$ (45)

(1) See note 5 for additional information on the impact of derivative instruments included in net investment gains (losses).

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We generally intend to hold securities in unrealized loss positions until they recover. However, from time to time, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, we sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield and liquidity requirements. If a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we determined that we have the intent to sell the securities or it is more likely than not that we will be required to sell the securities prior to recovery. The aggregate fair value of securities sold at a loss during the three months ended June 30, 2019 and 2018 was $423 million and $640 million, respectively, which was approximately 98% and 97%, respectively, of book value. The aggregate fair value of securities sold at a loss during the six months ended June 30, 2019 and 2018 was $1,185 million and $1,259 million, respectively, which was approximately 97% of book value for both periods.

The following represents the activity for credit losses recognized in net income on debt securities where an other-than-temporary impairment was identified and a portion of other-than-temporary impairments was included in other comprehensive income ("OCI") as of and for the periods indicated:

	As of or for the three months ended June 30,		As of or for the six months ended June 30,	
(Amounts in millions)	2019	2018	2019	2018
Beginning balance	$ 23	$ 28	$ 24	$ 32
Reductions:				
Securities sold, paid down or disposed	—	(3)	(1)	(7)
Ending balance	$ 23	$ 25	$ 23	$ 25

(c) Unrealized Investment Gains and Losses

Net unrealized gains and losses on available-for-sale investment securities reflected as a separate component of accumulated other comprehensive income (loss) were as follows as of the dates indicated:

(Amounts in millions)	June 30, 2019	December 31, 2018
Net unrealized gains (losses) on fixed maturity securities (1)	$ 5,673	$ 1,775
Adjustments to deferred acquisition costs, present value of future profits, salesinducements and benefit reserves	(3,879)	(952)
Income taxes, net	(405)	(190)
Net unrealized investment gains (losses)	1,389	633
Less: net unrealized investment gains (losses) attributable to noncontrolling interests	84	38
Net unrealized investment gains (losses) attributable to Genworth Financial, Inc.	$ 1,305	$ 595

(1) Excludes foreign exchange.

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The change in net unrealized gains (losses) onavailable-for-sale investment securities reported in accumulated other comprehensive income (loss) was as follows as of and for the periods indicated:

As of or for the three months ended June 30,

(Amounts in millions)	2019	2018
Beginning balance	$ 943	$ 917
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on fixed maturity securities	1,957	(905)
Adjustment to deferred acquisition costs	(52)	467
Adjustment to present value of future profits	(2)	20
Adjustment to sales inducements	(12)	9
Adjustment to benefit reserves	(1,412)	162
Provision for income taxes	(104)	54
Change in unrealized gains (losses) on investment securities	375	(193)
Reclassification adjustments to net investment (gains) losses, net of taxes of $(1) and $(2)	1	6
Change in net unrealized investment gains (losses)	376	(187)
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	14	(6)
Ending balance	$1,305	$ 736

	As of or for the six months ended June 30,	
(Amounts in millions)	2019	2018
Beginning balance	$ 595	$ 1,085
Cumulative effect of changes in accounting:		
Stranded tax effects	—	189
Recognition and measurement of financial assets and liabilities, net of taxes of $— and $18	—	(25)
Total cumulative effect of changes in accounting	—	164
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on fixed maturity securities	3,956	(2,586)
Adjustment to deferred acquisition costs	(1,041)	909
Adjustment to present value of future profits	(55)	56
Adjustment to sales inducements	(31)	29
Adjustment to benefit reserves	(1,800)	902
Provision for income taxes	(227)	149
Change in unrealized gains (losses) on investment securities	802	(541)
Reclassification adjustments to net investment (gains) losses, net of taxes of $12 and $(3)	(46)	13
Change in net unrealized investment gains (losses)	756	(528)
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	46	(15)
Ending balance	$1,305	$ 736

Amounts reclassified out of accumulated other comprehensive income (loss) to net investment gains (losses) include realized gains (losses) on sales of securities, which are determined on a specific identification basis.

(d) Fixed Maturity Securities

As of June 30, 2019, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	Amortized cost or cost	Not other-than-temporarily impaired	Other-than-temporarily impaired	Not other-than-temporarily impaired	Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,151	$ 837	$ —	$ (1)	$ —	$ 4,987
State and political subdivisions	2,319	317	—	—	—	2,636
Non-U.S. government	2,496	155	—	(2)	—	2,649
U.S. corporate:						
Utilities	4,327	565	—	(13)	—	4,879
Energy	2,468	255	—	(10)	—	2,713
Finance and insurance	6,974	633	—	(10)	—	7,597
Consumer—non-cyclical	4,954	616	—	(18)	—	5,552
Technology and communications	2,893	269	—	(6)	—	3,156
Industrial	1,242	98	—	(4)	—	1,336
Capital goods	2,323	303	—	(6)	—	2,620
Consumer—cyclical	1,619	127	—	(5)	—	1,741
Transportation	1,263	152	—	(4)	—	1,411
Other	356	40	—	—	—	396
Total U.S. corporate	28,419	3,058	—	(76)	—	31,401
Non-U.S. corporate:						
Utilities	1,114	54	—	(3)	—	1,165
Energy	1,349	168	—	(1)	—	1,516
Finance and insurance	2,438	191	—	(1)	—	2,628
Consumer—non-cyclical	674	40	—	(4)	—	710

Technology and communications	1,179	94	—	—	—	1,273
Industrial	936	81	—	—	—	1,017
Capital goods	663	33	—	(1)	—	695
Consumer—cyclical	542	16	—	(1)	—	557
Transportation	761	82	—	(2)	—	841
Other	2,061	186	—	(2)	—	2,245
Total non-U.S. corporate	11,717	945	—	(15)	—	12,647
Residential mortgage-backed	2,511	215	14	(2)	—	2,738
Commercial mortgage-backed	2,882	121	—	(14)	—	2,989
Other asset-backed	3,699	38	—	(10)	—	3,727
Total available-for-sale fixed maturity securities	$ 58,194	$ 5,686	$ 14	$ (120)	$ —	$63,774

As of December 31, 2018, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	**Amortized cost or cost**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Fair value**
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,175	$ 473	$ —	$ (17)	$ —	$ 4,631
State and political subdivisions	2,406	168	—	(22)	—	2,552
Non-U.S. government	2,345	72	—	(24)	—	2,393
U.S. corporate:						
Utilities	4,439	331	—	(95)	—	4,675
Energy	2,382	101	—	(64)	—	2,419
Finance and insurance	6,705	249	—	(132)	—	6,822
Consumer—non-cyclical	4,891	294	—	(137)	—	5,048
Technology and communications	2,823	110	—	(78)	—	2,855
Industrial	1,230	41	—	(33)	—	1,238
Capital goods	2,277	165	—	(51)	—	2,391
Consumer—cyclical	1,592	53	—	(48)	—	1,597
Transportation	1,283	78	—	(41)	—	1,320
Other	376	24	—	(3)	—	397
Total U.S. corporate	27,998	1,446	—	(682)	—	28,762
Non-U.S. corporate:						
Utilities	1,056	17	—	(32)	—	1,041
Energy	1,320	72	—	(23)	—	1,369
Finance and insurance	2,391	72	—	(40)	—	2,423
Consumer—non-cyclical	756	8	—	(25)	—	739
Technology and communications	1,168	23	—	(26)	—	1,165
Industrial	926	36	—	(17)	—	945
Capital goods	615	10	—	(10)	—	615
Consumer—cyclical	532	1	—	(13)	—	520
Transportation	689	46	—	(15)	—	720
Other	2,218	105	—	(23)	—	2,300
Total non-U.S. corporate	11,671	390	—	(224)	—	11,837
Residential mortgage-backed	2,888	160	13	(17)	—	3,044
Commercial mortgage-backed	3,054	43	—	(81)	—	3,016
Other asset-backed	3,444	10	1	(29)	—	3,426
Total available-for-sale fixed maturity securities	$ 57,981	$ 2,762	$ 14	$ (1,096)	$ —	$59,661

The following table presents the gross unrealized losses and fair values of our fixed maturity securities, aggregated by investment type and length of time that individual fixed maturity securities have been in a continuous unrealized loss position, as of June 30, 2019:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	**Fair value**	**Gross unrealized losses**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**Number of securities**
Description of Securities									
Fixed maturity securities:									

U.S. government, agencies and government-sponsored enterprises	$ —	$ —	—	$ 51	$ (1)	9	$ 51	$ (1)	9
Non-U.S. government	—	—	—	198	(2)	14	198	(2)	14
U.S. corporate	372	(15)	33	1,907	(61)	256	2,279	(76)	289
Non-U.S. corporate	34	(2)	5	526	(13)	82	560	(15)	87
Residential mortgage-backed	—	—	—	166	(2)	39	166	(2)	39
Commercial mortgage-backed	—	—	—	399	(14)	53	399	(14)	53
Other asset-backed	832	(5)	160	425	(5)	101	1,257	(10)	261
Total for fixed maturity securities in an unrealized loss position	$1,238	$ (22)	198	$3,672	$ (98)	554	$4,910	$ (120)	752
% Below cost:									
<20% Below cost	$1,238	$ (22)	198	$3,647	$ (88)	549	$4,885	$ (110)	747
20%-50% Below cost	—	—	—	22	(7)	3	22	(7)	3
>50% Below cost	—	—	—	3	(3)	2	3	(3)	2
Total for fixed maturity securities in an unrealized loss position	$1,238	$ (22)	198	$3,672	$ (98)	554	$4,910	$ (120)	752
Investment grade	$1,096	$ (11)	185	$3,463	$ (83)	524	$4,559	$ (94)	709
Below investment grade	142	(11)	13	209	(15)	30	351	(26)	43
Total for fixed maturity securities in an unrealized loss position	$1,238	$ (22)	198	$3,672	$ (98)	554	$4,910	$ (120)	752

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of June 30, 2019:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Description of Securities									
U.S. corporate:									
Utilities	$ 46	$ (4)	4	$ 326	$ (9)	50	$ 372	$ (13)	54
Energy	60	(2)	11	143	(8)	17	203	(10)	28
Finance and insurance	—	—	—	343	(10)	46	343	(10)	46
Consumer—non-cyclical	93	(7)	12	383	(11)	49	476	(18)	61
Technology and communications	173	(2)	6	198	(4)	22	371	(6)	28
Industrial	—	—	—	94	(4)	14	94	(4)	14
Capital goods	—	—	—	128	(6)	18	128	(6)	18
Consumer—cyclical	—	—	—	175	(5)	24	175	(5)	24
Transportation	—	—	—	117	(4)	16	117	(4)	16
Subtotal, U.S. corporate securities	372	(15)	33	1,907	(61)	256	2,279	(76)	289
Non-U.S. corporate:									
Utilities	21	(1)	3	103	(2)	13	124	(3)	16
Energy	13	(1)	2	—	—	—	13	(1)	2
Finance and insurance	—	—	—	113	(1)	23	113	(1)	23
Consumer—non-cyclical	—	—	—	72	(4)	10	72	(4)	10
Capital goods	—	—	—	44	(1)	5	44	(1)	5
Consumer—cyclical	—	—	—	64	(1)	10	64	(1)	10
Transportation	—	—	—	51	(2)	8	51	(2)	8
Other	—	—	—	79	(2)	13	79	(2)	13
Subtotal, non-U.S. corporate securities	34	(2)	5	526	(13)	82	560	(15)	87
Total for corporate securities in an unrealized loss position	$406	$ (17)	38	$2,433	$ (74)	338	$2,839	$ (91)	376

For all securities in an unrealized loss position, we expect to recover the amortized cost based on our estimate of the amount and timing of cash flows to be collected. We do not intend to sell nor do we expect that we will be required to sell these securities prior to recovering our amortized cost.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the gross unrealized losses and fair values of our fixed maturity securities, aggregated by investment type and length of time that individual fixed maturity securities have been in a continuous unrealized loss position, as of December 31, 2018:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities

Description of Securities									
Fixed maturity securities:									
U.S. government, agenciesand government-sponsored enterprises	$ 545	$ (8)	17	$ 161	$ (9)	26	$ 706	$ (17)	43
State and political subdivisions	371	(10)	63	233	(12)	57	604	(22)	120
Non-U.S. government	261	(7)	51	508	(17)	35	769	(24)	86
U.S. corporate	9,975	(472)	1,342	2,449	(210)	365	12,424	(682)	1,707
Non-U.S. corporate	4,172	(150)	614	1,274	(74)	209	5,446	(224)	823
Residential mortgage-backed	363	(6)	57	579	(11)	96	942	(17)	153
Commercial mortgage-backed	758	(19)	115	870	(62)	130	1,628	(81)	245
Other asset-backed	1,597	(23)	326	604	(6)	137	2,201	(29)	463
Total for fixed maturity securities inan unrealized loss position	$18,042	$ (695)	2,585	$6,678	$ (401)	1,055	$24,720	$ (1,096)	3,640
% Below cost:									
<20% Below cost	$18,008	$ (685)	2,581	$6,624	$ (383)	1,045	$24,632	$ (1,068)	3,626
20%-50% Below cost	34	(10)	4	54	(18)	10	88	(28)	14
Total for fixed maturity securities inan unrealized loss position	$18,042	$ (695)	2,585	$6,678	$ (401)	1,055	$24,720	$ (1,096)	3,640
Investment grade	$16,726	$ (615)	2,393	$6,508	$ (379)	1,024	$23,234	$ (994)	3,417
Below investment grade	1,316	(80)	192	170	(22)	31	1,486	(102)	223
Total for fixed maturity securities inan unrealized loss position	$18,042	$ (695)	2,585	$6,678	$ (401)	1,055	$24,720	$ (1,096)	3,640

GENWORTH FINANCIAL, INC.

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(Unaudited)

The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of December 31, 2018:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Description of Securities									
U.S. corporate:									
Utilities	$ 1,246	$ (61)	173	$ 343	$ (34)	60	$ 1,589	$ (95)	233
Energy	944	(47)	135	152	(17)	23	1,096	(64)	158
Finance and insurance	2,393	(92)	326	688	(40)	95	3,081	(132)	421
Consumer—non-cyclical	1,826	(101)	203	389	(36)	55	2,215	(137)	258
Technology andcommunications	1,135	(51)	152	263	(27)	34	1,398	(78)	186
Industrial	506	(27)	63	74	(6)	13	580	(33)	76
Capital goods	704	(31)	103	184	(20)	27	888	(51)	130
Consumer—cyclical	738	(35)	123	162	(13)	26	900	(48)	149
Transportation	435	(25)	60	179	(16)	31	614	(41)	91
Other	48	(2)	4	15	(1)	1	63	(3)	5
Subtotal, U.S. corporate securities	9,975	(472)	1,342	2,449	(210)	365	12,424	(682)	1,707
Non-U.S. corporate:									
Utilities	404	(19)	58	173	(13)	24	577	(32)	82
Energy	439	(15)	64	136	(8)	20	575	(23)	84
Finance and insurance	899	(25)	151	294	(15)	52	1,193	(40)	203
Consumer—non-cyclical	377	(16)	51	102	(9)	14	479	(25)	65
Technology andcommunications	611	(24)	75	50	(2)	12	661	(26)	87
Industrial	275	(11)	48	72	(6)	8	347	(17)	56
Capital goods	226	(7)	27	69	(3)	13	295	(10)	40
Consumer—cyclical	268	(11)	42	117	(2)	19	385	(13)	61
Transportation	232	(7)	27	67	(8)	11	299	(15)	38
Other	441	(15)	71	194	(8)	36	635	(23)	107
Subtotal, non-U.S. corporate securities	4,172	(150)	614	1,274	(74)	209	5,446	(224)	823
Total for corporate securities in anunrealized loss position	$14,147	$ (622)	1,956	$3,723	$ (284)	574	$17,870	$ (906)	2,530

GENWORTH FINANCIAL, INC.

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The scheduled maturity distribution of fixed maturity securities as of June 30, 2019 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized cost or	Fair

(Amounts in millions)	cost	value
Due one year or less	$ 1,957	$ 1,973
Due after one year through five years	11,198	11,602
Due after five years through ten years	12,300	13,197
Due after ten years	23,647	27,548
Subtotal	49,102	54,320
Residential mortgage-backed	2,511	2,738
Commercial mortgage-backed	2,882	2,989
Other asset-backed	3,699	3,727
Total	$ 58,194	$ 63,774

As of June 30, 2019, securities issued by finance and insurance,consumer—non-cyclical, utilities and technology and communications industry groups represented approximately 23%, 14%, 14% and 10%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio.

As of June 30, 2019, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of stockholders' equity.

(e) Commercial Mortgage Loans

Our mortgage loans are collateralized by commercial properties, including multi-family residential buildings. The carrying value of commercial mortgage loans is stated at original cost net of principal payments, amortization and allowance for credit losses.

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We diversify our commercial mortgage loans by both property type and geographic region. The following tables set forth the distribution across property type and geographic region for commercial mortgage loans as of the dates indicated:

	June 30, 2019		December 31, 2018	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Property type:				
Retail	$ 2,581	37%	$ 2,463	37%
Industrial	1,699	24	1,659	25
Office	1,656	24	1,548	23
Apartments	525	7	495	7
Mixed use	247	4	254	4
Other	270	4	281	4
Subtotal	6,978	100%	6,700	100%
Unamortized balance of loan origination fees and costs	(4)		(4)	
Allowance for credit losses	(11)		(9)	
Total	$ 6,963		$ 6,687	

	June 30, 2019		December 31, 2018	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Geographic region:				
South Atlantic	$ 1,747	25%	$ 1,709	26%
Pacific	1,701	24	1,684	25
Middle Atlantic	1,000	14	950	14
Mountain	717	10	667	10
West North Central	490	7	470	7
East North Central	457	7	405	6
West South Central	387	6	364	6
New England	261	4	228	3
East South Central	218	3	223	3
Subtotal	6,978	100%	6,700	100%
Unamortized balance of loan origination fees and costs	(4)		(4)	
Allowance for credit losses	(11)		(9)	
Total	$ 6,963		$ 6,687	

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The following tables set forth the aging of past due commercial mortgage loans by property type as of the dates indicated:

(Amounts in millions)	June 30, 2019 31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	$ —	$ —	$ —	$ —	$2,581	$2,581
Industrial	—	—	—	—	1,699	1,699
Office	—	—	—	—	1,656	1,656
Apartments	—	—	—	—	525	525
Mixed use	—	—	—	—	247	247
Other	—	—	—	—	270	270
Total recorded investment	$ —	$ —	$ —	$ —	$6,978	$6,978
% of total commercial mortgage loans	— %	— %	— %	— %	100%	100%

(Amounts in millions)	December 31, 2018 31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	$ 3	$ —	$ —	$ 3	$2,460	$2,463
Industrial	—	—	—	—	1,659	1,659
Office	—	—	3	3	1,545	1,548
Apartments	—	—	—	—	495	495
Mixed use	—	—	—	—	254	254
Other	—	—	—	—	281	281
Total recorded investment	$ 3	$ —	$ 3	$ 6	$6,694	$6,700
% of total commercial mortgage loans	— %	— %	— %	— %	100%	100%

As of June 30, 2019 and December 31, 2018, we hadno commercial mortgage loans that were past due for more than 90 days and still accruing interest. We also did not have any commercial mortgage loans that were past due for less than 90 days onnon-accrual status as of June 30, 2019 and December 31, 2018.

We evaluate the impairment of commercial mortgage loans on an individual loan basis. As of June 30, 2019, none of our commercial mortgage loans were greater than 90 days past due. As of December 31, 2018, our commercial mortgage loans greater than 90 days past due included one impaired loan with a carrying value of $3 million. This loan was modified and the modification was considered to be a troubled debt restructuring. As part of this troubled debt restructuring, we forgave default interest, penalties and fees, and modified the original contractual interest rate but we did not forgive the outstanding principal amount owed by the borrower.

During the six months ended June 30, 2019 and the year ended December 31, 2018, we also modified or extendedone and two commercial mortgage loans, respectively, with a total carrying value of $11 million and $12 million, respectively. All of these modifications or extensions were based on current market interest rates, did not result in any forgiveness of the outstanding principal amount owed by the borrower and were not considered troubled debt restructurings.

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The following table sets forth the allowance for credit losses and recorded investment in commercial mortgage loans as of or for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Allowance for credit losses:				
Beginning balance	$ 10	$ 9	$ 9	$ 9
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Provision	1	—	2	—
Ending balance	$ 11	$ 9	$ 11	$ 9
Ending allowance for individually impaired loans	$ —	$ —	$ —	$ —
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	$ 11	$ 9	$ 11	$ 9
Recorded investment:				
Ending balance	$ 6,978	$ 6,492	$6,978	$6,492
Ending balance of individually impaired loans	$ —	$ 6	$ —	$ 6
Ending balance of loans not individually impaired that were evaluated collectively for impairment	$ 6,978	$ 6,486	$ 6,978	$ 6,486

As of June 30, 2019, we had no individually impaired loans. As of December 31, 2018, we had one individually impaired loan within the office property type with a recorded investment and unpaid principal balance of $3 million and as of June 30, 2018, this individually impaired loan had a recorded investment and unpaid principal balance of $6 million.

In evaluating the credit quality of commercial mortgage loans, we assess the performance of the underlying loans using both quantitative and qualitative criteria. Certain risks associated with commercial mortgage loans can be evaluated by reviewing both the loan-to-value and debt service coverage ratio to understand both the probability of the borrower not being able to make the necessary loan payments as well as the ability to sell the underlying property for an amount that would enable us to recover our unpaid principal balance in the event of default by the borrower. The average loan-to-value ratio is based on our most recent estimate of the fair value for the underlying property which is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A lower loan-to-value indicates that our loan value is more likely to be recovered in the event of default by the borrower if the property was sold. The debt service coverage ratio is based on "normalized" annual income of the property compared to the payments required under the terms of the loan. Normalization allows for the removal of annual one-time events such as capital expenditures, prepaid or late real estate tax payments or non-recurring third-party fees (such as legal, consulting or contract fees). This ratio is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A higher debt service coverage ratio indicates the borrower is less likely to default on the loan. The debt service coverage ratio is not used without considering other factors associated with the borrower, such as the borrower's liquidity or access to other resources that may result in our expectation that the borrower will continue to make the future scheduled payments.

The following tables set forth the loan-to-value of commercial mortgage loans by property type as of the dates indicated:

	June 30, 2019					
(Amounts in millions)	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% (1)	Total
Property type:						
Retail	$ 882	$ 534	$ 1,152	$ 13	$ —	$2,581
Industrial	732	284	674	7	2	1,699
Office	587	378	691	—	—	1,656
Apartments	200	97	223	5	—	525
Mixed use	102	43	102	—	—	247
Other	47	63	160	—	—	270
Total recorded investment	$ 2,550	$ 1,399	$ 3,002	$ 25	$ 2	$6,978
% of total	37%	20%	43%	— %	— %	100%
Weighted-average debt service coverage ratio	2.39	1.84	1.57	1.34	0.88	1.92

(1) Included a loan with a recorded investment of $2 million in good standing, where the borrower continued to make timely payments, with a loan-to-value of 103%. We evaluated this loan on an individual basis and as it is in good standing, the current recorded investment is expected to be recoverable.

	December 31, 2018					
(Amounts in millions)	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% (1)	Total
Property type:						
Retail	$ 866	$ 565	$ 1,017	$ 15	$ —	$2,463
Industrial	749	279	615	14	2	1,659
Office	585	373	588	2	—	1,548
Apartments	206	95	189	5	—	495
Mixed use	105	36	113	—	—	254
Other	43	78	160	—	—	281
Total recorded investment	$ 2,554	$ 1,426	$ 2,682	$ 36	$ 2	$6,700
% of total	38%	21%	40%	1%	— %	100%
Weighted-average debt service coverage ratio	2.42	2.04	1.59	1.38	0.88	2.00

(1) Included a loan with a recorded investment of $2 million in good standing, where the borrower continued to make timely payments, with a loan-to-value of 105%. We evaluated this loan on an individual basis and as it is in good standing, the current recorded investment is expected to be recoverable.

The following tables set forth the debt service coverage ratio for fixed rate commercial mortgage loans by property type as of the dates indicated:

	June 30, 2019					
(Amounts in millions)	Less than 1.00	1.00 - 1.25	1.26 - 1.50	1.51 - 2.00	Greater than 2.00	Total
Property type:						
Retail	$ 33	$ 147	$ 604	$ 1,238	$ 559	$ 2,581
Industrial	22	68	254	711	644	1,699
Office	51	47	213	833	512	1,656
Apartments	4	24	107	196	194	525
Mixed use	3	18	52	79	95	247
Other	12	132	52	40	34	270
Total recorded investment	$ 125	$ 436	$ 1,282	$ 3,097	$ 2,038	$ 6,978

% of total	2%	6%	18%	45%	29%	100%
Weighted-average loan-to-value	55%	61%	64%	59%	42%	55%

	December 31, 2018					
(Amounts in millions)	Less than 1.00	1.00 - 1.25	1.26 - 1.50	1.51 - 2.00	Greater than 2.00	Total
Property type:						
Retail	$ 43	$ 157	$ 448	$ 1,234	$ 581	$ 2,463
Industrial	22	75	233	653	676	1,659
Office	57	56	156	765	514	1,548
Apartments	4	24	104	168	195	495
Mixed use	3	19	51	80	101	254
Other	13	134	50	50	34	281
Total recorded investment	$ 142	$ 465	$ 1,042	$ 2,950	$ 2,101	$ 6,700
% of total	2%	7%	16%	44%	31%	100%
Weighted-average loan-to-value	57%	61%	62%	59%	42%	54%

(f) Restricted Commercial Mortgage Loans Related To A Securitization Entity

We have a consolidated securitization entity that holds commercial mortgage loans that are recorded as restricted commercial mortgage loans related to a securitization entity. Our primary economic interest in this securitization entity represents the excess interest of the commercial mortgage loans.

(g) Limited Partnerships or Similar Entities

Limited partnerships are accounted for at fair value when our partnership interest is considered minor (generally less than 3% ownership in the limited partnerships) and we exercise no influence over operating and financial policies. If our ownership percentage exceeds that threshold, limited partnerships are accounted for using the equity method of accounting. In applying either method, we use financial information provided by the investee generally on a one-to-three month lag. However, we consider whether an adjustment to the estimated fair value is necessary when the measurement date is not aligned with our reporting date.

Investments in limited partnerships or similar entities are generally considered VIEs when the equity group lacks sufficient financial control. Generally, these investments are limited partner or non-managing member equity investments in a widely held fund that is sponsored and managed by a reputable asset manager. We are not the primary beneficiary of any VIE investment in a limited partnership or similar entity. As of June 30, 2019 and December 31, 2018, the total carrying value of these investments was $489 million and $394 million, respectively. Our maximum exposure to loss is equal to the outstanding carrying value and future funding commitments. We have not contributed, and do not plan to contribute, any additional financial or other support outside of what is contractually obligated.

(5) Derivative Instruments

Our business activities routinely deal with fluctuations in interest rates, equity prices, currency exchange rates and other asset and liability prices. We use derivative instruments to mitigate or reduce some of these risks. We have established policies for managing each of these risks, including prohibitions on derivatives market-making and other speculative derivatives activities. These policies require the use of derivative instruments in concert with other techniques to reduce or mitigate these risks. While we use derivatives to mitigate or reduce risks, certain derivatives do not meet the accounting requirements to be designated as hedging instruments and are denoted as "derivatives not designated as hedges" in the following disclosures. For derivatives that meet the accounting requirements to be designated as hedges, the following disclosures for these derivatives are denoted as "derivatives designated as hedges," which include cash flow hedges.

The following table sets forth our positions in derivative instruments as of the dates indicated:

	Derivative assets			Derivative liabilities		
		Fair value			Fair value	
(Amounts in millions)	Balance sheet classification	June 30, 2019	December 31, 2018	Balance sheet classification	June 30, 2019	December 31, 2018
Derivatives designated as hedges						
Cash flow hedges:						
Interest rate swaps	Other invested assets	$ 144	$ 42	Other liabilities	$ 10	$ 102
Foreign currency swaps	Other invested assets	5	6	Other liabilities	1	—
Total cash flow hedges		149	48		11	102
Total derivatives designated as hedges		149	48		11	102
Derivatives not designated as hedges						

Interest rate swaps in aforeign currency	Other invested assets	35	74	Other liabilities	—	—
Interest rate caps and floors	Other invested assets	16	7	Other liabilities	—	—
Foreign currency swaps	Other invested assets	1	—	Other liabilities	7	23
Equity index options	Other invested assets	65	39	Other liabilities	—	—
Financial futures	Other invested assets	—	—	Other liabilities	—	—
Equity return swaps	Other invested assets	—	—	Other liabilities	—	1
Other foreign currency contracts	Other invested assets	14	10	Other liabilities	25	42
GMWB embeddedderivatives	Reinsurance recoverable (1)	20	20	Policyholder account balances (2)	325	337
Fixed index annuity embedded derivatives	Other assets	—	—	Policyholder account balances (3)	438	389
Indexed universal lifeembedded derivatives	Reinsurance recoverable	—	—	Policyholder account balances (4)	15	12
Total derivatives not designated as hedges		151	150		810	804
Total derivatives		$ 300	$ 198		$ 821	$ 906

(1) Represents embedded derivatives associated with the reinsured portion of our guaranteed minimum withdrawal benefits ("GMWB") liabilities.
(2) Represents the embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.
(3) Represents the embedded derivatives associated with our fixed index annuity liabilities.
(4) Represents the embedded derivatives associated with our indexed universal life liabilities.

The fair value of derivative positions presented above was not offset by the respective collateral amounts received or provided under these agreements.

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The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB embedded derivatives, fixed index annuity embedded derivatives and indexed universal life embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2018	Additions	Maturities/ terminations	June 30, 2019
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 9,924	$ 469	$ (1,338)	$ 9,055
Foreign currency swaps	Notional	80	52	(22)	110
Total cash flow hedges		10,004	521	(1,360)	9,165
Total derivatives designated as hedges		10,004	521	(1,360)	9,165
Derivatives not designated as hedges					
Interest rate swaps	Notional	4,674	—	—	4,674
Interest rate swaps in a foreign currency	Notional	2,565	187	(77)	2,675
Interest rate caps and floors	Notional	2,624	160	(66)	2,718
Foreign currency swaps	Notional	453	—	(2)	451
Equity index options	Notional	2,628	939	(1,035)	2,532
Financial futures	Notional	1,415	3,029	(3,217)	1,227
Equity return swaps	Notional	17	2	(2)	17
Other foreign currency contracts	Notional	1,080	2,925	(2,704)	1,301
Total derivatives not designated as hedges		15,456	7,242	(7,103)	15,595
Total derivatives		$ 25,460	$ 7,763	$ (8,463)	$24,760

(Number of policies)	Measurement	December 31, 2018	Additions	Maturities/ terminations	June 30, 2019
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	27,886	—	(1,139)	26,747
Fixed index annuity embedded derivatives	Policies	16,464	—	(410)	16,054
Indexed universal life embedded derivatives	Policies	929	—	(21)	908

Cash Flow Hedges

Certain derivative instruments are designated as cash flow hedges. The changes in fair value of these instruments are recorded as a component of OCI. We designate and account for the following as cash flow hedges when they have met the effectiveness requirements: (i) various types of interest rate swaps to convert floating rate investments to fixed rate investments; (ii) various types of interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) receive U.S. dollar fixed on foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments; (iv) forward starting interest rate swaps to hedge against changes in interest rates associated with future fixed rate bond purchases and/or interest income; and (v) other instruments to hedge the cash flows of various forecasted transactions.

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The following table provides information about the pre-tax income effects of cash flow hedges for the three months ended June 30, 2019:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ 216	$ 42	Net investment income	$ —	Net investment gains (losses)
Interest rate swaps hedging assets	—	(4)	Net investment gains (losses)	—	Net investment gains (losses)
Interest rate swaps hedging liabilities	(20)	—	Interest expense	—	Net investment gains (losses)
Foreign currency swaps	2	(1)	Net investment income	—	Net investment gains (losses)
Total	$ 198	$ 37		$ —	

The following table provides information about the pre-tax income effects of cash flow hedges for the three months ended June 30, 2018:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ (54)	$ 39	Net investment income	$ —	Net investment gains (losses)
Interest rate swaps hedging liabilities	5	—	Interest expense	—	Net investment gains (losses)
Foreign currency swaps	1	—	Net investment income	—	Net investment gains (losses)
Total	$ (48)	$ 39		$ —	

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The following table provides information about the pre-tax income effects of cash flow hedges for the six months ended June 30, 2019:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ 353	$ 80	Net investment income	$ —	Net investment gains (losses)
Interest rate swaps hedging assets	—	2	Net investment gains (losses)	—	Net investment gains (losses)
Interest rate swaps hedging liabilities	(32)	—	Interest expense	—	Net investment gains (losses)
Foreign currency swaps	(1)	(1)	Net investment income	—	Net investment gains (losses)
Foreign currency swaps	—	—	Net investment gains (losses)	2	Net investment gains (losses)
Total	$ 320	$ 81		$ 2	

The following table provides information about the pre-tax income effects of cash flow hedges for the six months ended June 30, 2018:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income from OCI	Classification of gain (loss) reclassified into net income	Gain (loss) recognized in net income	Classification of gain (loss) recognized in net income
Interest rate swaps hedging assets	$ (227)	$ 74	Net investment income	$ —	Net investment gains (losses)
Interest rate swaps hedging assets	—	5	Net investment gains (losses)	—	Net investment gains (losses)
Interest rate swaps hedging liabilities	22	—	Interest expense	—	Net investment gains (losses)
Total	$ (205)	$ 79		$ —	

The following tables provide a reconciliation of current period changes, net of applicable income taxes, for these designated derivatives presented in

The following tables provide a reconciliation of current period changes, net of applicable income taxes, for these designated derivatives presented in the separate component of stockholders' equity labeled "derivatives qualifying as hedges," for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	2018
Derivatives qualifying as effective accounting hedges as of April 1	$ 1,850	$ 1,927
Current period increases (decreases) in fair value, net of deferred taxes of $(41) and $9	157	(39)
Reclassification to net (income), net of deferred taxes of $13 and $14	(24)	(25)
Derivatives qualifying as effective accounting hedges as of June 30	$ 1,983	$ 1,863

(Amounts in millions)	Six months ended June 30, 2019	2018
Derivatives qualifying as effective accounting hedges as of January 1	$1,781	$2,065
Cumulative effect of changes in accounting:		
Stranded tax effects	—	12
Changes to the hedge accounting model, net of deferred taxes of $— and $(1)	—	2
Total cumulative effect of changes in accounting	—	14
Current period increases (decreases) in fair value, net of deferred taxes of $(66) and $43	254	(165)
Reclassification to net (income), net of deferred taxes of $29 and $28	(52)	(51)
Derivatives qualifying as effective accounting hedges as of June 30	$1,983	$1,863

The total of derivatives designated as cash flow hedges of $1,983 million, net of taxes, recorded in stockholders' equity as of June 30, 2019 is expected to be reclassified to net income in the future, concurrently with and primarily offsetting changes in interest expense and interest income on floating rate instruments and interest income on future fixed rate bond purchases. Of this amount, $112 million, net of taxes, is expected to be reclassified to net income in the next 12 months. Actual amounts may vary from this amount as a result of market conditions. All forecasted transactions associated with qualifying cash flow hedges are expected to occur by 2057. During the six months ended June 30, 2019 and 2018, we reclassified net gains of $2 million and $5 million, respectively, to net income in connection with forecasted transactions that were no longer considered probable of occurring.

Derivatives Not Designated As Hedges

We also enter into certain non-qualifying derivative instruments such as: (i) interest rate swaps and financial futures to mitigate interest rate risk as part of managing regulatory capital positions; (ii) equity index options, equity return swaps, interest rate swaps and financial futures to mitigate the risks associated with liabilities that have guaranteed minimum benefits, fixed index annuities and indexed universal life; (iii) interest rate swaps in a foreign currency and interest rate caps and floors where the hedging relationship does not qualify for hedge accounting; (iv) foreign currency swaps, options and forward contracts to mitigate currency risk associated with non-functional currency investments held by certain foreign subsidiaries and future dividends or other cash flows from certain foreign subsidiaries to our holding company; and (v) equity index options to mitigate certain macroeconomic risks associated with certain foreign subsidiaries. Additionally, we provide GMWBs on certain variable annuities that are required to be bifurcated as embedded derivatives. We also offer fixed index annuity and indexed universal life insurance products and have reinsurance agreements with certain features that are required to be bifurcated as embedded derivatives.

The following tables provide the pre-tax gain (loss) recognized in net income for the effects of derivatives not designated as hedges for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	2018	Classification of gain (loss) recognized in net income
Interest rate swaps	$ (3)	$ (2)	Net investment gains (losses)
Interest rate swaps in a foreign currency	(6)	—	Net investment gains (losses)
Interest rate caps and floors	3	—	Net investment gains (losses)
Foreign currency swaps	6	(10)	Net investment gains (losses)
Equity index options	10	8	Net investment gains (losses)
Financial futures	17	(13)	Net investment gains (losses)
Equity return swaps	1	1	Net investment gains (losses)
Other foreign currency contracts	(3)	1	Net investment gains (losses)
GMWB embedded derivatives	(22)	13	Net investment gains (losses)
Fixed index annuity embedded derivatives	(20)	(15)	Net investment gains (losses)
Indexed universal life embedded derivatives	(1)	2	Net investment gains (losses)
Total derivatives not designated as hedges	$ (18)	$ (15)	

(Amounts in millions)	Six months ended June 30, 2019	2018	Classification of gain (loss) recognized in net income

Interest rate swaps	$ (4)	$ (3)	Net investment gains (losses)
Interest rate swaps in a foreign currency	(29)	—	Net investment gains (losses)
Interest rate caps and floors	9	—	Net investment gains (losses)
Foreign currency swaps	16	(18)	Net investment gains (losses)
Equity index options	27	(7)	Net investment gains (losses)
Financial futures	(27)	(37)	Net investment gains (losses)
Equity return swaps	1	(4)	Net investment gains (losses)
Other foreign currency contracts	6	9	Net investment gains (losses)
GMWB embedded derivatives	23	27	Net investment gains (losses)
Fixed index annuity embedded derivatives	(58)	(7)	Net investment gains (losses)
Indexed universal life embedded derivatives	—	7	Net investment gains (losses)
Total derivatives not designated as hedges	$ (36)	$ (33)	

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Derivative Counterparty Credit Risk

Most of our derivative arrangements with counterparties require the posting of collateral upon meeting certain net exposure thresholds.The following table presents additional information about derivative assets and liabilities subject to an enforceable master netting arrangement as of the dates indicated:

	June 30, 2019			December 31, 2018		
(Amounts in millions)	Derivatives assets(1)	Derivatives liabilities(2)	Net derivatives	Derivatives assets (1)	Derivatives liabilities (2)	Net derivatives
Amounts presented in the balance sheet:						
Gross amounts recognized	$ 287	$ 44	$ 243	$ 185	$ 169	$ 16
Gross amounts offset in the balance sheet	—	—	—	—	—	—
Net amounts presented in the balance sheet	287	44	243	185	169	16
Gross amounts not offset in the balance sheet:						
Financial instruments (3)	(35)	(35)	—	(66)	(66)	—
Collateral received	(77)	—	(77)	(84)	—	(84)
Collateral pledged	—	(327)	327	—	(536)	536
Over collateralization	—	318	(318)	10	433	(423)
Net amount	$ 175	$ —	$ 175	$ 45	$ —	$ 45

(1) Included $7 million and $6 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives as of June 30, 2019 and December 31, 2018, respectively.

(2) Included $1 million of accruals on derivatives included in other liabilities as of June 30, 2019 and does not include amounts related to embedded derivatives as of June 30, 2019 and December 31, 2018.

(3) Amounts represent derivative assets and/or liabilities that are presented gross within the balance sheet but are held with the same counterparty where we have a master netting arrangement. This adjustment results in presenting the net asset and net liability position for each counterparty.

(6) Fair Value of Financial Instruments

Assets and liabilities that are reflected in the accompanying unaudited condensed consolidated financial statements at fair value are not included in the following disclosure of fair value. Such items include cash, cash equivalents and restricted cash, short-term investments, investment securities, separate accounts, securities held as collateral and derivative instruments. Apart from certain of our borrowings and certain marketable securities, few of the instruments are actively traded and their fair values must often be determined using models. The fair value estimates are made at a specific point in time, based upon available market information and judgments

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about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets.

The following represents our estimated fair value of financial assets and liabilities that are not required to be carried at fair value as of the dates indicated:

	June 30, 2019					
			Fair value			
(Amounts in millions)	Notional amount	Carrying amount	Total	Level 1	Level 2	Level 3
Assets:						
Commercial mortgage loans	(1)	$ 6,963	$ 7,241	$ —	$ —	$ 7,241
Restricted commercial mortgage loans	(1)	56	61	—	—	61

	Notional amount	Carrying amount	Total	Level 1	Level 2	Level 3
Other invested assets:						
Bank loan investments	(1)	337	336	—	—	336
Liabilities:						
Long-term borrowings	(1)	4,044	3,622	—	3,480	142
Non-recourse funding obligations	(1)	311	215	—	—	215
Investment contracts	(1)	12,364	13,194	—	—	13,194
Other firm commitments:						
Commitments to fund limited partnerships	903	—	—	—	—	—
Commitments to fund bank loan investments	52	—	—	—	—	—
Ordinary course of business lending commitments	188	—	—	—	—	—

	December 31, 2018					
	Notional	Carrying	Fair value			
(Amounts in millions)	**amount**	**amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:						
Commercial mortgage loans	(1)	$ 6,687	$ 6,737	$ —	$ —	$ 6,737
Restricted commercial mortgage loans	(1)	62	66	—	—	66
Other invested assets:						
Bank loan investments	(1)	248	248	—	—	248
Liabilities:						
Long-term borrowings	(1)	4,025	3,577	—	3,434	143
Non-recourse funding obligations	(1)	311	215	—	—	215
Investment contracts	(1)	13,105	13,052	—	—	13,052
Other firm commitments:						
Commitments to fund limited partnerships	539	—	—	—	—	—
Commitments to fund bank loan investments	33	—	—	—	—	—
Ordinary course of business lending commitments	73	—	—	—	—	—

(1) These financial instruments do not have notional amounts.

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Recurring Fair Value Measurements

We have fixed maturity, short-term investments, equity securities, limited partnerships, derivatives, embedded derivatives, securities held as collateral, separate account assets and certain other financial instruments, which are carried at fair value. Below is a description of the valuation techniques and inputs used to determine fair value by class of instrument.

Limited partnerships

Limited partnerships are valued based on comparable market transactions, discounted future cash flows, quoted market prices and/or estimates using the most recent data available for the underlying instrument. We utilize the net asset value ("NAV") of the underlying fund statements as a practical expedient for fair value.

Fixed maturity, short-term investments and equity securities

The fair value of fixed maturity, short-term investments and equity securities are estimated primarily based on information derived from third-party pricing services ("pricing services"), internal models and/or broker quotes, which use a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. In general, a market approach is utilized if there is readily available and relevant market activity for an individual security. In certain cases where market information is not available for a specific security but is available for similar securities, a security is valued using that market information for similar securities, which is also a market approach. When market information is not available for a specific security or is available but such information is less relevant or reliable, an income approach or a combination of a market and income approach is utilized. For securities with optionality, such as call or prepayment features (including mortgage-backed or asset-backed securities), an income approach may be used. In addition, a combination of the results from market and income approaches may be used to estimate fair value. These valuation techniques may change from period to period, based on the relevance and availability of market data.

We utilize certain third-party data providers when determining fair value. We consider information obtained from pricing services as well as broker quotes in our determination of fair value. Additionally, we utilize internal models to determine the valuation of securities using an income approach where the inputs are based on third-party provided market inputs. While we consider the valuations provided by pricing services and broker quotes to be of high quality, management determines the fair value of our investment securities after considering all relevant and available information. We also use various methods to obtain an understanding of the valuation methodologies and procedures used by third-party data providers to ensure sufficient understanding to evaluate the valuation data received, including an understanding of the assumptions and inputs utilized to determine the appropriate fair value. For pricing services, we analyze the prices provided by our primary pricing services to other readily available pricing services and perform a detailed review of the assumptions and inputs from each pricing service to determine the appropriate fair value when pricing differences exceed certain thresholds. We evaluate changes in fair value that are greater than certain pre-defined thresholds each month to further aid in our review of the accuracy of fair value measurements and our understanding of changes in fair value, with more detailed reviews performed by the asset managers responsible for the related asset class associated with the security being reviewed. A pricing committee provides additional oversight and guidance in the evaluation and review of the pricing methodologies used to value our investment portfolio.

In general, we first obtain valuations from pricing services. For certain private fixed maturity securities where we do not obtain valuations from pricing services, we utilize an internal model to determine fair value since transactions for identical securities are not readily observable and these securities are not typically valued by pricing services. If prices are unavailable from public pricing services, we obtain broker quotes. For all securities, excluding certain private fixed maturity securities, if neither a pricing service nor broker quotes valuation is available, we determine fair value using internal models.

For pricing services, we obtain an understanding of the pricing methodologies and procedures for each type of instrument. Additionally, on a monthly basis we review a sample of securities, examining the pricing service's assumptions to determine if we agree with the service's derived price. When available, we also evaluate the prices sampled as compared to other public prices. If a variance greater than a pre-defined threshold is noted, additional review of the price is executed to ensure accuracy. In general, a pricing service does not provide a price for a security if sufficient information is not readily available to determine fair value or if such security is not in the specific sector or class covered by a particular pricing service. Given our understanding of the pricing methodologies and procedures of pricing services, the securities valued by pricing services are typically classified as Level 2 unless we determine the valuation process for a security or group of securities utilizes significant unobservable inputs, which would result in the valuation being classified as Level 3.

For private fixed maturity securities, we utilize an income approach where we obtain public bond spreads and utilize those in an internal model to determine fair value. Other inputs to the model include rating and weighted-average life, as well as sector which is used to assign the spread. We then add an additional premium, which represents an unobservable input, to the public bond spread to adjust for the liquidity and other features of our private placements. We utilize the estimated market yield to discount the expected cash flows of the security to determine fair value. We utilize price caps for securities where the estimated market yield results in a valuation that may exceed the amount that would be received in a market transaction. When a security does not have an external rating, we assign the security an internal rating to determine the appropriate public bond spread that should be utilized in the valuation. To evaluate the reasonableness of the internal model, we review a sample of private fixed maturity securities each month. In that review we compare the modeled prices to the prices of similar public securities in conjunction with analysis on current market indicators. If a pricing variance greater than a pre-defined threshold is noted, additional review of the price is executed to ensure accuracy. At the end of each month, all internally modeled prices are compared to the prior month prices with an evaluation of all securities with a month-over-month change greater than a pre-defined threshold. While we generally consider the public bond spreads by sector and maturity to be observable inputs, we evaluate the similarities of our private placement with the public bonds, any price caps utilized, liquidity premiums applied, and whether external ratings are available for our private placements to determine whether the spreads utilized would be considered observable inputs. We classify private securities without an external rating or public bond spread as Level 3. In general, increases (decreases) in credit spreads will decrease (increase) the fair value for our fixed maturity securities.

For broker quotes, we consider the valuation methodology utilized by the third party and analyze a sample each month to assess reasonableness given then-current market conditions. Additionally, for broker quotes on certain structured securities, we validate prices received against other publicly available pricing sources. Broker quotes are typically based on an income approach given the lack of available market data. As the valuation typically includes significant unobservable inputs, we classify the securities where fair value is based on our consideration of broker quotes as Level 3 measurements.

For remaining securities priced using internal models, we determine fair value using an income approach. We analyze a sample each month to assess reasonableness given then-current market conditions. We maximize the use of observable inputs but typically utilize significant unobservable inputs to determine fair value. Accordingly, the valuations are typically classified as Level 3.

A summary of the inputs used for our fixed maturity, short-term investments and equity securities based on the level in which instruments are classified is included below. We have combined certain classes of instruments together as the nature of the inputs is similar.

Level 1 measurements

Equity securities. The primary inputs to the valuation of exchange-traded equity securities include quoted prices for the identical instrument.

Short-term investments. Short-term investments primarily include commercial paper and other highly liquid debt instruments. The fair value of short-term investments classified as Level 1 is based on quoted prices for the identical instrument.

Separate account assets. The fair value of separate account assets is based on the quoted prices of the underlying fund investments and, therefore, represents Level 1 pricing.

Level 2 measurements

Fixed maturity securities

- *Third-party pricing services:* In estimating the fair value of fixed maturity securities, approximately 91% of our portfolio is priced using third-party pricing sources as of June 30, 2019. These pricing services utilize industry-standard valuation techniques that include market-based approaches, income-based approaches, a combination of market-based and income-based approaches or other proprietary, internally generated models as part of the valuation processes. These third-party pricing vendors maximize the use of publicly available data inputs to generate valuations for each asset class. Priority and type of inputs used may change frequently as certain inputs may be more direct drivers of valuation at the time of pricing. Examples of significant inputs incorporated by third-party pricing services may include sector and issuer spreads, seasoning, capital structure, security optionality, collateral data, prepayment assumptions, default assumptions, delinquencies, debt covenants, benchmark yields, trade data, dealer quotes, credit ratings, maturity and weighted-average life. We conduct regular meetings with our third-party pricing services for the purpose of understanding the methodologies, techniques and inputs used by the third-party pricing providers.

The following table presents a summary of the significant inputs used by our third-party pricing services for certain fair value measurements of fixed maturity securities that are classified as Level 2 as of June 30, 2019:

(Amounts in millions)	Fair value	Primary methodologies	Significant inputs
U.S. government, agencies and government-sponsored enterprises	$ 4,987	Price quotes from trading desk, broker feeds	Bid side prices, trade prices, Option Adjusted Spread (“OAS”) to swap curve, Bond Market Association OAS, Treasury Curve, Agency Bullet Curve, maturity to issuer spread
State and political subdivisions	$ 2,575	Multi-dimensional attribute-based modeling systems, third-party pricing vendors	Trade prices, material event notices, Municipal Market Data benchmark yields, broker quotes
Non-U.S. government	$ 2,634	Matrix pricing, spread priced to benchmark curves, price quotes from market makers	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources
U.S. corporate	$ 28,118	Multi-dimensional attribute-based modeling systems, broker quotes, price quotes from market makers, OAS-based models	Bid side prices to Treasury Curve, Issuer Curve, which includes sector, quality, duration, OAS percentage and change for spread matrix, trade prices, comparative transactions, Trade Reporting and Compliance Engine (“TRACE”) reports
Non-U.S. corporate	$ 10,417	Multi-dimensional attribute-based modeling systems, OAS-based models, price quotes from market makers	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources
Residential mortgage-backed	$ 2,697	OAS-based models,single factor binomial models, internally priced	Prepayment and default assumptions, aggregation of bonds with similar characteristics, including collateral type, vintage, tranche type, weighted-average life, weighted-average loan age, issuer program and delinquency ratio, pay up and pay down factors, TRACE reports
Commercial mortgage-backed	$ 2,897	Multi-dimensional attribute-based modeling systems, pricing matrix, spread matrix priced to swap curves, Trepp commercial mortgage-backed securities analytics model	Credit risk, interest rate risk, prepayment speeds, new issue data, collateral performance, origination year, tranche type, original credit ratings, weighted-average life, cash flows, spreads derived from broker quotes, bid side prices, spreads to daily updated swaps curves, TRACE reports
Other asset-backed	$ 3,492	Multi-dimensional attribute-based modeling systems, spread matrix priced to swap curves, price quotes from market makers	Spreads to daily updated swaps curves, spreads derived from trade prices and broker quotes, bid side prices, new issue data, collateral performance, analysis of prepayment speeds, cash flows, collateral loss analytics, historical issue analysis, trade data from market makers, TRACE reports

- *Internal models:* A portion of our non-U.S. government, U.S. corporate and non-U.S. corporate securities are valued using internal models. The fair value of these fixed maturity securities were

$15 million, $1,056 million and $599 million, respectively, as of June 30, 2019. Internally modeled securities are primarily private fixed maturity securities where we use market observable inputs such as an interest rate yield curve, published credit spreads for similar securities based on the external ratings of the instrument and related industry sector of the issuer. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps and liquidity premiums are established using inputs from market participants.

Equity securities. The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active.

Securities lending collateral

The fair value of securities held as collateral is primarily based on Level 2 inputs from market information for the collateral that is held on our behalf by the custodian. We determine fair value after considering prices obtained by third-party pricing services.

Short-term investments

The fair value of short-term investments classified as Level 2 is determined after considering prices obtained by third-party pricing services.

Level 3 measurements

Fixed maturity securities

- *Internal models:* A portion of our state and political subdivisions, U.S. corporate, non-U.S. corporate, residential mortgage-backed, commercial mortgage-backed and other asset-backed securities are valued using internal models. The primary inputs to the valuation of the bond population include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, duration, call provisions, issuer rating, benchmark yields and credit spreads. Certain private fixed maturity securities are valued using an internal model using market observable inputs such as the interest rate yield curve, as well as published credit spreads for similar securities, which includes significant unobservable inputs. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps are established using inputs from market participants. For structured securities, the primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon, weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads. The fair value of our Level 3 fixed maturity securities priced using internal models was $3,806 million as of June 30, 2019.
- *Broker quotes:* A portion of our state and political subdivisions, U.S. corporate, non-U.S. corporate, residential mortgage-backed, commercial mortgage-backed and other asset-backed securities are valued using broker quotes. Broker quotes are obtained from third-party providers that have current market knowledge to provide a reasonable price for securities not routinely priced by third-party pricing services. Brokers utilized for valuation of assets are reviewed annually. The fair value of our Level 3 fixed maturity securities priced by broker quotes was $481 million as of June 30, 2019.

Equity securities. The primary inputs to the valuation include broker quotes where the underlying inputs are unobservable and for internal models, structure of the security and issuer rating.

GMWB embedded derivatives

We are required to bifurcate an embedded derivative for certain features associated with annuity products and related reinsurance agreements where we provide a GMWB to the policyholder and are required to record the GMWB embedded derivative at fair value. The valuation of our GMWB embedded derivative is based on an income approach that incorporates inputs such as forward interest rates, equity index volatility, equity index and fund correlation, and policyholder assumptions such as utilization, lapse and mortality. In addition to these inputs, we also consider risk and expense margins when determining the projected cash flows that would be determined by another market participant. While the risk and expense margins are considered in determining fair value, these inputs do not have a significant impact on the valuation. We determine fair value using an internal model based on the various inputs noted above. The resulting fair value measurement from the model is reviewed by actuarial, risk and finance professionals each reporting period with changes in fair value also being compared to changes in derivatives and other instruments used to mitigate changes in fair value from certain market risks, such as equity index volatility and interest rates.

For GMWB liabilities, non-performance risk is integrated into the discount rate. Our discount rate used to determine fair value of our GMWB liabilities includes market credit spreads above U.S. Treasury rates to reflect an adjustment for the non-performance risk of the GMWB liabilities. As of June 30, 2019 and December 31, 2018, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of $64 million.

To determine the appropriate discount rate to reflect the non-performance risk of the GMWB liabilities, we evaluate the non-performance risk in our liabilities based on a hypothetical exit market transaction as there is no exit market for these types of liabilities. A hypothetical exit market can be viewed as a hypothetical transfer of the liability to another similarly rated insurance company which would closely resemble a reinsurance transaction. Another hypothetical exit market transaction can be viewed as a hypothetical transaction from the perspective of the GMWB policyholder. In determining the appropriate discount rate to incorporate non-performance risk of the GMWB liabilities, we also considered the impacts of state guarantees embedded in the related insurance product as a form of inseparable third-party guarantee. We believe that a hypothetical exit market participant would use a similar discount rate as described above to value the liabilities.

For equity index volatility, we determine the projected equity market volatility using both historical volatility and projected equity market volatility with more significance being placed on projected near-term volatility and recent historical data. Given the different attributes and market characteristics of GMWB liabilities compared to equity index options in the derivative market, the equity index volatility assumption for GMWB liabilities may be different from the volatility assumption for equity index options, especially for the longer dated points on the curve.

Equity index and fund correlations are determined based on historical price observations for the fund and equity index.

For policyholder assumptions, we use our expected lapse, mortality and utilization assumptions and update these assumptions for our actual experience, as necessary. For our lapse assumption, we adjust our base lapse assumption by policy based on a combination of the policyholder's current account value and GMWB benefit.

We classify the GMWB valuation as Level 3 based on having significant unobservable inputs, with equity index volatility and non-performance risk being considered the more significant unobservable inputs. As equity index volatility increases, the fair value of the GMWB liabilities will increase. Any increase in non-performance risk would increase the discount rate and would decrease the fair value of the GMWB liability. Additionally, we consider lapse and utilization assumptions to be significant unobservable inputs. An increase in our lapse assumption would decrease the fair value of the GMWB liability, whereas an increase in our utilization rate would increase the fair value.

Fixed index annuity embedded derivatives

We have fixed indexed annuity products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Indexed universal life embedded derivatives

We have indexed universal life insurance products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Derivatives

We consider counterparty collateral arrangements and rights of set-off when evaluating our net credit risk exposure to our derivative counterparties. Accordingly, we are permitted to include consideration of these arrangements when determining whether any incremental adjustment should be made for both the counterparty's and our non-performance risk in measuring fair value for our derivative instruments. As a result of these counterparty arrangements, we determined that any adjustment for credit risk would not be material and we have not recorded any incremental adjustment for our non-performance risk or the non-performance risk of the derivative counterparty for our derivative assets or liabilities. We determine fair value for our derivatives using an income approach with internal models based on relevant market inputs for each derivative instrument. We also compare the fair value determined using our internal model to the valuations provided by our derivative counterparties with any significant differences or changes in valuation being evaluated further by our derivatives professionals that are familiar with the instrument and market inputs used in the valuation.

Interest rate swaps. The valuation of interest rate swaps is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an

observable input, and results in the derivative being classified as Level 2. For certain interest rate swaps, the inputs into the valuation also include the total returns of certain bonds that would primarily be considered an observable input and result in the derivative being classified as Level 2.

Interest rate swaps in a foreign currency. The valuation of interest rate swaps in a foreign currency is determined using an income approach. The primary inputs into the valuation represents the forward interest rate swap curve and foreign currency exchange rates, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Interest rate caps and floors. The valuation of interest rate caps and floors is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, forward interest rate volatility and time value component associated with the optionality in the derivative which are generally considered observable inputs and results in the derivatives being classified as Level 2.

Foreign currency swaps. The valuation of foreign currency swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and foreign currency exchange rates, both of which are considered observable inputs, and results in the derivative being classified as Level 2.

Equity index options. We have equity index options associated with various equity indices. The valuation of equity index options is determined using an income approach. The primary inputs into the valuation represent forward interest rates, equity index volatility, equity index and time value component associated with the optionality in the derivative, which are considered significant unobservable inputs in most instances. The equity index volatility surface is determined based on market information that is not readily observable and is developed based upon inputs received from several third-party sources. Accordingly, these options are classified as Level 3. As equity index volatility increases, our valuation of these options changes favorably.

Financial futures. The fair value of financial futures is based on the closing exchange prices. Accordingly, these financial futures are classified as Level 1. The period end valuation is zero as a result of settling the margins on these contracts on a daily basis.

Equity return swaps. The valuation of equity return swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and underlying equity index values, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Other foreign currency contracts. We have certain foreign currency options classified as other foreign currency contracts. The valuation of foreign currency options is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, foreign currency exchange rates, forward interest rate, foreign currency exchange rate volatility and time value component associated with the optionality in the derivative, which are generally considered observable inputs and results in the derivative being classified as Level 2. We also have foreign currency forward contracts where the valuation is determined using an income approach. The primary inputs into the valuation represent the forward foreign currency exchange rates, which are generally considered observable inputs and results in the derivative being classified as Level 2.

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables set forth our assets by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

	June 30, 2019				
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**	**NAV(1)**
Assets					
Investments:					
Fixed maturity securities:					
U.S. government, agencies and government-sponsored enterprises	$ 4,987	$ —	$ 4,987	$ —	$ —
State and political subdivisions	2,636	—	2,575	61	—
Non-U.S. government	2,649	—	2,649	—	—
U.S. corporate:					
Utilities	4,879	—	4,090	789	—
Energy	2,713	—	2,591	122	—
Finance and insurance	7,597	—	6,990	607	—
Consumer—non-cyclical	5,552	—	5,463	89	—
Technology and communications	3,156	—	3,112	44	—
Industrial	1,336	—	1,296	40	—
Capital goods	2,620	—	2,522	98	—
Consumer—cyclical	1,741	—	1,556	185	—
Transportation	1,411	—	1,357	54	—
Other	396	—	197	199	—
Total U.S. corporate	31,401	—	29,174	2,227	—
Non-U.S. corporate:					
Utilities	1,165	—	748	417	—
Energy	1,516	—	1,275	241	—
Finance and insurance	2,628	—	2,449	179	—
Consumer—non-cyclical	710	—	642	68	—
Technology and communications	1,273	—	1,246	27	—
Industrial	1,017	—	953	64	—
Capital goods	695	—	514	181	—
Consumer—cyclical	557	—	431	126	—
Transportation	841	—	642	199	—
Other	2,245	—	2,116	129	—
Total non-U.S. corporate	12,647	—	11,016	1,631	—
Residential mortgage-backed	2,738	—	2,697	41	—
Commercial mortgage-backed	2,989	—	2,897	92	—
Other asset-backed	3,727	—	3,492	235	—
Total fixed maturity securities	63,774	—	59,487	4,287	—
Equity securities	644	519	69	56	—
Other invested assets:					
Derivative assets:					
Interest rate swaps	144	—	144	—	—
Interest rate swaps in a foreign currency	35	—	35	—	—
Interest rate caps and floors	16	—	16	—	—
Foreign currency swaps	6	—	6	—	—
Equity index options	65	—	—	65	—
Other foreign currency contracts	14	—	14	—	—
Total derivative assets	280	—	215	65	—
Securities lending collateral	113	—	113	—	—
Short-term investments	273	—	273	—	—
Limited partnerships	401	—	—	—	401
Total other invested assets	1,067	—	601	65	401
Reinsurance recoverable(2)	20	—	—	20	—
Separate account assets	6,187	6,187	—	—	—
Total assets	$71,692	$ 6,706	$60,157	$ 4,428	$ 401

(1) Limited partnerships that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.
(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	December 31, 2018 Total	Level 1	Level 2	Level 3	NAV(1)
Assets					
Investments:					
Fixed maturity securities:					
U.S. government, agencies and government-sponsored enterprises	$ 4,631	$ —	$ 4,631	$ —	$ —
State and political subdivisions	2,552	—	2,501	51	—
Non-U.S. government	2,393	—	2,393	—	—
U.S. corporate:					
Utilities	4,675	—	4,032	643	—
Energy	2,419	—	2,298	121	—
Finance and insurance	6,822	—	6,288	534	—
Consumer—non-cyclical	5,048	—	4,975	73	—
Technology and communications	2,855	—	2,805	50	—
Industrial	1,238	—	1,199	39	—
Capital goods	2,391	—	2,299	92	—
Consumer—cyclical	1,597	—	1,386	211	—
Transportation	1,320	—	1,263	57	—
Other	397	—	219	178	—
Total U.S. corporate	28,762	—	26,764	1,998	—
Non-U.S. corporate:					
Utilities	1,041	—	637	404	—
Energy	1,369	—	1,152	217	—
Finance and insurance	2,423	—	2,252	171	—
Consumer—non-cyclical	739	—	633	106	—
Technology and communications	1,165	—	1,139	26	—
Industrial	945	—	884	61	—
Capital goods	615	—	442	173	—
Consumer—cyclical	520	—	398	122	—
Transportation	720	—	549	171	—
Other	2,300	—	2,219	81	—
Total non-U.S. corporate	11,837	—	10,305	1,532	—
Residential mortgage-backed	3,044	—	3,009	35	—
Commercial mortgage-backed	3,016	—	2,921	95	—
Other asset-backed	3,426	—	3,261	165	—
Total fixed maturity securities	59,661	—	55,785	3,876	—
Equity securities	655	533	64	58	—
Other invested assets:					
Derivative assets:					
Interest rate swaps	42	—	42	—	—
Interest rate swaps in a foreign currency	74	—	74	—	—
Interest rate caps and floors	7	—	7	—	—
Foreign currency swaps	6	—	6	—	—
Equity index options	39	—	—	39	—
Other foreign currency contracts	10	—	10	—	—
Total derivative assets	178	—	139	39	—
Securities lending collateral	102	—	102	—	—
Short-term investments	230	—	230	—	—
Limited partnerships	318	—	—	—	318
Total other invested assets	828	—	471	39	318
Reinsurance recoverable(2)	20	—	—	20	—
Separate account assets	5,859	5,859	—	—	—
Total assets	$67,023	$ 6,392	$56,320	$ 3,993	$ 318

(1) Limited partnerships that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.
(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers between levels at the beginning fair value for the reporting period in which the changes occur. Given the types of assets classified as Level 1, which primarily represent mutual fund and equity investments, we typically do not have any transfers between Level 1 and Level 2 measurement categories and did not have any such transfers during any period presented.

Our assessment of whether or not there were significant unobservable inputs related to fixed maturity securities was based on our observations obtained through the course of managing our investment portfolio, including interaction with other market participants, observations related to the availability and consistency of pricing and/or rating, and understanding of general market activity such as new issuance and the level of secondary market trading for a class of securities. Additionally, we considered data obtained from third-party pricing sources to determine whether our estimated values incorporate significant unobservable inputs that would result in the valuation being classified as Level 3.

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of April 1, 2019	Total realized and unrealized gains (losses) Included in net income	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 (1)	Transfer out of Level 3 (1)	Ending balance as of June 30, 2019	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
State and political subdivisions	$ 52	$ 1	$ 8	$ —	$—	$ —	$ —	$ —	$ —	$ 61	$ —
U.S. corporate:											
Utilities	748	—	20	82	(13)	—	(38)	—	(10)	789	—
Energy	115	—	3	5	—	—	(1)	—	—	122	—
Finance and insurance	590	—	15	10	—	—	(8)	—	—	607	—
Consumer—non-cyclical	74	—	1	14	—	—	—	—	—	89	—
Technology and communications	52	—	3	—	—	—	—	—	(11)	44	—
Industrial	40	—	—	—	—	—	—	—	—	40	—
Capital goods	95	—	3	—	—	—	—	—	—	98	—
Consumer—cyclical	195	—	3	—	—	—	(13)	—	—	185	—
Transportation	54	—	—	—	—	—	—	—	—	54	—
Other	199	—	3	—	—	—	(3)	—	—	199	—
Total U.S. corporate	2,162	—	51	111	(13)	—	(63)	—	(21)	2,227	—
Non-U.S. corporate:											
Utilities	435	—	7	—	(7)	—	(17)	—	(1)	417	—
Energy	221	—	5	15	—	—	—	—	—	241	—
Finance and insurance	182	1	7	2	—	—	(13)	—	—	179	1
Consumer—non-cyclical	67	—	1	—	—	—	—	—	—	68	—
Technology and communications	27	—	—	—	—	—	—	—	—	27	—
Industrial	63	—	1	—	—	—	—	—	—	64	—
Capital goods	173	—	3	5	—	—	—	—	—	181	—
Consumer—cyclical	125	—	2	—	—	—	(1)	—	—	126	—
Transportation	192	—	3	4	—	—	—	—	—	199	—
Other	90	—	4	35	—	—	—	—	—	129	—
Total non-U.S. corporate	1,575	1	33	61	(7)	—	(31)	—	(1)	1,631	1
Residential mortgage-backed	35	—	2	5	—	—	(1)	—	—	41	—
Commercial mortgage-backed	98	—	7	1	—	—	—	—	(14)	92	—
Other asset-backed	202	—	1	41	—	—	(28)	27	(8)	235	—
Total fixed maturity securities	4,124	2	102	219	(20)	—	(123)	27	(44)	4,287	1
Equity securities	55	—	—	2	(1)	—	—	—	—	56	—
Other invested assets:											
Derivative assets:											
Equity index options	60	10	—	9	—	—	(14)	—	—	65	7
Total derivative assets	60	10	—	9	—	—	(14)	—	—	65	7
Total other invested assets	60	10	—	9	—	—	(14)	—	—	65	7
Reinsurance recoverable (2)	18	2	—	—	—	—	—	—	—	20	2
Total Level 3 assets	$ 4,257	$ 14	$ 102	$ 230	$ (21)	$ —	$ (137)	$ 27	$ (44)	$ 4,428	$ 10

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Amounts in millions)	Beginning balance as of April 1, 2018	Total realized and unrealized gains (losses) Included in net income	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 (1)	Transfer out of Level 3 (1)	Ending balance as of June 30, 2018	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
State and political subdivisions	$ 53	$ —	$ (1)	$ —	$—	$ —	$ —	$ —	$ —	$ 52	$ —
U.S. corporate:											
Utilities	553	(1)	(7)	66	(12)	—	(2)	25	—	622	—
Energy	146	—	—	—	—	—	(1)	—	(7)	138	—

Finance and insurance	580	—	(41)	—	—	—	(74)	—	(7)	458	—
Consumer—non-cyclical	79	—	—	—	—	—	—	—	—	79	—
Technology and communications	25	—	1	4	—	—	(18)	—	—	12	—
Industrial	39	—	1	—	—	—	—	—	—	40	—
Capital goods	103	—	(1)	24	—	—	—	—	(7)	119	—
Consumer—cyclical	252	—	(1)	7	(3)	—	(1)	—	—	254	—
Transportation	57	—	—	—	—	—	(1)	—	—	56	—
Other	166	—	—	—	(10)	—	(3)	—	—	153	—
Total U.S. corporate	2,000	(1)	(48)	101	(25)	—	(100)	25	(21)	1,931	—
Non-U.S. corporate:											
Utilities	336	—	(4)	—	—	—	—	15	(14)	333	—
Energy	195	—	(2)	—	—	—	(18)	—	—	175	—
Finance and insurance	153	1	(3)	1	—	—	(1)	—	(1)	150	1
Consumer—non-cyclical	120	—	(1)	—	—	—	(11)	—	—	108	—
Technology and communications	28	—	1	—	—	—	(13)	—	—	16	—
Industrial	108	—	(1)	3	—	—	(5)	—	—	105	—
Capital goods	186	1	—	—	—	—	(21)	—	—	166	1
Consumer—cyclical	52	—	—	—	(1)	—	(3)	—	—	48	—
Transportation	166	—	(2)	22	—	—	—	17	—	203	—
Other	83	—	(1)	—	—	—	—	—	—	82	—
Total non-U.S. corporate	1,427	2	(13)	26	(1)	—	(72)	32	(15)	1,386	2
Residential mortgage-backed	34	—	1	17	—	—	(1)	—	(17)	34	—
Commercial mortgage-backed	6	—	—	28	—	—	—	13	(3)	44	—
Other asset-backed	172	—	(1)	6	—	—	(24)	45	(32)	166	—
Total fixed maturity securities	3,692	1	(62)	178	(26)	—	(197)	115	(88)	3,613	2
Equity securities	45	—	—	1	—	—	—	—	—	46	—
Other invested assets:											
Derivative assets:											
Equity index options	60	8	—	15	—	—	(13)	—	—	70	8
Total derivative assets	60	8	—	15	—	—	(13)	—	—	70	8
Total other invested assets	60	8	—	15	—	—	(13)	—	—	70	8
Reinsurance recoverable(2)	13	(1)	—	—	—	—	—	—	—	12	(1)
Total Level 3 assets	$ 3,810	$ 8	$ (62)	$ 194	$ (26)	$ —	$ (210)	$ 115	$ (88)	$ 3,741	$ 9

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2019	Total realized and unrealized gains (losses): Included in net income	Total realized and unrealized gains (losses): Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 (1)	Transfer out of Level 3 (1)	Ending balance as of June 30, 2019	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
State and political subdivisions	$ 51	$ 2	$ 8	$ —	$—	$ —	$ —	$ —	$ —	$ 61	$ 1
U.S. corporate:											
Utilities	643	—	42	96	(14)	—	(40)	72	(10)	789	—
Energy	121	—	7	5	—	—	(11)	—	—	122	—
Finance and insurance	534	—	38	40	—	—	(12)	7	—	607	—
Consumer—non-cyclical	73	—	3	14	—	—	(10)	9	—	89	—
Technology and communications	50	—	5	—	—	—	—	—	(11)	44	—
Industrial	39	—	1	—	—	—	—	—	—	40	—
Capital goods	92	—	6	—	—	—	—	—	—	98	—
Consumer—cyclical	211	—	10	—	(13)	—	(14)	—	(9)	185	—
Transportation	57	—	1	4	—	—	(8)	—	—	54	—
Other	178	—	6	22	—	—	(15)	8	—	199	—
Total U.S. corporate	1,998	—	119	181	(27)	—	(110)	96	(30)	2,227	—
Non-U.S. corporate:											
Utilities	404	—	23	30	(7)	—	(17)	—	(16)	417	—
Energy	217	—	12	16	—	—	(4)	—	—	241	—
Finance and insurance	171	2	18	7	—	—	(13)	—	(6)	179	2
Consumer—non-cyclical	106	2	4	—	—	—	(44)	—	—	68	—
Technology and communications	26	—	1	—	—	—	—	—	—	27	—
Industrial	61	—	3	—	—	—	—	—	—	64	—
Capital goods	173	—	9	10	—	—	(11)	—	—	181	—
Consumer—cyclical	122	—	8	—	—	—	(4)	—	—	126	—
Transportation	171	—	9	19	—	—	—	—	—	199	—
Other	81	—	8	35	—	—	(1)	6	—	129	—
Total non-U.S. corporate	1,532	4	95	117	(7)	—	(94)	6	(22)	1,631	2
Residential mortgage-backed	35	—	2	5	—	—	(1)	—	—	41	—

Commercial mortgage-backed	95	—	9	2	—	—	—	—	(14)	92	—
Other asset-backed	165	—	2	95	—	—	(41)	28	(14)	235	—
Total fixed maturity securities	3,876	6	235	400	(34)	—	(246)	130	(80)	4,287	3
Equity securities	58	—	—	2	(4)	—	—	—	—	56	—
Other invested assets:											
Derivative assets:											
Equity index options	39	27	—	21	—	—	(22)	—	—	65	11
Total derivative assets	39	27	—	21	—	—	(22)	—	—	65	11
Total other invested assets	39	27	—	21	—	—	(22)	—	—	65	11
Reinsurance recoverable (2)	20	(1)	—	—	—	1	—	—	—	20	(1)
Total Level 3 assets	$ 3,993	$ 32	$ 235	$ 423	$ (38)	$ 1	$ (268)	$ 130	$ (80)	$ 4,428	$ 13

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

(Amounts in millions)	Beginning balance as of January 1, 2018	Total realized and unrealized gains (losses) Included in net income	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 (1)	Transfer out of Level 3 (1)	Ending balance as of June 30, 2018	Total gains (losses) included in net income attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 1	$ —	$ —	$ —	$—	$ —	$ (1)	$ —	$ —	$ —	$ —
State and political subdivisions	37	1	(4)	—	—	—	—	18	—	52	1
U.S. corporate:											
Utilities	574	(1)	(25)	69	(12)	—	(4)	25	(4)	622	—
Energy	147	—	(5)	22	—	—	(19)	—	(7)	138	—
Finance and insurance	626	1	(67)	26	—	—	(110)	—	(18)	458	1
Consumer—non-cyclical	81	—	(2)	—	—	—	—	—	—	79	—
Technology and communications	73	—	(5)	4	—	—	(60)	—	—	12	—
Industrial	39	—	1	—	—	—	—	—	—	40	—
Capital goods	121	—	(9)	24	—	—	(10)	—	(7)	119	—
Consumer—cyclical	262	—	(10)	17	(3)	—	(12)	—	—	254	—
Transportation	60	—	(1)	—	—	—	(3)	—	—	56	—
Other	169	—	(1)	—	(10)	—	(5)	—	—	153	—
Total U.S. corporate	2,152	—	(124)	162	(25)	—	(223)	25	(36)	1,931	1
Non-U.S. corporate:											
Utilities	343	—	(13)	22	—	—	(20)	15	(14)	333	—
Energy	176	—	(6)	23	—	—	(18)	—	—	175	—
Finance and insurance	161	2	(11)	1	—	—	(2)	—	(1)	150	2
Consumer—non-cyclical	124	—	(4)	—	—	—	(12)	—	—	108	—
Technology and communications	29	—	—	—	—	—	(13)	—	—	16	—
Industrial	116	—	(4)	3	—	—	(10)	—	—	105	—
Capital goods	191	1	(5)	—	—	—	(21)	—	—	166	1
Consumer—cyclical	54	—	(2)	—	(1)	—	(3)	—	—	48	—
Transportation	170	—	(6)	22	—	—	—	17	—	203	—
Other	52	—	(3)	33	—	—	—	—	—	82	—
Total non-U.S. corporate	1,416	3	(54)	104	(1)	—	(99)	32	(15)	1,386	3
Residential mortgage-backed	77	—	—	29	—	—	(1)	—	(71)	34	—
Commercial mortgage-backed	30	—	(2)	35	—	—	—	13	(32)	44	—
Other asset-backed	237	—	(3)	61	—	—	(56)	48	(121)	166	—
Total fixed maturity securities	3,950	4	(187)	391	(26)	—	(380)	136	(275)	3,613	5
Equity securities	44	—	—	5	(3)	—	—	—	—	46	—
Other invested assets:											
Derivative assets:											
Equity index options	80	(7)	—	29	—	—	(32)	—	—	70	(4)
Total derivative assets	80	(7)	—	29	—	—	(32)	—	—	70	(4)
Total other invested assets	80	(7)	—	29	—	—	(32)	—	—	70	(4)
Reinsurance recoverable (2)	14	(3)	—	—	—	1	—	—	—	12	(3)
Total Level 3 assets	$ 4,088	$ (6)	$ (187)	$ 425	$ (29)	$ 1	$ (412)	$ 136	$ (275)	$ 3,741	$ (2)

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

The following table presents the gains and losses included in net income from assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	2019	2018	2019	2018
Total realized and unrealized gains (losses) included in net income:				
Net investment income	$ 2	$ 2	$ 6	$ 5
Net investment gains (losses)	12	6	26	(11)
Total	$ 14	$ 8	$ 32	$ (6)
Total gains (losses) included in net income attributable to assets still held:				
Net investment income	$ 1	$ 2	$ 3	$ 5
Net investment gains (losses)	9	7	10	(7)
Total	$ 10	$ 9	$ 13	$ (2)

The amount presented for realized and unrealized gains (losses) included in net income foravailable-for-sale securities primarily represents amortization and accretion of premiums and discounts on certain fixed maturity securities.

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The following table presents a summary of the significant unobservable inputs used for certain asset fair value measurements that are based on internal models and classified as Level 3 as of June 30, 2019:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range	Weighted-average
Fixed maturity securities:					
U.S. corporate:					
Utilities	Internal models	$ 719	Credit spreads	66bps - 326bps	146bps
Energy	Internal models	99	Credit spreads	82bps - 311bps	167bps
Finance and insurance	Internal models	595	Credit spreads	68bps - 246bps	158bps
Consumer—non-cyclical	Internal models	89	Credit spreads	93bps - 311bps	159bps
Technology and communications	Internal models	44	Credit spreads	137bps - 311bps	217bps
Industrial	Internal models	40	Credit spreads	118bps - 212bps	155bps
Capital goods	Internal models	98	Credit spreads	103bps - 277bps	157bps
Consumer—cyclical	Internal models	170	Credit spreads	70bps - 218bps	144bps
Transportation	Internal models	54	Credit spreads	63bps - 215bps	109bps
Other	Internal models	168	Credit spreads	68bps - 131bps	85bps
Total U.S. corporate	Internal models	$ 2,076	Credit spreads	63bps - 326bps	147bps
Non-U.S. corporate:					
Utilities	Internal models	$ 417	Credit spreads	84bps - 215bps	140bps
Energy	Internal models	221	Credit spreads	103bps - 277bps	162bps
Finance and insurance	Internal models	179	Credit spreads	70bps - 189bps	128bps
Consumer—non-cyclical	Internal models	68	Credit spreads	70bps - 170bps	135bps
Technology and communications	Internal models	27	Credit spreads	124bps - 150bps	141bps
Industrial	Internal models	64	Credit spreads	99bps - 157bps	113bps
Capital goods	Internal models	181	Credit spreads	93bps - 277bps	169bps
Consumer—cyclical	Internal models	123	Credit spreads	81bps - 277bps	193bps
Transportation	Internal models	198	Credit spreads	70bps - 218bps	134bps
Other	Internal models	125	Credit spreads	109bps - 218bps	162bps
Total non-U.S. corporate	Internal models	$ 1,603	Credit spreads	70bps - 277bps	149bps
Derivative assets:					
Equity index options	Discounted cash flows	$ 65	Equity index volatility	6% - 29%	17%

Certain classes of instruments classified as Level 3 are excluded above as a result of not being material or due to limitations in being able to obtain the underlying inputs used by certain third-party sources, such as broker quotes, used as an input in determining fair value.

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The following tables set forth our liabilities by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

	June 30, 2019			
(Amounts in millions)	Total	Level 1	Level 2	Level 3
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives (1)	$325	$ —	$ —	$ 325

Fixed index annuity embedded derivatives	438	—	—	438
Indexed universal life embedded derivatives	15	—	—	15
Total policyholder account balances	778	—	—	778
Derivative liabilities:				
Interest rate swaps	10	—	10	—
Foreign currency swaps	8	—	8	—
Other foreign currency contracts	25	—	25	—
Total derivative liabilities	43	—	43	—
Total liabilities	$821	$ —	$ 43	$778

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

	December 31, 2018			
(Amounts in millions)	Total	Level 1	Level 2	Level 3
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives (1)	$337	$ —	$ —	$ 337
Fixed index annuity embedded derivatives	389	—	—	389
Indexed universal life embedded derivatives	12	—	—	12
Total policyholder account balances	738	—	—	738
Derivative liabilities:				
Interest rate swaps	102	—	102	—
Foreign currency swaps	23	—	23	—
Equity return swaps	1	—	1	—
Other foreign currency contracts	42	—	42	—
Total derivative liabilities	168	—	168	—
Total liabilities	$906	$ —	$ 168	$ 738

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of April 1, 2019	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2019	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives (1)	$ 295	$ 24	$ —	$ —	$—	$ 6	$ —	$ —	$ —	$ 325	$ 24
Fixed index annuity embedded derivatives	423	20	—	—	—	—	(5)	—	—	438	20
Indexed universal life embedded derivatives	13	1	—	—	—	1	—	—	—	15	1
Total policyholder account balances	731	45	—	—	—	7	(5)	—	—	778	45
Total Level 3 liabilities	$ 731	$ 45	$ —	$ —	$—	$ 7	$ (5)	$ —	$ —	$ 778	$ 45

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(Amounts in millions)	Beginning balance as of April 1, 2018	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2018	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives (1)	$ 242	$ (14)	$ —	$ —	$—	$ 7	$ —	$ —	$ —	$ 235	$ (14)
Fixed index annuity embedded derivatives	408	15	—	—	—	—	(3)	—	—	420	15
Indexed universal life embedded derivatives	13	(2)	—	—	—	2	—	—	—	13	(2)
Total policyholder account balances	663	(1)	—	—	—	9	(3)	—	—	668	(1)
Total Level 3 liabilities	$ 663	$ (1)	$ —	$ —	$—	$ 9	$ (3)	$ —	$ —	$ 668	$ (1)

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2019	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2019	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives [(1)]	$ 337	$ (24)	$ —	$ —	$ —	$ 12	$ —	$ —	$ —	$ 325	$ (20)
Fixed index annuity embedded derivatives	389	58	—	—	—	—	(9)	—	—	438	58
Indexed universal life embedded derivatives	12	—	—	—	—	3	—	—	—	15	—
Total policyholder account balances	738	34	—	—	—	15	(9)	—	—	778	38
Total Level 3 liabilities	$ 738	$ 34	$ —	$ —	$ —	$ 15	$ (9)	$ —	$ —	$ 778	$ 38

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(Amounts in millions)	Beginning balance as of January 1, 2018	Total realized and unrealized (gains) losses: Included in net (income)	Total realized and unrealized (gains) losses: Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of June 30, 2018	Total (gains) losses included in net (income) attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives (1)	$ 250	$ (30)	$ —	$ —	$—	$ 15	$ —	$ —	$ —	$ 235	$ (26)
Fixed index annuity embedded derivatives	419	7	—	—	—	—	(6)	—	—	420	7
Indexed universal life embedded derivatives	14	(7)	—	—	—	6	—	—	—	13	(7)
Total policyholder account balances	683	(30)	—	—	—	21	(6)	—	—	668	(26)
Total Level 3 liabilities	$ 683	$ (30)	$ —	$ —	$—	$ 21	$ (6)	$ —	$ —	$ 668	$ (26)

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

The following table presents the gains and losses included in net (income) from liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Total realized and unrealized (gains) losses included in net (income):				
Net investment income	$ —	$ —	$ —	$ —
Net investment (gains) losses	45	(1)	34	(30)
Total	$ 45	$ (1)	$ 34	$ (30)
Total (gains) losses included in net (income) attributable to liabilities still held:				
Net investment income	$ —	$ —	$ —	$ —
Net investment (gains) losses	45	(1)	38	(26)
Total	$ 45	$ (1)	$ 38	$ (26)

Purchases, sales, issuances and settlements represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases, sales and settlements of fixed maturity and equity securities and purchases, issuances and settlements of derivative instruments.

Issuances presented for GMWB embedded derivative liabilities are characterized as the change in fair value associated with the product fees recognized that are attributed to the embedded derivative to equal the expected future benefit costs upon issuance. Issuances for fixed index annuity and indexed universal life embedded derivative liabilities represent the amount of the premium received that is attributed to the value of the embedded derivative. Settlements of embedded derivatives are characterized as the change in fair value upon exercising the embedded derivative instrument, effectively representing a settlement of the embedded derivative instrument. We have shown these changes in fair value separately based on the classification of this activity as effectively issuing and settling the embedded derivative instrument with all remaining changes in the fair value of these embedded derivative instruments being shown separately in the category labeled “included in net (income)” in the tables presented above.

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents a summary of the significant unobservable inputs used for certain liability fair value measurements that are based on internal models and classified as Level 3 as of June 30, 2019:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range	Weighted-average
Policyholder account balances:					
			Withdrawal utilization rate	45% - 88%	70%
			Lapse rate	2% - 9%	3%
			Non-performance risk (credit spreads)	18bps - 83bps	66bps
GMWB embedded derivatives [1]	Stochastic cash flow model	$ 325	Equity index volatility	13% - 23%	20%
Fixed index annuity embedded derivatives	Option budget method	$ 438	Expected future interest credited	–% - 3%	1%
Indexed universal life embedded derivatives	Option budget method	$ 15	Expected future interest credited	3% - 8%	5%

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(7) Liability for Policy and Contract Claims

The following table sets forth changes in our liability for policy and contract claims as of the dates indicated:

(Amounts in millions)	As of or for the six months ended June 30, 2019	2018
Beginning balance	$10,379	$ 9,594
Less reinsurance recoverables	(2,379)	(2,419)
Net beginning balance	8,000	7,175
Incurred related to insured events of:		
Current year	2,009	1,946
Prior years	(214)	(244)
Total incurred	1,795	1,702
Paid related to insured events of:		
Current year	(410)	(434)
Prior years	(1,287)	(1,266)
Total paid	(1,697)	(1,700)
Interest on liability for policy and contract claims	188	163
Foreign currency translation	3	(16)
Net ending balance	8,289	7,324
Add reinsurance recoverables	2,388	2,341
Ending balance	$10,677	$ 9,665

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The liability for policy and contract claims represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant, and result in increases in reserves by an amount that could be material to our results of operations and financial condition and liquidity.

For the six months ended June 30, 2019, the favorable development of $214 million related to insured events of prior years was primarily attributable to our long-term care insurance business from favorable development on prior year incurred but not reported claims and favorable claim terminations, including pending claims that terminate before becoming an active claim. The favorable development for the six months ended June 30, 2019 was also related to our U.S. mortgage insurance business predominantly from an improvement in net cures and aging of existing delinquencies, including a favorable reserve adjustment of $9 million during the second quarter of 2019.

For the six months ended June 30, 2018, the favorable development of $244 million related to insured events of prior years was primarily attributable to our long-term care insurance business from favorable claim terminations, including pending claims that terminate before becoming an active claim. The favorable development for the six months ended June 30, 2018 was also impacted by our mortgage insurance businesses, primarily from an improvement in net cures and aging of existing claims, including a favorable reserve adjustment of $26 million in our U.S. mortgage insurance business during the second quarter of 2018.

(8) Borrowings

(a) Long-Term Borrowings

The following table sets forth total long-term borrowings as of the dates indicated:

(Amounts in millions)	June 30, 2019	December 31, 2018
Genworth Holdings (1)		
Floating Rate Senior Secured Term Loan Facility, due 2023	$ 444	$ 445
7.70% Senior Notes, due 2020	397	397
7.20% Senior Notes, due 2021	381	381
7.625% Senior Notes, due 2021	703	703
4.90% Senior Notes, due 2023	399	399
4.80% Senior Notes, due 2024	400	400
6.50% Senior Notes, due 2034	297	297
Floating Rate Junior Subordinated Notes, due 2066	598	598
Subtotal	3,619	3,620
Bond consent fees	(29)	(32)
Deferred borrowing charges	(19)	(21)
Total Genworth Holdings	3,571	3,567
Canada (2)		
5.68% Senior Notes, due 2020	134	202
4.24% Senior Notes, due 2024	201	117
Subtotal	335	319
Deferred borrowing charges	(2)	(1)
Total Canada	333	318
Australia (3)		
Floating Rate Junior Subordinated Notes, due 2025	141	141
Deferred borrowing charges	(1)	(1)
Total Australia	140	140
Total	$ 4,044	$ 4,025

(1) We have the option to redeem all or a portion of the senior notes at any time with notice to the noteholders at a price equal to the greater of 100% of principal or the sum of the present value of the remaining scheduled payments of principal and interest discounted at the then-current treasury rate plus an applicable spread.

(2) Senior notes issued by Genworth MI Canada Inc. ("Genworth Canada"), our majority-owned subsidiary.

(3) Subordinated floating rate notes issued by Genworth Financial Mortgage Insurance Pty Limited, our indirect wholly-owned subsidiary.

Genworth Canada

On May 22, 2019, Genworth Canada issued at a premium, CAD$100 million fixed rate senior notes with an interest rate of 4.24% that matures in 2024. The offering represents a re-opening of the 4.24% senior notes originally issued in April 2014. The total amount issued and outstanding associated with these senior notes after

this most recent offering is CAD$263 million. The senior notes are redeemable at the option of Genworth Canada, in whole or in part, at any time. In June 2019, Genworth Canada used the proceeds of the offering to early redeem approximately CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020 and incurred an early redemption fee of CAD$3 million. As a result of the early redemption of Genworth Canada's notes, we incurred a pre-tax loss of approximately $1 million, net of the portion attributable to noncontrolling interests.

(9) Income Taxes

The reconciliation of the federal statutory tax rate to the effective income tax rate was as follows for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Statutory U.S. federal income tax rate	21.0%	21.0%	21.0%	21.0%
Increase (reduction) in rate resulting from:				
Effect of foreign operations	5.0	3.4	5.2	3.2
U.S. shareholder tax on foreign operations	4.4	—	4.6	—
Swaps terminated prior to the TCJA	2.1	3.9	2.4	3.2
TCJA, impact from change in tax rate	—	5.4	—	3.3
Valuation allowance	—	(2.0)	—	(1.3)
Provision to return adjustments	—	(1.6)	—	(0.7)
Other, net	0.4	0.7	(0.4)	0.9

Effective rate	32.9%	30.8%	32.8%	29.6%

The increase in the effective tax rate for the three and six months ended June 30, 2019 was primarily attributable to a tax expense in the current year related to the Global Intangible Low Taxed Income ("GILTI") provision of the Tax Cuts and Jobs Act ("TCJA"), which is reported within the line "U.S. shareholder tax on foreign operations" in the table above. GILTI has an unfavorable impact on our current year effective tax rate due to the utilization of net operating loss carryforwards and projected taxable losses in the U.S. life insurance businesses without any offsetting foreign tax credit carryforwards.

(10) Segment Information

We have the following five operating business segments: U.S. Mortgage Insurance; Canada Mortgage Insurance; Australia Mortgage Insurance; U.S. Life Insurance (which includes our long-term care insurance, life insurance and fixed annuities businesses); and Runoff (which includes the results of non-strategic products which have not been actively sold). In addition to our five operating business segments, 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 certain smaller international mortgage insurance businesses.

We tax our international businesses at their local jurisdictional tax rates and our domestic businesses at the U.S. corporate federal income tax rate of 21%. Our segment tax methodology applies the respective jurisdictional or domestic tax rate to the pre-tax income (loss) of each segment, which is then adjusted in each segment to

reflect the tax attributes of items unique to that segment such as foreign withholding taxes and permanent differences between U.S. GAAP and local tax law. The difference between the consolidated provision for income taxes and the sum of the provision for income taxes in each segment is reflected in Corporate and Other activities.

We use the same accounting policies and procedures to measure segment income (loss) and assets as our consolidated net income and assets. Our chief operating decision maker evaluates segment performance and allocates resources on the basis of "adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders." We define adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders as income (loss) from continuing operations excluding the after-tax effects of income (loss) attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions, restructuring costs and infrequent or unusual non-operating items. Gains (losses) on insurance block transactions are defined as gains (losses) on the early extinguishment of non-recourse funding obligations, early termination fees for other financing restructuring and/or resulting gains (losses) on reinsurance restructuring for certain blocks of business. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and restructuring costs are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders if, in our opinion, they are not indicative of overall operating trends.

While some of these items may be significant components of net income (loss) available to Genworth Financial, Inc.'s common stockholders in accordance with U.S. GAAP, we believe that adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, and measures that are derived from or incorporate adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders have occurred in the past and could, and in some cases will, recur in the future. Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders is not a substitute for net income (loss) available to Genworth Financial, Inc.'s common stockholders determined in accordance with U.S. GAAP. In addition, our definition of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders may differ from the definitions used by other companies.

In the first quarter of 2019, we revised how we tax the adjustments to reconcile net income (loss) available to Genworth Financial, Inc.'s common stockholders to adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders to align the tax rate used in the reconciliation to each segment's local jurisdictional tax rate. Beginning in the first quarter of 2019, we used a tax rate of 27% and 30% for our Canada

and Australia Mortgage Insurance segments, respectively, to tax effect their adjustments. Our domestic segments remain at a21% tax rate. In 2018, we assumed a flat 21% tax rate on adjustments for all of our segments to reconcile net income (loss) available to Genworth Financial, Inc.'s common stockholders and adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. These adjustments are also net of the portion attributable to noncontrolling interests and net investment gains (losses) are adjusted for DAC and other intangible amortization and certain benefit reserves.

Prior year amounts have not been re-presented to reflect this revised presentation; however, the previous methodology would not have resulted in a materially different segment-level adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders.

In the second quarter of 2019, we recorded a pre-tax lossof $1 million, net of the portion attributable to noncontrolling interests, related to the early redemption of CAD$100 million of Genworth Canada's senior notes originally scheduled to mature in June 2020. In the first quarter of 2019, we recorded a pre-tax expense of $4 million related to restructuring costs as we continue to evaluate and appropriately size our organizational needs and expenses. There were no infrequent or unusual items excluded from adjusted operating income during the periods presented.

The following is a summary of revenues for our segments and Corporate and Other activities for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	2019	2018	2019	2018
Revenues:				
U.S. Mortgage Insurance segment	$ 235	$ 208	$ 458	$ 408
Canada Mortgage Insurance segment	161	150	320	308
Australia Mortgage Insurance segment	96	136	206	243
U.S. Life Insurance segment:				
Long-term care insurance	1,055	1,035	2,169	2,055
Life insurance	382	367	754	746
Fixed annuities	151	176	310	358
U.S. Life Insurance segment	1,588	1,578	3,233	3,159
Runoff segment	78	80	160	148
Corporate and Other activities	(2)	7	(17)	8
Total revenues	$ 2,156	$ 2,159	$4,360	$4,274

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The following tables present the reconciliation of net income available to Genworth Financial, Inc.'s common stockholders to adjusted operating income available to Genworth Financial, Inc.'s common stockholders and a summary of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders for our segments and Corporate and Other activities for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	2019	2018	2019	2018
Net income	$ 218	$ 249	$ 448	$ 414
Less: net income attributable to noncontrolling interests	50	59	106	112
Net income available to Genworth Financial, Inc.'s common stockholders	168	190	342	302
Adjustments to net income available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net(1)	43	12	(28)	29
(Gains) losses on early extinguishment of debt, net(2)	1	—	1	—
Expenses related to restructuring	—	—	4	—
Taxes on adjustments	(8)	(2)	6	(6)
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 204	$ 200	$ 325	$ 325

(1) For the three months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(3) million and $(1) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $1 million and $(1) million, respectively. For the six months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(5) million and $(4) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $6 million and $(12) million, respectively.

(2) For the three and six months ended June 30, 2019, (gains) losses on the early extinguishment of debt were adjusted for the portion attributable to noncontrolling interests of $1 million.

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	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	2019	2018	2019	2018
Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders:				
U.S. Mortgage Insurance segment	$ 147	$ 137	$ 271	$ 248
Canada Mortgage Insurance segment	41	46	82	95
Australia Mortgage Insurance segment	13	22	27	41
U.S. Life Insurance segment:				
Long-term care insurance	37	22	17	(10)
Life insurance	10	4	8	3
Fixed annuities	19	31	36	59

U.S. Life Insurance segment	66	57	61	52
Runoff segment	9	13	29	23
Corporate and Other activities	(72)	(75)	(145)	(134)
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 204	$ 200	$ 325	$ 325

The following is a summary of total assets for our segments and Corporate and Other activities as of the dates indicated:

(Amounts in millions)	June 30, 2019	December 31, 2018
Assets:		
U.S. Mortgage Insurance segment	$ 3,977	$ 3,583
Canada Mortgage Insurance segment	5,272	5,038
Australia Mortgage Insurance segment	2,524	2,534
U.S. Life Insurance segment	81,002	79,799
Runoff segment	10,018	9,963
Corporate and Other activities	1,513	6
Total assets	$104,306	$ 100,923

(11) Commitments and Contingencies

(a) Litigation and Regulatory Matters

We face the risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In our insurance operations, we are, have been, or may become subject to class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, increases to in-force long-term care insurance premiums, payment of contingent or other sales commissions, claims payments and procedures, product design, product disclosure, product administration, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits, charging excessive or impermissible fees on products, recommending unsuitable products to customers, our pricing structures and business practices in our

mortgage insurance businesses, such as captive reinsurance arrangements with lenders and contract underwriting services, violations of the Real Estate Settlement and Procedures Act of 1974 or related state anti-inducement laws, and mortgage insurance policy rescissions and curtailments, and breaching fiduciary or other duties to customers, including but not limited to breach of customer information. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts which may remain unknown for substantial periods of time. In our investment-related operations, we are subject to litigation involving commercial disputes with counterparties. We are also subject to litigation arising out of our general business activities such as our contractual and employment relationships, post-closing obligations associated with previous dispositions and securities lawsuits. In addition, we are also subject to various regulatory inquiries, such as information requests, subpoenas, books and record examinations and market conduct and financial examinations from state, federal and international regulators and other authorities. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have an adverse effect on our business, financial condition or results of operations.

In January 2016, Genworth Financial, its current chief executive officer, its former chief executive officer, its former chief financial officer and current and former members of its board of directors were named in a shareholder derivative suit filed by International Union of Operating Engineers Local No. 478 Pension Fund, Richard L. Salberg and David Pinkoski in the Court of Chancery of the State of Delaware. The case was captioned *Int'l Union of Operating Engineers Local No. 478 Pension Fund, et al v. McInerney, et al.* In February 2016, Genworth Financial, its current chief executive officer, its former chief executive officer, its former chief financial officer and current and former members of its board of directors were named in a second shareholder derivative suit filed by Martin Cohen in the Court of Chancery of the State of Delaware. The case was captioned *Cohen v. McInerney, et al*. On February 23, 2016, the Court of Chancery of the State of Delaware consolidated these derivative suits under the caption *Genworth Financial, Inc. Consolidated Derivative Litigation*. On March 28, 2016, plaintiffs in the consolidated action filed an amended complaint. The amended complaint alleges breaches of fiduciary duties concerning Genworth's long-term care insurance reserves and concerning Genworth's Australian mortgage insurance business, including our plans for an IPO of the business and seeks unspecified damages, costs, attorneys' fees and such equitable relief as the court may deem proper. The amended consolidated complaint also adds Genworth's current chief financial officer as a defendant, based on the current chief financial officer's alleged conduct in her former capacity as Genworth's controller and principal accounting officer. We moved to dismiss the consolidated action on May 27, 2016. Thereafter, plaintiffs filed a substantially similar second amended complaint which we moved to dismiss on September 16, 2016. The motion is fully briefed and awaiting disposition by the court. The action is stayed pending the completion of the proposed China Oceanwide transaction.

In October 2016, Genworth Financial, its current chief executive officer, its former chief executive officer, its current chief financial officer, its former chief financial officer and current and former members of its board of directors were named in a shareholder derivative suit filed by Esther Chopp in the Court of Chancery of the State of Delaware. The case is captioned *Chopp v. McInerney, et al.* The complaint alleges that Genworth's board of directors wrongfully refused plaintiff's demand to commence litigation on behalf of Genworth and asserts claims for breaches of fiduciary duties, waste, contribution and indemnification, and unjust enrichment concerning Genworth's long-term care insurance reserves and concerning Genworth's Australian mortgage insurance business, including our plans for an IPO of the business, and seeks unspecified damages, costs, attorneys' fees and such equitable relief as the court may deem proper. We filed a motion to dismiss on November 14, 2016. The action is stayed pending the completion of the proposed China Oceanwide transaction.

In December 2017, Genworth Financial International Holdings, LLC and Genworth Financial were named as defendants in an action captioned*AXA S.A. v. Genworth Financial International Holdings, LLC et al.,* in the High Court of Justice, Business and Property Courts of England and Wales. In the action, AXA initially sought in excess of £28 million on an indemnity provided for in the 2015 agreement pursuant to which Genworth sold to AXAtwo insurance companies, Financial Insurance Company Limited ("FICL") and Financial Assurance Company Limited ("FACL"), relating to alleged remediation it has paid to customers who purchased payment protection insurance. In February 2018, we served a Particulars of Defence and counterclaim against AXA, and also served other counterclaims against various parties, including Santander Cards UK Limited ("Santander"), alleging that Santander is responsible for any remediation paid to payment protection insurance customers. AXA and Santander applied to the court for orders dismissing or staying the counterclaims. A hearing on those applications was held in October 2018, and the court dismissed our counterclaims. On November 15, 2018, AXA amended its claim and updated its demand to £237 million. We filed our amended Particulars of Defence and amended counterclaim on December 13, 2018, seeking, among other forms of relief, a declaration that in the event we make any payment to AXA pursuant to the indemnity, we are subrogated to FICL's and FACL's rights against Santander with respect to those amounts. On February 25, 2019, AXA amended its claim and updated its demand to £265 million. AXA also alleges that it is incurring losses on an ongoing basis and therefore that further significantly larger sums will be demanded. The court held a case management conference and hearing on February 26, 2019. Santander, FICL and FACL consented to be joined as parties to the proceedings and consented to allow Genworth to amend its pleadings to include the subrogation declarations to reflect the additional parties. The court scheduled the points of principle hearing on liability and subrogation matters to commence on November 4, 2019 and conclude on November 12, 2019, and scheduled the quantum hearing to commence on March 9, 2020 and conclude on March 12, 2020. On March 29, 2019, AXA, FICL, FACL and Santander filed their respective responses to our amended counterclaim. On June 21, 2019, we filed an application to address certain deficiencies in AXA's discovery production. On July 18, 2019, we reached an agreement with AXA and Santander regarding our discovery application. We intend to continue to vigorously defend this action.

In September 2018, Genworth Life and Annuity Insurance Company ("GLAIC"), our indirect wholly-owned subsidiary, was named as a defendant in a putative class action lawsuit pending in the United States District Court for the Eastern District of Virginia captioned *TVPX ARX INC., as Securities Intermediary for Consolidated Wealth Management, LTD. on behalf of itself and all others similarly situated v. Genworth Life and Annuity Insurance Company*. Plaintiff alleged unlawful and excessive cost of insurance charges were imposed on policyholders. The complaint asserts claims for breach of contract, alleging that Genworth improperly considered non-mortality factors when calculating cost of insurance rates and failed to decrease cost of insurance charges in light of improved expectations of future mortality, and seeks unspecified compensatory damages, costs, and equitable relief. On October 29, 2018, we filed a motion to enjoin the case in the Middle District of Georgia, and a motion to dismiss and motion to stay in the Eastern District of Virginia. We moved to enjoin the prosecution of the Eastern District of Virginia action on the basis that it involves claims released in a prior nationwide class action settlement that was approved by the Middle District of Georgia. Plaintiff filed an amended complaint on November 13, 2018. On December 6, 2018, we moved the Middle District of Georgia for leave to file our counterclaim, which alleges that plaintiff breached the covenant not to sue contained in the prior settlement agreement by filing its current action. On March 15, 2019, the Middle District of Georgia granted our motion to enjoin and denied our motion for leave to file our counterclaim. As such, plaintiff is enjoined from pursuing its class action in the Eastern District of Virginia. On March 29, 2019, plaintiff filed a notice of appeal in the Middle District of Georgia, notifying the court of its appeal to the United States Court of Appeals for the Eleventh Circuit from the order granting our motion to enjoin. On March 29, 2019, we filed our notice of cross-appeal in the Middle District of Georgia, notifying the Court of our cross-appeal to the Eleventh Circuit from the portion of the order denying our motion for leave to file our counterclaim. On April 8, 2019, the Eastern District of Virginia

dismissed the case without prejudice, with leave for plaintiff to refile an amended complaint only if a final appellate court decision vacates the injunction and reverses the Middle District of Georgia's opinion. On May 21, 2019, plaintiff filed its appeal and memorandum in support in the Eleventh Circuit. We filed our response to plaintiff's appeal memorandum on July 3, 2019. We intend to continue to vigorously defend the dismissal of this action.

In September 2018, Genworth Financial, Genworth Holdings, Genworth North America Corporation, Genworth Financial International Holdings, LLC and Genworth Life Insurance Company ("GLIC") were named as defendants in a putative class action lawsuit pending in the Court of Chancery of the State of Delaware captioned *Richard F. Burkhart, William E. Kelly, Richard S. Lavery, Thomas R. Pratt, Gerald Green, individually and on behalf of all other persons similarly situated v. Genworth et al*. Plaintiffs allege that GLIC paid dividends to its parent and engaged in certain reinsurance transactions causing it to maintain inadequate capital capable of meeting its obligations to GLIC policyholders and agents. The complaint alleges causes of action for intentional fraudulent transfer and constructive fraudulent transfer, and seeks injunctive relief. We moved to dismiss this action in December 2018. On January 29, 2019, plaintiffs exercised their right to amend their complaint. On March 12, 2019, we moved to dismiss plaintiffs' amended complaint. On April 26, 2019, plaintiffs filed a memorandum in opposition to our motion to dismiss, which we replied to on June 14, 2019. Oral argument on our motion to dismiss is scheduled for September 9, 2019. We intend to continue to vigorously defend this action.

In January 2019, Genworth Financial and GLIC were named as defendants in a putative class action lawsuit pending in the United States District Court for the Eastern District of Virginia captioned *Jerome Skochin, SusanSkochin, and Larry Huber, individually and on behalf of all other persons similarly situated v. GenworthFinancial, Inc. and Genworth Life Insurance Company*. Plaintiffs seek to represent long-term care insurance policyholders, alleging that Genworth made misleading and inadequate disclosures regarding premium increases for long-term care insurance policies. The complaint asserts claims for breach of contract, fraud, fraudulent inducement and violation of Pennsylvania's Unfair Trade Practices and Consumer Protection Law (on behalf of the two named plaintiffs who are Pennsylvania residents), and seeks damages (including statutory treble damages under Pennsylvania law) in excess of $5 million. On March 12, 2019, we moved to dismiss plaintiffs' complaint. On March 26, 2019, plaintiffs filed a memorandum in opposition to our motion to dismiss, which we replied to on April 1, 2019. In July 2019, the court heard oral arguments on our motion to dismiss.We intend to continue to vigorously defend this action.

At this time we cannot determine or predict the ultimate outcome of any of the pending legal and regulatory matters specifically identified above or the likelihood of potential future legal and regulatory matters against us. Except as disclosed above, we are not able to provide an estimate or range of reasonably possible losses related to these matters. Therefore, we cannot ensure that the current investigations and proceedings will not have a material adverse effect on our business, financial condition or results of operations. In addition, it is possible that related investigations and proceedings may be commenced in the future, and we could become subject to additional unrelated investigations and lawsuits. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal precedents and industry-wide regulations or practices that could adversely affect our business, financial condition and results of operations.

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(b) Commitments

As of June 30, 2019, we were committed to fund $903 million in limited partnership investments, $98 million in U.S. commercial mortgage loan investments and $90 million in private placement investments. As of June 30, 2019, we were also committed to fund $52 million of bank loan investments which had not yet been drawn.

(12) Changes in Accumulated Other Comprehensive Income (Loss)

The following tables show the changes in accumulated other comprehensive income (loss), net of taxes, by component as of and for the periods indicated:

(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of April 1, 2019	$ 943	$ 1,850	$ (301)	$2,492
OCI before reclassifications	375	157	43	575
Amounts reclassified from (to) OCI	1	(24)	—	(23)
Current period OCI	376	133	43	552
Balances as of June 30, 2019 before noncontrolling interests	1,319	1,983	(258)	3,044
Less: change in OCI attributable to noncontrolling interests	14	—	17	31
Balances as of June 30, 2019	$ 1,305	$ 1,983	$ (275)	$3,013

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of April 1, 2018	$ 917	$ 1,927	$ (217)	$2,627
OCI before reclassifications	(193)	(39)	(98)	(330)
Amounts reclassified from (to) OCI	6	(25)	—	(19)
Current period OCI	(187)	(64)	(98)	(349)
Balances as of June 30, 2018 before noncontrolling interests	730	1,863	(315)	2,278
Less: change in OCI attributable to noncontrolling interests	(6)	—	(43)	(49)
Balances as of June 30, 2018	$ 736	$ 1,863	$ (272)	$2,327

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

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(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2019	$ 595	$ 1,781	$ (332)	$2,044
OCI before reclassifications	802	254	97	1,153
Amounts reclassified from (to) OCI	(46)	(52)	—	(98)
Current period OCI	756	202	97	1,055
Balances as of June 30, 2019 before noncontrolling interests	1,351	1,983	(235)	3,099
Less: change in OCI attributable to noncontrolling interests	46	—	40	86
Balances as of June 30, 2019	$ 1,305	$ 1,983	$ (275)	$3,013

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

(Amounts in millions)	Net unrealized investment gains (losses) (1)	Derivatives qualifying as hedges (2)	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2018	$ 1,085	$ 2,065	$ (123)	$3,027
Cumulative effect of changes in accounting	164	14	(47)	131
OCI before reclassifications	(541)	(165)	(185)	(891)
Amounts reclassified from (to) OCI	13	(51)	—	(38)
Current period OCI	(528)	(216)	(185)	(929)
Balances as of June 30, 2018 before noncontrolling interests	721	1,863	(355)	2,229
Less: change in OCI attributable to noncontrolling interests	(15)	—	(83)	(98)
Balances as of June 30, 2018	$ 736	$ 1,863	$ (272)	$2,327

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

The foreign currency translation and other adjustments balance in the charts above included $(2) million and $(14) million, respectively, net of taxes of $1 million and $5 million, respectively, related to a net unrecognized postretirement benefit obligation as of June 30, 2019 and 2018. The balance also included taxes of $(45) million and $(46) million, respectively, related to foreign currency translation adjustments as of June 30, 2019 and 2018. The balance as of June 30, 2018 included the impact of adopting new accounting guidance related to stranded tax effects.

The following table shows reclassifications in (out) of accumulated other comprehensive income (loss), net of taxes, for the periods presented:

	Amount reclassified from accumulated other comprehensive income (loss)				
	Three months ended June 30,		Six months ended June 30,		Affected line item in the consolidated statements of income
(Amounts in millions)	2019	2018	2019	2018	
Net unrealized investment (gains) losses:					
Unrealized (gains) losses on investments (1)	$ 2	$ 8	$ (58)	$ 16	Net investment (gains) losses
(Provision) benefit for income taxes	(1)	(2)	12	(3)	Provision for income taxes
Total	$ 1	$ 6	$ (46)	$ 13	
Derivatives qualifying as hedges:					
Interest rate swaps hedging assets	$ (42)	$ (39)	$ (80)	$ (74)	Net investment income
Interest rate swaps hedging assets	4	—	(2)	(5)	Net investment (gains) losses
Foreign currency swaps	1	—	1	—	Net investment income
Benefit for income taxes	13	14	29	28	Provision for income taxes
Total	$ (24)	$ (25)	$ (52)	$ (51)	

(1) Amounts exclude adjustments to DAC, present value of future profits, sales inducements and benefit reserves.

(13) Condensed Consolidating Financial Information

Genworth Financial provides a full and unconditional guarantee to the trustee of Genworth Holdings' outstanding senior and subordinated notes and the holders of the senior and subordinated notes, on an unsecured unsubordinated and subordinated basis, respectively, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, each outstanding series of senior notes and outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior and subordinated notes indentures in respect of such senior and subordinated notes. Genworth Holdings is a direct, 100% owned subsidiary of Genworth Financial.

The following condensed consolidating financial information of Genworth Financial and its direct and indirect subsidiaries has been prepared pursuant to rules regarding the preparation of consolidating financial information of Regulation S-X.

The condensed consolidating financial information presents the condensed consolidating balance sheet information as of June 30, 2019 and December 31, 2018, the condensed consolidating income statement information and the condensed consolidating comprehensive income statement information for the three and six months ended June 30, 2019 and 2018 and the condensed consolidating cash flow statement information for the six months ended June 30, 2019 and 2018.

The condensed consolidating financial information reflects Genworth Financial ("Parent Guarantor"), Genworth Holdings ("Issuer") and each of Genworth Financial's other direct and indirect subsidiaries (the "All Other Subsidiaries") on a combined basis, none of which guarantee the senior notes or subordinated notes, as well as the eliminations necessary to present Genworth Financial's financial information on a consolidated basis and total consolidated amounts.

The accompanying condensed consolidating financial information is presented based on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the subsidiaries' cumulative results of operations, capital contributions and distributions, and other changes in equity. Elimination entries include consolidating and eliminating entries for investments in subsidiaries and intercompany activity.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating balance sheet information as of June 30, 2019:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	$ —	$ —	$ 63,974	$ (200)	$ 63,774
Equity securities, at fair value	—	—	644	—	644
Commercial mortgage loans ($56 are restricted related to a securitization entity)	—	—	7,019	—	7,019
Policy loans	—	—	2,076	—	2,076
Other invested assets	—	49	1,493	(7)	1,535
Investments in subsidiaries	13,938	12,439	—	(26,377)	—
Total investments	13,938	12,488	75,206	(26,584)	75,048
Cash, cash equivalents and restricted cash	—	358	1,580	—	1,938
Accrued investment income	—	—	630	(4)	626
Deferred acquisition costs	—	—	2,105	—	2,105
Intangible assets and goodwill	—	—	244	—	244
Reinsurance recoverable	—	—	17,211	—	17,211
Other assets	5	55	505	(1)	564
Intercompany notes receivable	—	273	—	(273)	—
Deferred tax assets	(35)	841	(423)	—	383
Separate account assets	—	—	6,187	—	6,187
Total assets	$ 13,908	$14,015	$ 103,245	$ (26,862)	$ 104,306
Liabilities and equity					
Liabilities:					
Future policy benefits	$ —	$ —	$ 39,583	$ —	$ 39,583
Policyholder account balances	—	—	22,673	—	22,673
Liability for policy and contract claims	—	—	10,677	—	10,677
Unearned premiums	—	—	3,488	—	3,488
Other liabilities	—	47	1,689	(13)	1,723
Intercompany notes payable	151	200	122	(473)	—
Non-recourse funding obligations	—	—	311	—	311
Long-term borrowings	—	3,571	473	—	4,044
Deferred tax liability	—	—	28	—	28
Separate account liabilities	—	—	6,187	—	6,187
Total liabilities	151	3,818	85,231	(486)	88,714
Equity:					
Common stock	1	—	3	(3)	1
Additional paid-in capital	11,983	9,094	18,428	(27,522)	11,983
Accumulated other comprehensive income (loss)	3,013	2,982	3,051	(6,033)	3,013
Retained earnings	1,460	(1,879)	(5,603)	7,482	1,460
Treasury stock, at cost	(2,700)	—	—	—	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	13,757	10,197	15,879	(26,076)	13,757
Noncontrolling interests	—	—	2,135	(300)	1,835
Total equity	13,757	10,197	18,014	(26,376)	15,592
Total liabilities and equity	$ 13,908	$14,015	$ 103,245	$ (26,862)	$ 104,306

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating balance sheet information as of December 31, 2018:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	$ —	$ —	$ 59,861	$ (200)	$ 59,661
Equity securities, at fair value	—	—	655	—	655
Commercial mortgage loans ($62 are restricted related to a securitization entity)	—	—	6,749	—	6,749
Policy loans	—	—	1,861	—	1,861
Other invested assets	—	86	1,104	(2)	1,188
Investments in subsidiaries	12,570	11,462	—	(24,032)	—
Total investments	12,570	11,548	70,230	(24,234)	70,114
Cash, cash equivalents and restricted cash	—	429	1,748	—	2,177
Accrued investment income	—	—	679	(4)	675
Deferred acquisition costs	—	—	3,263	—	3,263
Intangible assets and goodwill	—	—	347	—	347
Reinsurance recoverable	—	—	17,278	—	17,278
Other assets	15	62	397	—	474
Intercompany notes receivable	—	180	6	(186)	—
Deferred tax assets	14	907	(185)	—	736
Separate account assets	—	—	5,859	—	5,859
Total assets	$ 12,599	$13,126	$ 99,622	$ (24,424)	$ 100,923
Liabilities and equity					
Liabilities:					
Future policy benefits	$ —	$ —	$ 37,940	$ —	$ 37,940
Policyholder account balances	—	—	22,968	—	22,968
Liability for policy and contract claims	—	—	10,379	—	10,379
Unearned premiums	—	—	3,546	—	3,546
Other liabilities	27	97	1,565	(7)	1,682
Intercompany notes payable	122	207	57	(386)	—
Non-recourse funding obligations	—	—	311	—	311
Long-term borrowings	—	3,567	458	—	4,025
Deferred tax liability	—	—	24	—	24
Separate account liabilities	—	—	5,859	—	5,859
Total liabilities	149	3,871	83,107	(393)	86,734
Equity:					
Common stock	1	—	3	(3)	1
Additional paid-in capital	11,987	9,095	18,425	(27,520)	11,987
Accumulated other comprehensive income (loss)	2,044	2,144	2,060	(4,204)	2,044
Retained earnings	1,118	(1,984)	(6,012)	7,996	1,118
Treasury stock, at cost	(2,700)	—	—	—	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	12,450	9,255	14,476	(23,731)	12,450
Noncontrolling interests	—	—	2,039	(300)	1,739
Total equity	12,450	9,255	16,515	(24,031)	14,189
Total liabilities and equity	$ 12,599	$13,126	$ 99,622	$ (24,424)	$ 100,923

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The following table presents the condensed consolidating income statement information for the three months ended June 30, 2019:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$ —	$—	$ 1,126	$ —	$ 1,126
Net investment income	—	1	854	(3)	852
Net investment gains (losses)	—	(9)	(36)	—	(45)
Policy fees and other income	—	2	223	(2)	223
Total revenues	—	(6)	2,167	(5)	2,156
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	1,270	—	1,270
Interest credited	—	—	146	—	146
Acquisition and operating expenses, net of deferrals	3	—	244	—	247
Amortization of deferred acquisition costs and intangibles	—	—	95	—	95
Interest expense	1	65	12	(5)	73
Total benefits and expenses	4	65	1,767	(5)	1,831
Income (loss) before income taxes and equity in income of subsidiaries	(4)	(71)	400	—	325
Provision (benefit) for income taxes	23	(14)	98	—	107
Equity in income of subsidiaries	195	93	—	(288)	—
Net income	168	36	302	(288)	218
Less: net income attributable to noncontrolling interests	—	—	50	—	50
Net income available to Genworth Financial, Inc.'s common stockholders	$ 168	$ 36	$ 252	$ (288)	$ 168

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating income statement information for the three months ended June 30, 2018:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$ —	$—	$ 1,136	$ —	$ 1,136
Net investment income	—	4	828	(4)	828
Net investment gains (losses)	—	(8)	(6)	—	(14)
Policy fees and other income	—	1	209	(1)	209
Total revenues	—	(3)	2,167	(5)	2,159
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	1,205	—	1,205
Interest credited	—	—	152	—	152
Acquisition and operating expenses, net of deferrals	7	—	246	—	253
Amortization of deferred acquisition costs and intangibles	—	—	112	—	112
Interest expense	1	70	11	(5)	77
Total benefits and expenses	8	70	1,726	(5)	1,799
Income (loss) before income taxes and equity in income of subsidiaries	(8)	(73)	441	—	360
Provision (benefit) for income taxes	32	(14)	93	—	111
Equity in income of subsidiaries	230	151	—	(381)	—
Net income	190	92	348	(381)	249
Less: net income attributable to noncontrolling interests	—	—	59	—	59
Net income available to Genworth Financial, Inc.'s common stockholders	$ 190	$ 92	$ 289	$ (381)	$ 190

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating income statement information for the six months ended June 30, 2019:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$ —	$ —	$ 2,240	$ —	$ 2,240
Net investment income	(1)	4	1,685	(7)	1,681
Net investment gains (losses)	—	(12)	41	—	29
Policy fees and other income	—	2	411	(3)	410
Total revenues	(1)	(6)	4,377	(10)	4,360
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	2,571	—	2,571
Interest credited	—	—	293	—	293
Acquisition and operating expenses, net of deferrals	7	(2)	493	—	498
Amortization of deferred acquisition costs and intangibles	—	—	186	—	186
Interest expense	3	130	22	(10)	145
Total benefits and expenses	10	128	3,565	(10)	3,693
Income (loss) before income taxes and equity in income of subsidiaries	(11)	(134)	812	—	667
Provision (benefit) for income taxes	44	(26)	201	—	219
Equity in income of subsidiaries	397	213	—	(610)	—
Net income	342	105	611	(610)	448
Less: net income attributable to noncontrolling interests	—	—	106	—	106
Net income available to Genworth Financial, Inc.'s common stockholders	$ 342	$ 105	$ 505	$ (610)	$ 342

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating income statement information for the six months ended June 30, 2018:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					

Premiums	$ —	$ —	$ 2,276	$ —	$ 2,276
Net investment income	(1)	7	1,633	(7)	1,632
Net investment gains (losses)	—	(2)	(43)	—	(45)
Policy fees and other income	—	1	412	(2)	411
Total revenues	(1)	6	4,278	(9)	4,274
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	2,516	—	2,516
Interest credited	—	—	308	—	308
Acquisition and operating expenses, net of deferrals	14	—	479	—	493
Amortization of deferred acquisition costs and intangibles	—	—	216	—	216
Interest expense	1	138	23	(9)	153
Total benefits and expenses	15	138	3,542	(9)	3,686
Income (loss) before income taxes and equity in income of subsidiaries	(16)	(132)	736	—	588
Provision (benefit) for income taxes	38	(31)	167	—	174
Equity in income of subsidiaries	356	196	—	(552)	—
Net income	302	95	569	(552)	414
Less: net income attributable to noncontrolling interests	—	—	112	—	112
Net income available to Genworth Financial, Inc.'s common stockholders	$ 302	$ 95	$ 457	$ (552)	$ 302

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The following table presents the condensed consolidating comprehensive income statement information for the three months ended June 30, 2019:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 168	$ 36	$ 302	$ (288)	$ 218
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	362	311	376	(673)	376
Derivatives qualifying as hedges	133	133	148	(281)	133
Foreign currency translation and other adjustments	26	17	43	(43)	43
Total other comprehensive income (loss)	521	461	567	(997)	552
Total comprehensive income	689	497	869	(1,285)	770
Less: comprehensive income attributable to noncontrolling interests	—	—	81	—	81
Total comprehensive income available to Genworth Financial, Inc.'s common stockholders	$ 689	$ 497	$ 788	$ (1,285)	$ 689

The following table presents the condensed consolidating comprehensive income statement information for the three months ended June 30, 2018:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 190	$ 92	$ 348	$ (381)	$ 249
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(179)	(167)	(185)	346	(185)
Net unrealized gains (losses) on other-than-temporarily impaired securities	(2)	(1)	(2)	3	(2)
Derivatives qualifying as hedges	(64)	(64)	(68)	132	(64)
Foreign currency translation and other adjustments	(55)	(46)	(97)	100	(98)
Total other comprehensive income (loss)	(300)	(278)	(352)	581	(349)
Total comprehensive loss	(110)	(186)	(4)	200	(100)
Less: comprehensive income attributable to noncontrolling interests	—	—	10	—	10
Total comprehensive loss available to Genworth Financial, Inc.'s common stockholders	$ (110)	$(186)	$ (14)	$ 200	$ (110)

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The following table presents the condensed consolidating comprehensive income statement information for the six months ended June 30, 2019:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 342	$ 105	$ 611	$ (610)	$ 448
Other comprehensive income (loss), net of taxes:					

Net unrealized gains (losses) on securities not other-than-temporarily impaired	709	594	755	(1,303)	755
Net unrealized gains (losses) on other-than-temporarily impaired securities	1	1	1	(2)	1
Derivatives qualifying as hedges	202	202	225	(427)	202
Foreign currency translation and other adjustments	57	41	96	(97)	97
Total other comprehensive income (loss)	969	838	1,077	(1,829)	1,055
Total comprehensive income	1,311	943	1,688	(2,439)	1,503
Less: comprehensive income attributable to noncontrolling interests	—	—	192	—	192
Total comprehensive income available to Genworth Financial, Inc.'s common stockholders	$ 1,311	$943	$ 1,496	$ (2,439)	$ 1,311

The following table presents the condensed consolidating comprehensive income statement information for the six months ended June 30, 2018:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 302	$ 95	$ 569	$ (552)	$ 414
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(511)	(462)	(526)	973	(526)
Net unrealized gains (losses) on other-than-temporarily impaired securities	(2)	(1)	(2)	3	(2)
Derivatives qualifying as hedges	(216)	(217)	(233)	450	(216)
Foreign currency translation and other adjustments	(102)	(82)	(185)	184	(185)
Total other comprehensive income (loss)	(831)	(762)	(946)	1,610	(929)
Total comprehensive loss	(529)	(667)	(377)	1,058	(515)
Less: comprehensive income attributable to noncontrolling interests	—	—	14	—	14
Total comprehensive loss available to Genworth Financial, Inc.'s common stockholders	$ (529)	$(667)	$ (391)	$ 1,058	$ (529)

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The following table presents the condensed consolidating cash flow statement information for the six months ended June 30, 2019:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from (used by) operating activities:					
Net income	$ 342	$ 105	$ 611	$ (610)	$ 448
Adjustments to reconcile net income to net cash from (used by) operating activities:					
Equity in income from subsidiaries	(397)	(213)	—	610	—
Dividends from subsidiaries	—	105	(105)	—	—
Amortization of fixed maturity securities discounts and premiums	—	3	(57)	—	(54)
Net investment (gains) losses	—	12	(41)	—	(29)
Charges assessed to policyholders	—	—	(364)	—	(364)
Acquisition costs deferred	—	—	(35)	—	(35)
Amortization of deferred acquisition costs and intangibles	—	—	186	—	186
Deferred income taxes	49	74	11	—	134
Derivative instruments and limited partnerships	—	(30)	52	—	22
Stock-based compensation expense	10	—	2	—	12
Change in certain assets and liabilities:					
Accrued investment income and other assets	(1)	—	(290)	1	(290)
Insurance reserves	—	—	609	—	609
Current tax liabilities	(4)	(40)	71	—	27
Other liabilities, policy and contract claims and other policy-related balances	(18)	(3)	156	(6)	129
Net cash from (used by) operating activities	(19)	13	806	(5)	795
Cash flows used by investing activities:					
Proceeds from maturities and repayments of investments:					
Fixed maturity securities	—	—	1,929	—	1,929
Commercial mortgage loans	—	—	285	—	285
Restricted commercial mortgage loans related to a securitization entity	—	—	6	—	6
Proceeds from sales of investments:					
Fixed maturity and equity securities	—	—	2,859	—	2,859
Purchases and originations of investments:					
Fixed maturity and equity securities	—	—	(4,681)	—	(4,681)
Commercial mortgage loans	—	—	(561)	—	(561)
Other invested assets, net	—	29	(261)	5	(227)
Policy loans, net	—	—	39	—	39
Intercompany notes receivable	—	(93)	6	87	—
Capital contributions to subsidiaries	(3)	—	3	—	—
Net cash used by investing activities	(3)	(64)	(376)	92	(351)
Cash flows from (used by) financing activities:					
Deposits to universal life and investment contracts	—	—	444	—	444
Withdrawals from universal life and investment contracts	—	—	(1,096)	—	(1,096)
Proceeds from the issuance of long-term debt	—	—	77	—	77
Repayment and repurchase of long-term debt	—	(1)	(77)	—	(78)
Repurchase of subsidiary shares	—	—	(44)	—	(44)
Dividends paid to noncontrolling interests	—	—	(53)	—	(53)
Intercompany notes payable	29	(7)	65	(87)	—
Other, net	(7)	(12)	74	—	55
Net cash from (used by) financing activities	22	(20)	(610)	(87)	(695)

	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	12	—	12
Net change in cash, cash equivalents and restricted cash	—	(71)	(168)	—	(239)
Cash, cash equivalents and restricted cash at beginning of period	—	429	1,748	—	2,177
Cash, cash equivalents and restricted cash at end of period	$ —	$ 358	$ 1,580	$ —	$ 1,938

The following table presents the condensed consolidating cash flow statement information for the six months ended June 30, 2018:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from (used by) operating activities:					
Net income	$ 302	$ 95	$ 569	$ (552)	$ 414
Adjustments to reconcile net income to net cash from (used by) operating activities:					
Equity in income from subsidiaries	(356)	(196)	—	552	—
Dividends from subsidiaries	50	91	(141)	—	—
Amortization of fixed maturity securities discounts and premiums	—	3	(65)	—	(62)
Net investment losses	—	2	43	—	45
Charges assessed to policyholders	—	—	(359)	—	(359)
Acquisition costs deferred	—	—	(40)	—	(40)
Amortization of deferred acquisition costs and intangibles	—	—	216	—	216
Deferred income taxes	42	(117)	158	—	83
Derivative instruments and limited partnerships	—	22	(217)	—	(195)
Stock-based compensation expense	15	—	1	—	16
Change in certain assets and liabilities:					
Accrued investment income and other assets	(1)	59	(147)	—	(89)
Insurance reserves	—	—	691	—	691
Current tax liabilities	(27)	87	(97)	—	(37)
Other liabilities, policy and contract claims and other policy-related balances	(15)	(50)	(49)	(8)	(122)
Net cash from (used by) operating activities	10	(4)	563	(8)	561
Cash flows used by investing activities:					
Proceeds from maturities and repayments of investments:					
Fixed maturity securities	—	—	1,979	—	1,979
Commercial mortgage loans	—	—	350	—	350
Restricted commercial mortgage loans related to a securitization entity	—	—	16	—	16
Proceeds from sales of investments:					
Fixed maturity and equity securities	—	—	1,920	—	1,920
Purchases and originations of investments:					
Fixed maturity and equity securities	—	—	(4,082)	—	(4,082)
Commercial mortgage loans	—	—	(489)	—	(489)
Other invested assets, net	—	—	85	8	93
Policy loans, net	—	—	15	—	15
Intercompany notes receivable	—	(10)	58	(48)	—
Capital contributions to subsidiaries	(1)	—	1	—	—
Net cash used by investing activities	(1)	(10)	(147)	(40)	(198)
Cash flows used by financing activities:					
Deposits to universal life and investment contracts	—	—	503	—	503
Withdrawals from universal life and investment contracts	—	—	(1,177)	—	(1,177)
Proceeds from the issuance of long-term debt	—	441	—	—	441
Repayment and repurchase of long-term debt	—	(597)	—	—	(597)
Repayment of borrowings related to a securitization entity	—	—	(12)	—	(12)
Repurchase of subsidiary shares	—	—	(49)	—	(49)
Dividends paid to noncontrolling interests	—	—	(50)	—	(50)
Intercompany notes payable	(7)	(59)	18	48	—
Other, net	(2)	(19)	19	—	(2)
Net cash used by financing activities	(9)	(234)	(748)	48	(943)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(52)	—	(52)
Net change in cash, cash equivalents and restricted cash	—	(248)	(384)	—	(632)
Cash, cash equivalents and restricted cash at beginning of period	—	795	2,080	—	2,875
Cash, cash equivalents and restricted cash at end of period	$ —	$ 547	$ 1,696	$ —	$ 2,243

Our insurance company subsidiaries are restricted by state and foreign laws and regulations as to the amount of dividends they may pay to their parent without regulatory approval in any year, the purpose of which is to protect affected insurance policyholders and contractholders, not stockholders. Any dividends in excess of limits are deemed "extraordinary" and require approval. Based on statutory results as of December 31, 2018, in accordance with applicable dividend restrictions, our subsidiaries could pay dividends of approximately $500 million to us in 2019 without obtaining regulatory approval, and the remaining net assets are considered restricted. While the $500 million is unrestricted, our insurance subsidiaries may not pay dividends to us in 2019 at this level if they need to retain capital for growth and to meet capital requirements and desired thresholds. As of June 30, 2019, Genworth Financial's and Genworth Holdings' subsidiaries had restricted net assets of $13.4 billion and $12.2 billion, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included herein and with our 2018 Annual Report on Form 10-K. References to "Genworth Financial," "Genworth," the "Company," "we" or "our" herein are, unless the context otherwise requires, to Genworth Financial, Inc. on a consolidated basis.

Cautionary note regarding forward-looking statements

This report 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 limited to, statements regarding the outlook for our future business and financial performance. Examples of forward-looking statements include statements we make relating to the transactions with China Oceanwide Holdings Group Co., Ltd. (together with its affiliates, "China Oceanwide"), our discussions with regulators in connection therewith and any capital contribution resulting therefrom, as well as any statements regarding the potential disposition of our interest in Genworth MI Canada Inc. ("Genworth Canada"). 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, but not limited to, the following:

- *risks related to the proposed transaction with China Oceanwide* including: our inability to complete the transaction with China Oceanwide in a timely manner or at all; the parties' inability to obtain regulatory approvals, clearances or extensions, or the possibility that such regulatory approvals may further delay the transaction with China Oceanwide or will not be received prior to November 30, 2019 (and either or both of the parties may not be willing to further waive their end date termination rights beyond November 30, 2019) or that materially burdensome or adverse regulatory conditions may be imposed or undesirable measures may be required in connection with any such regulatory approvals, clearances or extensions (including those conditions or measures that either or both of the parties may be unwilling to accept or undertake, as applicable) or that with continuing delays, circumstances may arise that make one or both parties unwilling to proceed with the transaction with China Oceanwide or unable to comply with the conditions to existing regulatory approvals; the risk that the parties will not be able to obtain other regulatory approvals, clearances or extensions, including in connection with a potential alternative funding structure or the current geo-political environment, or that one or more regulators may rescind or fail to extend existing approvals, or that the revocation by one regulator of approvals will lead to the revocation of approvals by other regulators; the parties' inability to obtain any necessary regulatory approvals, clearances or extensions for the post-closing capital plan; the risk that a condition to the closing of the transaction with China Oceanwide may not be satisfied or that a condition to closing that is currently satisfied may not remain satisfied due to the delay in closing the transaction with China Oceanwide; risks relating to any potential disposition of Genworth Canada that are similar to the foregoing, including regulatory, legal or contractual restrictions that may impede Genworth's ability to consummate a disposition of Genworth Canada, the right of China Oceanwide to reject the terms of any Genworth Canada sale, in which case the parties will each have the right to terminate the China Oceanwide transaction, as well as potential changes in market conditions generally or conditions relating to Genworth Canada's industry or business that may impede any such sale; the risk that existing and potential legal proceedings may be instituted against us in connection with the transaction with China Oceanwide or the potential sale of Genworth Canada that may delay the transaction with China Oceanwide, make it more costly or ultimately preclude it; the risk that the proposed transactions disrupt our current plans and operations as a result of the announcement and consummation of the transactions; certain restrictions during the pendency of the transactions that may impact our ability to pursue certain business opportunities or strategic transactions; continued

availability of capital and financing to us before, or in the absence of, the consummation of the transactions; further rating agency actions and downgrades in our debt or financial strength ratings; changes in applicable laws or regulations; our ability to recognize the anticipated benefits of the transactions; the amount of the costs, fees, expenses and other charges related to the transactions, including costs and expenses related to conditions imposed in connection with regulatory approvals or clearances, which may be material; the risks related to diverting management's attention from our ongoing business operations; the merger agreement may be terminated in circumstances that would require us to pay China Oceanwide a fee; our ability to attract, recruit, retain and motivate current and prospective employees may be adversely affected; and disruptions and uncertainty relating to the transaction, whether or not it is completed, may harm our relationships with our employees, customers, distributors, vendors or other business partners, and may result in a negative impact on our business;

- *strategic risks in the event the proposed transaction with China Oceanwide is not consummated* including: our inability to successfully execute alternative strategic plans to effectively address our current business challenges (including with respect to stabilizing our U.S. life insurance businesses, debt obligations, cost savings, ratings and capital); our inability to attract buyers for any businesses or other assets we may seek to sell, or securities we may seek to issue, in each case, in a timely manner and on anticipated terms; failure to obtain any required regulatory, stockholder and/or noteholder approvals or consents for such alternative strategic plans, or our challenges changing or being more costly or difficult to successfully address than currently anticipated or the benefits achieved being less than anticipated; inability to achieve anticipated cost-savings in a timely manner; adverse tax or accounting charges; and our ability to increase the capital needed in our mortgage insurance businesses in a timely manner and on anticipated terms, including through business performance, reinsurance or similar transactions, asset sales, securities offerings or otherwise, in each case as and when required;
- *risks relating to estimates, assumptions and valuations* including: inadequate reserves and the need to increase reserves (including as a result of any changes we may make in the future to our assumptions, methodologies or otherwise in connection with periodic or other reviews); risks related to the impact of our annual review of assumptions and methodologies relating to our long-term care insurance claim reserves and margin, including risks that additional information obtained in the future or other changes to assumptions or methodologies materially affect our margins; inaccurate models; deviations from our estimates and actuarial assumptions or other reasons in our long-term care insurance, life insurance and/or annuity businesses; accelerated amortization of deferred acquisition costs ("DAC") and present value of future profits ("PVFP") (including as a result of any changes we may make to our assumptions, methodologies or otherwise in connection with periodic or other reviews); adverse impact on our financial results as a result of projected profits followed by projected losses (as is currently the case with our long-term care insurance business); adverse impact on our results of operations, including the outcome of our annual review of the premium earnings pattern for our mortgage insurance businesses; and changes in valuation of fixed maturity and equity securities;

- *risks relating to economic, market and political conditions* including: downturns and volatility in global economies and equity and credit markets; interest rates and changes in rates have adversely impacted, and may continue to materially adversely impact, our business and profitability; deterioration in economic conditions or a decline in home prices that adversely affect our loss experience in mortgage insurance; political and economic instability or changes in government policies; and fluctuations in foreign currency exchange rates and international securities markets;
- *regulatory and legal risks* including: extensive regulation of our businesses and changes in applicable laws and regulations (including changes to tax laws and regulations); litigation and regulatory investigations or other actions; dependence on dividends and other distributions from our subsidiaries (particularly our international subsidiaries) and the inability of any subsidiaries to pay dividends or make other distributions to us, including as a result of the performance of our subsidiaries and insurance, regulatory or corporate law restrictions; adverse change in regulatory requirements, including risk-based capital; changes in regulations adversely affecting our international operations;

inability to continue to maintain the private mortgage insurer eligibility requirements ("PMIERs"); inability of our U.S. mortgage insurance subsidiaries to meet minimum statutory capital requirements; the influence of Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac") and a small number of large mortgage lenders on the U.S. mortgage insurance market and adverse changes to the role or structure of Fannie Mae and Freddie Mac; adverse changes in regulations affecting our mortgage insurance businesses; inability to continue to implement actions to mitigate the impact of statutory reserve requirements; impact of additional regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act; changes in tax laws; and changes in accounting and reporting standards;

- *liquidity, financial strength ratings, credit and counterparty risks* including: insufficient internal sources to meet liquidity needs and limited or no access to capital (including the ability to obtain further financing under an additional secured term loan or credit facility); future adverse rating agency actions, including with respect to rating downgrades or potential downgrades or being put on review for potential downgrade, all of which could have adverse implications for us, including with respect to key business relationships, product offerings, business results of operations, financial condition and capital needs, strategic plans, collateral obligations and availability and terms of hedging, reinsurance and borrowings; defaults by counterparties to reinsurance arrangements or derivative instruments; defaults or other events impacting the value of our fixed maturity securities portfolio; and defaults on our commercial mortgage loans or the mortgage loans underlying our investments in commercial mortgage-backed securities and volatility in performance;
- *operational risks* including: inability to retain, attract and motivate qualified employees or senior management; ineffective or inadequate risk management in identifying, controlling or mitigating risks; reliance on, and loss of, key customer or distribution relationships; competition, including in our mortgage insurance businesses from government and government-owned and government-sponsored enterprises ("GSEs") offering mortgage insurance; the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations; and failure or any compromise of the security of our computer systems, disaster recovery systems and business continuity plans and failures to safeguard, or breaches of, its confidential information;
- *insurance and product-related risks* including: our inability to increase premiums and associated benefit reductions sufficiently, and in a timely manner, on our in-force long-term care insurance policies, and charge higher premiums on policies, in each case, as currently anticipated and as may be required from time to time in the future (including as a result of our failure to obtain any necessary regulatory approvals or unwillingness or inability of policyholders to pay increased premiums and/or accept reduced benefits), including to offset any impact on our long-term care insurance margins; availability, affordability and adequacy of reinsurance to protect us against losses; inability to realize anticipated benefits of our rescissions, curtailments, loan modifications or other similar programs in our mortgage insurance businesses; premiums for the significant portion of our mortgage insurance risk in-force with high loan-to-value ratios may not be sufficient to compensate us for the greater risks associated with those policies; decreases in the volume of high loan-to-value mortgage originations or increases in mortgage insurance cancellations; increases in the use of alternatives to private mortgage insurance and reductions in the level of coverage selected; potential liabilities in connection with our U.S. contract underwriting services; and medical advances, such as genetic research and diagnostic imaging, and related legislation that impact policyholder behavior in ways adverse to us;
- *other risks* including: impairments of or valuation allowances against our deferred tax assets; the possibility that in certain circumstances we will be obligated to make payments to General Electric Company ("GE") under the tax matters agreement with GE even if our corresponding tax savings are never realized and payments could be accelerated in the event of certain changes in control; and provisions of our certificate of incorporation and bylaws and the tax matters agreement with GE may

discourage takeover attempts and business combinations that stockholders might consider in their best interests; and

- *risks relating to our common stock* including: the continued suspension of payment of dividends and stock price fluctuations.

We provide additional information regarding these risks and uncertainties in the Definitive Proxy Statement, filed with the U.S. Securities and Exchange Commission ("SEC") on January 25, 2017, and our Annual Report on Form 10-K, filed with the SEC on February 27, 2019. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Accordingly, for the foregoing reasons, we 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, except as may be required under applicable securities laws.

Strategic Update

We continue to focus on improving business performance, addressing financial leverage and increasing financial and strategic flexibility across the organization. Our strategy includes maximizing our opportunities in our mortgage insurance businesses and stabilizing our U.S. life insurance businesses.

China Oceanwide Transaction

On October 21, 2016, Genworth Financial, Inc. ("Genworth Financial") entered into an agreement and plan of merger (the "Merger Agreement") with Asia Pacific Global Capital Co., Ltd. ("Parent"), a limited liability company incorporated in the People's Republic of China and a subsidiary of China Oceanwide Holdings Group Co., Ltd., a limited liability company incorporated in the People's Republic of China (together with its affiliates, "China Oceanwide"), and Asia Pacific Global Capital USA Corporation ("Merger Sub"), a Delaware corporation and a direct, wholly-owned subsidiary of Asia

Pacific Insurance USA Holdings LLC ("Asia Pacific Insurance"), which is a Delaware limited liability company and owned by China Oceanwide, pursuant to which, subject to the terms and conditions set forth therein, Merger Sub would merge with and into Genworth Financial with Genworth Financial surviving the merger as a direct, wholly-owned subsidiary of Asia Pacific Insurance (the "Merger"). China Oceanwide has agreed to acquire all of our outstanding common stock for a total transaction value of approximately $2.7 billion, or $5.43 per share in cash. At a special meeting held on March 7, 2017, Genworth Financial's stockholders voted on and approved a proposal to adopt the Merger Agreement.

Genworth Financial and China Oceanwide continue to work towards satisfying the closing conditions of the Merger as soon as possible. In December 2018 and January 2019, we received the remaining approvals from our U.S. domestic insurance regulators. These approvals had multiple conditions, including but not limited to, the Merger being consummated without the purchase of Genworth Life and Annuity Insurance Company ("GLAIC") from Genworth Life Insurance Company ("GLIC") by a Genworth intermediate holding company, which had been initially proposed and which we refer to as the "GLAIC unstacking." Our U.S. domestic regulatory approvals included the approval from the Delaware Department of Insurance ("DDOI"). Genworth Financial and China Oceanwide worked with the DDOI and other regulators to obtain approval of the Merger without the GLAIC unstacking throughout the second half of 2018. As part of the DDOI approval, Genworth Financial and China Oceanwide agreed, following the Merger, Genworth Holdings, Inc. ("Genworth Holdings") will contribute $175 million to GLIC, which was previously committed by Genworth Financial to be used as partial consideration for the GLAIC unstacking. The $175 million was originally scheduled to be contributed in three equal tranches, with the first contribution completed by the end of March 2019, the second contribution completed by the end of September 2019 and the final contribution completed by the end of January 2020. Due to the delay in closing the Merger, we did not make the March 2019 contribution. We will work with the DDOI on a revised timeline for the first contribution and the remaining amounts due thereafter, depending on the timing of the closing of the Merger. In addition, at or before the closing of the Merger, GLAIC will purchase from GLIC

an intercompany note with a principal amount of $200 million. This intercompany note was issued by Genworth Holdings to GLIC, with Genworth Holdings obligated to pay the principal amount on the maturity date of March 31, 2020. The purchase price will be at fair value, but not less than $200 million. No changes will be made to the existing terms of the intercompany note, other than Genworth Holdings will now pay GLAIC the principal amount of the note at maturity. Likewise, the amount will continue to be eliminated in consolidation.

In October 2018, the National Development and Reform Commission ("NDRC") of the People's Republic of China accepted China Oceanwide's filing in connection with the Merger Agreement, which concluded NDRC's review process and enables China Oceanwide to seek the clearance in China for currency conversion and the transfer of funds once all other regulatory approvals have been received.

In June 2018, the Committee on Foreign Investment in the United States ("CFIUS") completed its review of the proposed transaction and concluded that there are no unresolved national security concerns with respect to the proposed transaction. The completion of the CFIUS review satisfied one of the conditions to closing the proposed transaction. In connection with the CFIUS review of the proposed transaction, Genworth Financial and China Oceanwide entered into an agreement to implement a data security risk mitigation plan, which includes, among other things, the use of a U.S. third-party service provider and an independent security monitor to protect the personal data of Genworth Financial's policyholders and customers in the United States.

The closing of the Merger remains subject to other conditions and approvals, including the required regulatory approval in Canada. Despite multiple inquiries regarding status, the parties have not yet received any substantive guidance or timeframe for the Canadian review. In addition, China Oceanwide will need to receive clearance in China for currency conversion and the transfer of funds.

On June 30, 2019, Genworth Financial, Parent and Merger Sub entered into an eleventh waiver and agreement ("Eleventh Waiver and Agreement") pursuant to which (i) Genworth Financial and Parent each agreed to waive until no later than November 30, 2019 its right to terminate the Merger Agreement and abandon the Merger in accordance with the terms of the Merger Agreement and (ii) China Oceanwide agreed to allow Genworth Financial to solicit interest for a potential disposition of Genworth Canada. The parties decided to consider strategic alternatives for Genworth Canada as a result of the absence of any substantive progress in discussions on the approval of the Merger with Canadian regulators. Consequently, the parties concluded that exploring a potential disposition of Genworth Financial's interest in Genworth Canada is in the best interests of the parties. In addition, a potential sale would allow Genworth Financial to reduce its outstanding indebtedness and increase its financial flexibility, whether or not the China Oceanwide transaction is consummated.

The Eleventh Waiver and Agreement extended the tenth waiver and agreement extension deadline of June 30, 2019 to allow additional time for the remaining regulatory approval, clearance and extension processes and for the parties to explore disposition options for Genworth Canada. If Genworth Financial identifies a suitable sale transaction for Genworth Canada, China Oceanwide will have the right to accept or reject the terms of the Genworth Canada sale transaction. If China Oceanwide accepts the terms, the parties will seek to close the sale of Genworth Canada as promptly as possible, and the Merger concurrently or promptly thereafter. However, in the event China Oceanwide rejects the Genworth Canada sale transaction, the parties will each have the right to accelerate the November 30, 2019 end date and terminate the Merger Agreement at that time.

On July 24, 2019, Genworth Holdings announced a solicitation of consents from the holders of its outstanding senior and junior subordinated notes ("July 2019 bond consent") to create an express authorization for the sale of all or part of our non-U.S. mortgage insurance businesses or assets, including Genworth Canada. No assurance can be given regarding the completion of the July 2019 bond consent.

China Oceanwide and Genworth have agreed on a capital investment plan under which China Oceanwide and/or its affiliates will contribute an aggregate of $1.5 billion to Genworth over time following consummation of the Merger. This contribution is subject to the closing of the Merger and the receipt of required regulatory approvals. The $1.5 billion contribution would be used to further improve our financial stability, which could include retiring debt due in 2020 and 2021 or enabling future growth opportunities. China Oceanwide has no current intention or future obligation to contribute additional capital to support our legacy long-term care insurance business. However, as discussed above, the parties have agreed following the closing of the Merger, Genworth Holdings would contribute $175 million in aggregate to GLIC over time.

At this time Genworth Financial and China Oceanwide remain committed to satisfying the closing conditions under the Merger Agreement as soon as possible. However, an additional extension may be required to complete the potential disposition of Genworth Canada, and there is no guarantee such disposition will occur, or China Oceanwide will consent to the terms of such disposition. If the parties are unable to satisfy the closing conditions by November 30, 2019 and are unable to reach an agreement as to a further extension of the deadline, then either party may terminate the Merger Agreement pursuant to its terms.

If the China Oceanwide transaction is completed, we will be a standalone subsidiary and our senior management team will continue to lead the business from our current headquarters in Richmond, Virginia. Other than a potential sale of Genworth Canada, we intend to maintain our existing portfolio of businesses. Except for the specific monitoring and reporting required under the CFIUS data security risk mitigation plan, our day-to-day operations are not expected to change as a result of this transaction.

Strategic Alternatives

If the China Oceanwide transaction is not completed, we will continue to explore strategic alternatives and financing options to address our ongoing challenges. As a result of the recent performance of our long-term care and life insurance businesses and the charges we recorded in previous periods, as well as the resulting lack of potential dividend capacity from our U.S. life insurance subsidiaries, our financial strength ratings have been downgraded. Absent any alternative commitment of external capital, we believe there would be: increased pressure on and potential further downgrades of our financial strength ratings, particularly for our mortgage insurance businesses, which could affect our ability to maintain our market share of the U.S. mortgage insurance industry and other limitations on our holding company liquidity and ability to service and/or refinance our holding company debt.

In the absence of the transaction with China Oceanwide, which we can neither predict nor guarantee, we may need to pursue strategic asset sales to address our debt maturities in 2020 and thereafter. We have initiated a process to potentially sell Genworth Canada, and in the absence of the transaction with China Oceanwide, we may pursue other asset sales, including a potential sale of our mortgage insurance business in Australia. We have and would continue to evaluate options to insulate our U.S. mortgage insurance business from additional ratings pressure, including a potential partial sale, in the event the transaction with China Oceanwide cannot be completed. Changes to our financial projections, including changes that anticipate planned asset sales, may negatively impact our ability to realize certain foreign tax credits or other deferred tax assets and have a resulting material adverse effect on our results of operations.

Ongoing Priorities

Stabilizing our U.S. life insurance businesses continues to be one of our long-term goals. We will continue to execute this objective primarily through our multi-year long-term care insurance in-force rate action plan. Increased premiums and associated benefit reductions on our legacy long-term care insurance policies are critical to the business. As previously disclosed, we are no longer seeking an unstacking of GLAIC as part of our long-term care insurance strategy. In addition, reducing debt will remain a high priority. We believe that increased financial support and our strengthened financial foundation resulting from the China Oceanwide transaction would provide us with more options to manage our debt maturities and reduce overall indebtedness, which in turn is intended to improve our credit and ratings profile over time. Finally, we also believe that the completion

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of the China Oceanwide transaction would allow us to place greater focus on the future of our long-term care and mortgage insurance businesses while continuing to service our existing policyholders.

Executive Summary of Financial Results

Below is an executive summary of our consolidated financial results for the periods indicated. Amounts below are net of taxes, unless otherwise indicated.

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

- We had net income available to Genworth Financial, Inc.'s common stockholders of $168 million and $190 million for the three months ended June 30, 2019 and 2018, respectively. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders was $204 million and $200 million for the three months ended June 30, 2019 and 2018, respectively.
- Our U.S. Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $147 million and $137 million for the three months ended June 30, 2019 and 2018, respectively. The increase was primarily attributable to higher insurance in-force and an increase in investment income in the current year. The current year also included an $8 million favorable reserve adjustment. Included in the prior year was a $22 million favorable reserve adjustment. These favorable reserve adjustments were mostly associated with lower expected claim rates.
- Our Canada Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $41 million and $46 million for the three months ended June 30, 2019 and 2018, respectively. The decrease was primarily driven by higher taxes and changes in foreign exchange rates in the current year.
- Our Australia Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $13 million and $22 million for the three months ended June 30, 2019 and 2018, respectively. The decrease was predominantly attributable to lower premiums largely from higher policy cancellations in the prior year mostly due to an initiative implemented in the second quarter of 2018 to more promptly identify loans that were discharged or refinanced and from the seasoning of our smaller, more recent in-force books of business. The decrease was partially offset by lower contract fees amortization in the current year.
- Our U.S. Life Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $66 million and $57 million for the three months ended June 30, 2019 and 2018, respectively. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders for our long-term care insurance business increased $15 million mainly attributable to $96 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented and from favorable development on prior year incurred but not reported claims. The increase was also due to lower utilization of available benefits compared to the prior year. These increases were partially offset by higher severity and frequency of new claims, lower claim terminations and an increase in incremental reserves of $39 million recorded in connection with an accrual for profits followed by losses in the current year. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders for our life insurance business increased $6 million mainly from a reinsurance correction and refinement resulting in a net favorable impact of $17 million in the current year. This increase was partially offset by higher lapses primarily associated with our large 20-year term life insurance block issued in 1999 entering its post-level premium period and the continued runoff of our term life insurance products in the current year. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased $12 million in our fixed annuities business predominantly attributable to lower mortality in the current year compared to the prior year and an unfavorable charge of $4 million in connection with loss recognition testing in our fixed immediate annuity products.

- Our Runoff segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $9 million and $13 million for the three months ended June 30, 2019 and 2018, respectively. The decrease was predominantly from higher mortality and lower fee income driven mostly by a decline in the average account values in our variable annuity products, partially offset by favorable equity market performance in the current year.
- Corporate and Other Activities had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $72 million and $75 million for the three months ended June 30, 2019 and 2018, respectively. The decrease in the loss was principally related to lower interest expense and provisional tax expense of $19 million in the prior year that did not recur, partially offset by $11 million of higher taxes in the current year associated with the Global Intangible Low Taxed Income ("GILTI") provision of the Tax Cuts and Jobs Act ("TCJA").

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

- We had net income available to Genworth Financial, Inc.'s common stockholders of $342 million and $302 million for the six months ended June 30, 2019 and 2018, respectively. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders was $325 million for both the six months ended June 30, 2019 and 2018.
- Our U.S. Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $271 million and $248 million for the six months ended June 30, 2019 and 2018, respectively. The increase was primarily attributable to higher insurance in-force and an increase in investment income, partially offset by higher operating costs in the current year. The current year also included an $8 million favorable reserve adjustment. Included in the prior year was a $22 million favorable reserve adjustment. These favorable reserve adjustments were mostly associated with lower expected claim rates.
- Our Canada Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $82 million and $95 million for the six months ended June 30, 2019 and 2018, respectively. The decrease was primarily driven by lower earned premiums largely from changes in foreign exchange rates in the current year, refinements in premium recognition factors in the prior year that did not recur and from the seasoning of our smaller, more recent in-force books of business. The decrease was also attributable to higher operating costs in the current year.
- Our Australia Mortgage Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $27 million and $41 million for the six months ended June 30, 2019 and 2018, respectively. The decrease was predominantly attributable to lower premiums largely from the seasoning of our smaller, more recent in-force books of business and from higher policy cancellations in the prior year. The decrease was partially offset by lower contract fees amortization in the current year.
- Our U.S. Life Insurance segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $61 million and $52 million for the six months ended June 30, 2019 and 2018, respectively. Our long-term care insurance business had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $17 million for the six months ended June 30, 2019 compared to an adjusted operating loss of $10 million for the six months ended June 30, 2018. The increase to income in the current year from a loss in the prior year was predominantly attributable to $156 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented and from favorable development on prior year incurred but not reported claims. These increases were partially offset by higher severity and frequency of new claims, lower claim terminations and an increase in incremental reserves of $39 million recorded in connection with an accrual for profits followed by losses in the current year. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders for our life insurance business increased $5 million mainly from a reinsurance correction and refinement resulting in a net favorable impact of $17 million in the current year.

This increase was partially offset by higher lapses primarily associated with our large20-year term life insurance block issued in 1999 entering its post-level premium period and the continued runoff of our term life insurance products in the current year. Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased $23 million in our fixed annuities business predominantly attributable to $17 million of unfavorable charges in connection with loss recognition testing in our fixed immediate annuity products and lower investment income, partially offset by lower interest credited in the current year.

- Our Runoff segment had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $29 million and $23 million for the six months ended June 30, 2019 and 2018, respectively. The increase was predominantly from favorable equity market performance, partially offset by lower fee income driven mostly by a decline in the average account values in our variable annuity products in the current year.
- Corporate and Other Activities had an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $145 million and $134 million for the six months ended June 30, 2019 and 2018, respectively. The increase in the loss was principally related to $23 million of higher taxes in the current year associated with the GILTI provision of the TCJA, partially offset by lower interest expense and operating costs in the current year and provisional tax expense of $19 million in the prior year that did not recur.

Significant Developments

The periods under review include, among others, the following significant developments.

U.S. Mortgage Insurance

- *PMIERs Compliance*. Our U.S. mortgage insurance business has been compliant with the original requirements under the private mortgage insurer eligibility requirements ("PMIERs") since its introduction into the private mortgage insurance industry in 2015. These requirements set forth operational and financial requirements that mortgage insurers must meet in order to remain eligible to offer private mortgage insurance. On March 31, 2019, revisions to the original PMIERs became effective for our U.S. mortgage insurance business. The major revisions include the elimination of any credit for future premiums that had previously been allowed on insurance policies written in 2008 and earlier. Our U.S. mortgage insurance business had available assets of approximately 123% of the required assets under PMIERs as of June 30, 2019. The PMIERs sufficiency ratio was in excess of $650 million of available assets above the requirements as of June 30, 2019.

- *Market Share.* Our U.S. mortgage insurance business increased its estimated market share during the second quarter of 2019 compared to the first quarter of 2019. Market share of our U.S. mortgage insurance business is influenced by the execution of its go to market strategy, including, but not limited to, the ongoing rollout of its proprietary risk-based pricing engine, GenRATE, and its selective participation in forward commitment transactions.
- *New Insurance Written.* Our U.S. mortgage insurance business continues to grow its insurance in-force through higher new insurance written, which increased 39% during the three months ended June 30, 2019 compared to the three months ended June 30, 2018. This increase was primarily driven by the increase in the estimated market share and a larger private mortgage insurance available market.

Canada Mortgage Insurance

- *Regulatory Capital*. The Mortgage Insurer Capital Adequacy Test ("MICAT") guideline was effective for our Canada mortgage insurance business on January 1, 2019. The MICAT guideline did not have a

material impact on our regulatory solvency as of June 30, 2019, as the impact of the elimination of the one-time credit score update for 2015 and prior books more than offset the 5% increase in the total asset requirement on existing insurance in-force. In addition, we expect these new requirements to permit our mortgage insurance business in Canada to more closely align its actual capital levels with its targeted operating range and allow for meaningful levels of capital redeployment in addition to regular quarterly dividends. In the second quarter of 2019, Genworth Canada returned additional capital to all shareholders via share repurchases of approximately CAD$68 million and a special dividend of CAD$0.40 per share or approximately CAD$34 million in aggregate. As of June 30, 2019, our MICAT ratio under the framework was approximately 169%, which was above the supervisory target.

U.S. Life Insurance

- *In-force rate actions in our long-term care insurance business.* 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 and associated benefit reductions on older generation blocks of business in order to bring those blocks closer to a break-even point over time and reduce the strain on earnings and capital. We are also requesting premium rate increases and associated benefit reductions on newer blocks of business, as needed, some of which may be significant, to help bring their loss ratios back towards their original pricing. For all of these in-force rate action filings, we received 56 filing approvals from 16 states during the six months ended June 30, 2019, representing a weighted-average increase of 49% on approximately $467 million in annualized in-force premiums, or approximately $228 million of incremental annual premiums. We also submitted 8 new filings in 4 states during the six months ended June 30, 2019 on approximately $79 million in annualized in-force premiums.

Liquidity, Capital Resources and Intercompany Obligations

- *Genworth Canada Debt Refinance.* On May 22, 2019, Genworth Canada issued at a premium, CAD$100 million fixed rate senior notes with an interest rate of 4.24% that matures in 2024. The offering represents a re-opening of the 4.24% senior notes originally issued in April 2014. In June 2019, the proceeds of the offering were used to early redeem approximately CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020. As a result of the early redemption of Genworth Canada's notes, we incurred a pre-tax loss of approximately $1 million, net of the portion attributable to noncontrolling interests.
- *International Dividends.* During the six months ended June 30, 2019, our international subsidiaries paid $105 million of dividends to Genworth Holdings, which included $53 million of dividends attributable to share repurchases in our Canada and Australia mortgage insurance businesses. See "Item 2—Liquidity and Capital Resources" for additional details.
- *Genworth Holdings Cash and Targeted Cash Buffer.* As of June 30, 2019, Genworth Holdings held $358 million of cash, cash equivalents and restricted cash and $45 million of unrestricted and restricted U.S. government securities. The $403 million combined cash and liquid assets is below our targeted cash buffer of two times expected annual external debt interest payments by approximately $100 million. See "Item 2—Liquidity and Capital Resources" for additional details.
- *Intercompany Note Maturity.* Genworth Holdings currently has an intercompany note due to GLIC on March 31, 2020 with a principal amount of $200 million. In conjunction with the Merger with China Oceanwide and as discussed above, GLAIC will purchase from GLIC this intercompany note at fair value, but not less than $200 million.

Financial Strength Ratings

On July 1, 2019, Standard & Poor's Financial Services, LLC ("S&P") revised its ratings criteria for insurance companies. Subsequently, on July 25, 2019, S&P downgraded the financial strength rating of Genworth Financial Mortgage Insurance Pty Limited, our principal Australia mortgage insurance subsidiary,

from "A+" (Strong) to "A" (Strong). In addition to the change in criteria, the downgrade was based largely on Genworth Financial Mortgage Insurance Pty Limited's weakened competitive position in the local market and a lack of diversification as a monoline insurer. Likewise, a decrease in revenues and earnings over the past five years raised concerns over the ability to withstand large shocks, in the view of S&P.

On June 19, 2019, Moody's Investors Service, Inc. ("Moody's") upgraded the financial strength rating of Genworth Mortgage Insurance Corporation ("GMICO"), our principal U.S. mortgage insurance subsidiary, from "Ba1" (Questionable) to "Baa3" (Adequate). The upgrade of GMICO was based on its improving profitability, market position and healthy capital levels in relation to the GSEs' requirements. Moody's also downgraded the financial strength rating of GLAIC, one of our principal life insurance subsidiaries, from "Ba3" (Questionable) to "B1" (Poor). The downgrade of GLAIC was based on continuing earnings volatility and lower margins.

Other than described above, there were no changes in the financial strength ratings of our insurance subsidiaries subsequent to February 27, 2019, the date we filed our 2018 Annual Report on Form 10-K. For a discussion of the financial strength ratings of our insurance subsidiaries, see "Item 1—Financial Strength Ratings" in our 2018 Annual Report on Form 10-K.

Consolidated

General Trends and Conditions

The stability of both the financial markets and global economies in which we operate impacts the sales, revenue growth and profitability trends of our businesses as well as the value of assets and liabilities. The U.S. and international financial markets in which we operate have been impacted by concerns regarding regulatory changes, global trade and modest global growth. During 2018, the global economy improved and most countries in which we conduct business saw improved levels of gross domestic product ("GDP") growth. This global growth continued into 2019, particularly in the U.S., which experienced better than expected GDP growth in the first half of 2019, driven in part by strong consumer spending. In spite of this better than expected first half of 2019 results, many economic uncertainties remain, including, U.S. and China trade tensions, fluctuating oil and commodity prices, a negative inflation outlook and global growth concerns. Near term inflation remains relatively stable but long-term forecasts indicate signs of volatility, which has resulted in a negative outlook. Historic low interest rates began to rise in 2018 given actions taken by the U.S. Federal Reserve and other central banks, although long-term interest rates remain at low levels and interest rates reversed course from their upward trend and declined during the first half of 2019. The U.S. Federal Reserve did not increase rates during the second quarter of 2019 and signaled that they are weighing a potential interest rate decrease in 2019 and/or 2020. Prior to the second quarter of 2019, the U.S. Federal Reserve projected no additional rate increases in 2019 and one increase in 2020. The modification in the forecast reflects economic concerns relating to ongoing global trade tensions, slower global growth and a negative inflation outlook. Given this forecast, we expect interest rates will remain low as compared to historical norms. Likewise, we remain uncertain at the pace in which future interest rate increases or decreases will occur and its ultimate impact on our businesses. The U.S. Treasury yield curve steepened in the second quarter of 2019 with short-term interest rates decreasing at a higher rate than long-term interest rate decreases. Portions of the U.S. Treasury yield curve inverted in late May 2019 and continued through the end of the second quarter of 2019, as the yield on the U.S. 10-year Treasury note dipped below the yield on the 3-month Treasury bill. Credit markets also experienced a brief period of volatility in May 2019, with spread widening due to escalating global trade tensions, but subsequently recovered in June 2019 driven mostly by renewed optimism on trade, expectations on accommodative central bank policies and rebounding investor demand for bonds. For a discussion of the risks associated with interest rates, see "Item 1A Risk Factors—Interest rates and changes in rates could materially adversely affect our business and profitability" in our 2018 Annual Report on Form 10-K.

Varied levels of economic growth, coupled with uncertain economic outlooks, changes in government policy, regulatory and tax reforms, and other changes in market conditions, influenced, and we believe will

continue to influence, investment and spending decisions by consumers and businesses as they weigh their consumption, debt, capital and risk profiles in response to these conditions. These trends change as investor confidence in the markets and the outlook for some consumers and businesses shift. As a result, our sales, revenues and profitability trends of certain insurance and investment products as well as the value of assets and liabilities have been and could be further impacted going forward. In particular, factors such as government spending, monetary policies, the volatility and strength of the capital markets, further changes in tax policy and/or in U.S. tax legislation, international trade and the impact of global financial regulation reform will continue to affect economic and business outlooks, level of interest rates and consumer behaviors moving forward.

The U.S. and international governments, the U.S. Federal Reserve, other central banks and other legislative and regulatory bodies have taken certain actions in past years to support the economy and capital markets, influence interest rates, influence housing markets and mortgage servicing and provide liquidity to promote economic growth. These include various mortgage restructuring programs implemented or under consideration by the GSEs, lenders, servicers and the U.S. government. Outside of the United States, various governments and central banks have taken actions to stimulate economies, stabilize financial systems and improve market liquidity. These policies and actions have generally been supportive to the worldwide economy, however, a U.S. or global recession or regional or global financial crisis could occur which would materially and adversely affect our business, financial condition and results of operations.

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations. For a discussion of our segment results, see "—Results of Operations and Selected Financial and Operating Performance Measures by Segment."

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth the consolidated results of operations for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 1,126	$ 1,136	$ (10)	(1)%
Net investment income	852	828	24	3%
Net investment gains (losses)	(45)	(14)	(31)	NM[(1)]
Policy fees and other income	223	209	14	7%
Total revenues	2,156	2,159	(3)	— %
Benefits and expenses:				
Benefits and other changes in policy reserves	1,270	1,205	65	5%
Interest credited	146	152	(6)	(4)%
Acquisition and operating expenses, net of deferrals	247	253	(6)	(2)%
Amortization of deferred acquisition costs and intangibles	95	112	(17)	(15)%
Interest expense	73	77	(4)	(5)%
Total benefits and expenses	1,831	1,799	32	2%
Income before income taxes	325	360	(35)	(10)%
Provision for income taxes	107	111	(4)	(4)%
Net income	218	249	(31)	(12)%
Less: net income attributable to noncontrolling interests	50	59	(9)	(15)%
Net income available to Genworth Financial, Inc.'s common stockholders	$ 168	$ 190	$ (22)	(12)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Premiums. Premiums are primarily earned on insurance products for mortgage, long-term care, life and accident and health insurance, single premium immediate annuities and structured settlements with life contingencies.

- Our Australia Mortgage Insurance segment decreased $26 million predominantly from higher policy cancellations in the prior year mostly due to an initiative implemented in the second quarter of 2018 to more promptly identify loans that were discharged or refinanced and from the seasoning of our smaller, more recent in-force books of business. The three months ended June 30, 2019 included a decrease of $7 million attributable to changes in foreign exchange rates.
- Our Canada Mortgage Insurance segment decreased $6 million primarily from changes attributable to foreign exchange rates in the current year.
- Our U.S. Mortgage Insurance segment increased $22 million mainly attributable to higher insurance in-force in the current year.
- Our U.S. Life Insurance segment increased $1 million. Our long-term care insurance business increased $8 million largely from $24 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year. Our life insurance business decreased $7 million mainly attributable to the continued runoff of our term life insurance products.

Net investment income. Net investment income represents the income earned on our investments. For discussion of the change in net investment income, see the comparison for this line item under "—Investments and Derivative Instruments."

Net investment gains (losses). Net investment gains (losses) consist primarily of realized gains and losses from the sale or impairment of our investments, unrealized and realized gains and losses from our equity and trading securities and derivative instruments. For discussion of the change in net investment gains (losses), see the comparison for this line item under "—Investments and Derivative Instruments."

Policy fees and other income. Policy fees and other income consists primarily of fees assessed against policyholder and contractholder account values, surrender charges, cost of insurance assessed on universal and term universal life insurance policies, advisory and administration service fees assessed on investment contractholder account values, broker/dealer commission revenues and other fees.

- Our U.S. Life Insurance segment increased $18 million mostly attributable to our life insurance business due to a $21 million favorable correction related to ceded premiums on universal life insurance policies, partially offset by a favorable model refinement in the prior year that did not recur.
- Our Runoff segment decreased $3 million principally from lower fee income driven mostly by a decline in the average account values in our variable annuity products in the current year.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves consist primarily of claim costs incurred related to mortgage insurance products and benefits paid and reserve activity related to current claims and future policy benefits on insurance and investment products for long-term care, life and accident and health insurance, structured settlements and single premium immediate annuities with life contingencies.

- Our U.S. Life Insurance segment increased $48 million. Our long-term care insurance business increased $22 million principally related to the aging of the in-force block (including higher frequency of new claims), higher severity of new claims, lower claim terminations and an increase in incremental reserves of $49 million recorded in connection with an accrual for profits followed by losses in the current year. These increases were partially offset by a higher favorable impact of $100 million from reduced benefits in the current year related to in-force rate actions approved and implemented and from

favorable development on prior year incurred but not reported claims. The current year also included favorable utilization of available benefits. Our life insurance business increased $19 million primarily attributable to a favorable model refinement in the prior year that did not recur and higher mortality in the current year compared to the prior year. Our fixed annuities business increased $7 million largely attributable to $5 million of higher reserves in connection with loss recognition testing in our fixed immediate annuity products primarily as a result of a decrease in interest rates in the current year. The increase was also due to lower mortality in the current year compared to the prior year. These increases were partially offset by lower interest credited in the current year due to block runoff.

- Our U.S. Mortgage Insurance segment increased $14 million. Benefits and other changes in policy reserves were zero in the current year but increased compared to the prior year. Lower net benefits from cures and aging of existing delinquencies were offset by a $10 million favorable reserve adjustment and a lower average reserve on new delinquencies in the current year. The prior year also included a $28 million favorable reserve adjustment. These favorable reserve adjustments were mostly associated with lower expected claim rates.
- Our Runoff segment increased $6 million primarily attributable to higher mortality in both our variable annuity and corporate-owned life insurance products in the current year.
- Our Australia Mortgage Insurance segment decreased $3 million largely from changes in foreign exchange rates in the current year. Excluding the effects of changes in foreign exchange rates, benefits and other changes in policy reserves were flat as higher reserves on new delinquencies were offset by higher reserve releases for cures in the current year.
- Our Canada Mortgage Insurance segment was flat as lower new delinquencies, net of cures, and modestly higher favorable development in our loss reserves were offset by a higher average reserve per delinquency, primarily attributable to increased losses in Alberta in the current year.

Interest credited. Interest credited represents interest credited on behalf of policyholder and contractholder general account balances.

- Our U.S. Life Insurance segment decreased $10 million. Our life insurance and fixed annuities businesses decreased $2 million and $8 million, respectively, primarily driven by a decline in average account values and lower crediting rates in the current year.
- Our Runoff segment increased $4 million largely related to higher interest in our corporate-owned life insurance products in the current year.

Acquisition and operating expenses, net of deferrals. Acquisition and operating expenses, net of deferrals, represent costs and expenses related to the acquisition and ongoing maintenance of insurance and investment contracts, including commissions, policy issuance expenses and other underwriting and general operating costs. These costs and expenses are net of amounts that are capitalized and deferred, which are costs and expenses that are related directly to the successful acquisition of new or renewal insurance policies and investment contracts, such as first-year commissions in excess of ultimate renewal commissions and other policy issuance expenses. The current year included a $2 million early redemption fee in our Canada Mortgage Insurance segment related to the repayment of CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020.

Amortization of deferred acquisition costs and intangibles. Amortization of DAC and intangibles consists primarily of the amortization of acquisition costs that are capitalized, PVFP and capitalized software.

- Our U.S. Life Insurance segment decreased $11 million primarily related to our life insurance business principally from an unfavorable model refinement in the prior year that did not recur, partially offset by higher lapses primarily associated with our large20-year term life insurance block issued in 1999 entering its post-level premium period and higher reinsurance rates in the current year.

- Our Runoff segment decreased $4 million related to our variable annuity products mainly from favorable equity market performance in the current year.
- Our Australia Mortgage Insurance segment decreased $3 million primarily from lower contract fees amortization and from changes in foreign exchange rates in the current year.

Interest expense. Interest expense represents interest related to our borrowings that are incurred at Genworth Holdings or subsidiaries and our non-recourse funding obligations and interest expense related to the Tax Matters Agreement and certain reinsurance arrangements being accounted for as deposits. Corporate and Other activities decreased $5 million largely driven by the redemption of $597 million of Genworth Holding's senior notes in May 2018.

Provision for income taxes. The effective tax rate increased to 32.9% for the three months ended June 30, 2019 from 30.8% for the three months ended June 30, 2018. The increase was principally driven by a tax expense in the current year related to the GILTI provision of the TCJA. GILTI has an unfavorable impact on our current year effective tax rate due to the utilization of net operating loss carryforwards and projected taxable losses in the U.S. life insurance businesses without any offsetting foreign tax credit carryforwards. The unfavorable impact on the effective rate is expected to continue for the remainder of 2019 and into 2020 but is subject to change depending on variations in business results and a potential disposition of Genworth Canada.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests represents the portion of equity in a subsidiary attributable to third parties.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth the consolidated results of operations for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$2,240	$2,276	$ (36)	(2)%
Net investment income	1,681	1,632	49	3%
Net investment gains (losses)	29	(45)	74	164%
Policy fees and other income	410	411	(1)	— %
Total revenues	4,360	4,274	86	2%
Benefits and expenses:				
Benefits and other changes in policy reserves	2,571	2,516	55	2%
Interest credited	293	308	(15)	(5)%
Acquisition and operating expenses, net of deferrals	498	493	5	1%
Amortization of deferred acquisition costs and intangibles	186	216	(30)	(14)%
Interest expense	145	153	(8)	(5)%
Total benefits and expenses	3,693	3,686	7	— %
Income before income taxes	667	588	79	13%
Provision for income taxes	219	174	45	26%
Net income	448	414	34	8%
Less: net income attributable to noncontrolling interests	106	112	(6)	(5)%
Net income available to Genworth Financial, Inc.'s common stockholders	$ 342	$ 302	$ 40	13%

Premiums

- Our Australia Mortgage Insurance segment decreased $41 million predominantly from the seasoning of our smaller, more recent in-force books of business and from higher policy cancellations in the prior year. The six months ended June 30, 2019 included a decrease of $15 million attributable to changes in foreign exchange rates.
- Our Canada Mortgage Insurance segment decreased $19 million primarily from $13 million of changes attributable to foreign exchange rates in the current year, refinements in premium recognition factors in the prior year that did not recur and from the seasoning of our smaller, more recent in-force books of business.
- Our U.S. Life Insurance segment decreased $12 million. Our long-term care insurance business increased $5 million. The increase was largely from $41 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year. Our life insurance business decreased $17 million mainly attributable to the continued runoff of our term life insurance products and higher reinsurance rates in the current year.

- Our U.S. Mortgage Insurance segment increased $37 million mainly attributable to higher insurance in-force in the current year.

Net investment income. For discussion of the change in net investment income, see the comparison for this line item under "—Investments and Derivative Instruments."

Net investment gains (losses). For discussion of the change in net investment gains (losses), see the comparison for this line item under "—Investments and Derivative Instruments."

Policy fees and other income

- Our Runoff segment decreased $8 million principally from lower fee income driven mostly by a decrease in the average account values in our variable annuity products in the current year.
- Our U.S. Life Insurance segment increased $6 million mostly attributable to our life insurance business primarily driven by a $21 million favorable correction related to ceded premiums on universal life insurance policies, partially offset by a favorable model refinement in the prior year that did not recur and a decline in our term universal and universal life insurance in-force blocks in the current year.

Benefits and other changes in policy reserves

- Our U.S. Life Insurance segment increased $46 million. Our long-term care insurance business increased $21 million principally related to the aging of the in-force block (including higher frequency of new claims), higher severity of new claims, lower claim terminations and an increase in incremental reserves of $49 million recorded in connection with an accrual for profits followed by losses in the current year. These increases were partially offset by a higher favorable impact of $161 million from reduced benefits in the current year related to in-force rate actions approved and implemented and from favorable development on prior year incurred but not reported claims. Our life insurance business increased $14 million primarily attributable to a favorable model refinement in the prior year that did not recur. Our fixed annuities business increased $11 million largely attributable to $22 million of higher reserves in connection with loss recognition testing in our fixed immediate annuity products primarily as a result of portfolio management actions and from a decrease in the projected yield curve. This increase was partially offset by lower interest credited in the current year due to block runoff.
- Our U.S. Mortgage Insurance segment increased $14 million primarily from a lower favorable reserve adjustment in the current year. We recorded a $10 million favorable reserve adjustment in the current

year compared to a $28 million favorable reserve adjustment in the prior year. These adjustments were mostly associated with lower expected claim rates. The increase was also attributable to lower net benefits from cures and aging of existing delinquencies, partially offset by a lower average reserve on new delinquencies in the current year.

- Our Canada Mortgage Insurance segment increased $1 million principally from a higher average reserve per delinquency, primarily attributable to increased losses in Alberta, mostly offset by lower new delinquencies, net of cures in the current year.
- Our Australia Mortgage Insurance segment decreased $5 million from changes attributable to foreign exchange rates in the current year. Excluding the effects of changes in foreign exchange rates, benefits and other changes in policy reserves were flat as higher reserves on new delinquencies were offset by higher reserve releases for cures in the current year.
- Our Runoff segment decreased $1 million primarily attributable to lower guaranteed minimum death benefit ("GMDB") reserves in our variable annuity products due to favorable equity market performance, mostly offset by higher mortality in both our variable annuity and corporate-owned life insurance products in the current year.

Interest credited

- Our U.S. Life Insurance segment decreased $23 million. The decrease was due to our life insurance and fixed annuities businesses, which decreased $5 million and $18 million, respectively, primarily driven by a decline in average account values and lower crediting rates in the current year.
- Our Runoff segment increased $8 million largely related to higher interest in our corporate-owned life insurance products in the current year.

Acquisition and operating expenses, net of deferrals

- Our U.S. Mortgage Insurance segment increased $6 million primarily attributable to higher operating costs driven mostly by increased sales in the current year.
- Our Canada Mortgage Insurance segment increased $5 million mainly from higher operating costsand from a $2 million early redemption fee related to the repayment of CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020.
- Corporate and Other activities decreased $6 million mainly driven by a decrease in employee related expenses and lower operating costs in the current year.

Amortization of deferred acquisition costs and intangibles

- Our U.S. Life Insurance segment decreased $16 million driven mostly by our life insurance business principally from an unfavorable model refinement in the prior year that did not recur, partially offset by higher lapses primarily associated with our large 20-year term life insurance block issued in 1999 entering its post-level premium period and higher reinsurance rates in the current year.
- Our Runoff segment decreased $9 million largely related to our variable annuity products mainly from favorable equity market performance in the current year.
- Our Australia Mortgage Insurance segment decreased $5 million largely from lower contract fees amortization and from changes in foreign exchange rates in the current year.

Interest expense. The decrease was largely related to Corporate and Other activities, which decreased $9 million. The decrease was mostly attributable to the redemption of $597 million of Genworth Holdings' senior notes in May 2018, partially offset by higher interest expense attributable to the term loan that Genworth Holdings closed in March 2018 and from our junior subordinated notes which had a higher floating rate of interest in the current year.

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Provision for income taxes. The effective tax rate increased to 32.8% for the six months ended June 30, 2019 from 29.6% for the six months ended June 30, 2018. The increase in the effective tax rate was primarily attributable to tax expense in the current year related to the GILTI provision of the TCJA. GILTI has an unfavorable impact on our current year effective tax rate due to the utilization of net operating loss carryforwards and projected taxable losses in the U.S. life insurance businesses without any offsetting foreign tax credit carryforwards. The unfavorable impact on the effective rate is expected to continue for the remainder of 2019 and into 2020 but is subject to change depending on variations in business results and a potential disposition of Genworth Canada.

Use of non-Generally Accepted Accounting Principles ("GAAP") measures

Reconciliation of net income to adjusted operating income available to Genworth Financial, Inc.'s common stockholders

We use non-GAAP financial measures entitled "adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders" and "adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share." Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share is derived from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. Our chief operating decision maker evaluates segment performance and allocates resources on the basis of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. We define adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders as income (loss) from continuing operations excluding the after-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions, restructuring costs and infrequent or unusual non-operating items. Gains (losses) on insurance block transactions are defined as gains (losses) on the early extinguishment of non-recourse funding obligations, early termination fees for other financing restructuring and/or resulting gains (losses) on reinsurance restructuring for certain blocks of business. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and restructuring costs are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders if, in our opinion, they are not indicative of overall operating trends.

While some of these items may be significant components of net income (loss) available to Genworth Financial, Inc.'s common stockholders in accordance with U.S. GAAP, we believe that adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, and measures that are derived from or incorporate adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders, including adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share on a basic and diluted basis, are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders have occurred in the past and could, and in some cases will, recur in the future. Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders and adjusted

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operating income (loss) available to Genworth Financial, Inc.'s common stockholders per share on a basic and diluted basis are not substitutes for net income (loss) available to Genworth Financial, Inc.'s common stockholders or net income (loss) available to Genworth Financial, Inc.'s common stockholders per share on a basic and diluted basis determined in accordance with U.S. GAAP. In addition, our definition of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders may differ from the definitions used by other companies.

In 2019, we revised how we tax the adjustments to reconcile net income (loss) available to Genworth Financial, Inc.'s common stockholders to adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders to align the tax rate used in the reconciliation to each segment's local jurisdictional tax rate. Beginning in the first quarter of 2019, we used a tax rate of 27% and 30% for our Canada and Australia Mortgage Insurance segments, respectively, to tax effect their adjustments. Our domestic segments remain at a 21% tax rate. In 2018, we assumed a flat 21% tax rate on adjustments for all of our segments to reconcile net income (loss) available to Genworth Financial, Inc.'s common stockholders and adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. These adjustments are also net of the portion attributable to noncontrolling interests and net investment gains (losses) are adjusted for DAC and other intangible amortization and certain benefit reserves.

Prior year amounts have not been re-presented to reflect this revised presentation; however, the previous methodology would not have resulted in a materially different segment-level adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders.

The following table includes a reconciliation of net income available to Genworth Financial, Inc.'s common stockholders to adjusted operating income available to Genworth Financial, Inc.'s common stockholders for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions)	**2019**	**2018**	**2019**	**2018**
Net income	$ 218	$ 249	$ 448	$ 414
Less: net income attributable to noncontrolling interests	50	59	106	112
Net income available to Genworth Financial, Inc.'s common stockholders	168	190	342	302
Adjustments to net income available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net (1)	43	12	(28)	29
(Gains) losses on early extinguishment of debt, net (2)	1	—	1	—
Expenses related to restructuring	—	—	4	—
Taxes on adjustments	(8)	(2)	6	(6)

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 204	$ 200	$ 325	$ 325

(1) For the three months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(3) million and $(1) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $1 million and $(1) million, respectively. For the six months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(5) million and $(4) million, respectively, and adjusted for net investment gains (losses) attributable to noncontrolling interests of $6 million and $(12) million, respectively.

(2) For the three and six months ended June 30, 2019, (gains) losses on the early extinguishment of debt were adjusted for the portion attributable to noncontrolling interests of $1 million.

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In the second quarter of 2019, we recorded a pre-tax loss of $1 million, net of the portion attributable to noncontrolling interests, related to the early redemption of CAD$100 million of Genworth Canada's senior notes originally scheduled to mature in June 2020. In the first quarter of 2019, we recorded a pre-tax expense of $4 million related to restructuring costs as we continue to evaluate and appropriately size our organizational needs and expenses. There were no infrequent or unusual items excluded from adjusted operating income during the periods presented.

Earnings per share

Basic and diluted earnings per share are calculated by dividing each income category presented below by the weighted-average basic and diluted common shares outstanding for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
(Amounts in millions, except per share amounts)	**2019**	**2018**	**2019**	**2018**
Net income available to Genworth Financial, Inc.'s common stockholders per share:				
Basic	$ 0.33	$ 0.38	$ 0.68	$ 0.60
Diluted	$ 0.33	$ 0.38	$ 0.67	$ 0.60
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders per share:				
Basic	$ 0.40	$ 0.40	$ 0.65	$ 0.65
Diluted	$ 0.40	$ 0.40	$ 0.64	$ 0.65
Weighted-average common shares outstanding:				
Basic	503.4	500.6	502.3	500.1
Diluted	508.7	502.6	508.7	502.6

Diluted weighted-average common shares outstanding reflect the effects of potentially dilutive securities including stock options, restricted stock units and other equity-based compensation.

Results of Operations and Selected Financial and Operating Performance Measures by Segment

Our chief operating decision maker evaluates segment performance and allocates resources on the basis of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders. See note 10 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for a reconciliation of net income available to Genworth Financial, Inc.'s common stockholders to adjusted operating income available to Genworth Financial, Inc.'s common stockholders and a summary of adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders for our segments and Corporate and Other activities.

We tax our international businesses at their local jurisdictional tax rates and our domestic businesses at the U.S. corporate federal income tax rate of 21%. Our segment tax methodology applies the respective jurisdictional or domestic tax rate to the pre-tax income (loss) of each segment, which is then adjusted in each segment to reflect the tax attributes of items unique to that segment such as foreign withholding taxes and permanent differences between U.S. GAAP and local tax law. The difference between the consolidated provision for income taxes and the sum of the provision for income taxes in each segment is reflected in Corporate and Other activities.

The annually-determined tax rates and adjustments to each segment's provision for income taxes are estimates which are subject to review and could change from year to year.

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Management's discussion and analysis by segment contains selected operating performance measures including "sales" and "insurancein-force"or "risk in-force" which are commonly used in the insurance industry as measures of operating performance.

Management regularly monitors and reports sales metrics as a measure of volume of new and renewal business generated in a period. Sales refer to new insurance written for mortgage insurance products. Sales do not include renewal premiums on policies or contracts written during prior periods. We consider new insurance written to be a measure of our operating performance because it represents a measure of new sales of insurance policies or contracts during a specified period, rather than a measure of our revenues or profitability during that period.

Management regularly monitors and reports insurance in-force and risk in-force. Insurance in-force for our mortgage insurance businesses is a measure of the aggregate original loan balance for outstanding insurance policies as of the respective reporting date. Risk in-force for our U.S. mortgage insurance business is based on the coverage percentage applied to the estimated current outstanding loan balance. For risk in-force in our mortgage insurance businesses in Canada and Australia, we have computed an "effective" risk in-force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor of 35% that represents the highest expected average per-claim payment for any one underwriting year over the life of our mortgage insurance businesses in Canada and Australia. In Australia, we have certain risk share arrangements where we provide pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage amount provided is used when applying the factor. We consider insurance in-force and risk in-force to be measures of our operating performance because they represent measures of the size of our business at a specific date which will generate revenues and profits in a future period, rather than measures of our revenues or profitability during that period.

Management also regularly monitors and reports a loss ratio for our businesses. For our mortgage insurance businesses, the loss ratio is the ratio of benefits and other changes in policy reserves to net earned premiums. For our long-term care insurance business, the loss ratio is the ratio of benefits and other changes in reserves less tabular interest on reserves less loss adjustment expenses to net earned premiums. We consider the loss ratio to be a measure of underwriting performance in these businesses and helps to enhance the understanding of the operating performance of our businesses.

These operating performance measures enable us to compare our operating performance across periods without regard to revenues or profitability related to policies or contracts sold in prior periods or from investments or other sources.

U.S. Mortgage Insurance segment

Trends and conditions

Results of our U.S. mortgage insurance business are affected primarily by the following factors: competitor actions; unemployment or underemployment levels; other economic and housing market trends, including interest rates, home prices, the number of first-time homebuyers, and mortgage origination volume mix and practices; the levels and aging of mortgage delinquencies; the effect of seasonal variations; the inventory of unsold homes; loan modification and other servicing efforts; and litigation, among other items. Our results are subject to the performance of the U.S. housing market and the extent of the adverse impact of seasonality that we experience historically in the second half of the year.

The level of private mortgage insurance market penetration and eventual market size is affected in part by actions taken by the GSEs and the U.S. government, including the Federal Housing Administration ("FHA"), the Federal Housing Finance Agency, and the U.S. Congress, which impact housing or housing finance policy. In the

past, these actions have included announced changes, or potential changes, to underwriting standards, FHA pricing, GSE guaranty fees, loan limits and alternative products such as those offered through Freddie Mac's Integrated Mortgage Insurance ("IMAGIN") and Fannie Mae's Enterprise Paid Mortgage Insurance ("EPMI") pilot programs, as well as low down payment programs available through the FHA or GSEs. For more information about the potential future impact, see "Item 1A—Risk Factors—Fannie Mae and Freddie Mac exert significant influence over the U.S. mortgage insurance market and changes to the role or structure of Freddie Mac or Fannie Mae could have a material adverse impact on our U.S. mortgage insurance business," and "—Risk Factors—The amount of mortgage insurance we write could decline significantly if alternatives to private mortgage insurance are used or lower coverage levels of mortgage insurance are selected" in our 2018 Annual Report on Form 10-K.

Estimated mortgage origination volume increased during the second quarter of 2019 compared to the second quarter of 2018 primarily due to lower interest rates. The estimated private mortgage insurance available market increased in the second quarter of 2019 compared to the second quarter of 2018 mainly due to higher originations. Our flow persistency was 82% during the second quarter of 2019 compared to 83% during the second quarter of 2018, due in part to lower interest rates. Our U.S. mortgage insurance estimated market share for the second quarter of 2019 increased compared to the first quarter of 2019. Our market share is influenced by the execution of our go to market strategy, including, but not limited to, the ongoing rollout of our proprietary risk-based pricing engine, GenRATE, and our selective participation in forward commitment transactions. However, our market share remains impacted by the negative ratings differential relative to our competitors, concerns expressed about Genworth's financial condition, the proposed transaction with China Oceanwide and pricing competition. For more information on the potential impacts due to competition, see "Item 1A—Risk Factors—Competitors could negatively affect our ability to maintain or increase our market share and profitability" in our 2018 Annual Report on Form 10-K.

The U.S. private mortgage insurance industry is highly competitive. There are currently six active mortgage insurers, including us. In the fourth quarter of 2018, our U.S. mortgage insurance business launched GenRATE, which provides lenders with a more granular approach to pricing for borrowers. All active U.S. mortgage insurers have now released proprietary risk-based pricing engines. We expect more new insurance written in the market to be priced using opaque pricing that will frequently provide a different price to lenders compared to prevailing rate cards. Given evolving market dynamics, we expect price competition to remain highly competitive.

New insurance written increased 39% during the second quarter of 2019 compared to the second quarter of 2018 primarily due to our higher estimated market share and a larger private mortgage insurance available market. Our largest customer accounted for a sizable percentage of our total new insurance written during the second quarter of 2019 and we expect this customer to exceed 10% of our total estimated new insurance written for 2019. No customer exceeded 10% of our new insurance written during 2018. Additionally, no customer had earned premiums that accounted for more than 10% of our U.S. mortgage insurance business total revenues in the second quarter of 2019 or the year ended December 31, 2018, and we estimate no customer will exceed 10% for the year ending December 31, 2019. The percentage of single premium new insurance written decreased during the second quarter of 2019 compared to the second quarter of 2018, reflecting our selective participation in this market. Future volumes of these products will vary depending in part on our evaluation of their risk return profile. We continue to manage the quality of new business through our underwriting guidelines, which we modify from time to time when circumstances warrant. For more information on the potential impacts due to customer concentration, see "Item 1A—Risk Factors—Our reliance on key customer or distribution relationships could cause us to lose significant sales if one or more of those relationships terminate or are reduced" in our 2018 Annual Report on Form 10-K.

Our loss ratio was zero for the three months ended June 30, 2019 compared to (8)% for the three months ended June 30, 2018. The loss ratio increased primarily from a lower favorable reserve adjustment in the current year. We recorded a favorable reserve adjustment of $10 million and $28 million during the three months ended June 30, 2019 and 2018, respectively. These adjustments were mostly associated with lower expected claim rates.

As of June 30, 2019 and March 31, 2019, GMICO's risk-to-capital ratio under the current regulatory framework as established under North Carolina law and enforced by the North Carolina Department of Insurance ("NCDOI"), GMICO's domestic insurance regulator, was approximately 12.1:1 in each period, compared with a risk-to-capital ratio of approximately 12.5:1 as of December 31, 2018. This risk-to-capital ratio remains below the NCDOI's maximum risk-to-capital ratio of 25:1. GMICO's ongoing risk-to-capital ratio will depend principally on the magnitude of future losses incurred by GMICO, the effectiveness of ongoing loss mitigation activities, new business volume and profitability, the amount of policy lapses, changes in the value of affiliated assets and the amount of additional capital that is generated within the business or capital support (if any) that we provide.

Under PMIERs, we are subject to operational and financial requirements that mortgage insurers must meet in order to remain eligible. Each approved mortgage insurer is required to provide the GSEs with an annual certification and a quarterly report as to its compliance with PMIERs. The revised PMIERs was effective on March 31, 2019. As of June 30, 2019 and March 31, 2019, our U.S. mortgage insurance business had available assets of approximately 123% of the required assets under PMIERs in each period compared to approximately 129% under the previous PMIERs requirements as of December 31, 2018. The sufficiency ratios as of June 30, 2019 and March 31, 2019 were in excess of $650 million and $600 million of available assets above the PMIERs requirements, respectively, compared to $750 million of available assets above the previous PMIERs requirements as of December 31, 2018. This difference is primarily due to the elimination of any credit for future premiums in PMIERs that had previously been allowed on insurance policies written in 2008 or earlier. Reinsurance transactions provided an aggregate of approximately $470 million of PMIERs capital credit as of June 30, 2019.

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Segment results of operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth the results of operations relating to our U.S. Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 206	$ 184	$ 22	12%
Net investment income	28	23	5	22%
Net investment gains (losses)	—	—	—	— %
Policy fees and other income	1	1	—	— %
Total revenues	235	208	27	13%
Benefits and expenses:				
Benefits and other changes in policy reserves	—	(14)	14	100%
Acquisition and operating expenses, net of deferrals	44	45	(1)	(2)%
Amortization of deferred acquisition costs and intangibles	4	3	1	33%
Total benefits and expenses	48	34	14	41%
Income before income taxes	187	174	13	7%
Provision for income taxes	40	37	3	8%
Net income	147	137	10	7%
Adjustments to net income:				
Net investment (gains) losses	—	—	—	— %
Taxes on adjustments	—	—	—	— %
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 147	$ 137	$ 10	7%

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders increased primarily attributable to higher insurance in-force and an increase in investment income in the current year. The current year also included an $8 million favorable reserve adjustment. Included in the prior year was a $22 million favorable reserve adjustment. These favorable reserve adjustments were mostly associated with lower expected claim rates.

Revenues

Premiums increased mainly attributable to higher insurance in-force in the current year.

Net investment income increased primarily from higher average invested assets and investment yields in the current year.

Benefits and expenses

Benefits and other changes in policy reserves were zero in the current year but increased compared to the prior year. Lower net benefits from cures and aging of existing delinquencies were offset by a $10 million

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favorable reserve adjustment and a lower average reserve on new delinquencies in the current year. The prior year also included a $28 million favorable reserve adjustment. These favorable reserve adjustments were mostly associated with lower expected claim rates.

Provision for income taxes. The effective tax rate was 21.3% and 21.2% for the three months ended June 30, 2019 and 2018, respectively, consistent with the U.S. corporate federal income tax rate.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth the results of operations relating to our U.S. Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2019	2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 400	$ 363	$ 37	10%
Net investment income	56	44	12	27%
Net investment gains (losses)	—	—	—	— %
Policy fees and other income	2	1	1	100%
Total revenues	458	408	50	12%
Benefits and expenses:				
Benefits and other changes in policy reserves	16	2	14	NM(1)
Acquisition and operating expenses, net of deferrals	90	84	6	7%
Amortization of deferred acquisition costs and intangibles	8	7	1	14%
Total benefits and expenses	114	93	21	23%
Income before income taxes	344	315	29	9%
Provision for income taxes	73	67	6	9%
Net income	271	248	23	9%
Adjustments to net income:				
Net investment (gains) losses	—	—	—	— %
Taxes on adjustments	—	—	—	— %
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 271	$ 248	$ 23	9%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders increased mainly from higher insurance in-force and an increase in investment income, partially offset by higher operating costs in the current year. The current year also included an $8 million favorable reserve adjustment. Included in the prior year was a $22 million favorable reserve adjustment. These favorable reserve adjustments were mostly associated with lower expected claim rates.

Revenues

Premiums increased mainly attributable to higher insurance in-force in the current year.

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Net investment income increased primarily from higher average invested assets and investment yields in the current year.

Benefits and expenses

Benefits and other changes in policy reserves increased primarily from a lower favorable reserve adjustment in the current year. We recorded a $10 million favorable reserve adjustment in the current year compared to a $28 million favorable reserve adjustment in the prior year. These adjustments were mostly associated with lower expected claim rates. The increase was also attributable to lower net benefits from cures and aging of existing delinquencies, partially offset by a lower average reserve on new delinquencies in the current year.

Acquisition and operating expenses, net of deferrals, increased primarily attributable to higher operating costs driven mostly by increased sales in the current year.

Provision for income taxes. The effective tax rate was 21.3% and 21.2% for the six months ended June 30, 2019 and 2018, respectively, consistent with the U.S. corporate federal income tax rate.

U.S. Mortgage Insurance selected operating performance measures

The following tables set forth selected operating performance measures regarding our U.S. Mortgage Insurance segment as of or for the dates indicated:

(Amounts in millions)	As of June 30, 2019	2018	Increase (decrease) and percentage change 2019 vs. 2018	
Primary insurance in-force (1)	$178,500	$159,500	$ 19,000	12%
Risk in-force	$ 43,100	$ 38,700	$ 4,400	11%

(1) Primary insurance in-force represents the aggregate original loan balance for outstanding insurance policies and is used to determine premiums. Original loan balances are presented for policies with level renewal premiums. Amortized loan balances are presented for policies with annual, amortizing renewal premiums.

(Amounts in millions)	Three months ended June 30, 2019	2018	Increase (decrease) and percentage change 2019 vs. 2018		Six months ended June 30, 2019	2018	Increase (decrease) and percentage change 2019 vs. 2018	
New insurance written	$15,800	$11,400	$ 4,400	39%	$25,400	$20,400	$ 5,000	25%
Net premiums written	$ 204	$ 191	$ 13	7%	$ 397	$ 376	$ 21	6%

Primary insurance in-force and risk in-force

Primary insurance in-force increased largely from $19.2 billion in higher mortgage insurance written on prime-based, individually underwritten residential mortgage loans ("flow insurance") in-force, which increased from $158.2 billion as of June 30, 2018 to $177.4 billion as of June 30, 2019 as a result of new insurance written and stable persistency, partially offset by lapses during the current year. The increase in flow insurance in-force was partially offset by a decline of $0.2 billion in mortgage insurance on a bulk basis ("bulk insurance") in-force, which decreased from $1.3 billion as of June 30, 2018 to $1.1 billion as of June 30, 2019 from cancellations and lapses. In addition, risk in-force increased primarily as a result of higher flow insurance in-force. Flow persistency was 84% and 83% for the six months ended June 30, 2019 and 2018, respectively.

New insurance written

For the three and six months ended June 30, 2019, new insurance written increased primarily due to our higher estimated market share and a larger private mortgage insurance available market in the current year.

Net premiums written

Net premiums written for the three and six months ended June 30, 2019 increased primarily from higher average flow insurance in-force in the current year.

Loss and expense ratios

The following table sets forth the loss and expense ratios for our U.S. Mortgage Insurance segment for the dates indicated:

	Three months ended June 30,		Increase (decrease)	Six months ended June 30,		Increase (decrease)
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
Loss ratio	— %	(8)%	8%	4%	— %	4%
Expense ratio (net earned premiums)	24%	26%	(2)%	25%	25%	— %
Expense ratio (net premiums written)	24%	25%	(1)%	25%	24%	1%

The loss ratio is the ratio of benefits and other changes in policy reserves to net earned premiums. The expense ratio (net earned premiums) is the ratio of general expenses to net earned premiums. The expense ratio (net premiums written) is the ratio of general expenses to net premiums written. In our business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of DAC and intangibles.

The loss ratio for the three and six months ended June 30, 2019 increased primarily from a lower favorable reserve adjustment in the current year. We recorded a $10 million favorable reserve adjustment in the current year compared to a $28 million favorable reserve adjustment in the prior year. These adjustments were mostly associated with lower expected claim rates. The current year favorable reserve adjustment of $10 million reduced the loss ratio by five percentage points for the three months ended June 30, 2019. The prior year favorable reserve adjustment of $28 million reduced the loss ratio by 15 percentage points and eight percentage points for the three and six months ended June 30, 2018, respectively.

The expense ratio (net earned premiums) for the three months ended June 30, 2019 decreased mainly driven by higher net earned premiums in the current year.

The expense ratio (net premiums written) decreased slightly for the three months ended June 30, 2019 largely due to higher net premiums written in the current year and increased slightly for the six months ended June 30, 2019 primarily due to higher operating costs, partially offset by higher net premiums written in the current year.

Delinquent loans

The following table sets forth the number of loans insured, the number of delinquent loans and the delinquency rate for our U.S. mortgage insurance portfolio as of the dates indicated:

	June 30, 2019	December 31, 2018	June 30, 2018
Primary insurance:			
Insured loans in-force	818,358	783,288	762,727
Delinquent loans	15,482	17,159	18,051
Percentage of delinquent loans (delinquency rate)	1.89%	2.19%	2.37%
Flow loans in-force	806,739	770,657	748,497
Flow delinquent loans	15,070	16,670	17,505
Percentage of flow delinquent loans (delinquency rate)	1.87%	2.16%	2.34%
Bulk loans in-force	11,619	12,631	14,230
Bulk delinquent loans (1)	412	489	546
Percentage of bulk delinquent loans (delinquency rate)	3.55%	3.87%	3.84%
A minus and sub-prime loans in-force	14,180	15,348	16,928
A minus and sub-prime delinquent loans	2,367	2,727	3,058
Percentage of A minus and sub-prime delinquent loans (delinquency rate)	16.69%	17.77%	18.06%
Pool insurance:			
Insured loans in-force	4,331	4,535	4,774
Delinquent loans	177	220	204
Percentage of delinquent loans (delinquency rate)	4.09%	4.85%	4.27%

(1) Included loans where we were in a secondary loss position for which no reserve was established due to an existing deductible. Excluding these loans, bulk delinquent loans were 347 as of June 30, 2019, 403 as of December 31, 2018 and 445 as of June 30, 2018.

Delinquency and foreclosure levels that developed principally in our 2005 through 2008 book years have declined as the residential real estate market in the United States stabilized subsequent to those book years and strengthened during recent years. In addition, we experienced lower foreclosure starts during 2018, which continued in 2019. However, our 2005 through 2008 book years continue to make up the majority of our existing delinquencies as well as new delinquencies, therefore, we may experience variability in our delinquency rates.

The following tables set forth flow delinquencies, direct case reserves and risk in-force by aged missed payment status in our U.S. mortgage insurance portfolio as of the dates indicated:

	June 30, 2019			
(Dollar amounts in millions)	Delinquencies	Direct case reserves (1)	Risk in-force	Reserves as % of risk in-force
Payments in default:				
3 payments or less	7,629	$ 26	$ 341	8%
4 - 11 payments	4,162	75	190	39%
12 payments or more	3,279	121	167	72%
Total	15,070	$ 222	$ 698	32%

(1) Direct flow case reserves exclude loss adjustment expenses, incurred but not reported and reinsurance reserves.

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	December 31, 2018			
(Dollar amounts in millions)	Delinquencies	Direct case reserves (1)	Risk in-force	Reserves as % of risk in-force
Payments in default:				
3 payments or less	8,360	$ 31	$ 365	8%
4 - 11 payments	4,591	88	208	42%
12 payments or more	3,719	142	188	76%
Total	16,670	$ 261	$ 761	34%

(1) Direct flow case reserves exclude loss adjustment expenses, incurred but not reported and reinsurance reserves.

Primary insurance delinquency rates differ from region to region in the United States at any one time depending upon economic conditions and cyclical growth patterns. The tables below set forth our primary delinquency rates for the various regions of the United States and the 10 largest states by our risk in-force as of the dates indicated. Delinquency rates are shown by region based upon the location of the underlying property, rather than the location of the lender.

	Percent of primary risk in-force as of June 30, 2019	Percent of total reserves as of June 30, 2019 (1)	Delinquency rate June 30, 2019	Delinquency rate December 31, 2018	Delinquency rate June 30, 2018
By Region:					
Southeast(2)	18%	21%	2.18%	2.63%	3.15%
Pacific(3)	17	10	1.22%	1.29%	1.30%
South Central(4)	16	11	1.79%	2.11%	2.30%
Northeast(5)	12	28	2.87%	3.43%	3.74%
North Central(6)	11	9	1.79%	1.98%	1.96%
Great Lakes(7)	11	7	1.56%	1.72%	1.72%
Mid-Atlantic (8)	6	5	1.81%	2.16%	2.19%
New England(9)	5	6	1.95%	2.23%	2.27%
Plains(10)	4	3	1.67%	1.87%	1.88%
Total	100%	100%	1.89%	2.19%	2.37%

(1) Total reserves were $254 million as of June 30, 2019.
(2) Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee.
(3) Alaska, California, Hawaii, Nevada, Oregon and Washington.
(4) Arizona, Colorado, Louisiana, New Mexico, Oklahoma, Texas and Utah.
(5) New Jersey, New York and Pennsylvania.
(6) Illinois, Minnesota, Missouri and Wisconsin.
(7) Indiana, Kentucky, Michigan and Ohio.
(8) Delaware, Maryland, Virginia, Washington D.C. and West Virginia.
(9) Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
(10) Idaho, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

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	Percent of primary risk in-force as of June 30, 2019	Percent of total reserves as of June 30, 2019 (1)	Delinquency rate June 30, 2019	Delinquency rate December 31, 2018	Delinquency rate June 30, 2018
By State:					
California	10%	5%	1.26%	1.28%	1.21%
Texas	7%	5%	1.86%	2.29%	2.77%
Florida	6%	12%	2.26%	2.91%	4.57%
Illinois	5%	6%	2.10%	2.26%	2.27%

New York	5%	16%	3.12%	3.64%	3.99%
Washington	5%	2%	0.90%	1.04%	1.05%
Michigan	4%	2%	1.28%	1.40%	1.26%
Pennsylvania	4%	4%	2.24%	2.79%	2.80%
North Carolina	4%	3%	1.82%	2.27%	2.15%
Ohio	3%	3%	1.69%	1.97%	1.98%

(1) Total reserves were $254 million as of June 30, 2019.

The following table sets forth the dispersion of our total reserves and primary insurance in-force and risk in-force by year of policy origination and average annual mortgage interest rate as of June 30, 2019:

(Amounts in millions)	Average rate	Percent of total reserves (1)	Primary insurance in-force	Percent of total	Primary risk in-force	Percent of total
Policy Year						
2004 and prior	6.10%	8.4%	$ 1,515	0.9%	$ 285	0.7%
2005 - 2008	5.47%	58.2	17,576	9.8	4,037	9.4
2009 - 2012	4.29%	2.2	3,934	2.2	913	2.1
2013	4.11%	1.8	4,755	2.7	1,162	2.7
2014	4.45%	4.4	8,277	4.6	2,013	4.7
2015	4.15%	6.2	16,648	9.3	4,023	9.3
2016	3.89%	7.5	30,515	17.1	7,348	17.0
2017	4.25%	7.2	33,245	18.6	8,087	18.8
2018	4.77%	3.9	36,887	20.7	9,025	20.9
2019	4.75%	0.2	25,129	14.1	6,191	14.4
Total portfolio	4.53%	100.0%	$178,481	100.0%	$43,084	100.0%

(1) Total reserves were $254 million as of June 30, 2019.

Canada Mortgage Insurance segment

As described above in "—Strategic Update," in connection with the Eleventh Waiver and Agreement, to facilitate the China Oceanwide transaction, the parties concluded that exploring a potential disposition of our mortgage insurance business in Canada, Genworth Canada, is in the best interests of the parties.

Trends and conditions

Results of our mortgage insurance business in Canada are affected primarily by changes in the regulatory environment, employment levels, consumer borrowing behavior, lender mortgage-related strategies, including lender servicing practices, and other economic and housing market influences, including interest rate trends, home price appreciation or depreciation, mortgage origination volume, levels and aging of mortgage delinquencies and movements in foreign currency exchange rates. During the second quarter of 2019, the Canadian dollar weakened against the U.S. dollar compared to the second quarter of 2018, which negatively impacted the results of our mortgage insurance business in Canada as reported in U.S. dollars. Any future movement in foreign exchange rates could impact future results.

The Canadian GDP is expected to have experienced moderate growth in the second quarter of 2019 compared to the second quarter of 2018, reflecting increases in exports, strong business and residential investment and consumer consumption growth. The overnight interest rate in Canada remained flat at 1.75% in the second quarter of 2019. Canada's unemployment rate declined to 5.5% at the end of the second quarter of 2019 compared to 5.8% at the end of the first quarter of 2019 driven by strong employment levels.

National home prices increased by 1% in the second quarter of 2019 compared to the second quarter of 2018 largely driven by increases in both Ontario and Quebec, partially offset by declines in British Columbia and Alberta. National home sales in Canada increased in the second quarter of 2019 by approximately 6% compared to the second quarter of 2018 led by strong home sales in Ontario and Quebec, partially offset by decreases in British Columbia.

In our mortgage insurance business in Canada, losses were flat in the second quarter of 2019 compared to the second quarter of 2018 primarily from lower new delinquencies, net of cures and modestly higher favorable development in our loss reserves, offset by a higher average reserve per delinquency, resulting from a higher proportion of outstanding delinquencies in Alberta, which carry a higher average reserve amount. Our loss ratio in Canada was 15% for the second quarter of 2019. We expect our full year 2019 loss ratio to be the same or modestly higher than our full year 2018 loss ratio of 15% as overall macroeconomic conditions are expected to remain stable.

In the second quarter of 2019, flow new insurance written volumes were up in our mortgage insurance business in Canada compared to the second quarter of 2018 primarily from a modestly larger flow mortgage originations market. Excluding the effects of foreign exchange, earned premiums remained flat during the second quarter of 2019 compared to the second quarter of 2018.

Bulk new insurance written levels were higher in the second quarter of 2019 compared to the second quarter of 2018 primarily due to increased customer demand, partially offset by a lower average premium rate. Insurance written from bulk mortgage insurance varies from period to period based on a number of factors, including the amount of bulk mortgages lenders seek to insure, the competitiveness of our pricing and our risk appetite for such mortgage insurance.

We are subject to regulation under the Protection of Residential Mortgage or Hypothecary Insurance Act (Canada) ("PRMHIA") and the Insurance Companies Act (Canada), under which our mortgage insurance business in Canada is required to meet a minimum MICAT ratio to support its outstanding mortgage insurance in-force per the MICAT guideline released by the Office of the Superintendent of Financial Institutions ("OSFI") on August 9, 2018. The MICAT guideline was effective January 1, 2019 and replaced the guideline titled "Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies" and the capital advisory titled "Capital Requirements for Federally Regulated Mortgage Insurers." The OSFI supervisory MICAT target ratio and the minimum MICAT ratio under PRMHIA are 150%. The primary changes included a 5% increase of the total asset requirement, elimination of the requirement to use updated credit scores for 2015 and prior book years and a transitional arrangement that provides a phase-in period for the increased capital required for insurance risk on outstanding insured mortgages as of December 31, 2018. We expect the benefit from the transitional arrangement to run off in the current year. The MICAT guideline did not have a material impact on our regulatory solvency as reported at June 30, 2019 as the impact of the elimination of the one-time credit score update for 2015 and prior books more than offset the 5% increase in the total asset requirement on existing insurance in-force. In addition, we expect these new requirements to permit our mortgage insurance business in Canada to more closely align its actual capital levels with its targeted operating range and allow for meaningful levels of capital redeployment in addition to regular quarterly dividends. In the second quarter of 2019, Genworth Canada returned additional capital to shareholders via share repurchases of approximately CAD$68 million and a special dividend of CAD$0.40 per share or approximately CAD$34 million in aggregate. As of June 30, 2019, our MICAT ratio under the framework was approximately 169%, which was above the supervisory target.

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On March 1, 2019, OSFI released a revised version of Guideline B-21 Residential Mortgage Insurance Underwriting Practices and Procedures ("B-21 Guideline"). The updates made to the B-21 Guideline are intended to align with Guideline B-20 Residential Mortgage Underwriting Practices and Procedures ("B-20 Guideline"), which sets out OSFI's expectations for prudent residential mortgage underwriting by federally regulated financial institutions in the areas of income verification, property valuation, and fraud detection and prevention. Although the changes made to the B-21 Guideline are new for federally regulated mortgage insurers, we do not expect those changes to have a material impact given that federally regulated lenders have already been subject to the same rules since January 1, 2018 under the B-20 Guideline.

Canada's 2019-20 federal budget released on March 19, 2019 includes a new program called the First-Time Home Buyers Incentive ("FTHBI") intended to help with housing affordability. Under the program, for qualifying borrowers, the Canada Mortgage and Housing Corporation ("CMHC") will contribute up to 10% of the value of a newly built home or 5% of the value of a resale in exchange for a corresponding equity stake in the home. The FTHBI program is expected to launch in September 2019 and will require borrowers to meet minimum insured mortgage down payment requirements to ensure they are invested in their purchase. The program is capped at CAD$1.25 billion over three years, and the incentive will be further limited to households with a maximum combined income of CAD$120,000, with total borrowing limited to four times the income level. The specific details of this program are still being finalized and details announced to date are subject to change. However, the Department of Finance has publicly stated that our mortgage insurance business in Canada will be eligible to participate in this program when launched. The business is participating in consultations with the Government of Canada and CMHC on this program and believes it is premature to determine the potential impact of this announcement and its ultimate impact on our mortgage insurance business in Canada.

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Segment results of operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth the results of operations relating to our Canada Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 125	$ 131	$ (6)	(5)%
Net investment income	35	34	1	3%
Net investment gains (losses)	1	(15)	16	107%
Total revenues	161	150	11	7%
Benefits and expenses:				
Benefits and other changes in policy reserves	19	19	—	— %
Acquisition and operating expenses, net of deferrals	22	20	2	10%
Amortization of deferred acquisition costs and intangibles	11	11	—	— %
Interest expense	5	4	1	25%
Total benefits and expenses	57	54	3	6%
Income before income taxes	104	96	8	8%
Provision for income taxes	29	24	5	21%
Net income	75	72	3	4%
Less: net income attributable to noncontrolling interests	35	32	3	9%
Net income available to Genworth Financial, Inc.'s common stockholders	40	40	—	— %
Adjustments to net income available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net [(2)]	—	8	(8)	(100)%
(Gains) losses on early extinguishment of debt, net [(3)]	1	—	1	NM[(1)]
Taxes on adjustments	—	(2)	2	100%
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 41	$ 46	$ (5)	(11)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

(2) For the three months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for the portion of net investment gains (losses) attributable to noncontrolling interests of $1 million and $(7) million, respectively.

(3) For the three months ended June 30, 2019, (gains) losses on the early extinguishment of debt were adjusted for the portion attributable to noncontrolling interests of $1 million.

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased primarily driven by higher taxes and changes in foreign exchange rates in the current year.

Revenues

Premiums decreased primarily from $6 million of changes attributable to foreign exchange rates in the current year.

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We had net investment gains in the current year compared to net investment losses in the prior year. Net investment gains in the current year were primarily driven by net realized gains from the sale of investment securities and derivative gains, mostly offset by a decrease in the fair value of preferred equity securities. Net investment losses in the prior year were primarily driven by derivative losses largely from hedging non-functional currency transactions and from changes in the fair value of equity securities, partially offset by derivative gains on interest rate swaps.

Benefits and expenses

Benefits and other changes in policy reserves were flat as lower new delinquencies, net of cures, and modestly higher favorable development in our loss reserves were offset by a higher average reserve per delinquency, primarily attributable to increased losses in Alberta in the current year.

Acquisition and operating expenses, net of deferrals, increased mainly driven by a $2 million early redemption fee related to the repayment of CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020.

Provision for income taxes. The effective tax rate increased to 27.6% for the three months ended June 30, 2019 from 25.5% for the three months ended June 30, 2018. The increase in the effective tax rate was primarily driven by an increase in expenses related to foreign withholding tax, partially offset by higher benefits in the current year from dividends received deduction.

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Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth the results of operations relating to our Canada Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 251	$ 270	$ (19)	(7)%
Net investment income	69	68	1	1%
Net investment gains (losses)	—	(30)	30	100%
Total revenues	320	308	12	4%
Benefits and expenses:				
Benefits and other changes in policy reserves	38	37	1	3%
Acquisition and operating expenses, net of deferrals	42	37	5	14%
Amortization of deferred acquisition costs and intangibles	21	21	—	— %
Interest expense	9	9	—	— %
Total benefits and expenses	110	104	6	6%
Income before income taxes	210	204	6	3%
Provision for income taxes	58	54	4	7%
Net income	152	150	2	1%
Less: net income attributable to noncontrolling interests	71	68	3	4%
Net income available to Genworth Financial, Inc.'s common stockholders	81	82	(1)	(1)%
Adjustments to net income available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net [2]	—	17	(17)	(100)%
(Gains) losses on early extinguishment of debt, net [3]	1	—	1	NM [1]
Taxes on adjustments	—	(4)	4	100%
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 82	$ 95	$ (13)	(14)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

(2) For the six months ended June 30, 2018, net investment (gains) losses were adjusted for the portion of net investment gains (losses) attributable to noncontrolling interests of $(13) million.

(3) For the six months ended June 30, 2019, (gains) losses on the early extinguishment of debt were adjusted for the portion attributable to noncontrolling interests of $1 million.

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased primarily driven by lower earned premiums largely from changes in foreign exchange rates in the current year, refinements in premium recognition factors in the prior year that did not recur and from the seasoning of our smaller, more recent in-force books of business. The decrease was also attributable to higher operating costs in the current year.

Revenues

Premiums decreased primarily from $13 million of changes attributable to foreign exchange rates in the current year, refinements in premium recognition factors in the prior year that did not recur and from the seasoning of our smaller, more recent in-force books of business.

Net investment gains (losses) were zero in the current year as derivative gains from hedging non-functional currency transactions and net realized gains from the sale of investment securities were offset by derivative losses on interest rate swaps and losses from changes in the fair value of preferred equity securities. Net investment losses in the prior year were primarily driven by derivative losses largely from hedging non-functional currency transactions and from changes in the fair value of equity securities, partially offset by derivative gains on interest rate swaps.

Benefits and expenses

Benefits and other changes in policy reserves increased slightly principally from a higher average reserve per delinquency, primarily attributable to increased losses in Alberta, mostly offset by lower new delinquencies, net of cures in the current year.

Acquisition and operating expenses, net of deferrals, increased mainly from higher operating costs and from a $2 million early redemption fee related to the repayment of CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020.

Provision for income taxes. The effective tax rate increased to 27.6% for the six months ended June 30, 2019 from 26.5% for the six months ended June 30, 2018. The increase in the effective tax rate was primarily driven by an increase in expenses related to foreign withholding tax, partially offset by higher benefits in the current year from dividends received deduction.

Canada Mortgage Insurance selected operating performance measures

The following tables set forth selected operating performance measures regarding our Canada Mortgage Insurance segment as of or for the dates indicated:

	As of June 30,		Increase (decrease) and percentage change	
(Amounts in millions)	**2019**	**2018**	**2019 vs. 2018**	
Primary insurance in-force	$395,700	$380,200	$15,500	4%
Risk in-force	$138,500	$133,100	$ 5,400	4%

	Three months ended June 30,		Increase (decrease) and percentage change		Six months ended June 30,		Increase (decrease) and percentage change	
(Amounts in millions)	**2019**	**2018**	**2019 vs. 2018**		**2019**	**2018**	**2019 vs. 2018**	
New insurance written	$ 5,800	$ 4,600	$ 1,200	26%	$8,700	$8,000	$700	9%
Net premiums written	$ 145	$ 133	$ 12	9%	$ 224	$ 225	$ (1)	— %

Primary insurance in-force and risk in-force

Our mortgage insurance business in Canada currently provides 100% coverage on the majority of the loans we insure in that market. For the purpose of representing our risk in-force, we have computed an "effective" risk in-force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor that represents our highest expected average per-claim payment for any one underwriting year over the life of our business in Canada. For the three and six months ended June 30, 2019 and 2018, this factor was 35%.

Primary insurance in-force and risk in-force increased primarily as a result of new flow and bulk insurance written as well as changes in foreign exchange rates. Insurance in-force and risk in-force included increases of $2.2 billion and $0.8 billion, respectively, attributable to changes in foreign exchange rates.

New insurance written

New insurance written for the three and six months ended June 30, 2019 increased primarily from higher bulk insurance written largely due to increased customer demand and from higher flow mortgage insurance written, largely attributable to a modestly larger flow mortgage originations market. The three and six months ended June 30, 2019 included decreases of $300 million and $400 million, respectively, attributable to changes in foreign exchange rates.

Net premiums written

Our mortgage insurance policies in Canada provide for single premiums at the time that loan proceeds are advanced. We initially record the single premiums to unearned premium reserves and recognize the premiums earned over time in accordance with the expected pattern of risk emergence. Our unearned premium reserves were $1.6 billion and $1.5 billion as of June 30, 2019 and December 31, 2018, respectively.

Excluding the effect of changes in foreign exchange rates, net premiums written increased for the three and six months ended June 30, 2019 primarily from higher flow and bulk new insurance written. The three and six months ended June 30, 2019 included decreases of $6 million and $11 million, respectively, attributable to changes in foreign exchange rates.

Loss and expense ratios

The following table sets forth the loss and expense ratios for our Canada Mortgage Insurance segment for the periods indicated:

	Three months ended June 30,		Increase (decrease)	Six months ended June 30,		Increase (decrease)
	2019	**2018**	**2019 vs. 2018**	**2019**	**2018**	**2019 vs. 2018**
Loss ratio	15%	15%	— %	15%	14%	1%
Expense ratio (net earned premiums)	26%	23%	3%	25%	21%	4%
Expense ratio (net premiums written)	22%	23%	(1)%	28%	26%	2%

The loss ratio is the ratio of benefits and other changes in policy reserves to net earned premiums. The expense ratio (net earned premiums) is the ratio of general expenses to net earned premiums. The expense ratio (net premiums written) is the ratio of general expenses to net premiums written. In our mortgage insurance business in Canada, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of DAC and intangibles.

The loss ratio was flat for the three months ended June 30, 2019 as lower new delinquencies, net of cures, and modestly higher favorable development in our loss reserves were offset by a higher average reserve per delinquency. The loss ratio increased slightly for the six months ended June 30, 2019 primarily from a higher average reserve per delinquency, mostly offset by lower new delinquencies, net of cures in the current year.

The expense ratio (net earned premiums) increased for the three months ended June 30, 2019 primarily from higher operating expenses largely from a $2 million early redemption fee related to the repayment of CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020. The expense ratio (net earned premiums) increased for the six months ended June 30, 2019 primarily from lower earned premiums and higher operating costs, including the early redemption fee as discussed above.

The expense ratio (net premiums written) decreased slightly for the three months ended June 30, 2019 largely from higher net premiums written in the current year. The expense ratio (net premiums written) increased for the six months ended June 30, 2019 primarily from higher operating expenses, including the early redemption fee, as discussed above, partially offset by higher net premiums written in the current year.

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Delinquent loans

The following table sets forth the number of loans insured, the number of delinquent loans and the delinquency rate for our Canada mortgage insurance portfolio as of the dates indicated:

	June 30, 2019	December 31, 2018	June 30, 2018
Primary insured loans in-force[(1)]	2,174,084	2,143,191	2,137,221
Delinquent loans	1,701	1,684	1,742
Percentage of delinquent loans (delinquency rate)[(1)]	0.08%	0.08%	0.08%
Flow loans in-force	1,523,128	1,499,304	1,470,826
Flow delinquent loans	1,340	1,310	1,406
Percentage of flow delinquent loans (delinquency rate)	0.09%	0.09%	0.10%
Bulk loans in-force	650,956	643,887	666,395
Bulk delinquent loans	361	374	336
Percentage of bulk delinquent loans (delinquency rate)	0.06%	0.06%	0.05%

(1) As part of an ongoing effort to improve the estimate of outstanding insurance exposure, we are receiving updated outstanding loans in-force in Canada from almost all of our customers. As a result, we estimate that the outstanding loans in-force were 901,000 as of June 30, 2019, 910, 000 as of December 31, 2018 and 935,000 as of June 30, 2018. This is based on the extrapolation of the amounts reported by lenders to the entire insured population. The corresponding insured delinquency rate was 0.19% as of June 30, 2019, 0.18% as of December 31, 2018 and 0.19% as of June 30, 2018.

Flow mortgage loans in-force increased from new policies written. The number of delinquent loans of our flow mortgage insurance increased compared to the fourth quarter of 2018 primarily driven by seasonally higher new delinquencies.

Primary insurance delinquency rates differ by the various provinces and territories of Canada at any one time depending upon economic conditions and cyclical growth patterns. The table below sets forth our primary delinquency rates for the various provinces and territories of Canada by our risk in-force as of the dates indicated. Delinquency rates are shown by region based upon the location of the underlying property, rather than the location of the lender.

	Percent of primary risk in-force as of June 30, 2019	Delinquency rate		
		June 30, 2019	December 31, 2018	June 30, 2018
By province and territory:				
Ontario	47%	0.03%	0.03%	0.03%
Alberta	17	0.21%	0.18%	0.17%
British Columbia	14	0.04%	0.04%	0.04%
Quebec	13	0.07%	0.10%	0.10%
Saskatchewan	3	0.27%	0.28%	0.28%
Nova Scotia	2	0.13%	0.13%	0.15%
Manitoba	2	0.09%	0.10%	0.10%
New Brunswick	1	0.08%	0.10%	0.15%
All other	1	0.20%	0.19%	0.20%
Total	100%	0.08%	0.08%	0.08%

Delinquency rates were flat compared to December 31, 2018 and June 30, 2018 reflecting regional housing market improvement primarily driven by stable macroeconomic conditions in most regions, offset by higher losses in Alberta.

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Australia Mortgage Insurance segment

Trends and conditions

Results of our mortgage insurance business in Australia are affected primarily by changes in regulatory environments, employment levels, consumer borrowing behavior, lender mortgage-related strategies, including lender servicing practices, and other economic and housing market influences, including interest rate trends, home price appreciation or depreciation, mortgage origination volume, levels and aging of mortgage delinquencies and movements in foreign currency exchange rates. During the second quarter of 2019, the Australian dollar weakened against the U.S. dollar compared to the second quarter of 2018, which negatively impacted the results of our mortgage insurance business in Australia as reported in U.S. dollars. Any future movement in foreign exchange rates could impact future results.

The Australian GDP is expected to have experienced moderate growth in the second quarter of 2019, supported by growth in public demand, sustained expansion of non-mining business investment and an ongoing rise in resource exports. The cash rate was reduced to 1.00% on July 2, 2019, down from 1.25% at the end of the second quarter of 2019 and 1.50% at the end of the first quarter of 2019. The June 2019 unemployment rate increased to 5.2% from 5.0% at the end of the first quarter of 2019.

In the second quarter of 2019, Australia home prices continued their year over year downward trend, which began in the first quarter of 2018 after a period of robust home price appreciation. June 2019 home values were approximately 8% lower compared to June 2018, with declines experienced across the majority of the capital cities. The main drivers were the Sydney and Melbourne housing markets, with annual decreases of approximately 10% and 9%, respectively.

Our mortgage insurance business in Australia completed a review of its premium earnings pattern in the fourth quarter of 2018, which resulted in no changes to the earnings pattern adopted in the fourth quarter of 2017. The adjustment to our premium earnings pattern in the fourth quarter of 2017 was applied on a retrospective basis under U.S. GAAP, however, under local Australian Accounting Standards this adjustment was applied on a prospective basis. Due to this divergence in accounting application, the financial results and certain metrics, such as the loss ratio and expense ratios, for our mortgage insurance business in Australia were different between the two accounting standards in the first half of 2019 and will be different in future periods.

Our mortgage insurance business in Australia had lower losses in the second quarter of 2019 compared to the second quarter of 2018 attributable to changes in foreign exchange rates. Excluding foreign exchange, losses were flat as higher reserves on new delinquencies were offset by higher reserve releases for cures in the current year. The loss ratio in Australia for the three months ended June 30, 2019 was 34%. We still expect the full year 2019 loss ratio in Australia to be similar to the full year 2018 loss ratio of 30%, as higher delinquencies and lower cures traditionally experienced in the first half of the year are expected to moderate in the second half of 2019.

In the second quarter of 2019, our mortgage insurance business in Australia experienced an increase in new insurance written volumes compared to the second quarter of 2018 primarily due to a higher level of bulk insurance transactions and higher flow volumes from certain key customers in the current year.

Gross written premiums were higher in the second quarter of 2019 compared to the second quarter of 2018 largely as a result of higher flow and bulk new insurance written from increased customer activity in the current year as housing markets stabilize. Earned premiums were lower in the second quarter of 2019 compared to the second quarter of 2018 primarily from higher policy cancellations in the prior year mostly from an initiative implemented in the second quarter of 2018 to more promptly identify loans that were discharged or refinanced and from the seasoning of our smaller, more recent in-force books of business.

Our mortgage insurance business in Australia is concentrated in a small number of key customers. In November 2016, we entered into a new contract with our largest customer, effective January 1, 2017, with a term of three years. In November 2018, we entered into a new contract with our second largest customer, effective

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November 21, 2018, with a term of two years and the option to extend for an additional year at the customer's discretion. In June 2018, we entered into a new contract with our third largest customer, effective July 1, 2018, with a term of three years. These three customers together represented 71% of our gross written premiums in the first half of 2019. On July 25, 2019, S&P downgraded the financial strength rating of Genworth Australia's primary mortgage insurance subsidiary. Although the change in S&P's rating has no immediate impact on the contractual arrangements between our mortgage insurance business in Australia and its customers, one key customer contract contains a provision that was triggered as a result of the ratings change, allowing that customer the option to terminate the contract. However, under this provision, our Australia mortgage insurance subsidiary has 30 days to demonstrate its credit strength and ensure that the potential termination right under this provision is not exercised. For additional details see "—Financial Strength Ratings."

Our mortgage insurance business in Australia evaluates its capital position in relation to the Prescribed Capital Amount ("PCA") as determined by the Australian Prudential Regulation Authority ("APRA") and utilizes its Internal Capital Adequacy Assessment Process as the framework to ensure that our Australia group of companies as a whole, and each regulated entity, are independently capitalized to meet regulatory requirements. As of June 30, 2019, the estimated PCA ratio of our mortgage insurance business in Australia was approximately 208%, representing an increase from 201% as of March 31, 2019, largely resulting from portfolio seasoning and policy cancellations, partially offset by share repurchase activity.

Segment results of operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth the results of operations relating to our Australia Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 80	$ 106	$ (26)	(25)%
Net investment income	15	18	(3)	(17)%
Net investment gains (losses)	1	12	(11)	(92)%
Total revenues	96	136	(40)	(29)%
Benefits and expenses:				
Benefits and other changes in policy reserves	26	29	(3)	(10)%
Acquisition and operating expenses, net of deferrals	17	17	—	— %
Amortization of deferred acquisition costs and intangibles	9	12	(3)	(25)%
Interest expense	2	2	—	— %
Total benefits and expenses	54	60	(6)	(10)%
Income before income taxes	42	76	(34)	(45)%

Provision for income taxes	13	23	(10)	(43)%
Net income	29	53	(24)	(45)%
Less: net income attributable to noncontrolling interests	15	27	(12)	(44)%
Net income available to Genworth Financial, Inc.’s common stockholders	14	26	(12)	(46)%
Adjustments to net income available to Genworth Financial, Inc.’scommon stockholders:				
Net investment (gains) losses, net [(1)]	(1)	(6)	5	83%
Taxes on adjustments	—	2	(2)	(100)%
Adjusted operating income available to Genworth Financial, Inc.’scommon stockholders	$ 13	$ 22	$ (9)	(41)%

(1) For the three months ended June 30, 2018, net investment (gains) losses were adjusted for the portion of net investment gains (losses) attributable to noncontrolling interests of $6 million.

Adjusted operating income available to Genworth Financial, Inc.’s common stockholders

Adjusted operating income available to Genworth Financial, Inc.’s common stockholders decreased primarily related to lower premiums largely from higher policy cancellations in the prior year mostly due to an initiative implemented in the second quarter of 2018 to more promptly identify loans that were discharged or refinanced and from the seasoning of our smaller, more recent in-force books of business. The decrease was partially offset by lower contract fees amortization in the current year.

Revenues

Premiums decreased predominantly from higher policy cancellations in the prior year mostly due to an initiative implemented in the second quarter of 2018 to more promptly identify loans that were discharged or refinanced and from the seasoning of our smaller, more recent in-force books of business. The three months ended June 30, 2019 included a decrease of $7 million attributable to changes in foreign exchange rates.

Net investment income decreased largely from changes in foreign exchange rates, lower average invested assets and from lower investment yields in the current year.

Net investment gains decreased primarily from lower net realized gains from the sale of investment securities and from derivative losses in the current year.

Benefits and expenses

Benefits and other changes in policy reserves decreased largely from changes in foreign exchange rates in the current year. Excluding the effects of changes in foreign exchange rates, benefits and other changes in policy reserves were flat as higher reserves on new delinquencies were offset by higher reserve releases for cures in the current year.

Amortization of DAC and intangibles decreased primarily from lower contract fees amortization and from changes in foreign exchange rates in the current year.

Provision for income taxes. The effective tax rate was 30.0% for both the three months ended June 30, 2019 and 2018, consistent with our jurisdictional rate.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth the results of operations relating to our Australia Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 163	$ 204	$ (41)	(20)%
Net investment income	31	35	(4)	(11)%
Net investment gains (losses)	13	3	10	NM[(1)]
Policy fees and other income	(1)	1	(2)	(200)%
Total revenues	206	243	(37)	(15)%
Benefits and expenses:				
Benefits and other changes in policy reserves	54	59	(5)	(8)%
Acquisition and operating expenses, net of deferrals	34	34	—	— %
Amortization of deferred acquisition costs and intangibles	18	23	(5)	(22)%
Interest expense	4	4	—	— %
Total benefits and expenses	110	120	(10)	(8)%
Income before income taxes	96	123	(27)	(22)%
Provision for income taxes	29	37	(8)	(22)%
Net income	67	86	(19)	(22)%
Less: net income attributable to noncontrolling interests	35	44	(9)	(20)%
Net income available to Genworth Financial, Inc.’s common stockholders	32	42	(10)	(24)%
Adjustments to net income available to GenworthFinancial, Inc.’s common stockholders:				
Net investment (gains) losses, net [(2)]	(7)	(2)	(5)	NM[(1)]
Taxes on adjustments	2	1	1	100%

Adjusted operating income available to Genworth Financial, Inc.'s commonstockholders	$ 27	$ 41	$ (14)	(34)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.
(2) For the six months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for the portion of net investment gains (losses) attributable to noncontrolling interests of $6 million and $1 million, respectively.

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased primarily driven by lower premiums largely from the seasoning of our smaller, more recent in-force books of business and from higher policy cancellations in the prior year. The decrease was partially offset by lower contract fees amortization in the current year.

Revenues

Premiums decreased predominantly from the seasoning of our smaller, more recent in-force books of business and from higher policy cancellations in prior year. The six months ended June 30, 2019 included a decrease of $15 million attributable to changes in foreign exchange rates.

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Net investment income decreased primarily from changes in foreign exchange rates in the current year.

Net investment gains increased primarily from unrealized gains from changes in the fair value of equity securities in the current year compared to unrealized losses in the prior year, partially offset by lower gains from the sale of investment securities in the current year.

Benefits and expenses

Benefits and other changes in policy reserves decreased from $5 million of changes attributable to foreign exchange rates in the current year. Excluding the effects of changes in foreign exchange rates, benefits and other changes in policy reserves were flat as higher reserves on new delinquencies were offset by higher reserve releases for cures in the current year.

Amortization of DAC and intangibles decreased largely from lower contract fees amortization and from changes in foreign exchange rates in the current year.

Provision for income taxes. The effective tax rate was 30.0% for both the six months ended June 30, 2019 and 2018, consistent with our jurisdictional rate.

Australia Mortgage Insurance selected operating performance measures

Our mortgage insurance business in Australia currently has structured insurance transactions with three lenders where it is in a secondary loss position. The insurance portfolio metrics associated with these transactions, which include insurance in-force, risk in-force, new insurance written, loans in-force and delinquent loans, are excluded from the following tables. These arrangements represented approximately $157 million of risk in-force as of June 30, 2019.

The following tables set forth selected operating performance measures regarding our Australia Mortgage Insurance segment as of or for the dates indicated:

	As of June 30,		Increase (decrease) and percentage change	
(Amounts in millions)	**2019**	**2018**	**2019 vs. 2018**	
Primary insurance in-force	$215,600	$229,400	$ (13,800)	(6)%
Risk in-force	$ 75,100	$ 79,900	$ (4,800)	(6)%

	Three months ended June 30,		Increase (decrease) and percentage change		Six months ended June 30,		Increase (decrease) and percentage change	
(Amounts in millions)	**2019**	**2018**	**2019 vs. 2018**		**2019**	**2018**	**2019 vs. 2018**	
New insurance written	$ 4,900	$ 4,600	$ 300	7%	$ 8,800	$ 8,000	$ 800	10%
Net premiums written	$ 58	$ 56	$ 2	4%	$ 110	$ 116	$ (6)	(5)%

Primary insurance in-force and risk in-force

Our mortgage insurance business in Australia currently provides 100% coverage on the majority of the loans we insure in those markets. For the purpose of representing our risk in-force, we have computed an "effective" risk in-force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor that represents our highest expected average per-claim payment for any one underwriting year over the life of our business in Australia. For the three and six months ended June 30, 2019 and 2018, this factor was 35%. We also have certain risk share arrangements where we provide pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage amount provided is used when applying the factor.

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Primary insurance in-force and risk in-force decreased primarily due to changes in foreign exchange rates and policy cancellations in the current year. Primary insurance in-force and risk in-force included decreases of $11.6 billion and $4.0 billion, respectively, from changes in foreign exchange rates.

New insurance written

New insurance written increased for the three and six months ended June 30, 2019 primarily due to new bulk insurance written and higher mortgage origination volume from certain key customers in the current year as housing markets stabilized. The three and six months ended June 30, 2019 included decreases of $500 million and $800 million, respectively, attributable to changes in foreign exchange rates.

Net premiums written

Most of our Australian mortgage insurance policies provide for single premiums at the time that loan proceeds are advanced. We initially record the single premiums to unearned premium reserves and recognize the premiums earned over time in accordance with the expected pattern of risk emergence. As of June 30, 2019 and December 31, 2018, our unearned premium reserves were $1.0 billion and $1.1 billion, respectively.

Excluding the impact of changes in foreign exchange rates, net premiums written increased for the three and six months ended June 30, 2019 primarily due to higher mortgage origination volume from certain key customers. The increase for the six months ended June 30, 2019 was partially offset by lower net premiums written on structured insurance due to the timing of initial premiums received from a transaction in the prior year. The three and six months ended June 30, 2019 included decreases of $5 million and $10 million, respectively, attributable to changes in foreign exchange rates.

Loss and expense ratios

The following table sets forth the loss and expense ratios for our Australia Mortgage Insurance segment for the periods indicated:

	Three months ended June 30,		Increase (decrease)	Six months ended June 30,		Increase (decrease)
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
Loss ratio	34%	28%	6%	34%	29%	5%
Expense ratio (net earned premiums)	33%	27%	6%	32%	28%	4%
Expense ratio (net premiums written)	44%	50%	(6)%	47%	48%	(1)%

The loss ratio is the ratio of benefits and other changes in policy reserves to net earned premiums. The expense ratio (net earned premiums) is the ratio of general expenses to net earned premiums. The expense ratio (net premiums written) is the ratio of general expenses to net premiums written. In our mortgage insurance business in Australia, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of DAC and intangibles.

The loss ratio increased for the three and six months ended June 30, 2019 primarily from lower earned premiums driven mainly by the seasoning of our smaller, more recent in-force books of business and higher policy cancellations in the prior year. Losses were flat as higher reserves on new delinquencies were offset by higher reserve releases for cures in the current year.

The expense ratio (net earned premiums) increased for the three and six months ended June 30, 2019 primarily from lower net earned premiums as discussed above, partially offset by lower contract fees amortization in the current year.

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The expense ratio (net premiums written) decreased for the three and six months ended June 30, 2019 primarily from higher net premiums written, as discussed above, and lower contract fees amortization in the current year.

Delinquent loans

The following table sets forth the number of loans insured, the number of delinquent loans and the delinquency rate for our Australia mortgage insurance portfolio as of the dates indicated:

	June 30, 2019	December 31, 2018	June 30, 2018
Primary insured loans in-force	1,308,811	1,332,906	1,354,614
Delinquent loans	7,891	7,145	7,306
Percentage of delinquent loans (delinquency rate)	0.60%	0.54%	0.54%
Flow loans in-force	1,200,603	1,226,219	1,247,229
Flow delinquent loans	7,642	6,931	7,076
Percentage of flow delinquent loans (delinquency rate)	0.64%	0.57%	0.57%
Bulk loans in-force	108,208	106,687	107,385
Bulk delinquent loans	249	214	230
Percentage of bulk delinquent loans (delinquency rate)	0.23%	0.20%	0.21%

Flow loans in-force decreased primarily from policy cancellations. Flow delinquent loans increased compared to December 31, 2018 and June 30, 2018 primarily from higher new delinquencies, net of cures, in the current year.

Primary insurance delinquency rates differ by the various states and territories of Australia at any one time depending upon economic conditions and cyclical growth patterns. The table below sets forth our primary delinquency rates for the states and territories of Australia by our risk in-force as of the dates indicated. Delinquency rates are shown by region based upon the location of the underlying property, rather than the location of the lender.

	Percent of primary risk in-force as of June 30, 2019	Delinquency rate		
		June 30, 2019	December 31, 2018	June 30, 2018
By state and territory:				
New South Wales	27%	0.45%	0.38%	0.37%
Queensland	23	0.81%	0.70%	0.73%
Victoria	23	0.45%	0.40%	0.42%
Western Australia	13	1.10%	0.98%	0.99%
South Australia	6	0.68%	0.68%	0.67%

Australian Capital Territory	3	0.25%	0.17%	0.18%
Tasmania	2	0.31%	0.31%	0.34%
New Zealand	2	0.02%	0.05%	0.06%
Northern Territory	1	0.83%	0.68%	0.61%
Total	100%	0.60%	0.54%	0.54%

Delinquency rates increased in the current year compared to December 31, 2018 and June 30, 2018 mainly from lower flow loans in-force as a result of policy cancellations and from higher new delinquencies, net of cures, in the current year.

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U.S. Life Insurance segment

Trends and conditions

Results of our U.S. life insurance businesses depend significantly upon the extent to which our actual future experience is consistent with assumptions and methodologies we have used in calculating our reserves. Many factors can affect the reserves in our U.S. life insurance businesses. Because these factors 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. We will continue to monitor our experience and assumptions closely and make changes to our assumptions and methodologies, as appropriate, for our U.S. life insurance products. Even small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our DAC amortization, reserve levels, results of operations and financial condition.

Results of our U.S. life insurance businesses are also impacted by interest rates as our products are sensitive to interest rate fluctuations and expose us to the risk that falling interest rates or tightening credit spreads will reduce our interest rate margin. Low interest rates also increase reinvestment risk as higher yielding investments mature and are replaced with lower yielding investments and put pressure on the profitability and returns. During the first half of 2019, long-duration risk free interest rates declined which impacted our reinvestment rates. If this decline continues, it may impact our loss recognition testing and DAC recoverability testing. We seek to manage the impact of low interest rates through asset-liability management as well as interest rate hedging strategies for a portion of our long-term care insurance product cash flows. Additionally, certain products have implicit and explicit rate guarantees or optionality that are significantly impacted by changes in interest rates. For a further discussion of the impact of interest rates on our U.S. life insurance businesses, see "Item 7A—Quantitative and Qualitative Disclosures About Market Risk" in our 2018 Annual Report on Form 10-K.

We perform loss recognition testing to ensure that the current reserves along with the present value of future gross premiums are sufficient to cover the present value of future expected claims and expense, as well as recover the unamortized portion of DAC and, if any, PVFP. If the loss recognition test indicates a deficiency in the ability to pay all future claims and expenses, including the amortization of DAC and PVFP, a loss is recognized in earnings as an impairment of the DAC and/or PVFP balance and, if the loss is greater than the DAC and/or PVFP balance, by an increase in reserves. Our liability for policy and contract claims is reviewed quarterly and we conduct a detailed review of our claim reserve assumptions for our long-term care insurance business annually typically during the third quarter of each year. We completed our annual review of claim reserve assumptions for our long-term care insurance business in the fourth quarter of 2018. See "Long-term care insurance" below for more details. Our liability for future policy benefits is reviewed at least annually as a part of our loss recognition testing typically performed in the third or fourth quarter of each year. As part of loss recognition testing, we also review the recoverability of DAC and PVFP at least annually. In addition, we perform cash flow testing separately for each of our U.S. life insurance companies on a statutory accounting basis annually. In the fourth quarter of 2018, we performed assumption reviews for our universal and term universal life insurance products as well as for our other U.S. life insurance products, including our long-term care insurance products, and completed our loss recognition testing. For our acquired block of long-term care insurance business and our fixed immediate annuity products, we monitor these blocks more frequently than annually given the premium deficiencies that existed in previous periods. We expect to complete our annual review of long-term care insurance claim reserve assumptions in the third quarter of 2019 and we expect to complete our loss recognition and cash flow testing as well as assumption reviews in the fourth quarter of 2019.

Our U.S. Life Insurance segment will continue to migrate to a new valuation and projection platform for certain lines of business, while we upgrade platforms for other lines of business. The migration and upgrades are part of our ongoing efforts to improve the infrastructure and capabilities of our information systems and our routine assessment and refinement of financial, actuarial, investment and risk management capabilities and processes enterprise wide. These efforts will also provide our U.S. Life Insurance segment with improved platforms to support emerging accounting guidance and ongoing changes in capital regulations. Concurrently, actuarial processes and

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methodologies will be reviewed, and may result in additional refinements to our models and/or assumptions. Any material changes in balances, margins or income trends that may result from these activities will be disclosed accordingly. We intend to continue developing our modeling capabilities in our various businesses, including for our long-term care insurance projections where we migrated substantially all of our retained long-term care insurance business to this new modeling system in 2016 and 2017. The new modeling system values and forecasts associated liability cash flows and policyholder behavior at a more granular level than our previous system.

Our U.S. life insurance subsidiaries are subject to the National Association of Insurance Commissioners' ("NAIC") risk-based capital ("RBC") standards and other minimum statutory capital and surplus requirements. As of December 31, 2018, the RBC of each of our U.S. life insurance subsidiaries exceeded the level of RBC that would require any of them to take or become subject to any corrective action in their respective domiciliary state. However, the RBC ratio of our U.S. life insurance subsidiaries has declined over the past few years as a result of statutory losses driven by the declining performance of the business and increases in our statutory reserves, including results of Actuarial Guideline 38, cash flow testing and assumption reviews particularly in our long-term care insurance business. Any future statutory losses would decrease the RBC ratio of our U.S. life insurance subsidiaries. We continue to face challenges in our principal life insurance subsidiaries, particularly those subsidiaries that rely heavily on in-force rate actions as a source of earnings and capital. We may see variability in statutory results and a further decline in the RBC ratios of these subsidiaries given the time lag between the approval of in-force rate actions versus when the benefits from thein-force rate actions (including increased premiums and associated benefit reductions) are fully realized in our financial results. Further declines in the RBC ratio of our life insurance subsidiaries could result in heightened supervision and regulatory action.

Long-term care insurance

Results of our long-term care insurance business are influenced primarily by our ability to achieve in-force rate actions, morbidity, mortality, persistency, investment yields, expenses, changes in regulations and reinsurance. Changes in regulations or government programs, including long-term care insurance rate action legislation, could impact our long-term care insurance business either positively or negatively.

Our liability for policy and contract claims is reviewed quarterly and we conduct a detailed review of our claim reserve assumptions for our long-term care insurance business annually. We completed our annual review of claim reserve assumptions and methodologies for our long-term care insurance business in the fourth quarter of 2018 and recorded higher claim reserves of $308 million and reinsurance recoverables of $17 million. Based on this review, we updated several assumptions and methodologies, including benefit utilization rates, claim termination rates and other assumptions. The primary impact related to increasing later duration utilization assumptions for claims with lifetime benefits.

Additional changes in assumptions or methodologies in our long-term care insurance claim reserves in the future could also impact our loss recognition and cash flow testing results. Our assumptions are sensitive to slight variability in actual experience and small changes in assumptions could result in decreases in the margin of our long-term care insurance blocks to at/or below zero in future years. To the extent, based on reviews, the margin of our long-term care insurance block, excluding the acquired block, is negative, we would be required to recognize a loss, by amortizing more DAC and/or establishing additional benefit reserves. For our acquired block of long-term care insurance, the impacts of adverse changes in assumptions would also be reflected as a loss if our margin for this block is reduced below zero by establishing additional benefit reserves. A significant decrease in our loss recognition testing margin of our long-term care insurance blocks could have a material adverse effect on our business, results of operations and financial condition.

In connection with the updated assumptions and methodologies that increased claim reserves on existing claims in the fourth quarter of 2018, we now establish higher claim reserves on new claims, which decreased earnings in the first half of 2019 and we expect will decrease earnings going forward as higher reserves are recorded. Also, average claim reserves for new claims are higher as the mix of claims continues to evolve, with

an increasing number of policies with higher daily benefit amounts and higher inflation factors going on claim. In addition, although new claim counts on our older long-term care insurance blocks of business will continue to decrease as the blocks run off, we are gaining more experience on our larger new blocks of business and expect continued growth in new claims on these blocks as policyholders reach older attained ages with higher likelihood of going on claim.

We experience volatility in our loss ratios caused by variances in policy terminations, claim terminations, claim severity and claim counts. Our approved in-force rate actions may also cause fluctuations in our loss ratios during the period to the extent that reserves are adjusted to reflect policyholders electing benefit reductions or non-forfeiture options. In addition, we periodically review our reserve assumptions and methodologies based upon developing experience, which may result in changes to claim reserves and loss recognition testing results, causing volatility in our operating results and loss ratios. Our loss ratio for the six months ended June 30, 2019 and 2018 was 78% and 79%, respectively.

As a result of ongoing challenges in our long-term care insurance business, we continue pursuing initiatives to improve the risk and profitability profile of our business including: premium rate increases and associated benefit reductions on our in-force policies; managing expense levels; executing investment strategies targeting higher returns; and enhancing our financial and actuarial analytical capabilities. Executing on our multi-year long-term care insurance in-force rate action plan with increased premiums and associated benefit reductions on our legacy long-term care insurance policies is critical to the business. For an update on in-force rate actions, refer to "Significant Developments—U.S. Life Insurance." As of June 30, 2019, we have suspended sales in Hawaii, Massachusetts, New Hampshire, Vermont and Montana, and will consider taking similar actions in the future in other states where we are unable to obtain satisfactory rate increases on in-force policies. We will also consider in the future, as we have in the past, litigation against states that decline actuarially justified rate increases.

The approval process for in-force rate increases and the amount and timing of the rate increases and associated benefit reductions approved vary by state. In certain states, the decision to approve or disapprove a rate increase can take a significant amount of time, and the approved amount may be phased in over time. After approval, insureds are provided with written notice of the increase and increases are generally applied on the insured's next policy anniversary date. As a result, the benefits of any rate increase are not fully realized until the implementation cycle is complete and are, therefore, expected to be realized over time.

Our U.S. Life Insurance segment is taxed at 21%, the enacted tax rate under the TCJA. However, gains on forward starting swaps settled prior to the enactment of the TCJA are tax effected at 35% as they are amortized into net investment income. This will negatively impact our long-term care insurance business given the majority of our forward starting swaps are in this business.

We also manage risk and capital allocated to our long-term care insurance business through utilization of external reinsurance in the form of coinsurance. We executed external reinsurance agreements to reinsure 20% of all sales of our individual long-term care insurance products that have been introduced since early 2013. External new business reinsurance is dependent on a number of factors, including price, availability, risk tolerance and capital levels. Over time, there can be no assurance that affordable, or any, reinsurance will continue to be available. We also have external reinsurance on some older blocks of business which includes a treaty on a yearly renewable term basis on business that was written between 1998 and 2003. This yearly renewable term reinsurance provides coverage for claims on those policies for 15 years after the policy was written. After 15 years, reinsurance coverage ends for policies not on claim, while reinsurance coverage continues for policies on claim until the claim ends. The 15-year coverage on the policies written in 2003 expired in 2018; therefore, any new claims will not have reinsurance coverage under this treaty. Since 2013, we have seen, and may continue to see, an increase in our benefit costs as policies with reinsurance coverage exhaust their benefits or terminate and policies which are not covered by reinsurance go on claim.

Life insurance

Results of our life insurance business are impacted primarily by mortality, persistency, investment yields, expenses, reinsurance and statutory reserve requirements, among other factors. Effective March 7, 2016, we suspended sales of our traditional life insurance products.

We review our life insurance assumptions in detail at least annually. In the fourth quarter of 2018, we performed our annual review of life insurance assumptions and completed our loss recognition testing for our universal and term universal life insurance products. As part of our assumption review in the fourth quarter of 2018, we recorded $91 million of after-tax charges in our universal and term universal life insurance products primarily driven by assumption changes due to lower expected growth in interest rates and emerging mortality experience primarily in our term universal life insurance product.

Mortality levels may deviate each period from historical trends. Overall mortality experience was higher in the second quarter of 2019 compared to the first quarter of 2019 and second quarter of 2018; however, mortality for our universal life insurance blocks was lower in the second quarter of 2019 compared to the second quarter of 2018. We have experienced higher mortality than our then current and priced for assumptions in recent years for our universal life insurance blocks. We have also been experiencing higher mortality related charges resulting from an increase in rates charged by our reinsurance partners reflecting natural block aging and higher mortality compared to expectations. Our mortality experience for older ages and late-duration premium periods and conversion products is emerging. We will continue to regularly review our mortality assumptions as well as all of our other assumptions in light of emerging experience and may be required to make further adjustments to our universal and term universal life insurance reserves in the future, which could also impact our loss recognition testing results. Any further materially adverse changes to our assumptions, including mortality, may have a materially negative impact on our results of operations, financial condition and business.

Between 1999 and 2009, we had a significant increase in term life insurance sales, as compared to 1998 and prior years. As our 15-year level premium period term life insurance policies written in 1999 and 2000 transitioned to their post level guaranteed premium rate period, we have experienced lower persistency compared to our pricing and valuation assumptions. The blocks of business issued since 2000 vary in size as compared to the 1999 and 2000 blocks of business. Accordingly, in the future, as additional 10-, 15- and 20-year level premium period blocks enter their post level guaranteed premium rate period, we expect to experience volatility in DAC amortization, premiums and mortality experience, which we expect to reduce profitability in our term life insurance products, in amounts that could be material, if persistency is lower than our original assumptions as it has been on our 10- and 15-year level premium period business written in 1999 and 2000. In the first half of 2019 and in 2018 and 2017, we experienced higher lapses and accelerated DAC amortization associated with our large 15-year and 20-year level premium period term life insurance blocks entering their post level guaranteed premium rate periods. We anticipate this trend will continue for the remainder of 2019 and 2020 with accompanying higher DAC amortization and lower profitability as our large 20-year term life insurance blocks issued in 1999 and 2000 reach the end of their level premium periods. As of June 30, 2019, our term life insurance products had a DAC balance of $1.3 billion. We have also taken actions to mitigate potentially unfavorable impacts through the use of reinsurance, particularly for certain term life insurance policies issued between 2001 and 2004.

Fixed annuities

Results of our fixed annuities business are affected primarily by investment performance, interest rate levels, the slope of the interest rate yield curve, net interest spreads, equity market conditions, mortality, persistency, and expense and commission levels. Effective March 7, 2016, we suspended sales of our traditional fixed annuity products.

We monitor and change crediting rates on fixed annuities on a regular basis to maintain spreads and targeted returns, if applicable. However, if interest rates remain at current levels or decrease, we could see declines in spreads which impact the margins on our products, particularly our fixed immediate annuity products. Due to the premium deficiency that existed in 2016, we continue to monitor our fixed immediate annuity products more frequently than annually and recorded additional charges during 2017, the fourth quarter of 2018 and the first two quarters of 2019. If interest rates decrease or remain at the current levels or increase at a slower pace than we assumed, we could incur additional charges in the future. The impacts of future adverse changes in our assumptions could result in the establishment of additional future policy benefit reserves and would be immediately reflected as a loss if our margin for this block is again reduced below zero. Any favorable variation would result in additional margin but no immediate benefit to income and would result in higher income recognition over the remaining duration of the in-force block.

For fixed indexed annuities, equity market performance and volatility could also result in additional gains or losses, although associated hedging activities are expected to partially mitigate these impacts.

Segment results of operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth the results of operations relating to our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 713	$ 712	$ 1	— %
Net investment income	724	707	17	2%
Net investment gains (losses)	(36)	(10)	(26)	NM(1)
Policy fees and other income	187	169	18	11%
Total revenues	1,588	1,578	10	1%
Benefits and expenses:				
Benefits and other changes in policy reserves	1,211	1,163	48	4%
Interest credited	106	116	(10)	(9)%
Acquisition and operating expenses, net of deferrals	142	146	(4)	(3)%
Amortization of deferred acquisition costs and intangibles	67	78	(11)	(14)%
Interest expense	4	4	—	— %
Total benefits and expenses	1,530	1,507	23	2%
Income before income taxes	58	71	(13)	(18)%
Provision for income taxes	19	21	(2)	(10)%
Net income	39	50	(11)	(22)%
Adjustments to net income:				
Net investment (gains) losses, net (2)	35	9	26	NM(1)
Expenses related to restructuring	(1)	—	(1)	NM(1)
Taxes on adjustments	(7)	(2)	(5)	NM(1)
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 66	$ 57	$ 9	16%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.
(2) For the three months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(1) million in each period.

The following table sets forth adjusted operating income available to Genworth Financial, Inc.’s common stockholders for the businesses included in our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Adjusted operating income available to Genworth Financial, Inc.’s common stockholders:				
Long-term care insurance	$ 37	$ 22	$ 15	68%
Life insurance	10	4	6	150%
Fixed annuities	19	31	(12)	(39)%
Total adjusted operating income available to Genworth Financial, Inc.’s common stockholders	$ 66	$ 57	$ 9	16%

Adjusted operating income available to Genworth Financial, Inc.’s common stockholders

- Adjusted operating income available to Genworth Financial, Inc.’s common stockholders for our long-term care insurance business increased $15 million mainly attributable to $96 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented and from favorable development on prior year incurred but not reported claims. The increase was also due to lower utilization of available benefits compared to the prior year. These increases were partially offset by higher severity and frequency of new claims, lower claim terminations and an increase in incremental reserves of $39 million recorded in connection with an accrual for profits followed by losses in the current year.
- Adjusted operating income available to Genworth Financial, Inc.’s common stockholders for our life insurance business increased $6 million mainly from a reinsurance correction and refinement resulting in a net favorable impact of $17 million in the current year. This increase was partially offset by higher lapses primarily associated with our large 20-year term life insurance block issued in 1999 entering its post-level premium period and the continued runoff of our term life insurance products in the current year.
- Adjusted operating income available to Genworth Financial, Inc.’s common stockholders decreased $12 million in our fixed annuities business predominantly attributable to lower mortality in the current year compared to the prior year and an unfavorable charge of $4 million in connection with loss recognition testing in our fixed immediate annuity products.

Revenues

Premiums

- Our long-term care insurance business increased $8 million largely from $24 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year.
- Our life insurance business decreased $7 million mainly attributable to the continued runoff of our term life insurance products.

Net investment income

- Our long-term care insurance business increased $29 million largely from higher average invested assets in the current year.

- Our life insurance business increased $5 million principally related to higher favorable prepayment speed adjustments on mortgage-backed securities and higher yields and average invested assets in the current year.
- Our fixed annuities business decreased $17 million largely attributable to lower average invested assets in the current year due to block runoff.

Net investment gains (losses)

- Our long-term care insurance business had net investment losses of $15 million in the current year compared to net investment gains of $3 million in the prior year. The change to net investment losses in the current year was mainly driven by derivative losses in the current year compared to gains in the prior year and from current year losses from the sale of investment securities compared to gains in the prior year.
- Net investment losses in our fixed annuities business increased $7 million primarily related to higher losses on embedded derivatives associated with our fixed indexed annuity products and higher unrealized losses from changes in the fair value of equity securities, partially offset by higher gains on derivatives in the current year.

Policy fees and other income. The increase was mostly attributable to our life insurance business due to a $21 million favorable correction related to ceded premiums on universal life insurance policies, partially offset by a favorable model refinement in the prior year that did not recur.

Benefits and expenses

Benefits and other changes in policy reserves

- Our long-term care insurance business increased $22 million principally related to the aging of the in-force block (including higher frequency of new claims), higher severity of new claims, lower claim terminations and an increase in incremental reserves of $49 million recorded in connection with an accrual for profits followed by losses in the current year. These increases were partially offset by a higher favorable impact of $100 million from reduced benefits in the current year related to in-force rate actions approved and implemented and from favorable development on prior year incurred but not reported claims. The current year also included favorable utilization of available benefits.
- Our life insurance business increased $19 million primarily attributable to a favorable model refinement in the prior year that did not recur and higher mortality in the current year compared to the prior year.
- Our fixed annuities business increased $7 million largely attributable to $5 million of higher reserves in connection with loss recognition testing in our fixed immediate annuity products primarily as a result of a decrease in interest rates in the current year. The increase was also due to lower mortality in the current year compared to the prior year. These increases were partially offset by lower interest credited in the current year due to block runoff.

Interest credited. The decrease in interest credited was due to our life insurance and fixed annuities businesses, which decreased $2 million and $8 million, respectively, primarily driven by a decline in average account values and lower crediting rates in the current year.

Amortization of deferred acquisition costs and intangibles. The decrease in amortization of DAC and intangibles was primarily related to our life insurance business principally from an unfavorable model refinement in the prior year that did not recur, partially offset by higher lapses primarily associated with our large 20-year term life insurance block issued in 1999 entering its post-level premium period and higher reinsurance rates in the current year.

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Provision for income taxes. The effective tax rate was 31.9% and 28.9% for the three months ended June 30, 2019 and 2018, respectively. The increase in the effective tax rate was largely attributable to higher tax expense in our long-term care insurance business related to gains on forward starting swaps settled prior to the enactment of the TCJA in relation to lower pre-tax income in the current year.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth the results of operations relating to our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$1,422	$1,434	$(12)	(1)%
Net investment income	1,425	1,395	30	2%
Net investment gains (losses)	48	(2)	50	NM(1)
Policy fees and other income	338	332	6	2%
Total revenues	3,233	3,159	74	2%
Benefits and expenses:				
Benefits and other changes in policy reserves	2,447	2,401	46	2%
Interest credited	212	235	(23)	(10)%
Acquisition and operating expenses, net of deferrals	290	287	3	1%
Amortization of deferred acquisition costs and intangibles	133	149	(16)	(11)%
Interest expense	9	8	1	13%
Total benefits and expenses	3,091	3,080	11	— %
Income before income taxes	142	79	63	80%
Provision for income taxes	43	27	16	59%
Net income	99	52	47	90%
Adjustments to net income:				
Net investment (gains) losses, net (2)	(51)	—	(51)	NM(1)
Expenses related to restructuring	3	—	3	NM(1)
Taxes on adjustments	10	—	10	NM(1)
Adjusted operating income available to Genworth Financial, Inc.’s common stockholders	$ 61	$ 52	$ 9	17%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.
(2) For the six months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(3) million and $(2) million, respectively.

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The following table sets forth adjusted operating income (loss) available to Genworth Financial, Inc.’s common stockholders for the businesses included in our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Adjusted operating income (loss) available to Genworth Financial, Inc.’s common stockholders:				
Long-term care insurance	$ 17	$ (10)	$ 27	NM(1)
Life insurance	8	3	5	167%
Fixed annuities	36	59	(23)	(39)%

Total adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 61	$ 52	$ 9	17%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Adjusted operating income (loss) available to Genworth Financial, Inc.'s common stockholders

- Our long-term care insurance business had adjusted operating income available to Genworth Financial, Inc.'s common stockholders of $17 million in the current year compared to an adjusted operating loss available to Genworth Financial, Inc.'s common stockholders of $10 million in the prior year. The increase to income in the current year from a loss in the prior year was predominantly attributable to $156 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented and from favorable development on prior year incurred but not reported claims. These increases were partially offset by higher severity and frequency of new claims, lower claim terminations and an increase in incremental reserves of $39 million recorded in connection with an accrual for profits followed by losses in the current year.
- Adjusted operating income available to Genworth Financial, Inc.'s common stockholders for our life insurance business increased $5 million mainly from a reinsurance correction and refinement resulting in a net favorable impact of $17 million in the current year. This increase was partially offset by higher lapses primarily associated with our large 20-year term life insurance block issued in 1999 entering its post-level premium period and the continued runoff of our term life insurance products in the current year.
- Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased $23 million in our fixed annuities business predominantly attributable to $17 million of unfavorable charges in connection with loss recognition testing in our fixed immediate annuity products and lower investment income, partially offset by lower interest credited in the current year.

Revenues

Premiums

- Our long-term care insurance business increased $5 million. The increase was largely from $41 million of increased premiums in the current year from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year.
- Our life insurance business decreased $17 million mainly attributable to the continued runoff of our term life insurance products and higher reinsurance rates in the current year.

Net investment income

- Our long-term care insurance business increased $53 million largely from higher average invested assets and higher gains from limited partnerships in the current year.
- Our life insurance business increased $14 million principally related to higher favorable prepayment speed adjustments on mortgage-backed securities and higher yields and average invested assets in the current year.
- Our fixed annuities business decreased $37 million largely attributable to lower average invested assets in the current year due to block runoff.

Net investment gains (losses)

- Net investment gains in our long-term care insurance business increased $56 million primarily related to net gains from the sale of investment securities in the current year compared to net losses in the prior year and from higher unrealized gains from changes in the fair value of equity securities, partially offset by derivative losses in the current year compared to gains in the prior year.
- Net investment gains in our life insurance business increased $4 million primarily related to net gains from the sale of investment securities in the current year compared to net losses in the prior year, partially offset by lower gains on embedded derivatives associated with our indexed universal life insurance products.
- Net investment losses in our fixed annuities business increased $10 million primarily related to higher losses on embedded derivatives related to our fixed indexed annuity products and an increase in unrealized losses from changes in the fair value of equity securities, partially offset by gains on derivatives in the current year compared to losses in the prior year.

Policy fees and other income. Policy fees and other income increased mostly attributable to our life insurance business primarily driven by a $21 million favorable correction related to ceded premiums on universal life insurance policies, partially offset by a favorable model refinement in the prior year that did not recur and a decline in our term universal and universal life insurance in-force blocks in the current year.

Benefits and expenses

Benefits and other changes in policy reserves

- Our long-term care insurance business increased $21 million principally related to the aging of the in-force block (including higher frequency of new claims), higher severity of new claims, lower claim terminations and an increase in incremental reserves of $49 million recorded in connection with an accrual for profits followed by losses in the current year. These increases were partially offset by a higher favorable impact of $161 million from reduced benefits in the current year related to in-force rate actions approved and implemented and from favorable development on prior year incurred but not reported claims.
- Our life insurance business increased $14 million primarily attributable to a favorable model refinement in the prior year that did not recur.
- Our fixed annuities business increased $11 million largely attributable to $22 million of higher reserves in connection with loss recognition testing in our fixed immediate annuity products primarily as a result of portfolio management actions and from a decrease in the projected yield curve. This increase was partially offset by lower interest credited in the current year due to block runoff.

Interest credited. The decrease in interest credited was due to our life insurance and fixed annuities businesses, which decreased $5 million and $18 million, respectively, primarily driven by a decline in average account values and lower crediting rates in the current year.

Amortization of deferred acquisition costs and intangibles. The decrease in amortization of DAC and intangibles was primarily related to our life insurance business principally from an unfavorable model refinement in the prior year that did not recur, partially offset by higher lapses primarily associated with our large 20-year term life insurance block issued in 1999 entering its post-level premium period and higher reinsurance rates in the current year.

Provision for income taxes. The effective tax rate was 29.9% and 34.6% for the six months ended June 30, 2019 and 2018, respectively. The decrease in the effective tax rate was largely attributable to higher pre-tax income in the current year.

U.S. Life Insurance selected operating performance measures

Long-term care insurance

The following table sets forth selected operating performance measures regarding our long-term care insurance business for the dates indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018		Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Net earned premiums:								
Individual long-term care insurance	$ 610	$ 604	$ 6	1%	$1,209	$1,207	$ 2	— %
Group long-term care insurance	30	28	2	7%	59	56	3	5%
Total	$ 640	$ 632	$ 8	1%	$1,268	$1,263	$ 5	— %
Loss ratio	74%	75%	(1)%		78%	79%	(1)%	

The loss ratio is the ratio of benefits and other changes in reserves less tabular interest on reserves less loss adjustment expenses to net earned premiums.

Net earned premiums increased for the three and six months ended June 30, 2019 largely from $24 million and $41 million, respectively, of increased premiums from in-force rate actions approved and implemented, partially offset by policy terminations and policies entering paid-up status in the current year.

The loss ratio decreased slightly for the three and six months ended June 30, 2019 largely related to the increase in premiums, mostly offset by the higher benefits and other changes in reserves as discussed above.

Life insurance

The following tables set forth selected operating performance measures regarding our life insurance business as of or for the dates indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018		Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Term and whole life insurance								
Net earned premiums	$ 73	$ 80	$ (7)	(9)%	$ 154	$ 171	$ (17)	(10)%
Term universal life insurance								
Net deposits	59	61	(2)	(3)%	117	122	(5)	(4)%
Universal life insurance								
Net deposits	141	126	15	12%	217	258	(41)	(16)%
Total life insurance								
Net earned premiums and deposits	$ 273	$ 267	$ 6	2%	$ 488	$ 551	$ (63)	(11)%

(Amounts in millions)	As of June 30, 2019	As of June 30, 2018	Percentage change 2019 vs. 2018
Term and whole life insurance			
Life insurance in-force, net of reinsurance	$ 91,386	$100,475	(9)%
Life insurance in-force before reinsurance	$ 419,246	$447,429	(6)%
Term universal life insurance			
Life insurance in-force, net of reinsurance	$ 114,214	$117,141	(2)%
Life insurance in-force before reinsurance	$ 114,999	$117,957	(3)%
Universal life insurance			
Life insurance in-force, net of reinsurance	$ 34,581	$ 36,054	(4)%
Life insurance in-force before reinsurance	$ 39,357	$ 41,136	(4)%
Total life insurance			
Life insurance in-force, net of reinsurance	$ 240,181	$253,670	(5)%
Life insurance in-force before reinsurance	$ 573,602	$606,522	(5)%

We no longer solicit sales of our traditional life insurance products; however, we continue to service our existing blocks of business.

Term and whole life insurance

Net earned premiums decreased for the three and six months ended June 30, 2019 mainly attributable to the continued runoff of our term life insurance products in the current year as well as higher reinsurance rates for the six months ended June 30, 2019. Life insurance in-force also decreased as a result of higher lapses primarily associated with a large 20-year term life insurance block issued in 1999 entering its post-level premium period and the continued runoff of our term life insurance products in the current year.

Universal life insurance

Net deposits increased for the three months ended June 30, 2019 principally from higher renewals in the current year. Net deposits decreased during the six months ended June 30, 2019 primarily attributable to $100 million of funding agreements issued with the Federal Home Loan Bank of Atlanta in the prior year compared to $50 million in the current year and from the continued runoff of our in-force block.

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Fixed annuities

The following table sets forth selected operating performance measures regarding our fixed annuities business as of or for the dates indicated:

(Amounts in millions)	As of or for the three months ended June 30, 2019	2018	As of or for the six months ended June 30, 2019	2018
Account value, beginning of period	$ 14,109	$ 15,881	$ 14,348	$ 16,401
Premiums and deposits	16	22	45	44
Surrenders, benefits and product charges	(486)	(593)	(1,002)	(1,129)
Net flows	(470)	(571)	(957)	(1,085)
Interest credited and investment performance	119	128	261	234
Effect of accumulated net unrealized investment gains (losses)	117	(66)	223	(178)
Account value, end of period	$ 13,875	$ 15,372	$ 13,875	$ 15,372

We no longer solicit sales of our traditional fixed annuity products; however, we continue to service our existing block of business.

Account value decreased compared to March 31, 2019 and December 31, 2018 as surrenders and benefits exceeded interest credited and net unrealized investment gains.

Runoff segment

Trends and conditions

Results of our Runoff segment are affected primarily by investment performance, interest rate levels, net interest spreads, equity market conditions, mortality, policyholder loan activity, policyholder surrenders and scheduled maturities. In addition, the results of our Runoff segment can significantly impact our operating performance, regulatory capital requirements, distributable earnings and liquidity.

We discontinued sales of our individual and group variable annuities in 2011; however, we continue to service our existing blocks of variable annuity business and accept additional deposits on existing contracts. Equity market volatility has caused fluctuations in the results of our variable annuity products and regulatory capital requirements. In the future, equity and interest rate market performance and volatility could result in additional gains or losses in our variable annuity products although associated hedging activities are expected to partially mitigate these impacts. Volatility in the results of our variable annuity products can result in favorable or unfavorable impacts on earnings and statutory capital. In addition to the use of hedging activities to help mitigate impacts related to equity market volatility and interest rate risks, in the future, we may consider reinsurance opportunities to further mitigate volatility in results and manage capital.

The results of our institutional products are impacted by scheduled maturities of the liabilities, credit and interest income performance on assets, as well as liquidity levels. While we do not actively sell institutional products, we may periodically issue funding agreements for asset-liability matching purposes.

Several factors may impact the time period for these products to runoff including the specific policy types, economic conditions and management strategies.

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Segment results of operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth the results of operations relating to our Runoff segment for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Net investment income	$ 47	$ 43	$ 4	9%
Net investment gains (losses)	(4)	(1)	(3)	NM(1)
Policy fees and other income	35	38	(3)	(8)%
Total revenues	78	80	(2)	(3)%
Benefits and expenses:				
Benefits and other changes in policy reserves	13	7	6	86%
Interest credited	40	36	4	11%
Acquisition and operating expenses, net of deferrals	13	14	(1)	(7)%
Amortization of deferred acquisition costs and intangibles	4	8	(4)	(50)%

Total benefits and expenses	70	65	5	8%
Income before income taxes	8	15	(7)	(47)%
Provision for income taxes	1	3	(2)	(67)%
Net income	7	12	(5)	(42)%
Adjustments to net income:				
Net investment (gains) losses, net [2]	2	1	1	100%
Taxes on adjustments	—	—	—	— %
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 9	$ 13	$ (4)	(31)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

(2) For the three months ended June 30, 2019, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(2) million.

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders decreased predominantly from higher mortality and lower fee income driven mostly by a decline in the average account values in our variable annuity products, partially offset by favorable equity market performance in the current year.

Revenues

Net investment income increased mainly driven by higher policy loan income in our corporate-owned life insurance products in the current year.

Net investment losses increased in the current year primarily due to losses on embedded derivatives associated with our variable annuity products with guaranteed minimum withdrawal benefits ("GMWBs") compared to gains in the prior year. This increase was partially offset by derivative gains in the current year compared to derivative losses in the prior year.

Policy fees and other income decreased principally from lower fee income driven mostly by a decline in the average account values in our variable annuity products in the current year.

Benefits and expenses

Benefits and other changes in policy reserves increased primarily attributable to higher mortality in both our variable annuity and corporate-owned life insurance products in the current year.

Interest credited increased largely related to higher interest in our corporate-owned life insurance products in the current year.

Amortization of DAC and intangibles decreased related to our variable annuity products mainly from favorable equity market performance in the current year.

Provision for income taxes. The effective tax rate was 15.8% and 18.9% for the three months ended June 30, 2019 and 2018, respectively. The decrease was primarily the result of a higher benefit from tax favored items in relation to lower pre-tax income in the current year.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth the results of operations relating to our Runoff segment for the periods indicated:

	Six months ended June 30,		Increase (decrease) and percentage change	
(Amounts in millions)	**2019**	**2018**	**2019 vs. 2018**	
Revenues:				
Net investment income	$ 94	$ 85	$ 9	11%
Net investment gains (losses)	(4)	(15)	11	73%
Policy fees and other income	70	78	(8)	(10)%
Total revenues	160	148	12	8%
Benefits and expenses:				
Benefits and other changes in policy reserves	14	15	(1)	(7)%
Interest credited	81	73	8	11%
Acquisition and operating expenses, net of deferrals	26	29	(3)	(10)%
Amortization of deferred acquisition costs and intangibles	6	15	(9)	(60)%
Total benefits and expenses	127	132	(5)	(4)%
Income before income taxes	33	16	17	106%
Provision for income taxes	6	3	3	100%
Net income	27	13	14	108%
Adjustments to net income:				
Net investment (gains) losses, net [1]	2	13	(11)	(85)%
Taxes on adjustments	—	(3)	3	100%
Adjusted operating income available to Genworth Financial, Inc.'s common stockholders	$ 29	$ 23	$ 6	26%

(1) For the six months ended June 30, 2019 and 2018, net investment (gains) losses were adjusted for DAC and other intangible amortization and certain benefit reserves of $(2) million in each period.

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Adjusted operating income available to Genworth Financial, Inc.'s common stockholders

Adjusted operating income available to Genworth Financial, Inc.'s common stockholders increased predominantly from favorable equity market performance, partially offset by lower fee income driven mostly by a decline in the average account values in our variable annuity products in the current year.

Revenues

Net investment income increased mainly driven by higher policy loan income in our corporate-owned life insurance products in the current year.

Net investment losses decreased principally from lower derivative losses, partially offset by lower gains on embedded derivatives associated with our variable annuity products with GMWBs in the current year.

Policy fees and other income decreased principally from lower fee income driven mostly by a decrease in the average account values in our variable annuity products in the current year.

Benefits and expenses

Benefits and other changes in policy reserves decreased slightly primarily attributable to lower GMDB reserves in our variable annuity products due to favorable equity market performance, mostly offset by higher mortality in both our variable annuity and corporate-owned life insurance products in the current year.

Interest credited increased largely related to higher interest in our corporate-owned life insurance products in the current year.

Amortization of DAC and intangibles decreased related to our variable annuity products mainly from favorable equity market performance in the current year.

Provision for income taxes. The effective tax rate increased to 18.4% for the six months ended June 30, 2019 from 16.6% for the six months ended June 30, 2018. The increase was primarily attributable to higher pre-tax income, partially offset by a higher benefit from tax favored items in the current year.

Runoff selected operating performance measures

Variable annuity and variable life insurance products

The following table sets forth selected operating performance measures regarding our variable annuity and variable life insurance products as of or for the dates indicated:

(Amounts in millions)	As of or for the three months ended June 30, 2019	2018	As of or for the six months ended June 30, 2019	2018
Account value, beginning of period	$ 5,113	$ 5,619	$ 4,918	$ 5,884
Deposits	6	5	13	12
Surrenders, benefits and product charges	(158)	(203)	(319)	(411)
Net flows	(152)	(198)	(306)	(399)
Interest credited and investment performance	160	48	509	(16)
Account value, end of period	$ 5,121	$ 5,469	$ 5,121	$ 5,469

We no longer solicit sales of our variable annuity or variable life insurance products; however, we continue to service our existing blocks of business and accept additional deposits on existing contracts and policies.

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Account value increased compared to March 31, 2019 and December 31, 2018 primarily related to favorable equity market performance, partially offset by surrenders in the current year.

Institutional products

The following table sets forth selected operating performance measures regarding our institutional products as of or for the dates indicated:

(Amounts in millions)	As of or for the three months ended June 30, 2019	2018	As of or for the six months ended June 30, 2019	2018
FABNs(1) and Funding Agreements				
Account value, beginning of period	$ 305	$ 185	$ 381	$ 260
Surrenders and benefits	(2)	(6)	(80)	(82)
Net flows	(2)	(6)	(80)	(82)
Interest credited	2	1	4	2
Account value, end of period	$ 305	$ 180	$ 305	$ 180

(1) Funding agreements backing notes

Account value related to our institutional products decreased compared to December 31, 2018 mainly attributable to scheduled maturities of certain funding agreements in the current year.

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Corporate and Other Activities

Results of operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth the results of operations relating to Corporate and Other activities for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 2	$ 3	$ (1)	(33)%
Net investment income	3	3	—	— %
Net investment gains (losses)	(7)	—	(7)	NM(1)
Policy fees and other income	—	1	(1)	(100)%
Total revenues	(2)	7	(9)	(129)%
Benefits and expenses:				
Benefits and other changes in policy reserves	1	1	—	— %
Acquisition and operating expenses, net of deferrals	9	11	(2)	(18)%
Interest expense	62	67	(5)	(7)%
Total benefits and expenses	72	79	(7)	(9)%
Loss before income taxes	(74)	(72)	(2)	(3)%
Provision for income taxes	5	3	2	67%
Net loss	(79)	(75)	(4)	(5)%
Adjustments to net loss:				
Net investment (gains) losses	7	—	7	NM(1)
Expenses related to restructuring	1	—	1	NM(1)
Taxes on adjustments	(1)	—	(1)	NM(1)
Adjusted operating loss available to Genworth Financial, Inc.'s common stockholders	$ (72)	$ (75)	$ 3	4%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Adjusted operating loss available to Genworth Financial, Inc.'s common stockholders

The adjusted operating loss available to Genworth Financial, Inc.'s common stockholders decreased primarily related to lower interest expense and provisional tax expense of $19 million in the prior year that did not recur, partially offset by $11 million of higher taxes in the current year associated with the GILTI provision of the TCJA.

Revenues

Net investment losses in the current year were predominantly related to derivative losses.

Benefits and expenses

Interest expense decreased largely driven by the redemption of $597 million of Genworth Holding's senior notes in May 2018.

The increase in the provision for income taxes was principally driven by a current year tax expense related to the GILTI provision of the TCJA. GILTI has an unfavorable impact on our current year tax provision due to

the utilization of net operating loss carryforwards and projected taxable losses in the U.S. life insurance businesses without any offsetting foreign tax credit carryforwards. The higher taxes associated with GILTI are expected to continue for the remainder of 2019 and into 2020 but are subject to change depending on variations in business results and the potential disposition of Genworth Canada. The increase was also attributable to tax benefits from foreign tax credits and discrete tax adjustments in the prior year that did not recur and higher taxes from unrealized gains on equity securities in the current year. These increases were partially offset by provisional tax expense of $19 million in the prior year related to a revaluation of deferred tax assets and liabilities on our foreign subsidiaries that did not recur.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth the results of operations relating to Corporate and Other activities for the periods indicated:

(Amounts in millions)	Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (decrease) and percentage change 2019 vs. 2018	
Revenues:				
Premiums	$ 4	$ 5	$ (1)	(20)%
Net investment income	6	5	1	20%
Net investment gains (losses)	(28)	(1)	(27)	NM(1)
Policy fees and other income	1	(1)	2	200%

Total revenues	(17)	8	(25)	NM(1)
Benefits and expenses:				
Benefits and other changes in policy reserves	2	2	—	— %
Acquisition and operating expenses, net of deferrals	16	22	(6)	(27)%
Amortization of deferred acquisition costs and intangibles	—	1	(1)	(100)%
Interest expense	123	132	(9)	(7)%
Total benefits and expenses	141	157	(16)	(10)%
Loss before income taxes	(158)	(149)	(9)	(6)%
Provision (benefit) for income taxes	10	(14)	24	171%
Net loss	(168)	(135)	(33)	(24)%
Adjustments to net loss:				
Net investment (gains) losses	28	1	27	NM(1)
Expenses related to restructuring	1	—	1	NM(1)
Taxes on adjustments	(6)	—	(6)	NM(1)
Adjusted operating loss available to Genworth Financial, Inc.'s common stockholders	$ (145)	$ (134)	$ (11)	(8)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Adjusted operating loss available to Genworth Financial, Inc.'s common stockholders

The adjusted operating loss available to Genworth Financial, Inc.'s common stockholders increased primarily related to $23 million of higher taxes in the current year associated with the GILTI provision of the TCJA, partially offset by lower interest expense and operating costs in the current year and provisional tax expense of $19 million in the prior year that did not recur.

Revenues

Net investment losses increased predominantly from higher derivative losses in the current year.

Benefits and expenses

Acquisition and operating expenses, net of deferrals, decreased mainly driven by a decrease in employee related expenses and lower operating costs in the current year.

Interest expense decreased largely driven by the redemption of $597 million of Genworth Holdings' senior notes in May 2018, partially offset by higher interest expense attributable to the term loan that Genworth Holdings closed in March 2018 and from our junior subordinated notes which had a higher floating rate of interest in the current year.

We had a current year tax expense compared to a prior year tax benefit. The current year tax expense was principally related to the GILTI provision of the TCJA. GILTI has an unfavorable impact on our current year tax provision due to the utilization of net operating loss carryforwards and projected taxable losses in the U.S. life insurance businesses without any offsetting foreign tax credit carryforwards. The higher taxes associated with GILTI are expected to continue for the remainder of 2019 and into 2020 but are subject to change depending on variations in business results and the potential disposition of Genworth Canada. The prior year tax benefit was mostly attributable to foreign tax credits, partially offset by provisional tax expense of $19 million related to a revaluation of deferred tax assets and liabilities on our foreign subsidiaries.

Investments and Derivative Instruments

Trends and conditions

Investments—credit and investment markets

Ongoing global trade tensions, slower global growth and a negative inflation outlook drove theU.S. Federal Reserve to continue to shift its interest rate policy in the second quarter of 2019. The U.S. Federal Reserve is weighing a potential interest rate cut in 2019 and/or 2020 and has maintained its current projection of no rate increases in 2019. The U.S. Federal Reserve's latest projection is a change from its March 2019 projection of one rate increase in 2020. The U.S. Federal Reserve's projected interest rate revision coupled with more accommodative monetary polices from other non-U.S. central banks drove both domestic and foreign government bond yields lower in the second quarter of 2019, with short-term interest rate declines outpacing decreases in long-term interest rates. Portions of the U.S. Treasury yield curve inverted in late May 2019 and continued through the end of the second quarter of 2019, as the yield on the U.S. 10-year Treasury note dipped below the yield on the3-month Treasury bill. Credit markets also saw a brief period of volatility in May 2019, with spread widening due to escalating U.S. and China trade tensions and a short-lived tariff threat with Mexico, but subsequently recovered in June 2019 driven mostly by renewed optimism on trade, expectations of accommodative central bank policies and rebounding investor demand for bonds.

The nature, timing and implications of the United Kingdom's proposed withdrawal from the European Union ("Brexit") remain uncertain. On April 10, 2019, the European Union Council approved a negotiation extension with a deadline of October 31, 2019. During the second quarter of 2019, the then-current United Kingdom Prime Minister announced she was stepping down and subsequent to the second quarter of 2019, a new Prime Minister was elected to assume the position. While the Brexit extension removes the near-term risks of the United Kingdom leaving the European Union with neither a trade agreement nor a transition period in place, it still leaves many open items and uncertainties, particularly given the election of a new Prime Minster and an unknown Brexit strategy.

Our investment portfolio maintained approximately $2.7 billion of United Kingdom exposure, or approximately 4% of total invested assets as of June 30, 2019. These assets were primarily U.S. dollar-denominated fixed-income investments and we held no direct United Kingdom sovereign exposure. While the ultimate range of Brexit outcomes could lead to potential credit devaluation or rating agency downgrades of our United Kingdom related exposures, at this time, we do not believe there is a material risk of investment impairments arising from the various Brexit scenarios.

As of June 30, 2019, our fixed maturity securities portfolio, which was 97% investment grade, comprised 85% of our total investment portfolio.

Derivatives

Several of our master swap agreements previously contained credit downgrade provisions that allowed either party to assign or terminate derivative transactions if the other party's long-term unsecured debt rating or financial strength rating was below the limit defined in the applicable agreement. Beginning in 2018, we renegotiated with many of our counterparties to remove the credit downgrade provisions from the master swap agreements entirely or replace them with a provision that allows the counterparty to terminate derivative transactions if the RBC ratio of the applicable insurance company goes below a certain threshold. During 2019, we successfully completed these negotiations, therefore, none of our master swap agreements have credit downgrade provisions as of June 30, 2019. As of June 30, 2019, the RBC ratios of the respective insurance companies were above the thresholds negotiated in the applicable master swap agreements and therefore, no counterparty had rights to take action against us under the RBC threshold provisions.

As of June 30, 2019, $9.7 billion notional of our derivatives portfolio was cleared through the Chicago Mercantile Exchange ("CME"). The customer swap agreements that govern our cleared derivatives contain provisions that enable our clearing agents to request initial margin in excess of CME requirements. As of June 30, 2019, we posted initial margin of $217 million to our clearing agents, which represented approximately $65 million more than was otherwise required by the clearinghouse. Because our clearing agents serve as guarantors of our obligations to the CME, the customer agreements contain broad termination provisions that are not specifically dependent on ratings. As of June 30, 2019, $15.0 billion notional of our derivatives portfolio was in bilateral over-the-counter ("OTC") derivative transactions pursuant to which we have posted aggregate independent amounts of $294 million and are holding collateral from counterparties in the amount of $87 million.

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Investment results

The following tables set forth information about our investment income, excluding net investment gains (losses), for each component of our investment portfolio for the periods indicated:

	Three months ended June 30,				Increase (decrease)	
	2019		2018		2019 vs. 2018	
(Amounts in millions)	Yield	Amount	Yield	Amount	Yield	Amount
Fixed maturity securities—taxable	4.6%	$ 665	4.5%	$ 651	0.1%	$ 14
Fixed maturity securities—non-taxable	6.1%	2	3.8%	3	2.3%	(1)
Equity securities	6.3%	10	5.1%	10	1.2%	—
Commercial mortgage loans	4.8%	84	4.8%	77	— %	7
Restricted commercial mortgage loans related to a securitization entity	7.0%	1	8.4%	2	(1.4)%	(1)
Policy loans	8.8%	45	9.0%	41	(0.2)%	4
Other invested assets (1)	28.7%	59	49.3%	53	(20.6)%	6
Cash, cash equivalents, restricted cash and short-term investments	1.9%	11	1.7%	14	0.2%	(3)
Gross investment income before expenses and fees	5.0%	877	4.8%	851	0.2%	26
Expenses and fees	(0.2)%	(25)	(0.1)%	(23)	(0.1)%	(2)
Net investment income	4.8%	$ 852	4.7%	$ 828	0.1%	$ 24
Average invested assets and cash		$70,752		$70,466		$ 286

	Six months ended June 30,				Increase (decrease)	
	2019		2018		2019 vs. 2018	
(Amounts in millions)	Yield	Amount	Yield	Amount	Yield	Amount
Fixed maturity securities—taxable	4.5%	$ 1,308	4.5%	$ 1,286	— %	$ 22
Fixed maturity securities—non-taxable	6.1%	4	3.8%	6	2.3%	(2)
Equity securities	5.9%	19	5.2%	20	0.7%	(1)
Commercial mortgage loans	4.8%	165	5.0%	159	(0.2)%	6
Restricted commercial mortgage loans related to a securitization entity	6.8%	2	8.1%	4	(1.3)%	(2)
Policy loans	9.2%	91	9.3%	84	(0.1)%	7
Other invested assets (1)	31.1%	118	44.0%	92	(12.9)%	26
Cash, cash equivalents, restricted cash and short-term investments	2.0%	23	1.5%	26	0.5%	(3)
Gross investment income before expenses and fees	4.9%	1,730	4.8%	1,677	0.1%	53
Expenses and fees	(0.1)%	(49)	(0.2)%	(45)	0.1%	(4)
Net investment income	4.8 %	$ 1,681	4.6 %	$ 1,632	0.2 %	$ 49
Average invested assets and cash		$70,598		$70,529		$ 69

(1) Investment income for other invested assets includes amortization of terminated cash flow hedges, which have no corresponding book value within the yield calculation and includes limited partnership investments, which are primarily equity-based and do not have fixed returns by period.

Yields are based on net investment income as reported under U.S. GAAP and are consistent with how we measure our investment performance for management purposes. Yields are annualized, for interim periods, and

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are calculated as net investment income as a percentage of average quarterly asset carrying values except for fixed maturity securities, derivatives and derivative counterparty collateral, which exclude unrealized fair value adjustments and securities lending activity, which is included in other invested assets and is calculated net of the corresponding securities lending liability.

For the three months ended June 30, 2019, annualized weighted-average investment yields increased principally from higher investment income on higher average invested assets. Net investment income included $5 million of higher prepayment speed adjustments on mortgage-backed securities and $4 million of higher income related to inflation-driven volatility on U.S. Government Treasury Inflation Protected Securities ("TIPS"). The three months ended June 30, 2019 included a decrease of $3 million attributable to changes in foreign exchange rates.

For the six months ended June 30, 2019, annualized weighted-average investment yields increased primarily driven by higher investment income on higher average invested assets. Net investment income included $14 million of higher limited partnership income and $10 million of higher prepayment speed adjustments on mortgage-backed securities, partially offset by $4 million lower income related to inflation-driven volatility on TIPS. The six months ended June 30, 2019 included a decrease of $6 million attributable to changes in foreign exchange rates.

The following table sets forth net investment gains (losses) for the periods indicated:

(Amounts in millions)	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Available-for-sale fixed maturity securities:				
Realized gains	$ 5	$ 13	$ 86	$ 20
Realized losses	(6)	(21)	(28)	(37)
Net realized gains (losses) on available-for-sale fixed maturity securities	(1)	(8)	58	(17)
Impairments:				
Total other-than-temporary impairments	—	—	—	—
Portion of other-than-temporary impairments included in other comprehensive income (loss)	—	—	—	—
Net other-than-temporary impairments	—	—	—	—
Net realized gains (losses) on equity securities sold	—	8	3	10
Net unrealized gains (losses) on equity securities still held	(12)	3	(4)	(15)
Limited partnerships	(11)	(2)	4	5
Commercial mortgage loans	1	—	—	—
Derivative instruments	(22)	(15)	(32)	(28)
Net investment gains (losses)	$ (45)	$ (14)	$ 29	$ (45)

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

- We recorded net unrealized losses on equity securities during the three months ended June 30, 2019 largely related to our Canada Mortgage Insurance segment principally from losses on preferred equity securities whose values are influenced by Canadian bond yields, which saw a decrease in the second quarter of 2019. The three months ended June 30, 2019 also included mark to market adjustments resulting in higher net losses of $9 million on limited partnerships compared to the three months ended June 30, 2018. The three months ended June 30, 2018 included net unrealized gains from changes in the fair value of equity securities driven principally by favorable equity market performance.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

- We recorded net realized gains of $58 million during the six months ended June 30, 2019 primarily from the sale of U.S. government, agencies and government-sponsored enterprises securities and cash tenders from merger and acquisition activity compared to $17 million of net realized losses during the six months ended June 30, 2018.

Investment portfolio

The following table sets forth our cash, cash equivalents, restricted cash and invested assets as of the dates indicated:

(Amounts in millions)	June 30, 2019 Carrying value	June 30, 2019 % of total	December 31, 2018 Carrying value	December 31, 2018 % of total
Fixed maturity securities, available-for-sale:				
Public	$ 44,013	57%	$ 41,857	58%
Private	19,761	26	17,804	25
Equity securities	644	1	655	1
Commercial mortgage loans	6,963	9	6,687	8
Restricted commercial mortgage loans related to a securitization entity	56	—	62	—
Policy loans	2,076	3	1,861	3
Other invested assets	1,535	2	1,188	2
Cash, cash equivalents and restricted cash	1,938	2	2,177	3
Total cash, cash equivalents, restricted cash and invested assets	$ 76,986	100%	$ 72,291	100%

For a discussion of the change in cash, cash equivalents, restricted cash and invested assets, see the comparison for this line item under "—Consolidated Balance Sheets." See note 4 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for additional information related to our investment portfolio.

We hold fixed maturity and equity securities, derivatives, embedded derivatives, securities held as collateral and certain other financial instruments, which are carried at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As of June 30, 2019, approximately 7% of our investment holdings recorded at fair value were based on significant inputs that were not market observable and were classified as Level 3 measurements. See note 6 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for additional information related to fair value.

Fixed maturity securities

As of June 30, 2019, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains: Not other-than-temporarily impaired	Gross unrealized gains: Other-than-temporarily impaired	Gross unrealized losses: Not other-than-temporarily impaired	Gross unrealized losses: Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies and government-sponsoredenterprises	$ 4,151	$ 837	$ —	$ (1)	$ —	$ 4,987
State and political subdivisions	2,319	317	—	—	—	2,636
Non-U.S. government	2,496	155	—	(2)	—	2,649
U.S. corporate:						
Utilities	4,327	565	—	(13)	—	4,879
Energy	2,468	255	—	(10)	—	2,713
Finance and insurance	6,974	633	—	(10)	—	7,597
Consumer—non-cyclical	4,954	616	—	(18)	—	5,552
Technology and communications	2,893	269	—	(6)	—	3,156
Industrial	1,242	98	—	(4)	—	1,336
Capital goods	2,323	303	—	(6)	—	2,620
Consumer—cyclical	1,619	127	—	(5)	—	1,741
Transportation	1,263	152	—	(4)	—	1,411
Other	356	40	—	—	—	396
Total U.S. corporate	28,419	3,058	—	(76)	—	31,401
Non-U.S. corporate:						
Utilities	1,114	54	—	(3)	—	1,165
Energy	1,349	168	—	(1)	—	1,516
Finance and insurance	2,438	191	—	(1)	—	2,628
Consumer—non-cyclical	674	40	—	(4)	—	710
Technology and communications	1,179	94	—	—	—	1,273
Industrial	936	81	—	—	—	1,017
Capital goods	663	33	—	(1)	—	695
Consumer—cyclical	542	16	—	(1)	—	557
Transportation	761	82	—	(2)	—	841
Other	2,061	186	—	(2)	—	2,245
Total non-U.S. corporate	11,717	945	—	(15)	—	12,647
Residential mortgage-backed (1)	2,511	215	14	(2)	—	2,738
Commercial mortgage-backed	2,882	121	—	(14)	—	2,989
Other asset-backed	3,699	38	—	(10)	—	3,727
Total available-for-sale fixed maturity securities	$ 58,194	$ 5,686	$ 14	$ (120)	$ —	$63,774

(1) Fair value included $12 million collateralized by Alt-A residential mortgage loans and $22 million collateralized by sub-prime residential mortgage loans.

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As of December 31, 2018, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains: Not other-than-temporarily impaired	Gross unrealized gains: Other-than-temporarily impaired	Gross unrealized losses: Not other-than-temporarily impaired	Gross unrealized losses: Other-than-temporarily impaired	Fair value
Fixed maturity securities:						
U.S. government, agencies andgovernment-sponsoredenterprises	$ 4,175	$ 473	$ —	$ (17)	$ —	$ 4,631
State and political subdivisions	2,406	168	—	(22)	—	2,552
Non-U.S. government	2,345	72	—	(24)	—	2,393
U.S. corporate:						
Utilities	4,439	331	—	(95)	—	4,675
Energy	2,382	101	—	(64)	—	2,419
Finance and insurance	6,705	249	—	(132)	—	6,822
Consumer—non-cyclical	4,891	294	—	(137)	—	5,048
Technology and communications	2,823	110	—	(78)	—	2,855
Industrial	1,230	41	—	(33)	—	1,238
Capital goods	2,277	165	—	(51)	—	2,391
Consumer—cyclical	1,592	53	—	(48)	—	1,597
Transportation	1,283	78	—	(41)	—	1,320
Other	376	24	—	(3)	—	397
Total U.S. corporate	27,998	1,446	—	(682)	—	28,762
Non-U.S. corporate:						
Utilities	1,056	17	—	(32)	—	1,041
Energy	1,320	72	—	(23)	—	1,369
Finance and insurance	2,391	72	—	(40)	—	2,423
Consumer—non-cyclical	756	8	—	(25)	—	739
Technology and communications	1,168	23	—	(26)	—	1,165
Industrial	926	36	—	(17)	—	945

Capital goods	615	10	—	(10)	—	615
Consumer—cyclical	532	1	—	(13)	—	520
Transportation	689	46	—	(15)	—	720
Other	2,218	105	—	(23)	—	2,300
Total non-U.S. corporate	11,671	390	—	(224)	—	11,837
Residential mortgage-backed (1)	2,888	160	13	(17)	—	3,044
Commercial mortgage-backed	3,054	43	—	(81)	—	3,016
Other asset-backed	3,444	10	1	(29)	—	3,426
Total available-for-sale fixed maturity securities	$ 57,981	$ 2,762	$ 14	$ (1,096)	$ —	$59,661

(1) Fair value included $19 million collateralized by Alt-A residential mortgage loans and $22 million collateralized by sub-prime residential mortgage loans.

Fixed maturity securities increased by $4.1 billion compared to December 31, 2018 principally from higher net unrealized gains attributable to a decrease in interest rates in the current year.

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Commercial mortgage loans

The following tables set forth additional information regarding our commercial mortgage loans as of the dates indicated:

	June 30, 2019				
(Dollar amounts in millions)	Total recorded investment	Number of loans	Loan-to-value (1)	Delinquent principal balance	Number of delinquent loans
Loan Year					
2008 and prior	$ 1,186	419	38%	$ —	—
2009	—	—	— %	—	—
2010	48	10	37%	—	—
2011	183	45	40%	—	—
2012	445	79	44%	—	—
2013	621	118	48%	—	—
2014	740	130	52%	—	—
2015	865	139	57%	—	—
2016	543	95	60%	—	—
2017	758	142	65%	—	—
2018	1,030	165	69%	—	—
2019	559	72	71%	—	—
Total	$ 6,978	1,414	55%	$ —	—

(1) Represents weighted-average loan-to-value as of June 30, 2019.

	December 31, 2018				
(Dollar amounts in millions)	Total recorded investment	Number of loans	Loan-to-value (1)	Delinquent principal balance	Number of delinquent loans
Loan Year					
2008 and prior	$ 1,310	459	39%	$ 3	1
2009	—	—	— %	—	—
2010	50	11	37%	—	—
2011	193	46	41%	—	—
2012	476	81	45%	—	—
2013	656	122	48%	3	1
2014	772	133	53%	—	—
2015	877	139	58%	—	—
2016	553	96	61%	—	—
2017	773	144	66%	—	—
2018	1,040	165	69%	—	—
Total	$ 6,700	1,396	54%	$ 6	2

(1) Represents weighted-average loan-to-value as of December 31, 2018.

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Other invested assets

The following table sets forth the carrying values of our other invested assets as of the dates indicated:

	June 30, 2019		December 31, 2018	
(Amounts in millions)	Carrying value	% of total	Carrying value	% of total
Limited partnerships	$ 512	34%	$ 409	34%
Bank loan investments	337	22	248	21
Derivatives	280	18	178	15
Short-term investments	273	18	230	19

Securities lending collateral	113	7	102	9
Other investments	20	1	21	2
Total other invested assets	$ 1,535	100%	$ 1,188	100%

Limited partnerships increased primarily from additional capital investments, partially offset by return of capital on our investments in the current year. Derivatives increased largely from a decrease in interest rates in the current year. Bank loan investments increased from funding of additional investments, partially offset by principal repayments in the current year. Short-term investments increased principally due to net purchases in our Australia and Canada Mortgage Insurance segments in the current year.

Derivatives

The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB embedded derivatives, fixed index annuity embedded derivatives and indexed universal life embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2018	Additions	Maturities/ terminations	June 30, 2019
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 9,924	$ 469	$ (1,338)	$ 9,055
Foreign currency swaps	Notional	80	52	(22)	110
Total cash flow hedges		10,004	521	(1,360)	9,165
Total derivatives designated as hedges		10,004	521	(1,360)	9,165
Derivatives not designated as hedges					
Interest rate swaps	Notional	4,674	—	—	4,674
Interest rate swaps in a foreign currency	Notional	2,565	187	(77)	2,675
Interest rate caps and floors	Notional	2,624	160	(66)	2,718
Foreign currency swaps	Notional	453	—	(2)	451
Equity index options	Notional	2,628	939	(1,035)	2,532
Financial futures	Notional	1,415	3,029	(3,217)	1,227
Equity return swaps	Notional	17	2	(2)	17
Other foreign currency contracts	Notional	1,080	2,925	(2,704)	1,301
Total derivatives not designated as hedges		15,456	7,242	(7,103)	15,595
Total derivatives		$ 25,460	$ 7,763	$ (8,463)	$24,760

(Number of policies)	Measurement	December 31, 2018	Additions	Maturities/ terminations	June 30, 2019
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	27,886	—	(1,139)	26,747
Fixed index annuity embedded derivatives	Policies	16,464	—	(410)	16,054
Indexed universal life embedded derivatives	Policies	929	—	(21)	908

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The decrease in the notional value of derivatives was primarily attributable to terminations of interest rate swaps that support our long-term care insurance business, partially offset by an increase in other foreign currency contracts used to hedge foreign currency risk associated with expected dividend payments from foreign subsidiaries and an increase in both interest rate swaps in a foreign currency and interest rate caps and floors related to our hedging strategy to mitigate interest rate risk associated with our regulatory capital position.

The number of policies related to our embedded derivatives decreased as these products are no longer being offered and continue to runoff.

Consolidated Balance Sheets

Total assets. Total assets increased $3,383 million from $100,923 million as of December 31, 2018 to $104,306 million as of June 30, 2019.

- Cash, cash equivalents, restricted cash and invested assets increased $4,695 million primarily from increases of $4,113 million, $347 million, $276 million and $215 million in fixed maturity securities, other invested assets, commercial mortgage loans and policy loans, respectively. The increase in fixed maturity securities was predominantly related to higher unrealized gains principally from a decrease in interest rates, partially offset by net sales of fixed maturity securities in the current year. The increase in other invested assets was primarily from higher market values of derivative assets driven mostly by a decrease in interest rates and an increase in limited partnership and bank loan investments in the current year. Commercial mortgage loans increased from higher originations and lower prepayments in the current year. The increase in policy loans was principally driven by new loans offered through our corporate-owned life insurance policies collateralized by the cash surrender value of the policy. These increases were partially offset by a decrease in cash, cash equivalents and restricted cash of $239 million largely from higher net withdrawals on our universal life and investment contracts and higher origination funding of commercial mortgage loans, along with an increase in funding of limited partnership and bank loan investments in the current year.

- DAC decreased $1,158 million predominantly related to our U.S. Life Insurance segment. We are required to analyze the impacts from net unrealized investment gains and losses on our available-for-sale investment securities backing insurance assets and liabilities, as if those unrealized investment gains and losses were realized. These "shadow accounting" adjustments result in the recognition of unrealized gains and losses on related insurance assets and liabilities in a manner consistent with the recognition of the unrealized gains and losses on available-for-sale investment securities within the statements of comprehensive income and changes in equity. During the six months ended June 30, 2019, due primarily to a decrease in interest rates increasing unrealized investment gains, we decreased the DAC balance of our U.S. Life Insurance segment by $1,015 million, resulting in a cumulative decrease of $1,510 million to the DAC balance as of June 30, 2019, with an offsetting amount recorded in other comprehensive income (loss). The decrease was also attributable to amortization, net of interest and deferrals, in our U.S. Life Insurance segment in the current year.

- Deferred tax asset decreased $353 million primarily due to higher unrealized gains on investments and derivatives in the current year.

- Separate account assets increased $328 million primarily due to favorable equity market performance in the current year.

Total liabilities. Total liabilities increased $1,980 million from $86,734 million as of December 31, 2018 to $88,714 million as of June 30, 2019.

- Future policy benefits increased $1,643 million primarily driven by shadow accounting adjustments associated with the recognition of the higher unrealized gains. The shadow accounting adjustments increased future policy benefits by approximately $1,446 million, mostly in our long-term care

insurance business, with an offsetting amount recorded in other comprehensive income (loss). The increase was also attributable to aging of our long-term care insurance in-force block in the current year.

- Policyholder account balances decreased $295 million largely as a result of surrenders and benefits in our fixed annuities business and from scheduled maturities of certain funding agreements in our institutional products in the current year. These decreases were partially offset by an increase associated with shadow accounting adjustments in connection with the recognition of the higher unrealized gains mostly in our universal life insurance products in the current year.
- Liability for policy and contract claims increased $298 million due principally to our long-term care insurance business primarily from aging of the in-force block (including higher frequency of new claims) and higher severity of new claims, partially offset by favorable development on prior year incurred but not reported claims and favorable claim terminations in the current year. These increases were partially offset by lower delinquencies in our U.S. mortgage insurance business in the current year.

Total equity. Total equity increased $1,403 million from $14,189 million as of December 31, 2018 to $15,592 million as of June 30, 2019.

- We reported net income available to Genworth Financial, Inc.'s common stockholders of $342 million for the six months ended June 30, 2019.
- Net unrealized gains and derivatives qualifying as hedges increased $710 million and $202 million, respectively, primarily from a decrease in interest rates in the current year.
- Noncontrolling interests increased $96 million predominantly related to total comprehensive income attributable to noncontrolling interests of $192 million, partially offset by dividends to noncontrolling interests of $53 million and the repurchase of shares of $44 million in the current year.

Liquidity and Capital Resources

Liquidity and capital resources represent our overall financial strength and our ability to generate cash flows from our businesses, borrow funds at competitive rates and raise new capital to meet our operating and growth needs.

Genworth and subsidiaries

The following table sets forth our unaudited condensed consolidated cash flows for the six months ended June 30:

(Amounts in millions)	2019	2018
Net cash from operating activities	$ 795	$ 561
Net cash used by investing activities	(351)	(198)
Net cash used by financing activities	(695)	(943)
Net decrease in cash before foreign exchange effect	$(251)	$(580)

Our principal sources of cash include sales of our products and services, income from our investment portfolio and proceeds from sales of investments. As an insurance business, we typically generate positive cash flows from operating activities, as premiums collected from our insurance products and income received from our investments typically exceed policy acquisition costs, benefits paid, redemptions and operating expenses. Our cash flows from operating activities are affected by the timing of premiums, fees and investment income received and benefits and expenses paid. Positive cash flows from operating activities are then invested to support the obligations of our insurance and investment products and required capital supporting these products. In analyzing

our cash flow, we focus on the change in the amount of cash available and used in investing activities. Changes in cash from financing activities primarily relate to the issuance of, and redemptions and benefit payments on, universal life insurance and investment contracts; deposits from Federal Home Loan Banks ("FHLBs"); the issuance and acquisition of debt and equity securities; the issuance and repayment or repurchase of borrowings and non-recourse funding obligations; and other capital transactions.

We had higher cash inflows from operating activities in the current year mainly attributable to posting lower collateral with our derivative counterparties and lower tax payments, partially offset by new policy loans issued in our corporate-owned life insurance product in the current year.

We had cash higher cash outflows from investing activities in the current year mainly driven by net purchases of short-term investments in the current year compared to net sales in the prior year. We also had higher commercial mortgage loan originations which outpaced repayments in the current year. These outflows were partially offset by net sales of fixed maturity and equity securities in the current year compared to net purchases in the prior year.

We had lower cash outflows from financing activities in the current year principally driven by the redemption of $597 million of Genworth Holdings' senior notes in May 2018 and lower net withdrawals from our investment contracts in the current year, partially offset by $441 million of net proceeds in the prior year from the term loan closed in March 2018.

In the United States and Canada, we engage in certain securities lending transactions for the purpose of enhancing the yield on our investment securities portfolio. We maintain effective control over all loaned securities and, therefore, continue to report such securities as fixed maturity securities on the consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary.

Genworth—holding company

Genworth Financial and Genworth Holdings each act as a holding company for their respective subsidiaries and do not have any significant operations of their own. Dividends from their respective subsidiaries, payments to them under tax sharing and expense reimbursement arrangements with their subsidiaries and proceeds from borrowings or securities issuances are their principal sources of cash to meet their obligations. Insurance laws and regulations regulate the payment of dividends and other distributions to Genworth Financial and Genworth Holdings by their insurance subsidiaries. We expect dividends paid by the insurance subsidiaries will vary depending on strategic objectives, regulatory requirements and business performance.

The primary uses of funds at Genworth Financial and Genworth Holdings include payment of holding company general operating expenses (including taxes), payment of principal, interest and other expenses on current and any future borrowings, payments under current and any future guarantees (including guarantees of certain subsidiary obligations), payment of amounts owed to GE under the Tax Matters Agreement, payments to subsidiaries (and, in the case of Genworth Holdings, to Genworth Financial) under tax sharing agreements, contributions to subsidiaries, repurchases of debt securities and, in the case of Genworth Holdings, loans, dividends or other distributions to Genworth Financial. In deploying future capital, important current priorities include focusing on our mortgage insurance businesses so they remain appropriately capitalized, and accelerating progress on reducing overall indebtedness of Genworth Holdings. We may from time to time seek to repurchase or redeem outstanding notes for cash (with cash on hand, proceeds from the issuance of new debt and/or the proceeds from asset or stock sales) in open market purchases, tender offers, privately negotiated transactions or otherwise. We currently seek to address our indebtedness over time through repurchases, redemptions and/or repayments at maturity.

Our Board of Directors has suspended the payment of stockholder dividends on our Genworth Financial common stock indefinitely. The declaration and payment of future dividends to holders of our common stock

will be at the discretion of our Board of Directors and will be dependent on many factors including the receipt of dividends from our operating subsidiaries, our financial condition and operating results, the capital requirements of our subsidiaries, legal requirements, regulatory constraints, our debt obligations, our credit and financial strength ratings and such other factors as the Board of Directors deems relevant. In addition, our Board of Directors has suspended repurchases of our Genworth Financial common stock under our stock repurchase program indefinitely. The resumption of our stock repurchase program will be at the discretion of our Board of Directors.

Genworth Holdings had $358 million and $429 million of cash, cash equivalents and restricted cash as of June 30, 2019 and December 31, 2018, respectively, which included approximately $7 million and $16 million of restricted cash, respectively. Genworth Holdings also held $45 million and $75 million in U.S. government securities as of June 30, 2019 and December 31, 2018, respectively, which included approximately $42 million of restricted assets in each period. The $403 million of cash and liquid assets as of June 30, 2019 is below our targeted cash buffer of two times expected annual external debt interest payments, as described below. In addition, Genworth Holdings has an intercompany note with a principal amount of $200 million due on March 31, 2020.

During the six months ended June 30, 2019 and 2018, we received common stock dividends from our international subsidiaries of $105 million and $91 million, respectively. Dividends in the first quarter of 2019 included proceeds of $14 million that we received through our participation in Normal Course Issuer Bid ("NCIB") transactions completed by Genworth Canada during the fourth quarter of 2018.

Regulated insurance subsidiaries

The liquidity requirements of our regulated insurance subsidiaries principally relate to the liabilities associated with their various insurance and investment products, operating costs and expenses, the payment of dividends to us, contributions to their subsidiaries, payment of principal and interest on their outstanding debt obligations and income taxes. Liabilities arising from insurance and investment products include the payment of benefits, as well as cash payments in connection with policy surrenders and withdrawals, policy loans and obligations to redeem funding agreements.

Our insurance subsidiaries have used cash flows from operations and investment activities to fund their liquidity requirements. Our insurance subsidiaries' principal cash inflows from operating activities are derived from premiums, annuity deposits and insurance and investment product fees and other income, including commissions, cost of insurance, mortality, expense and surrender charges, contract underwriting fees, investment management fees and dividends and distributions from their subsidiaries. The principal cash inflows from investment activities result from repayments of principal, investment income and, as necessary, sales of invested assets.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Products having liabilities with longer durations, such as certain life insurance and long-term care insurance policies, are matched with investments having similar duration such as long-term fixed maturity securities and commercial mortgage loans. Shorter-term liabilities are matched with fixed maturity securities that have short- and medium-term fixed maturities. In addition, our insurance subsidiaries hold highly liquid, high quality short-term investment securities and other liquid investment grade fixed maturity securities to fund anticipated operating expenses, surrenders and withdrawals. As of June 30, 2019, our total cash, cash equivalents, restricted cash and invested assets were $77.0 billion. Our investments in privately placed fixed maturity securities, commercial mortgage loans, policy loans, limited partnership investments and select mortgage-backed and asset-backed securities are relatively illiquid. These asset classes represented approximately 38% of the carrying value of our total cash, cash equivalents, restricted cash and invested assets as of June 30, 2019.

As of June 30, 2019, our U.S. mortgage insurance business was compliant with the PMIERs capital requirements, with a prudent buffer. Reinsurance transactions provided an aggregate of approximately $470 million of PMIERs capital credit as of June 30, 2019. Our U.S. mortgage insurance business may execute future capital transactions to maintain a prudent level of financial flexibility in excess of the PMIERs capital requirements given the dynamic nature of asset valuations and requirement changes over time, including additional reinsurance and other credit risk transfer transactions.

We are evaluating options for a potential dividend from our U.S. mortgage insurance business in the second half of 2019. However, we have not made a final decision and will need to consider progress on the transaction with China Oceanwide and capital requirements of our U.S. mortgage insurance subsidiaries, in addition to other factors, which are subject to change.

In April 2019, Genworth Canada announced acceptance by the Toronto Stock Exchange ("TSX") of its Notice of Intention to Make an NCIB.

Pursuant to the NCIB, Genworth Canada may, if considered advisable, purchase from time to time through May 6, 2020, up to an aggregate of approximately 4.4 million of its issued and outstanding common shares. In the second quarter of 2019, Genworth Canada repurchased approximately 1.7 million of its shares for CAD$68 million through the NCIB. We participated in the NCIB in order to maintain our ownership position of approximately 56.9% and received $28 million in cash, $20 million of which was paid to Genworth Holdings as a dividend and $8 million of which was retained by GMICO.

In February 2019, Genworth Mortgage Insurance Australia Limited ("Genworth Australia") announced its intention to commence an on-marketshare buy-back program for shares up to a maximum aggregate amount of AUD$100 million. Pursuant to the program, Genworth Australia repurchased approximately 25 million shares for AUD$64 million. As the majority shareholder, we participated in on-market sales transactions during the buy-backperiod to maintain our ownership position of approximately 52.0% and received $23 million in cash, $19 million of which was paid as dividends to Genworth Holdings with the remainder expected to be paid as a dividend to Genworth Holdings in the third quarter of 2019. In lieu of continuing with further share buy-backs under this program, on July 31, 2019, Genworth Australia declared an unfranked special dividend of AUD$0.219 per share payable to shareholders in August 2019, part of which constitutes the remaining AUD$36 million of the buy-back program.

Capital resources and financing activities

On July 24, 2019, Genworth Holdings announced a solicitation of consents from the holders of its outstanding senior and junior subordinated notes to create an express authorization for the sale of all or part of our non-U.S. mortgage insurance businesses or assets, including Genworth Canada. No assurance can be given regarding the completion of the July 2019 bond consent.

On May 22, 2019, Genworth Canada issued at a premium, CAD$100 million fixed rate senior notes with an interest rate of 4.24% that matures in 2024. The offering represents a re-opening of the 4.24% senior notes originally issued in April 2014. The total amount issued and outstanding associated with these senior notes after this most recent offering is CAD$263 million. The senior notes are redeemable at the option of Genworth Canada, in whole or in part, at any time. In June 2019, Genworth Canada used the proceeds of the offering to early redeem approximately CAD$100 million of the 5.68% senior notes originally scheduled to mature in June 2020 and incurred an early redemption fee of CAD$3 million.

We believe existing cash held at Genworth Holdings combined with dividends from operating subsidiaries, payments under tax sharing and expense reimbursement arrangements with subsidiaries, proceeds from borrowings or securities issuances, and if necessary, sales of assets, as described below, will provide us with sufficient capital flexibility and liquidity to meet our projected future operating and financing requirements. We actively monitor our liquidity position, liquidity generation options and the credit markets given changing market conditions. Our cash management target is to maintain a cash buffer of two times expected annual external debt interest payments. During the first quarter of 2019, we were below our targeted cash buffer by approximately $100 million and we remained below our targeted cash buffer by the same amount in the second quarter of 2019. We may move below or above our targeted cash buffer during any given quarter due to the timing of cash outflows and inflows or from future actions. We continue to evaluate our target level of liquidity as circumstances warrant. Additionally, we will continue to evaluate market influences on the valuation of our senior debt and may consider additional opportunities to repurchase our debt over time. We cannot predict with any certainty the impact to us from any future disruptions in the credit markets or the recent or any further downgrades by one or more of the rating agencies of the financial strength ratings of our insurance company subsidiaries and/or the credit ratings of our holding companies. In connection with the Eleventh Waiver and Agreement, to facilitate the China Oceanwide transaction, the parties concluded that exploring a potential disposition of Genworth Canada is in the best interests of the parties. Another possible benefit of a sale of Genworth Canada would be the opportunity to use the proceeds to satisfy future debt maturities. In the absence of the transaction with China Oceanwide, we may need to pursue other potential asset sales to address our debt maturities in 2020 and thereafter, including a potential sale of our mortgage insurance business in Australia. We have and would continue to evaluate options to insulate our U.S. mortgage insurance business from additional ratings pressure, including a potential partial sale, in the event the transaction with China Oceanwide cannot be completed. The availability of additional funding will depend on a variety of factors such as market conditions, regulatory considerations, the general availability of credit, the overall availability of credit to the financial services industry, the level of activity and availability of reinsurance, our credit ratings and credit capacity and the performance of and outlook for our business. For a discussion of certain risks associated with our liquidity, see "Item 1A—Risk Factors—Our internal sources of liquidity may be insufficient to meet our needs and our access to capital may be limited or unavailable. Under such conditions, we may seek additional capital but may be unable to obtain it" in our 2018 Annual Report on Form 10-K.

Contractual obligations and commercial commitments

Other than the Genworth Canada debt issuance and repayment described above, there have been no material additions or changes to our contractual obligations as compared to the amounts disclosed within our 2018 Annual Report on Form 10-K filed on February 27, 2019. For additional details related to our commitments, see note 10 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements."

Securitization Entities

There were no off-balance sheet securitization transactions during the six months ended June 30, 2019 or 2018.

New Accounting Standards

For a discussion of recently adopted accounting standards, see note 2 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements."

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and equity prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded. Except as

disclosed below, there were no other material changes in our market risks since December 31, 2018. See "—Business trends and conditions" and "—Investments and Derivative Instruments" in "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of recent market conditions, including changes in interest rates.

We are exposed to foreign currency exchange risks associated with fluctuations in foreign currency exchange rates against the U.S. dollar resulting from our international operations and non-U.S.-denominated securities. Our primary international operations are located in Canada and Australia. The assets and liabilities of our international operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date, while revenues and expenses of our international operations are translated into U.S. dollars at the average rates of exchange during the period of the transaction. In general, the weakening of the U.S. dollar results in higher levels of reported assets, liabilities, revenues and net income. As of June 30, 2019, the U.S. dollar strengthened against the Australian dollar and weakened against the Canadian dollar compared to the respective balance sheet rates as of December 31, 2018. In the second quarter of 2019, the U.S. dollar strengthened against the currencies in Canada and Australia compared to the respective average rates in the second quarter of 2018. See "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion on the impact of changes in foreign currency exchange rates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2019, an evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2019.

Changes in Internal Control Over Financial Reporting During the Quarter Ended June 30, 2019

During the three months ended June 30, 2019, there have not been any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See note 11 in our unaudited condensed consolidated financial statements under "Part 1—Item 1—Financial Statements" for a description of material pending litigation and regulatory matters affecting us.

Item 1A. Risk Factors

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our 2018 Annual Report on Form 10-K, which together describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. There have been no material changes to the risk factors set forth in the above-referenced filing as of June 30, 2019.

Item 6. Exhibits

Number	Description
2.1	Eleventh Waiver and Agreement, dated as of June 30, 2019, by and among Genworth Financial, Inc., Asia Pacific Global Capital Co., Ltd., and Asia Pacific Global Capital USA Corporation (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on July 1, 2019)
10.1§	2018 Genworth Financial, Inc. Omnibus Incentive Plan (filed herewith)
10.2§	Form of 2019-2021 Performance Stock Unit Award Agreement under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (filed herewith)
10.3§	Form of Restricted Stock Award Agreement under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (filed herewith)
10.4§	Form of Cash-Based Award Agreement under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (filed herewith)
10.5§	Amended and Restated Genworth Financial, Inc. 2014 Change of Control Plan (filed herewith)
10.6§	Amended and Restated Genworth Financial, Inc. 2015 Key Employee Severance Plan (filed herewith)
31.1	Certification of Thomas J. McInerney (filed herewith)
31.2	Certification of Kelly L. Groh (filed herewith)
32.1	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code—Thomas J. McInerney (filed herewith)
32.2	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code—Kelly L. Groh (filed herewith)
101.INS	XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

§ Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENWORTH FINANCIAL, INC.
(Registrant)

Date: July 31, 2019

By: /s/ Matthew D. Farney

Matthew D. Farney
Vice President and Controller
(Principal Accounting Officer)

2018 Genworth Financial, Inc.
Omnibus Incentive Plan

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2018 Genworth Financial, Inc.
Omnibus Incentive Plan

Article 1. Establishment, Purpose, Awards, Eligibility and Participation

1.1 Establishment. Genworth Financial, Inc., a Delaware corporation (together with its successors, the "Company"), establishes the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (the "Plan"), as set forth in this document.

The Plan shall become effective on the date that it is approved by the Company's stockholders (the date on which the Plan becomes effective being referred to herein as the "Effective Date").

1.2 Purpose of the Plan. The purpose of the Plan is to promote the interests of the Company and its stockholders by strengthening the ability of the Company and its Affiliates to attract, motivate, reward, and retain qualified individuals upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend, and to provide an opportunity for such individuals to acquire stock ownership and other rights that promote and recognize the financial success and growth of the Company.

1.3 Awards. The Plan permits the grant of Stock Options, Stock Appreciation Rights, Restricted Stock (including Performance Shares), Restricted Stock Units (including Performance Units), Other-Stock Based Awards, Nonemployee Director Awards (including Deferred Stock Units), and Cash-Based Awards.

1.4 Eligibility and Participation. Any Employee (including a leased employee), Nonemployee Director, or Third Party Service Provider is eligible to be designated a Participant. An individual shall become a Participant upon the grant of an Award. Each Award shall be evidenced by an Award Certificate. No individual shall have the right to be selected to receive an Award under the Plan, or, having been so selected, to be selected to receive a future Award. An Employee, Nonemployee Director, or Third Party Service Provider of an Affiliate may be granted Stock Options or Stock Appreciation Rights under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A. Incentive Stock Options may be granted only to Eligible Participants who are employees of the Company or a Parent or Subsidiary as defined in Section 424(e) and (f) of the Code.

Article 2. Definitions

In addition to the terms specifically defined elsewhere in the Plan, the following capitalized terms whenever used in the Plan shall have the meanings set forth below.

2.1 Awards.

(a) **"Award"** shall mean, individually or collectively, any Stock Option, Stock Appreciation Right, Restricted Stock (including any Performance Share), Restricted Stock Unit (including any Performance Unit), Cash-Based Award, Other Stock-Based Award or Nonemployee Director Award (including any Deferred Stock Unit) that is granted under the Plan.

(b) **"Cash-Based Award"** shall mean any right granted under Article 11.

(c) **"Deferred Stock Unit"** shall mean a type of Nonemployee Director Award, as described in Article 10.

(d) **"Dividend Equivalent"** shall mean a right with respect to a Full-Value Award granted under Article 9.

(e) **"Full-Value Award"** means an Award other than in the form of a Stock Option or Stock Appreciation Right, and which is settled by the issuance of Shares (or at the discretion of the Committee, settled in cash valued by reference to full Share value).

(f) **"Incentive Stock Option"** shall mean a Stock Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

(g) **"Nonemployee Director Award"** shall mean any Award granted to a Nonemployee Director under Article 10.

(h) **"Nonstatutory Stock Option"** shall mean a Stock Option that is not an Incentive Stock Option.

(i) **"Other Stock-Based Award"** shall mean any right, granted under Article 8, that relates to or is valued by reference to Shares or other Awards relating to Shares.

(j) **"Performance Share"** shall mean a Share of Restricted Stock as described in Section 7.1(c).

(k) **"Performance Unit"** shall mean a Restricted Stock Unit as described in Section 7.1(c).

(l) **"Restricted Stock"** shall mean any Share granted under Article 7 that is subject to certain restrictions and to risk of forfeiture.

(m) **"Restricted Stock Unit"** shall mean any right granted under Article 7 to receive Shares (or the equivalent value in cash or other property if the Committee so provides) in the future, which right is subject to certain restrictions and to risk of forfeiture.

(n) **"Stock Appreciation Right" or "SAR"** shall mean any right granted under Article 6 to receive a payment (in Shares or cash) equal in value to the difference between the Fair Market Value of a Share as of the date of exercise of the SAR over the grant price of the SAR.

(o) **"Stock Option"** shall mean any right granted under Article 5 to purchase Shares at a specified price during specified time periods. A Stock Option may be an Incentive Stock Option or a Nonstatutory Stock Option.

2.2 Other Defined Terms.

(a) **"Affiliate"** shall mean an entity that, directly or through one or more intermediaries, controls, is controlled by or is under common control with, the Company, including any Subsidiary.

(b) **"Annual Award Limit"** shall have the meaning set forth in Section 4.3.

(c) **"Automatic Exercise"** shall have the meaning set forth in Section 6.2.

(d) **"Award Certificate"** shall mean a written document, in such form as the Committee prescribes from time to time, setting forth the terms and conditions of an Award. Award Certificates may be in the form of individual award agreements or certificates or a program document describing the terms and provisions of an Awards or series of Awards under the Plan. The Committee may provide for the use of electronic, internet or other non-paper Award Certificates, and the use of electronic, internet or othernon-paper means for the acceptance thereof and actions thereunder by a Participant.

(e) **"Board of Directors"** shall mean the board of directors of the Company.

(f) **"Change of Control"** shall have the meaning set forth in Section 12.2.

(g) **“Code”** shall mean the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of this Plan, references to sections of the Code shall be deemed to include references to any applicable regulations thereunder.

(h) **“Committee”** shall mean a committee of the Board of Directors, whose members are intended to qualify as “independent” directors under the applicable rules of the stock exchange on which the Shares are listed, and, except as otherwise determined by the Board of Directors, “non-employee” directors under the requirements of Section 16 of the Exchange Act and the rules and regulations thereunder, or any successor requirement to any of the foregoing. Unless and until changed by the Board, the Management Development and Compensation Committee of the Board is designated as the Committee to administer the Plan.

(i) **“Company”** shall have the meaning set forth in Section 1.1.

(j) **“Effective Date”** shall have the meaning set forth in Section 1.1.

(k) **“Employee”** shall mean any employee of the Company or any of its Affiliates.

(l) **“Exchange Act”** shall mean the U.S. Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

(m) **“Fair Market Value”** shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(n) **“Grant Date”** of an Award means the first date on which all necessary corporate action has been taken to approve the grant of the Award as provided in the Plan, or such later date as is determined and specified as part of that authorization process. Notice of the grant shall be provided to the grantee within a reasonable time after the Grant Date.

(o) **“Nonemployee Director”** shall mean a director of the Company who is not a common law employee of the Company or an Affiliate.

(p) **“Participant”** shall mean any eligible individual as set forth in Section 1.4 to whom an Award is granted under the Plan; provided that in the case of the death of a Participant, the term “Participant” refers to a beneficiary designated pursuant to Section 14.14 or the legal guardian or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision.

(q) **“Person”** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

(r) **“Plan”** shall have the meaning set forth in Section 1.1.

(s) **“Plan Year”** shall mean the calendar year.

(t) **“Prior Plans”** shall mean the 2004 Genworth Financial, Inc. Omnibus Incentive Plan, as amended, and the 2012 Genworth Financial, Inc. Omnibus Incentive Plan.

(u) **“Share”** shall mean a share of Class A common stock, par value $.001, of the Company (as such may be reclassified or renamed), and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 4.4.

(v) **“Subsidiary”** shall mean, with respect to a Person, any corporation or other entity, whether domestic or foreign, in which such Person has or obtains, directly or indirectly, a proprietary interest of more than fifty percent (50%) by reason of stock ownership or otherwise.

(w) **“Third Party Service Provider”** shall mean any consultant, agent, advisor, or independent contractor who renders services to the Company or any of its Affiliates, which services (a) are not performed in connection with the offer and sale of the Company’s securities in a capital raising transaction, and (b) do not directly or indirectly promote or maintain a market for the Company’s securities.

Article 3. Administration

3.1 General. The Committee shall be responsible for administering the Plan in accordance with this Article 3.

3.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power to (a) interpret the terms and the intent of the Plan and any Award Certificate or other agreement or document ancillary to or in connection with the Plan; (b) determine eligibility for Awards; and (c) adopt such rules, forms, instruments, and guidelines for administering the Plan as the Committee deems necessary or proper; *provided*, *however*, that the Board of Directors is hereby authorized (in addition to any necessary action by the Committee) to grant or approve Awards as necessary to satisfy the requirements of Section 16 of the Exchange Act and the rules and regulations thereunder. The Committee’s authority shall include, but not be limited to, the following:

(a) To determine from time to time which of the persons eligible under the Plan shall be granted Awards; when and how each Award shall be granted; what type or combination of types of Award shall be granted; the provisions of each Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Shares pursuant to an Award; and the number of Shares with respect to which an Award shall be granted to each such person.

(b) To determine whether Awards will be settled in Shares, cash, or in any combination thereof.

(c) To construe and interpret the Plan and Awards granted under it, and to establish, amend, and revoke rules and regulations for its administration. The Committee, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Award Certificate, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(d) To amend the Plan or an Award as provided in the Plan.

(e) Generally, to exercise such powers and to perform such acts as the Committee deems necessary, desirable, convenient, or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

(f) To adopt sub-plans and/or special provisions applicable to Awards regulated by the laws of a jurisdiction other than and outside of the United States. Such sub-plans and/or special provisions may take precedence over other provisions of the Plan, with the exception of the section of the plan governing Share reserves and counting, but unless otherwise superseded by the terms of such subplans and/or special provisions, the provisions of the Plan shall govern.

(g) To authorize any person to execute on behalf of the Company any instrument required to affect the grant of an Award previously granted by the Committee.

All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested individuals.

Notwithstanding the foregoing, grants of Awards to Nonemployee Directors shall be (i) subject to the applicable Annual Award Limits under Section 4.3(e), and (ii) made only in accordance with the terms, conditions and parameters of a plan, program or policy for the compensation of Nonemployee Directors as in effect from time to time, and the Committee may not make discretionary grants hereunder to Nonemployee Directors.

3.3 Actions and Interpretations by the Committee. For purposes of administering the Plan, the Committee may from time to time adopt rules, regulations, guidelines and procedures for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the Plan, as the Committee may deem appropriate. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent it deems necessary to carry out the intent of the Plan. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Certificate and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's or an Affiliate's independent certified public accountants, Company counsel or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee will be personally liable for any good faith determination, act or omission in connection with the Plan or any Award.

3.4 Advisors. The Committee may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and directors shall be entitled to rely upon the advice, opinions, or valuations of any such individuals.

3.5 Delegation. The Committee may delegate to one or more of its members, one or more officers of the Company or any of its Affiliates, and one or more agents or advisors such administrative duties or powers as it may deem advisable. The Committee may, by resolution, expressly delegate to one or more directors or officers of the Company, authority to do one or both of the following on the same basis as can the Committee: (a) designate Employees and Third Party Service Providers to be recipients of Awards, and (b) determine the terms and conditions of any such Awards; *provided*, *however*, that (i) the Committee shall not delegate such responsibilities to any such officer(s) or director(s) for Awards granted to an Employee that is considered an "insider" for purposes of Section 16 of the Exchange Act; (ii) the resolution providing for such authorization shall set forth the total number of Awards and the time period during which such officer(s) or director(s) may grant Awards; and (iii) the officer(s) or director(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

3.6 Indemnification. Each person who is or shall have been a member of the Committee or of the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3.5) shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf, unless such loss, cost, liability, or expense is a result of his or her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article 4. Shares Subject to the Plan and Maximum Awards

4.1 Number of Shares Available for Awards. Subject to adjustment as provided in Sections 4.2 and 4.4, the maximum number of Shares available for issuance to Participants pursuant to Awards under the Plan shall be 25,000,000 Shares, plus a number of additional Shares (not to exceed 20,000,000) underlying awards outstanding as of the Effective Date under the Prior Plans that thereafter terminate or expire unexercised, or are cancelled, forfeited or lapse for any reason. The maximum number of Shares that may be issued upon exercise of Incentive Stock Options granted under the Plan shall be 25,000,000. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares. From and after the Effective Date, no further awards shall be granted under the Prior Plans and the Prior Plans shall remain in effect only so long as awards granted thereunder shall remain outstanding.

4.2 Share Usage.

(a) Awards of Stock Options shall count against the number of Shares remaining available for issuance pursuant to Awards granted under the Plan as one Share for each Share covered by such Awards. The full number of Shares subject to a Stock Option shall count against the number of Shares remaining available for issuance pursuant to Awards granted under the Plan, even if the exercise price of the Stock Option is satisfied in whole or in part through net-settlement or by delivering Shares to the Company (by either actual delivery or attestation).

(b) Awards of Stock Appreciation Rights shall count against the number of Shares remaining available for issuance pursuant to Awards granted under the Plan as one Share for each Share covered by such Awards. Upon exercise of Stock Appreciation Rights that are settled in Shares, the full number of Shares subject to the Stock Appreciation Rights (rather than any lesser number based on the net number of Shares actually delivered upon exercise) shall count against the number of Shares remaining available for issuance pursuant to Awards granted under the Plan.

(c) Full-Value Awards and Dividend Equivalents payable in Shares shall count against the number of Shares remaining available for issuance pursuant to Awards granted under the Plan as 1.25 Shares for each Share covered by such Awards.

(d) Shares withheld or repurchased from an Award to satisfy tax withholding requirements shall count against the number of Shares remaining available for issuance pursuant to Awards granted under the Plan, and Shares delivered by a participant to satisfy tax withholding requirements shall not be added to the Plan share reserve.

(e) To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any unissued or forfeited Shares originally subject to the Award will be added back to the Plan share reserve and again be available for issuance pursuant to Awards granted under the Plan.

(f) Shares subject to Awards settled in cash will be added back to the Plan share reserve and again be available for issuance pursuant to Awards granted under the Plan.

(g) To the extent that the full number of Shares subject to Full-Value Award is not issued for any reason, including by reason of failure to achieve maximum performance goals, the unissued Shares originally subject to the Award will be added back to the Plan share reserve and again be available for issuance pursuant to Awards granted under the Plan.

(h) Substitute Awards granted pursuant to Section 14.4 of the Plan shall not count against the Shares otherwise available for issuance under the Plan under Section 4.1.

4.3 Annual Award Limits. The following limits (each an "Annual Award Limit" and collectively, Annual Award Limits") shall apply to grants of Awards under the Plan:

(a) **Stock Options or Stock Appreciation Rights**: The maximum number of Shares with respect to which Stock Options and/or Stock Appreciation Rights may be granted to any Participant in any Plan Year shall be ten million (10,000,000) Shares.

(b) **Restricted Stock or Restricted Stock Units:** The maximum number of Shares with respect to which Restricted Stock and Restricted Stock Units (including any Performance Shares and Performance Units) may be granted (or allocated in the case of multi-year performance Awards) to any Participant in any Plan Year shall be five million (5,000,000) Shares.

(c) **Cash-Based Awards**: The maximum amount of any Cash-Based Awards that may be paid, credited or vested to any Participant in any Plan Year shall be ten million dollars ($10,000,000).

(d) **Other Stock-Based Awards**: The maximum number of Shares with respect to which Other Stock-Based Awards may be granted (or allocated in the case of multi-year performance Awards) to any Participant in any Plan Year shall be two million (2,000,000) Shares.

(e) **Nonemployee Director Awards:** The maximum number of Shares subject to Nonemployee Director Awards that may be granted to any Nonemployee Director in any Plan Year shall be limited to a number that, combined with any cash fees or other compensation paid to such Nonemployee Director, shall not exceed $750,000 in total value, with the value of any such Nonemployee Director Awards based on the grant date fair value of such Awards for financial reporting purposes.

4.4 Adjustments in Authorized Shares. In the event of any nonreciprocal transaction between the Company and its stockholders that causes the per-share value of the Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend), the share authorization limits under Section 4.1 shall be adjusted proportionately, and the Committee shall, in order to prevent dilution or enlargement of Participants' rights under the Plan as well as dilution or enlargement of the benefits or potential benefits intended to be made available, substitute or adjust, as applicable, the number and kind of Shares that may be issued under the Plan or under particular forms of Awards, the number and kind of Shares subject to outstanding Awards, the exercise price or grant price applicable to outstanding Awards, the Annual Award Limits, and other value determinations applicable to outstanding Awards.

In the event of any corporate event or transaction involving the Company, such as a merger, consolidation, reorganization, recapitalization, separation, stock dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, or other like change in capital structure or distribution (other than normal cash dividends) to stockholders of the Company, or any similar corporate event or transaction, the Committee may, in its sole discretion, make such other appropriate adjustments to the terms of any Awards under the Plan to reflect, or related to, such changes or distributions to provide that (i) Awards will be settled in cash rather than Stock, (ii) Awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iii) Awards, if not assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, will become immediately vested and non-forfeitable and exercisable (in whole or in part) and will expire after a designated period of time to the extent not then exercised, (iv) outstanding Awards may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise or grant price of the Award, (v) performance targets and performance periods for Performance Shares or Performance Units will be modified, or (vi) any combination of the foregoing. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan. Notwithstanding the foregoing, the Committee shall not make any adjustments to outstanding Options or Stock Appreciation Rights that would constitute a modification or substitution of the stock right under Treas. Reg. Sections 1.409A-1(b)(5)(v) that would be treated as the grant of a new stock right or change in the form of payment for purposes of Code Section 409A.

Without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under the Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

4.5 Minimum Vesting. Except in the case of substitute Awards granted pursuant to Section 14.4, Awards granted to an Employee under the Plan shall either (i) be subject to a minimum vesting period of one year, or (ii) be granted solely in exchange for foregone cash compensation. Notwithstanding the foregoing, the Committee may (i) permit and authorize acceleration of vesting of any Awards in the event of the Participant's termination of service, and (ii) grant Awards without the above-described minimum vesting requirements with respect to awards covering 5% or fewer of the total number of Shares authorized under the Plan.

Article 5. Stock Options

5.1 Grant of Stock Options. The Committee is hereby authorized to grant Stock Options to Participants. Each Stock Option shall permit a Participant to purchase from the Company a stated number of Shares from the Company at an exercise price established by the Committee, subject to the terms and conditions described in this Article 5 and to such additional terms and conditions, as established by the Committee, in its sole discretion, that are consistent with the provisions of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

5.2 Exercise Price. The exercise price per Share under a Stock Option shall be determined by the Committee at the time of grant; *provided*, *however*, that such exercise price shall not be less than the Fair Market Value of a Share on the Grant Date of such Stock Option (except in the case of a Stock Option issued as a substitute Award pursuant to Section 14.4).

5.3 Prohibition on Repricing. Except as otherwise provided in Section 4.4, the exercise price of a Stock Option may not be reduced, directly or indirectly by cancellation and regrant, replacement, substitution, surrender or otherwise, without the prior approval of the stockholders of the Company. In addition, the Company may not, without the prior approval of stockholders of the Company, repurchase a Stock Option for value from a Participant if the current Fair Market Value of the Shares underlying the Stock Option is lower than the exercise price per share of the Stock Option.

5.4 Stock Option Term. The term of each Stock Option shall be determined by the Committee at the time of grant; *provided*, *however*, that no Stock Option shall be exercisable later than the tenth anniversary of the date of its grant. Notwithstanding the foregoing, for Stock Options granted to Participants outside the United States, the Committee has the authority to grant Stock Options that have a term greater than ten years to the extent required by the applicable local laws of the jurisdictions in which such Stock Options are granted.

5.5 Time of Exercise. Stock Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall determine at the time of grant.

5.6 Method of Exercise. Stock Options shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee, or by complying with any alternative procedures which may be authorized by the Committee, setting forth the number of Shares with respect to which the Stock Option is to be exercised, accompanied by full payment for the Shares.

A condition of the issuance of the Shares as to which a Stock Option shall be exercised shall be the payment of the exercise price. As determined by the Committee in its sole discretion, the exercise price of any Stock Option shall be payable to the Company in full: (a) in cash or its equivalent; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the exercise price; (c) through a "net" exercise, whereby the Company withholds from the Stock Option a number of Shares having a Fair Market Value on the date of exercise equal to some or all of the exercise price; (d) in a cashless (broker-assisted same-day sale) exercise; or (e) by a combination of (a), (b), (c) or (d), or any other method approved or accepted by the Committee in its sole discretion.

The Committee may provide in an Award Certificate that a Stock Option that is otherwise exercisable and has a per share exercise price that is less than the Fair Market Value of a Share on the last day of its term will be automatically exercised on such final date of the term by means of a "net exercise," thus entitling the optionee to Shares equal to the intrinsic value of the Stock Option on such exercise date, less the number of Shares required for tax withholding.

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in U.S. dollars.

5.7 No Deferral Feature. No Stock Option shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the exercise or disposition of the Stock Option.

5.8 No Dividend Equivalents. No Stock Option shall provide for Dividend Equivalents.

5.9 Incentive Stock Options. The terms of any Incentive Stock Options granted under the Plan must comply with the requirements of Section 422 of the Code. If all of the requirements of Section 422 of the Code are not met, the Option shall automatically become a Nonstatutory Stock Option.

Article 6. Stock Appreciation Rights

6.1 Grant of Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants. Subject to the terms of the Plan and any applicable Award Certificate, a Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive, upon exercise thereof, the excess of (a) the Fair Market Value of one Share on the date of exercise over (b) the grant price of the right as specified by the Committee, which shall not be less than the Fair Market Value of one Share on the Grant Date of the Stock Appreciation Right (except in the case of a Stock Appreciation Right issued as a substitute Award pursuant to Section 14.4).

Subject to the terms of the Plan and any applicable Award Certificate, the grant price, term, methods of exercise, methods of settlement, and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate, including a provision that a Stock Appreciation Right that is otherwise exercisable and has a per share grant price that is less than the Fair Market Value of a Share on the last day of its term will be automatically exercised on such final date of the term.

6.2 Prohibition on Repricing. Except as otherwise provided in Section 4.4, the exercise price of a Stock Appreciation Right may not be reduced, directly or indirectly by cancellation and regrant, replacement, substitution, surrender or otherwise, without the prior approval of the stockholders of the Company. In addition, the Company may not, without the prior approval of stockholders of the Company, repurchase a Stock Appreciation Right for value from a Participant if the current Fair Market Value of the Shares underlying the Stock Appreciation Right is lower than the grant price of the Stock Appreciation Right.

6.3 Stock Appreciation Right Term. The term of each Stock Appreciation Right shall be determined by the Committee at the time of grant; *provided*, *however*, that no Stock Appreciation Right shall be exercisable later than the tenth anniversary of the date of its grant. Notwithstanding the foregoing, for Stock Appreciation Rights granted to Participants outside the United States, the Committee has the authority to grant Stock Appreciation Rights that have a term greater than ten years to the extent required by the applicable local laws of the jurisdictions in which such Stock Appreciation Rights are granted.

6.4 Time of Exercise. Stock Appreciation Rights shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall determine at the time of grant.

6.5 No Deferral Feature. No Stock Appreciation Right shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the exercise or disposition of the Stock Appreciation Right.

6.6 No Dividend Equivalents. No Stock Appreciation Right shall provide for Dividend Equivalents.

Article 7. Restricted Stock and Restricted Stock Units

7.1 Grant of Restricted Stock or Restricted Stock Units.

(a) **General.** The Committee is hereby authorized to grant Restricted Stock and Restricted Stock Units to Participants. Each Restricted Stock Unit shall represent the right to receive one Share (or the equivalent value payable in cash, as determined by the Committee) upon a specified future date or event. Restricted Stock Units shall be credited to a notional account maintained by the Company. No Shares are actually awarded to the Participant in respect of Restricted Stock Units on the Grant Date. Restricted Stock and Restricted Stock Units shall be subject to such restrictions on transferability and other restrictions as the Committee may impose. These restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, upon the satisfaction of performance goals or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

(b) **Award Certificate.** Each Award Certificate evidencing a Restricted Stock or Restricted Stock Unit grant shall specify the terms of the period(s) of restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, settlement dates and such other provisions as the Committee shall determine, subject to Section 4.5 herein.

(c) **Performance Shares; Performance Units.** Restricted Stock and Restricted Stock Units, the grant of which or lapse of restrictions of which is based upon the achievement of performance goals over a performance period, shall be referred to as “Performance Shares” and “Performance Units,” respectively.

7.2 Voting and Other Rights. Unless otherwise determined by the Committee and set forth in a Participant’s Award Certificate, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder shall have the right to exercise full voting rights with respect to those Shares during the period of restriction. Unless otherwise determined by the Committee and set forth in a Participant’s Award Certificate, a Participant shall have none of the rights of a stockholder with respect to any Restricted Stock Units granted hereunder until such time as Shares are paid in settlement of such Awards.

7.3 Dividends on Restricted Stock. Dividends accrued on Shares of Restricted Stock before they are vested shall, as provided in the Award Certificate, either (i) be reinvested in the form of additional Shares, which shall be subject to the same vesting provisions as provided for the host Award, or (ii) be held by the Company under the same vesting provisions in an account allocated to the Participant and accumulated without interest until the date upon which the host Award becomes vested, and any dividends accrued with respect to forfeited Restricted Stock will also be forfeited.

7.4 Forfeiture. Subject to the terms of the Award Certificate and except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period or upon failure to satisfy a performance goal during the applicable restriction period, Restricted Stock or Restricted Stock Units that are at that time subject to restrictions shall be forfeited.

Article 8. Other Stock-Based Awards

The Committee is hereby authorized to grant other types of equity-based or equity-related Awards not otherwise described by the terms of the Plan (including the grant or offer for sale of unrestricted Shares) to Participants in such amounts and subject to such terms and conditions as the Committee shall determine, subject to Section 4.5 herein. Such Awards shall be referred to as “Other Stock-Based Awards.” Each such

Other Stock-Based Award may involve the transfer of actual Shares to Participants or payment in cash or otherwise of amounts based on the value of Shares, and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

Each Other Stock-Based Award shall be expressed in terms of Shares or units or an equivalent measurement based on Shares, as determined by the Committee. If the value of an Other Stock-Based Award will be based on the appreciation of Shares from an initial value determined as of the Grant Date, then such initial value shall not be less than the Fair Market Value of a Share on the Grant Date of such Other Stock-Based Award.

Article 9. Dividend Equivalents

The Committee is hereby authorized to grant to Participants Dividend Equivalents based on the dividends declared on Shares that are subject to any Full-Value Award. Dividend Equivalents shall be credited as of dividend payment dates during the period between the date the Full-Value Award is granted and the date the Full-Value Award is vested, paid or expired. Such Dividend Equivalents shall be converted to cash, Shares or additional Full-Value Awards by such formula and at such time and subject to such limitations as may be determined by the Committee. Dividend Equivalents accruing on unvested Full-Value Awards shall, as provided in the Award Certificate, either (i) be reinvested in the form of additional Shares, which shall be subject to the same vesting provisions as provided for the host Award, or (ii) be held by the Company under the same vesting provisions in an account allocated to the Participant and accumulated without interest until the date upon which the host Award becomes vested, and any Dividend Equivalents accrued with respect to forfeited Awards will also be forfeited.

Article 10. Nonemployee Director Awards

The Committee is hereby authorized to grant Awards to Nonemployee Directors, including, but not limited to, Awards of Deferred Stock Units. Each Deferred Stock Unit shall represent a vested right to receive one Share (or the equivalent value in cash or other property in the Committee so provides) at a designated future date and will be credited to a notional account maintained by the Company. Nonemployee Directors shall not be entitled to vote Shares represented by such Deferred Stock Units but shall receive Dividend Equivalents with respect to such Full-Value Awards, which shall be reinvested in additional Deferred Stock Units. Deferred Stock Units shall be converted and settled in Shares in accordance with an election made by the Nonemployee Director, which settlement date shall be no earlier than the first anniversary of the date the Nonemployee Director ceases to be a director of the Company.

Notwithstanding the foregoing, Awards to Nonemployee Directors shall be (i) subject to the applicable Annual Award Limits set forth in Section 4.3(e) hereof, and (ii) made only in accordance with the terms, conditions and parameters of a plan, program or policy for the compensation of Nonemployee Directors as in effect from time to time, and the Committee may not make discretionary grants hereunder to Nonemployee Directors.

Article 11. Cash-Based Awards

The Committee is hereby authorized to grant Awards to Participants denominated in cash in such amounts and subject to such terms and conditions as the Committee may determine. Such Awards shall be referred to as "Cash-Based Awards." Each such Cash-Based Award shall specify a payment amount, payment range or a value determined with respect to the Fair Market Value of the Shares, as determined by the Committee.

Article 12. Change of Control

12.1 Change of Control of the Company. If the Successor Entity in a Change of Control Assumes and Maintains an Award, the Award will not automatically vest and pay out upon the Change of Control. Alternatively, unless the Committee shall determine otherwise in the Award Certificate, or unless otherwise specifically prohibited under applicable laws or by the rules and regulations of any governing governmental agencies or stock exchange on which the Shares are listed, upon the occurrence of a Change of Control in which the Successor Entity fails to Assume and Maintain an Award as defined in Section 12.2:

(a) **Time-Vested Awards.** Awards, the vesting of which depends upon a participant's continuation of service for a period of time, shall fully vest as of the effective date of the Change of Control; shall be distributed or paid to the participant within thirty (30) days following the date of the Change of Control in cash, Shares, other securities, or any combination, as determined by the Committee; and shall thereafter terminate; *provided, however,* that if the Award is denominated in Shares, the amount distributed or paid shall equal the difference between the Fair Market Value of the Shares on the date of the Change of Control and, if applicable, the exercise price, grant price or unpaid purchase price as of the date of the Change of Control;

(b) **Performance-Based Awards.** Awards, the vesting of which is based on achievement of performance criteria, shall fully vest as of the effective date of the Change of Control; shall be deemed earned based on the target performance being attained for the performance period in which the Change of Control occurs; shall be distributed or paid to the participant within thirty (30) days following the date of the Change of Control, pro rata based on the portion of the performance period elapsed on the date of the Change of Control, in cash, Shares, other securities, or any combination, as determined by the Committee; and shall thereafter terminate; *provided, however,* that if the Award is denominated in Shares, the amount distributed or paid shall equal the difference between the Fair Market Value of the Shares on the date of the Change of Control and, if applicable, the exercise price of the Stock Option, grant price of the Stock Appreciation Right or unpaid purchase price of the Full-Value Award as of the date of the Change of Control.

12.2 Change of Control Definitions.

(a) **"Assume and Maintain."** A Successor Entity shall be deemed to have assumed and maintained an Award under this Plan if the Successor Entity substitutes an Award under this Plan or an award under a Successor Entity plan having equivalent value, terms and conditions as the original Award, or otherwise assumes the obligations under and/or equitably adjusts such original Award. The Committee shall have the sole authority to determine whether the proposed assumption of an award by a Successor Entity meets the requirements listed in this Section 12.2(a).

(b) **"Beneficial Owner"** or **"Beneficial Ownership"** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

(c) **"Change of Control"** shall mean the occurrence of any of the following events:

(i) Any Person becomes the Beneficial Owner of thirty percent (30%) or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of its directors (the "Outstanding Company Voting Securities"); *provided*, *however*, that for purposes of this Section 12.2(c), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, including without limitation, a public offering of securities; (B) any acquisition by the Company or any of its Affiliates; (C) any acquisition by any employee benefit plan or related trust sponsored or maintained by the Company or any of its Affiliates; or (D) any acquisition by any corporation pursuant to a transaction which complies with Section 12.2(c)(iii);

(ii) Individuals who constitute the Board of Directors as of the Effective Date (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; *provided*, *however*, that any individual becoming a director of the Company subsequent to the Effective Date whose election to the Board of Directors, or nomination for election by the Company's stockholders, was approved by a vote of (A) at least a majority of the directors then comprising the Incumbent Board, (B) a vote of at least a majority of any nominating committee of the Board of Directors, which nominating committee was designated by a vote of at least a majority of the directors then comprising the Incumbent Board, or (C) in the case of a director appointed to fill a vacancy in the Board of Directors, at least a majority of the directors entitled (under Section 6 of Article VII of the Amended and Restated Certificate of Incorporation of the Company) to elect such director (so long as at least a majority of such directors voting in favor of the director filling the vacancy are themselves members of (or considered to be pursuant to this definition members of) the Incumbent Board) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election or removal of the directors of the Company or other actual or threatened solicitation of proxies of consents by or on behalf of a Person other than the Board of Directors;

(iii) Consummation of a reorganization, merger, or consolidation to which the Company is a party or a sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless, following such Business Combination, all or substantially all of the individuals and entities who were the Beneficial Owners of Outstanding Company Voting Securities immediately prior to such Business Combination are the Beneficial Owners, directly or indirectly, of more than fifty percent (50%) of the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) (the "Successor Entity") in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Voting Securities; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Article 13. Duration, Rescission, Amendment, Modification, Suspension, and Termination

13.1 Duration of Plan. Unless sooner terminated as provided in Section 13.2, the Plan shall terminate on the tenth anniversary of the Effective Date or, if the stockholders approve an amendment to the Plan that increases the number of Shares subject to the Plan, the tenth anniversary of the date of such approval unless earlier terminated as provided herein. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination, which shall continue to be governed by the applicable terms and conditions of the Plan. Notwithstanding the foregoing, no Incentive Stock Option may be granted more than ten years after the Effective Date.

13.2 Amendment, Modification, Suspension, and Termination of Plan. The Board of Directors may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan in whole or in part; *provided*, *however*, that, without the prior approval of the Company's stockholders, no action shall be taken that would (a) increase the total number of Shares available for issuance under the Plan or the Annual Award Limits, except as provided in Section 4.4; (b) permit the exercise price or grant price of any Stock Option, Stock Appreciation Right or Other Stock-Based Award the value of which is based on the appreciation of Shares from the Grant Date (i) to be less than Fair Market Value (except as may be permitted by Section 5.2, 6.1, or Article 8), or (ii) to be repriced, replaced, or regranted through cancellation (except as may be permitted by Section 14.4) or by lowering the exercise price or grant price; or (c) otherwise constitute a material change to the Plan under applicable stock exchange rules. No such action shall adversely affect in any material way any Award previously granted under the Plan without the written consent of the Participant holding such Award. After the Plan is terminated in accordance with this Section 13.2, no Award may be granted but any Award previously granted shall remain outstanding in accordance with the terms and conditions of the Plan and the Award.

13.3 Amendment, Modification, Suspension, and Termination of Awards. The Committee shall have the authority at any time and from time to time, alter, amend, modify, suspend or terminate the terms and conditions of any Award; *provided*, *however*, that no such action shall adversely affect in any material way any Award previously granted under the Plan without the written consent of the Participant holding such Award.

Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Awards may not be amended to reduce the exercise price of outstanding Stock Options or Stock Appreciation Rights or cancel outstanding Stock Options or Stock Appreciation Rights in exchange for cash, other Awards or Stock Options or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Stock Options or Stock Appreciation Rights without stockholder approval

13.4 Compliance Amendments. Notwithstanding anything in the Plan or in any Award Certificate to the contrary, the Board may amend the Plan or an Award Certificate, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of conforming the Plan or Award Certificate to any present or future law relating to plans of this or similar nature (including, but not limited to, Section 409A of the Code), and to the administrative regulations and rulings promulgated thereunder. By accepting an Award under this Plan, a Participant agrees to any amendment made pursuant to this Section 13.4 to any Award granted under the Plan without further consideration or action.

Article 14. General Provisions

14.1 Settlement of Awards; No Fractional Shares. Each Award Certificate shall establish the form in which the Award shall be settled. Awards may be settled in cash, Shares, other securities, additional Awards or any combination, regardless of whether such Awards are originally denominated in cash or Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Awards, other securities or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

14.2 Withholding. The Company and its Affiliates shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, in cash or Shares (including “sell to cover” arrangements), an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan. The obligations of the Company under the Plan will be conditioned on such payment or arrangements and the Company or such Affiliate will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

14.3 Share Withholding. With respect to withholding required upon the exercise of Stock Options or Stock Appreciation Rights, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, upon the achievement of performance goals related to Performance Shares and Performance Units, or any other taxable event arising as a result of an Award granted hereunder, the Company may satisfy the withholding requirement, in whole or in part, by withholding Shares having a Fair Market Value on the date the tax is to be determined equal to the amount required to be withheld for tax purposes (or such greater amount up to the maximum individual statutory rate in the applicable jurisdiction as may be permitted under then-current accounting principles to qualify for equity classification).

14.4 Substitution of Share-Based Awards. The Committee may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another entity who become employees of the Company or an Affiliate as a result of a merger or consolidation of the former employing entity with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the former employing corporation. The Committee may direct that the substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

14.5 Transferability of Awards. Except as otherwise provided in a Participant's Award Certificate or otherwise at any time by the Committee, no Award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent or distribution and any attempt to enforce such a purported sale, transfer, pledge, alienation or hypothecation shall be void. Should the Committee permit transferability of an Award (other than a transfer for value, which shall not be permitted), it may do so on a general or a specific basis, and may impose conditions and limitations on any permitted transferability. Unless transferability is permitted, Stock Options and Stock Appreciation Rights may be exercised by a Participant only during his or her lifetime. If the Committee permits any Stock Option or Stock Appreciation Right to be transferred, references in the Plan to the exercise of a Stock Option or Stock Appreciation Right by the Participant or payment of any amount to the Participant shall be deemed to include the Participant's transferee.

14.6 Termination of Service; Forfeiture Events.

(a) **Termination of Service.** Awards under the Plan shall be subject to any compensation recoupment policy that the Company may adopt from time to time that is applicable by its terms to the Participant. In addition, each Award Certificate shall specify the effect of a Participant's termination of service with the Company and any of its Affiliates, including specifically whether the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment, in addition to the effect on any otherwise applicable vesting or performance conditions of an Award. Such provisions shall be determined in the Committee's sole discretion, need not be uniform and may reflect distinctions based on the reasons for termination.

(b) **Leave of Absence**. Whether military, government or other service or other leave of absence shall constitute a Participant's termination of service shall be determined in each case by the Committee at its discretion, and any determination by the Company shall be final and conclusive, provided, however, that for purposes of any Award that is subject to Code Section 409A, the determination of a leave of absence must comply with the requirements of a "bona fide leave of absence" as provided in Treas. Reg. Section 1.409A-1(h).

(c) **Forfeiture Events.** An Award Certificate may also specify other events that may cause a Participant's rights, payments and benefits with respect to an Award to be subject to reduction, cancellation, forfeiture, or recoupment, or which may affect any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of employment for cause, violation of material Company or Affiliate policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company or any Affiliate.

14.7 Special Provisions Related to Section 409A of the Code.

(a) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under the Plan or any Award Certificate by reason of the occurrence of a Change of Control, or the Participant's disability or separation from service, such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless (i) the circumstances giving rise to such Change of Control, disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the vesting of any Award. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award Certificate that is permissible under Section 409A.

(b) Notwithstanding anything in the Plan or in any Award Certificate to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or any Award Certificate by reason of a Participant's separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated and the Participant's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service, whereupon the accumulated amount will be paid or distributed to the Participant and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

(c) If any one or more Awards granted under the Plan to a Participant could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Awards in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company shall determine which Awards or portions thereof will be subject to such exemptions.

(d) Eligible Participants who are service providers to an Affiliate may be granted Stock Options or Stock Appreciation Rights under this Plan only if the Affiliate qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

(e) Notwithstanding any provision of the Plan or any Award Certificate to the contrary, if one or more of the payments or benefits to be received by a Participant pursuant to an Award would constitute deferred compensation subject to Section 409A of the Code, and would cause the Participant to incur any penalty tax or interest under Section 409A of the Code or any regulations or Treasury guidance promulgated thereunder, the Company may reform the Plan and Award to maintain to the maximum extent practicable the original intent of the Plan and Award without violating the requirements of Section 409A of the Code.

(f) If, pursuant to an Award, a Participant is entitled to a series of installment payments, such Participant's right to the series of installment payments shall be treated as a right to a series of separate payments and not to a single payment. For purposes of the preceding sentence, the term "series of installment payments" has the meaning provided in Treas. Reg. Section 1.409A-2(b)(2)(iii) (or any successor thereto).

(g) The Company shall have the sole authority to make any accelerated distribution permissible under Treas. Reg.section 1.409A-3(j)(4) to Participants of deferred amounts, provided that such distribution(s) meets the requirements of Treas. Reg. section 1.409A-3(j)(4).

14.8 Share Certificates. If an Award provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be affected on an uncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange on which the Shares are listed. Shares issued in connection with Awards of Restricted Stock may, to the extent deemed appropriate by the Committee, be retained in the Company's possession until such time as all conditions or restrictions applicable to such Shares have been satisfied or lapse.

14.9 Electronic Delivery of Documents. The Company may deliver by email or other electronic means (including posting on a web site maintained by the Company or by a third party under contract with the Company) all documents relating to the Plan or any Award thereunder (including without limitation, Plan prospectuses) and all other documents that the Company is required to deliver to its stockholders (including without limitation, annual reports and proxy statements).

14.10 Compliance with Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges on which the Company is listed as may be required. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

(a) Obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and

(b) Completion of any registration or other qualification of the Shares under any applicable national or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable.

The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

14.11 Rights as a Stockholder. Except as otherwise provided herein, a Participant shall have none of the rights of a stockholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

14.12 Awards to Non-U.S. Employees. To comply with the laws in other countries in which the Company or any of its Affiliates operates or has Employees, directors, or Third Party Service Providers, the Committee, in its sole discretion, shall have the power and authority to:

(a) Determine which Affiliates shall be covered by the Plan;

(b) Determine which Employees, directors and Third Party Service Providers outside the United States are eligible to participate in the Plan;

(c) Modify the terms and conditions of any Award granted to Employees, directors and Third Party Service Providers outside the United States to comply with applicable foreign laws;

(d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable; and

(e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

14.13 No Right to Continued Service. Nothing in the Plan or an Award Certificate shall interfere with or limit in any way the right of the Company or any of its Affiliates to terminate any Participant's employment or service at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his or her employment or service for any specified period of time. Neither any Award nor any benefits arising under the Plan shall constitute an employment or consulting contract with the Company or any of its Affiliates and, accordingly, subject to Article 13, the Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Board of Directors or Committee, as applicable, without giving rise to any liability on the part of the Company or any of its Affiliates.

14.14 Beneficiary Designation. Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit, subject to the terms and conditions of the Plan and any Award Agreement applicable to the Participant. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, amounts due under the Plan remaining unpaid at the Participant's death shall be paid to the Participant's estate.

14.15 Other Compensation Plans or Arrangements. The Committee shall have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

14.16 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

14.17 Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person, or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

14.18 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company or any of its Affiliates may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company or any of its Affiliates under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company or an Affiliate, as the case may be. All payments to be made hereunder shall be paid from the general funds of the Company or an Affiliate, as the case may be, and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not subject to the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time.

14.19 Nonexclusivity of the Plan. The adoption of the Plan shall not be construed as creating any limitations on the power of the Board of Directors or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

14.20 No Constraint on Corporate Action. Nothing in the Plan shall be construed to (a) limit, impair, or otherwise affect the Company's or its Affiliate's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets, or (b) limit the right or power of the Company or its Affiliate to take any action which such entity deems to be necessary or appropriate.

14.21 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

14.22 Governing Law. The Plan and each Award Certificate shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

Exhibit 10.2

2018 Genworth Financial, Inc. Omnibus Incentive Plan
2019-2021 Performance Stock Unit Award Agreement

Dear [Participant Name]:

You have been selected to receive a Performance Stock Unit Award ("Award") under the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (the "Plan"), on the terms and conditions set forth below. This Award Agreement and the Plan together govern your rights under this Award and set forth all of the conditions and limitations affecting such rights. Unless the context otherwise requires, capitalized terms used in this Award Agreement shall have the meanings ascribed to them in the Plan. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Award Agreement.

1. **Grant of Performance Stock Units.** You are hereby granted performance stock units ('Units"), representing the right to earn, on a one-for-one basis, Shares of Genworth Financial, Inc. (together with its affiliates, the "Company") Class A common stock ('Shares"), all in accordance with the terms of this Award Agreement, the Plan, and any rules and procedures adopted by the Management Development and Compensation Committee of the Genworth Financial, Inc. Board of Directors (the "Committee"). The Units represent the right to earn from 0% to 200% of the Target Award, based on (i) your continued future employment, and (ii) the Company's level of achievement of the Performance Goals during the Performance Period, in accordance with the terms of this Award Agreement.

- **a.** **Grant Date.** The Grant Date of your Units is [Grant Date].
- **b.** **Target Award.** The Target Award of Shares subject to this Award is [Number of Shares Granted].
- **c.** **Performance Goals.** The Performance Goals are described on Exhibit A.
- **d.** **Performance Period**. The Performance Period is set forth on Exhibit A..

2. **Agreement to Participate.** You have been provided with this Award Agreement, and you have the opportunity to accept this Award Agreement, by accessing and following the procedures set forth on the stock plan administrator's website. The Plan is available for your reference on the stock plan administrator's website. You may also request a copy of the Plan at any time by contacting Human Resources at the address or telephone number set forth below in Section 11(a). By agreeing to participate, you acknowledge that you have reviewed the Plan and this Award Agreement, and you fully understand all of your rights under the Plan and this Award Agreement, the Company's remedies if you violate the terms of this Award Agreement, and all of the terms and conditions which may limit your eligibility to retain and receive the Units and/or Shares issued pursuant to the Plan and this Award Agreement.

If you do not wish to accept the Units and participate in the Plan and be subject to the provisions of the Plan and this Award Agreement, please contact the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or at (804) 281-6000, within thirty (30) days of receipt of this Award Agreement. If you do not respond within thirty (30) days of receipt of this Award Agreement, the Award Agreement is deemed accepted. If you choose to participate in the Plan, you agree to abide by all of the governing terms and provisions of the Plan and this Award Agreement

3. **Earning and Vesting of Units.** The Units shall not provide you with any rights or interests therein until the Units have been earned and vested. Not later than March 15 following the end of the Performance Period (the "Vesting Date"), the Committee shall determine and certify the level of achievement of the Performance Goals, and determine the number of Units earned and vested ("Confirmed Units"). Any Units that fail to vest in accordance with the terms of this Award Agreement will be forfeited and reconveyed to the Company without further consideration or any act or action by you.

4. **Conversion to Shares.** The Confirmed Units shall automatically convert to Shares on the Vesting Date (the "Conversion Date"). These Shares will be registered on the books of the Company in your name as of the Conversion Date.

If for any reason the Committee is unable to certify the level of achievement of the Performance Goals by March 15 following the end of the Performance Period, then the Vesting Date shall be March 15 following the end of the Performance Period, but the determination of the number of Confirmed Units and the Conversion Date shall be delayed, in the discretion of the Committee, for such period as may be required for the Committee to certify the level of achievement of the Performance Goals, but in no event shall the Conversion Date extend beyond December 31, 2022.

5. **Treatment of Units Upon Termination of Employment.** Subject to Section 6 below, the Units shall be immediately and automatically cancelled upon termination of your service with the Company prior to the Vesting Date, for any reason other than (i) a severance-benefit eligible "Layoff" as defined or described in the Genworth Layoff Payment Plan (a "Layoff"), (ii) your death or Total Disability, or (iii) Retirement on or after the first anniversary of the grant date. If your service with the Company terminates prior to the Vesting Date as a result of (i) a Layoff, (ii) your death or Total Disability, or (iii) Retirement on or after the first anniversary of the grant date, then the Award shall fully vest as of your termination date, and you (or your estate, in the event of your death) shall receive a pro rata payout on the regular Conversion Date, determined by multiplying the Confirmed Shares that otherwise would have paid out based on actual performance for the entire Performance Period, multiplied by a fraction, the numerator of which is the number of full months elapsed from January 1, 2019 until the date of your termination, and the denominator of which is 36.

For purposes of this Award Agreement, the following terms shall have the following meanings:

"Retirement" shall mean your voluntary resignation on or after you have attained age sixty (60) and accumulated five (5) or more years of combined and continuous service with the Company.

"Total Disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

6. **Change of Control.** In the event of a Change of Control of the Company (as defined in the Plan), the Units shall be treated as set forth in this Section 6.

   a. **Qualifying Change of Control and Awards are Not Assumed.** Upon the occurrence of a Qualifying Change of Control (as defined below) on or after the first anniversary of the Grant Date in which the Successor Entity fails to Assume and Maintain this Award of Units, the Units shall immediately vest as of the effective date of such Qualifying Change of Control; shall be deemed earned based on actual pro rata performance as of the date of such Qualifying Change of Control, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on an assumed achievement of all relevant performance goals at "target" levels, if actual pro rata performance cannot be reasonably established in the sole discretion of the Committee; shall be distributed or paid to you within thirty (30) days following the date of the Qualifying Change of Control pro rata based on the portion of the performance period elapsed on the date of the Qualifying Change of Control in cash, Shares (based on the value of the Shares as of the effective date of the Change of Control), other securities, or any combination, as determined by the Committee; and shall thereafter terminate, provided that the circumstances giving rise to such Qualifying Change of Control meet the definition of a "change in control event" under Code Section 409A.

   b. **Employment Termination without Cause or for Good Reason within 12 Months of a Qualifying Change of Control.** If a Qualifying Change of Control occurs and the Successor Entity

Assumes and Maintains this Award of Units, and if your service with the Successor Entity and its Affiliates is terminated on or after the first anniversary of the Grant Date by the Successor Entity or one of its Affiliates without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason (as such terms are defined below) within twelve (12) months following the effective date of such Qualifying Change of Control, then the Units shall immediately vest as of the date of termination of your service with the Successor Entity and its Affiliates; shall be deemed earned based on actual pro rata performance as of the date of termination of your service with the Company, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on an assumed achievement of all relevant performance goals at "target" levels, if actual pro rata performance cannot be reasonably established in the sole discretion of the Committee; shall be distributed or paid to you within thirty (30) days following the date of termination of your service with the Successor Entity and its Affiliates pro rata based on the portion of the performance period elapsed as of the termination of your service with the Successor Entity and its Affiliates; and shall thereafter terminate.

c. **Employment Termination without Cause or for Good Reason within 12 Months of aNon-Qualifying Change of Control**. If a Non-Qualifying Change of Control (as defined below) occurs and if your service with the Company is terminated on or after the first anniversary of the Grant Date by the Company without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason within twelve (12) months following the effective date of the Non-Qualifying Change of Control, then the Units shall immediately vest as of the date of termination of your service with the Company; shall be deemed earned based on actual pro rata performance as of the date of termination of your service with the Company, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on an assumed achievement of all relevant performance goals at "target" levels, if actual pro rata performance cannot be reasonably established in the sole discretion of the Committee; shall be distributed or paid to you within thirty (30) days following the date of termination of your service with the Company pro rata based on the portion of the performance period elapsed on the date of the Change of Control; and shall thereafter terminate.

d. **Defined Terms**. For purposes of this Award Agreement:

(i) **"Business Unit Sale"** shall mean the Company's sale or disposition of all or any portion of a business unit.

(ii) **"Cause"** shall mean (i) your willful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from your Total Disability); (ii) your commission, conviction or pleading guilty or nolo contendere (or any similar plea or admission) to any felony or any act of fraud, misappropriation or embezzlement; (iii) your willful engagement in conduct (other than conduct covered under clause (i) above) which, in the good faith judgment of the Committee, is injurious to the Company, monetarily or otherwise; or (iv) your material violation or breach of any Company policy, or any noncompetition, confidentiality, or other restrictive covenant with respect to the Company, that applies to you; *provided*, *however*, that for purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that the act, or failure to act, was in the best interests of the Company.

(iii) **"Good Reason"** shall mean any material reduction in the aggregate value of your compensation (including base salary and bonus), or a substantial reduction in the aggregate value of benefits provided to you; provided, however, that Company-initiated across-the-board reductions in compensation or benefits affecting substantially all employees shall alone not be considered Good Reason.

(iv) **"Non-Qualifying Change of Control"** shall mean a Change of Control of the Company (as defined in the Plan) that results from a Business Unit Sale, provided that following such Change of Control (i) the Company remains in existence as a publicly-traded company (separate and apart from any Successor Entity resulting from the Change of Control, and regardless of whether the Company continues to use the name "Genworth Financial, Inc." or a different name), (ii) your employment with the Company is not terminated by the Company without Cause in connection with the Change in Control, and (iii) the Units subject to this Award Agreement remain outstanding.

(v) **"Qualifying Change of Control"** shall mean a Change of Control of the Company (as defined in the Plan) that is not a Non-Qualifying Change of Control.

7. **Restrictive Covenants.** As a condition to receiving payment of the Award, you agree to the following:

a. **Non-Disparagement.** Subject to any obligations you may have under applicable law, you will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its agents, officers, directors or employees. Nothing in this section shall limit your ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

b. **Non-Solicitation of Customers or Clients.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company for any reason, directly or through another person, solicit or contact any of the customers or clients of the Company with whom you had material contact during your employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

c. **Non-Solicitation of Company Employees.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company, directly or through another person, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

8. **Payment of Taxes.** The Company has the authority and the right to deduct or withhold, or require you to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including your FICA obligation), domestic or foreign, required by law to be withheld with respect to any taxable event arising as a result of the vesting or payment of this Award. With respect to such withholding, the employer may satisfy the tax withholding requirement by withholding Shares having a Fair Market Value as of the date that the amount of tax to be withheld is to be determined equal to the amount required to be withheld in accordance with applicable tax requirements, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Award Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct in cash or Shares any such taxes from any payment of any kind otherwise due to you.

9. **Nontransferability.** This Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated ("Transfer"), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any prohibited Transfer, whether voluntary or involuntary, of the Award is attempted to be made, or if any attachment, execution, garnishment, or lien shall be attempted to be issued against or placed upon this Award, your right to receive any payment pursuant to the terms of this Award shall be immediately and automatically be forfeited, and this Award Agreement shall be null and void.

10. **Administration.** This Award Agreement and your rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon you. The Committee's interpretation of the Plan and this Award Agreement, and all decisions and determinations by the Committee with respect to the Plan and this Award Agreement, shall be final, binding, and conclusive on all parties.

11. **Limitation of Rights.** The Units do not confer to you or your beneficiary, executors or administrators any rights of a stockholder of the Company unless and until Shares are in fact issued to such person in connection with the Units. This Award Agreement shall not confer upon you any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate your employment at any time.

12. **Plan; Prospectus and Related Documents; Electronic Delivery.**

    a. A copy of the Plan will be furnished upon written or oral request made to the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

    b. As required by applicable securities laws, the Company is delivering to you a prospectus in connection with this Award, which delivery is being made electronically. A paper copy of the prospectus may also be obtained without charge by contacting the Human Resources Department at the address or telephone number listed above. By accepting this Award Agreement, you shall be deemed to have consented to receive the prospectus electronically.

    c. The Company will deliver to you electronically a copy of the Company's Annual Report to Stockholders for each fiscal year, as well as copies of all other reports, proxy statements and other communications distributed to the Company's stockholders. You will be provided notice regarding the availability of each of these documents, and such documents may be accessed by going to the Company's website at www.genworth.com and clicking on "Investors" and then "SEC Filings & Financial Reports" (or, if the Company changes its web site, by accessing such other web site address(es) containing investor information to which the Company may direct you in the future) and will be deemed delivered to you upon posting or filing by the Company. Upon written or oral request, paper copies of these documents (other than certain exhibits) may also be obtained by contacting the Company's Human Resources Department at the address or telephone number listed above or by contacting the Investor Relations Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

    d. By accepting this Award, you agree and consent, to the fullest extent permitted by law, in lieu of receiving documents in paper format to accept electronic delivery of any documents that the Company may be required to deliver in connection with this Award and any other Awards granted to you under the Plan. Electronic delivery of a document may be via a Company e-mail or by reference to a location on a Company intranet or internet site to which you have access.

13. **Amendment, Modification, Suspension, and Termination.** Subject to the terms of the Plan, this Award Agreement may be modified or amended by the Committee; provided that no such amendment shall materially and adversely affect your rights hereunder without your consent. Notwithstanding the foregoing, you hereby expressly agree to any amendment to the Plan and this Award Agreement to the extent necessary to comply with applicable law or changes to applicable law (including, but not limited to, Code Section 409A) and related regulations or other guidance and federal securities laws.

14. **Entire Agreement; Plan Controls.** This Award Agreement, the Plan, and the rules and procedures adopted by the Committee contain all of the provisions applicable to the Award and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Agreement, the provisions of the Plan shall be controlling and determinative.

15. **Compensation Recoupment Policy.** This Award shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to you and to Awards of this type.

16. **Successors**. This Award Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Award Agreement and the Plan.

PLEASE REFER ANY QUESTIONS YOU MAY HAVE REGARDING YOUR PERFORMANCE STOCK UNIT AWARD TO THE EXECUTIVE VICE PRESIDENT OF HUMAN RESOURCES.

Exhibit A

2019-2021 Performance Stock Unit Award Defined Terms

The Performance Goals and the Performance Period will be determined by Committee as soon as reasonably practicable following the Grant Date and will be communicated to you in writing in the form of a revised supplemental Exhibit A to this Award Agreement.

Special Rules for Pending Merger with China Oceanwide

The Company is party to an Agreement and Plan of Merger agreement with China Oceanwide Holdings Group Co., Ltd. dated October 21, 2016 (the "Merger Agreement"). The corporate merger contemplated by the Merger Agreement (the "Merger") is currently expected to be completed during 2019, although this is not guaranteed (if and when completed, the "Closing"). The following provisions are contingent upon the Closing of the Merger.

(1) Conversion to Cash Award. Pursuant to the terms of the Merger Agreement, upon the Closing, the Units will convert into units the value of which is based on the merger consideration to be received for the Stock in the Merger, which is a cash amount equal to $5.43 per share. Thus, after the Closing your Unit will represent the right to receive the number or Units earned (depending upon the achievement of the applicable performance goals) multiplied by $5.43, and subject to the other terms and conditions of this Agreement and the Plan.

(2) Adjustment of Award. Pursuant to Section 4.4 of the Plan, the Committee may in its sole discretion make such adjustments to the Award to reflect the Merger or otherwise prevent dilution or enlargement of rights or benefits thereunder, as it deems appropriate. The Committee expects that it will make adjustments to the Award to reflect the expected impact of the Merger, which may include, without limitation, adjustments to the performance goals set forth on this Exhibit A for each of the performance measurement periods hereunder, adjustments deemed necessary or appropriate to properly reflect the conversion to purchase GAAP accounting and any other changes in accounting rules or tax laws, and adjustments related to any reorganization or restructuring plans programs. Any such adjustment will be communicated to you in writing, shall be binding on all persons and shall not constitute an amendment of this Award.

(3) Qualifying Change of Control. For purposes of this Agreement and the Plan, the Committee has determined that the Closing of the Merger pursuant to its current terms would be a Change of Control that constitutes a "Qualifying Change of Control" pursuant to which a "Successor Entity" will "Assume and Maintain" this Award of Units. Thus, the provisions of Section 6(b) of this Agreement, which provides special rules for the vesting of the Units upon certain terminations of employment within 12 months following a Change of Control, will apply following the Closing.

2018 Genworth Financial, Inc. Omnibus Incentive Plan
Restricted Stock Unit Award Agreement

Dear [Participant Name]:

This Award Agreement and the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (the "Plan") together govern your rights under this Award Agreement and set forth all of the conditions and limitations affecting such rights. Unless the context otherwise requires, capitalized terms used in this Award Agreement shall have the meanings ascribed to them in the Plan. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Award Agreement.

1. **Grant.** You are hereby granted Restricted Stock Units ("RSUs"), which vest (become non-forfeitable) based on your continued future employment with the Company and/or certain other events, as set forth in Section 3 below. Each vested RSU entitles you to receive from Genworth Financial, Inc. (together with its Affiliates, the "Company") one Share of the Company's Class A common stock ("Share"), as set forth in Section 6 below, all in accordance with the terms and conditions of this Award Agreement, the Plan, and any rules and procedures adopted by the Committee.

   a. **Grant Date:** [Grant Date]

   b. **Number of RSUs:** [Number of Awards Granted]

   c. **Vesting Dates.** The RSUs shall not provide you with any rights or interests therein until the RSUs vest. Unless vesting is accelerated as provided in Section 3 herein or otherwise in the discretion of the Committee as permitted under the Plan, one-third of the RSUs (rounded to a whole Share) shall vest (become non-forfeitable) on each of the first, second and third anniversaries of the grant date (each, a "Vesting Date"), provided that you have been continuously in the service of the Company or one through such dates.

2. **Agreement to Participate.** You have been provided with this Award Agreement, and you have the opportunity to accept this Award Agreement, by accessing and following the procedures set forth on the stock plan administrator's website. The Plan is available for your reference on the stock plan administrator's website. You may also request a copy of the Plan at any time by contacting Human Resources at the address or telephone number set forth below in Section 14(a). By agreeing to participate, you acknowledge that you have reviewed the Plan and this Award Agreement, and you fully understand all of your rights under the Plan and this Award Agreement, the Company's remedies if you violate the terms of this Award Agreement, and all of the terms and conditions which may limit your eligibility to retain and receive the RSUs and/or Shares issued pursuant to the Plan and this Award Agreement.

   If you do not wish to accept the RSUs and participate in the Plan and be subject to the provisions of the Plan and this Award Agreement, please contact the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or at (804) 281-6000, within thirty (30) days of receipt of this Award Agreement. If you do not respond within thirty (30) days of receipt of this Award Agreement, the Award Agreement is deemed accepted. If you choose to participate in the Plan, you agree to abide by all of the governing terms and provisions of the Plan and this Award Agreement.

3. **Vesting of RSUs.** The RSUs have been credited to a bookkeeping account on your behalf. The RSUs will vest and become non-forfeitable as follows:

   a. **Designated Vesting Dates.** The RSUs will vest on the designated Vesting Dates provided in Section 1(c), provided that you have been continuously in the service of the Company through such dates. Unvested RSUs shall be immediately cancelled upon termination of your service with the Company, except as provided in Sections 3(b), (c), (d), (f) and (g) below.

b. **Employment Termination Due to Death or Total Disability**. If your service with the Company terminates as a result of your death or Total Disability, then all of your unvested RSUs shall immediately vest. For purposes of this Award Agreement, "Total Disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

c. **Employment Termination for Retirement**. If, on or after the first anniversary of the original grant date, your service with the Company terminates as a result of your voluntary resignation on or after you have attained age sixty (60) and accumulated five (5) or more years of combined and continuous service with the Company, then all of your unvested RSUs shall automatically vest.

d. **Employment Termination Due to Layoff**. If your service with the Company terminates as a result of a severance-benefit eligible "Layoff" as defined or described in the Genworth Layoff Payment Plan, you shall continue to vest in any RSUs that vest after the Notice Date but before the Layoff Date ("Notice Date" and "Layoff Date" as defined in the Genworth Layoff Payment Plan). Additionally, the RSUs, if any, that are scheduled to vest on the next designated Vesting Date after the Layoff Date shall vest on that Vesting Date as provided in Section 1(c); all remaining and subsequently-vesting RSUs shall be forfeited as provided in Section 4 immediately on the Layoff Date.

e. **Qualifying Change of Control and Awards are Not Assumed**. Upon the occurrence of a Qualifying Change of Control in which the Successor Entity fails to Assume and Maintain this Award of RSUs, all of your unvested RSUs shall immediately vest as of the effective date of the Qualifying Change of Control, provided that the circumstances giving rise to such Qualifying Change of Control meet the definition of a "change in control event" under Code Section 409A.

f. **Employment Termination without Cause or for Good Reason within 12 Months of a Qualifying Change of Control**. If a Qualifying Change of Control occurs and the Successor Entity Assumes and Maintains this Award of RSUs, and if your service with the Successor Entity and its Affiliates is terminated by the Successor Entity or one of its Affiliates without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason within twelve (12) months following the effective date of the Qualifying Change of Control, then all of your unvested RSUs shall immediately vest as of the date of such termination of service.

g. **Employment Termination without Cause or for Good Reason within 12 Months of aNon-Qualifying Change of Control**. If a Non-Qualifying Change of Control occurs and if your service with the Company is terminated by the Company without Cause (other than such termination resulting from your death or Total Disability) or by you for Good Reason within twelve (12) months following the effective date of the Non-Qualifying Change of Control, then all of your unvested RSUs shall immediately vest as of the date of such termination of service.

4. **Forfeiture of RSUs Upon Termination of Employment**. If your employment terminates prior to the designated Vesting Dates provided in Section 1(c) for any reason other than as described in Section 3 above, you shall forfeit all right, title and interest in and to the RSUs as of the date of such termination and the RSUs will be reconveyed to the Company without further consideration or any act or action by you. Any RSUs that fail to vest in accordance with the terms of this Award Agreement will be forfeited and reconveyed to the Company without further consideration or any act or action by you.

5. **For purposes of this Award Agreement:**

a. **"Business Unit Sale"** shall mean the Company's sale or disposition of all or any portion of a business unit.

b. **"Cause"** shall mean (i) your willful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from your Total Disability); (ii) your commission, conviction or pleading guilty or nolo contendere (or any similar plea or admission) to any felony or any act of fraud, misappropriation or embezzlement; (iii) your willful engagement in conduct (other than conduct covered under clause (i) above) which, in the good faith judgment of the Committee, is injurious to the Company, monetarily or otherwise; or (iv) your material violation or breach of any Company policy, or any noncompetition, confidentiality, or other restrictive covenant with respect to the Company, that applies to you; *provided*, *however*, that for purposes of clauses (i) and (ii) of this definition, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that the act, or failure to act, was in the best interests of the Company.

c. **"Good Reason"** shall mean any material reduction in the aggregate value of your compensation (including base salary and bonus), or a substantial reduction in the aggregate value of benefits provided to you; *provided*, *however*, that Company-initiated across-the-board reductions in compensation or benefits affecting substantially all employees shall alone not be considered Good Reason.

d. **"Non-Qualifying Change of Control"** shall mean a Change of Control of the Company (as defined in the Plan) that results from a Business Unit Sale, provided that following such Change of Control (i) the Company remains in existence as a publicly-traded company (separate and apart from any Successor Entity resulting from the Change of Control, and regardless of whether the Company continues to use the name "Genworth Financial, Inc." or a different name), (ii) your employment with the Company is not terminated by the Company without Cause in connection with the Change of Control, and (iii) the RSUs subject to this Award Agreement remain outstanding.

e. **"Qualifying Change of Control"** shall mean a Change of Control of the Company (as defined in the Plan) that is not aNon-Qualifying Change of Control.

6. **Conversion to Stock**. Unless the RSUs are forfeited as provided in Section 4 above, the RSUs will be converted to Shares on the designated Vesting Dates provided in Section 1(c), or earlier upon the occurrence of a Qualifying Change of Control in which the Successor Entity fails to Assume and Maintain this Award of RSUs as provided in Section 3(f) (the "Conversion Date"). Shares will be registered on the books of the Company in your name as of the Conversion Date and delivered to you as soon as practical thereafter, in certificated or uncertificated form, as you shall direct.

   For purposes of this Award Agreement, the term "Specified Employee" has the meaning given such term in Internal Revenue Code Section 409A and the final regulations thereunder ("Final 409A Regulations"), provided, however, that, as permitted in the Final 409A Regulations, the Company's Specified Employees and its application of the six-month delay rule of Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Company's Board of Directors or a committee thereof, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Award Agreement.

7. **Dividend Equivalents.** Until such time as the RSUs convert to Shares, or the RSUs are cancelled, whichever occurs first, the Company will establish an amount to be paid to the Participant ("Dividend Equivalent") equal to the number of outstanding RSUs under this Award Agreement times the per share quarterly dividend payments made to shareholders of the Company's Class A common stock. The Company shall accumulate Dividend Equivalents and will, on the date that RSUs convert to Shares, pay to the Participant a cash amount equal to the Dividend Equivalents attributable to such RSUs. Notwithstanding the foregoing, any accumulated and unpaid Dividend Equivalents attributable to RSUs that are cancelled will not be paid and are immediately forfeited upon cancellation of the RSUs.

8. **Restrictive Covenants.** As a condition to receiving payment of the Award, you agree to the following:

   a. **Non-Disparagement.** Subject to any obligations you may have under applicable law, you will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its agents, officers, directors or employees. Nothing in this section shall limit your ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

   b. **Non-Solicitation of Customers or Clients.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company for any reason, directly or through another person, solicit or contact any of the customers or clients of the Company with whom you had material contact during your employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

   c. **Non-Solicitation of Company Employees.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company, directly or through another person, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

9. **Tax Withholding.** The Company shall have the power and the right to deduct or withhold, or require you or your beneficiary to remit to the Company, an amount in cash or Shares sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Award Agreement (including "sell to cover" arrangements whereby the company has the right to sell shares on your behalf to cover the taxes). With respect to such withholding, the employer may satisfy the tax withholding requirement by withholding Shares having a Fair Market Value as of the date that the amount of tax to be withheld is to be determined equal to the amount required to be withheld in accordance with applicable tax requirements, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Award Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct in cash or Shares any such taxes from any payment of any kind otherwise due to you.

10. **Nontransferability.** The RSUs awarded pursuant to this Award Agreement may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated ("Transfer"), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any prohibited Transfer, whether voluntary or involuntary, of the RSUs is attempted to be made, or if any attachment, execution, garnishment, or lien shall be attempted to be issued against or placed upon the RSUs, your right to such RSUs shall be immediately forfeited to the Company, and this Award Agreement shall be null and void.

11. **Requirements of Law.** The granting of the RSUs and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The RSUs shall be null and void to the extent the grant, vesting or conversion of RSUs is prohibited under the laws of the country of your residence.

12. **Administration.** This Award Agreement and your rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon you, the Participant. The Committee's interpretation of the Plan and this Award Agreement, and all decisions and determinations by the Committee with respect to the Plan and this Award Agreement, shall be final, binding, and conclusive on all parties.

13. **No Guarantee of Employment.** This Award Agreement shall not confer upon you any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate your employment at any time, for any lawful reason.

14. **Plan; Prospectus and Related Documents; Electronic Delivery.**

    a. A copy of the Plan will be furnished upon written or oral request made to the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

    b. As required by applicable securities laws, the Company is delivering to you a prospectus in connection with this Award, which delivery is being made electronically. A paper copy of the prospectus may also be obtained without charge by contacting the Human Resources Department at the address or telephone number listed above. By accepting this Award Agreement, you shall be deemed to have consented to receive the prospectus electronically.

    c. The Company will deliver to you electronically a copy of the Company's Annual Report to Stockholders for each fiscal year, as well as copies of all other reports, proxy statements and other communications distributed to the Company's stockholders. You will be provided notice regarding the availability of each of these documents, and such documents may be accessed by going to the Company's website at www.genworth.com and clicking on "Investors" and then "SEC Filings & Financial Reports" (or, if the Company changes its web site, by accessing such other web site address(es) containing investor information to which the Company may direct you in the future) and will be deemed delivered to you upon posting or filing by the Company. Upon written or oral request, paper copies of these documents (other than certain exhibits) may also be obtained by contacting the Company's Human Resources Department at the address or telephone number listed above or by contacting the Investor Relations Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or telephone (804) 281-6000.

    d. By accepting this Award, you agree and consent, to the fullest extent permitted by law, in lieu of receiving documents in paper format to accept electronic delivery of any documents that the Company may be required to deliver in connection with this Award and any other Awards granted to you under the Plan. Electronic delivery of a document may be via a Company e-mail or by reference to a location on a Company intranet or internet site to which you have access.

15. **Amendment, Modification, Suspension, and Termination.** The Board of Directors shall have the right at any time in its sole discretion, subject to certain restrictions, to alter, amend, modify, suspend, or terminate the Plan in whole or in part, and the Committee shall have the right at any time in its sole discretion to alter, amend, modify, suspend or terminate the terms and conditions of any Award; *provided*, *however*, that no such action shall adversely affect in any material way your Award without your written consent.

16. **Entire Agreement.** Except as set forth in Section 18 below, this Award Agreement, the Plan, and the rules and procedures adopted by the Committee contain all of the provisions applicable to the RSUs and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you.

17. **Compensation Recoupment Policy.** Notwithstanding Section 17 above, this Award shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to you and to Awards of this type.

18. **Severability.** The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

Please refer any questions you may have regarding your Restricted Stock Unit grant to your local Human Resources Manager.

Acceptance Date: Acceptance Date

2018 Genworth Financial, Inc. Omnibus Incentive Plan
Cash-Based Award Agreement

Dear [Participant Name]:

This Award Agreement and the 2018 Genworth Financial, Inc. Omnibus Incentive Plan (the "Plan") together govern your rights under this Cash-Based Award (the "Award") and set forth all of the conditions and limitations affecting such rights. Unless the context otherwise requires, capitalized terms used in this Award Agreement shall have the meanings ascribed to them in the Plan. If there is any inconsistency between the terms of this Award Agreement and the terms of the Plan, the Plan's terms shall supersede and replace the conflicting terms of this Award Agreement.

1. **Grant.** You are hereby granted an Award under the Plan, effective as of [Grant Date] (the "Grant Date"). The Award entitles you to receive from Genworth Financial, Inc. (together with its Affiliates, the "Company") an aggregate amount in cash equal to $[Amount of Award], payable in three equal annual installments, all in accordance with the terms and conditions of this Award Agreement, the Plan, and any rules and procedures adopted by the Management Development and Compensation Committee of the Genworth Financial, Inc. Board of Directors (the "Committee").

2. **Vesting and Payment Dates:** The Award shall not provide you with any rights or interests therein until the Award vests. Unless vesting is accelerated as provided in Section 3 herein or otherwise in the discretion of the Committee as permitted under the Plan, one-third of the Award will vest on each of March 15, 2020, March 15, 2021, and March 15, 2022 (each, a "Vesting Date"), and the vested portion will be paid within 30 days of the Vesting Date, provided you have continued in the service of the Company through such Vesting Date.

3. **Treatment of Award Upon Termination of Employment and Other Events.** If your service with the Company terminates for any reason other than as set forth below, and you and the Company have not entered into a written agreement explicitly providing otherwise in accordance with rules and procedures adopted by the Committee, then the Award shall immediately expire upon such termination.

a. **Employment Termination Due to Death or Total Disability.** If your service with the Company terminates as a result of your death or Total Disability, then the Award shall immediately vest and become payable on the regularly scheduled Vesting Dates. For purposes of this Award Agreement, "Total Disability" means that you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

b. **Employment Termination for Retirement**. If, on or after the first anniversary of the original grant date, your service with the Company terminates as a result of your voluntary resignation on or after you have attained age sixty (60) and accumulated five (5) or more years of combined and continuous service with the Company, then the Award shall immediately vest and become payable on the regularly scheduled Vesting Dates.

c. **Employment Termination Due to Layoff.** If your service with the Company terminates as a result of a severance-benefit eligible "Layoff" as defined or described in the Genworth Layoff Payment Plan, you shall continue to vest in any portion of the Award that vests after the Notice Date but before the Layoff Date ("Notice Date" and "Layoff Date" as defined in the Genworth Layoff Payment Plan). Additionally, the portion of the Award, if any, that is scheduled to vest on the next designated Vesting Date after the Layoff Date shall vest on that Vesting Date as provided in Section 2; any remaining and subsequently-vesting portion of the Award shall be forfeited immediately on the Layoff Date.

4. **Restrictive Covenants.** As a condition to receiving payment of the Award, you agree to the following:

   a. **Non-Disparagement.** Subject to any obligations you may have under applicable law, you will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its agents, officers, directors or employees. Nothing in this section shall limit a Participant's ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

   b. **Non-Solicitation of Customers or Clients.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company for any reason, directly or through another person, solicit or contact any of the customers or clients of the Company with whom the you had material contact during your employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

   c. **Non-Solicitation of Company Employees.** Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), you will not, during and for a period of 12 months following the cessation of your employment with the Company, directly or through another person, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

5. **Tax Withholding.** The Company shall have the power and the right to deduct or withhold, or require you or your beneficiary to remit to the Company, an amount in cash sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Award Agreement.

6. **Nontransferability.** This Award may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated ("Transfer"), other than by will or by the laws of descent and distribution, except as provided in the Plan. If any prohibited Transfer, whether voluntary or involuntary, of this Award is attempted to be made, or if any attachment, execution, garnishment, or lien shall be attempted to be issued against or placed upon the Award, your right to the Award shall be immediately forfeited to the Company, and this Award Agreement shall be null and void.

7. **Administration.** This Award Agreement and your rights hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Award Agreement, all of which shall be binding upon you, the Participant.

8. **Continuation of Employment.** This Award Agreement shall not confer upon you any right to continuation of employment by the Company, nor shall this Award Agreement interfere in any way with the Company's right to terminate your employment at any time, for any lawful reason.

9. **Amendment, Modification, Suspension, and Termination**. The Board of Directors shall have the right at any time in its sole discretion, subject to certain restrictions, to alter, amend, modify, suspend, or terminate the Plan in whole or in part, and the Committee shall have the right at any time in its sole discretion to alter, amend, modify, suspend or terminate the terms and conditions of any Award; *provided*, *however*, that no such action shall adversely affect in any material way your Award without your written consent.

10. **Entire Agreement.** This Award Agreement, the Plan, and the rules and procedures adopted by the Committee contain all of the provisions applicable to this Award and no other statements, documents or practices may modify, waive or alter such provisions unless expressly set forth in writing, signed by an authorized officer of the Company and delivered to you.

11. **Compensation Recoupment Policy.** Notwithstanding Section 10 above, this Award shall be subject to any compensation recoupment policy of the Company that is applicable by its terms to you and to Awards of this type.

12. **Agreement to Participate.**

    You have been provided with this Award Agreement, and you have the opportunity to accept this Award Agreement, by accessing and following the procedures set forth on the stock plan administrator's website. The Plan is available for your reference on the stock plan administrator's website. You may also request a copy of the Plan at any time by contacting Human Resources at the address or telephone number set forth below in Section 11(a). By agreeing to participate, you acknowledge that you have reviewed the Plan and this Award Agreement, and you fully understand all of your rights under the Plan and this Award Agreement, the Company's remedies if you violate the terms of this Award Agreement, and all of the terms and conditions which may limit your eligibility to retain and receive the Units and/or Shares issued pursuant to the Plan and this Award Agreement.

    If you do not wish to accept the Units and participate in the Plan and be subject to the provisions of the Plan and this Award Agreement, please contact the Human Resources Department, Genworth Financial, Inc., 6620 W. Broad Street, Richmond, VA 23230, or at (804) 281-6000, within thirty (30) days of receipt of this Award Agreement. If you do not respond within thirty (30) days of receipt of this Award Agreement, the Award Agreement is deemed accepted. If you choose to participate in the Plan, you agree to abide by all of the governing terms and provisions of the Plan and this Award Agreement

13. **Assistance in Proceedings, Etc.** You agree that you will, without additional compensation, during and after your employment with the Company, upon reasonable notice, furnish such information and reasonable and proper assistance to the Company as may reasonably be required by the Company in connection with any legal or quasi-legal proceeding, including any external or internal investigation, involving the Company.

14. **Cooperation.** Following termination of your employment with the Company for any reason, you agree that you will reasonably cooperate with the Company, as reasonably requested by the Company, to effect a transition of your responsibilities and to ensure that the Company is aware of all matters being handled by you.

15. **Resolve**. Any disagreement between you and the Company concerning anything covered by this Award Agreement or concerning the Award will be settled by final and binding arbitration pursuant to the Company's Resolve program. The Conditions of Employment document previously executed by you and the Resolve Guidelines are incorporated herein by reference as if set forth in full in this Award Agreement.

Please refer any questions you may have regarding this Award to the Executive Vice President – Human Resources.

ACCEPTANCE DATE: Acceptance Date

Exhibit 10.5

Genworth Financial, Inc.
Amended and Restated
2014 Change of Control Plan

Amended and Restated as of May 15, 2019

1. Purpose. The purpose of the Plan is to enable the Company to offer certain protections to a selected group of key employees of the Company if their employment is terminated in connection with a Change of Control. Capitalized terms and phrases used herein shall have the meanings ascribed thereto in Section 2.

2. Definitions.

a. "Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations of the Exchange Act.

b. "Base Salary" shall mean the Participant's annual base salary in effect on the date of termination of the Participant's employment with the Company, including amounts not currently includible in gross income by reason the Participant's election to defer such amounts under a cafeteria plan, 401(k) plan, or nonqualified deferred compensation plan of the Company or an Affiliate.

c. "Beneficial Owner" or "Beneficial Ownership" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

d. "Board" shall mean the board of directors of the Company as constituted from time to time.

e. "Bonus" shall mean the Participant's target annual cash bonus for the year in which the Participant's employment is terminated.

f. "Business Unit Sale" shall mean the Company's sale or disposition of all or any portion of a business unit.

g. "Cause" shall mean (with regard to a Participant's termination of employment with the Company, the removal of a Participant from being a Participant under the Plan, or the reduction in a Participant's tier level under the Plan) the Committee's good faith determination that: (i) the Participant has willfully and continually failed to substantially perform his or her duties with the Company and its Affiliates as determined by the Committee; (ii) the Participant has committed, been convicted of or pled guilty or nolo contendere (or any similar plea or admission) to any felony or any act of fraud, misappropriation or embezzlement; (iii) the Participant has willfully engaged in conduct (other than conduct covered under clause (i) above) which, in the good faith judgment of the Committee, is injurious to the Company and/or its Affiliates, monetarily or otherwise; or (iv) the Participant has materially violated or breached any policy of the Company or an Affiliate, the terms of this Plan, or any applicable noncompetition, confidentiality, or other restrictive covenant with respect to the Company or any of its Affiliates (including, without limitation, the restrictive covenants contained in Section 5 of this Plan).

h. “Change of Control” shall mean any of the following events:

i. Any Person becomes the Beneficial Owner of thirty percent (30%) or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of its directors (the “Outstanding Company Voting Securities”); *provided, however,* that for purposes of this Section 2(h), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, including without limitation, a public offering of securities; (B) any acquisition by the Company or any of its Affiliates; (C) any acquisition by any employee benefit plan or related trust sponsored or maintained by the Company or any of its Affiliates; or (D) any acquisition by any corporation pursuant to a transaction which complies with Section 2(g)(iii);

ii. Individuals who constitute the Board of Directors as of the Effective Date (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors; *provided*, *however*, that any individual becoming a director of the Company subsequent to the Effective Date whose election to the Board of Directors, or nomination for election by the Company’s stockholders, was approved by a vote of (A) at least a majority of the directors then comprising the Incumbent Board, (B) a vote of at least a majority of any nominating committee of the Board of Directors, which nominating committee was designated by a vote of at least a majority of the directors then comprising the Incumbent Board, or (C) in the case of a director appointed to fill a vacancy in the Board of Directors, at least a majority of the directors entitled (under Section 6 of Article VII of the Amended and Restated Certificate of Incorporation of the Company) to elect such director (so long as at least a majority of such directors voting in favor of the director filling the vacancy are themselves members of (or considered to be pursuant to this definition members of) the Incumbent Board) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election or removal of the directors of the Company or other actual or threatened solicitation of proxies of consents by or on behalf of a Person other than the Board of Directors;

iii. Consummation of a reorganization, merger, or consolidation to which the Company is a party or a sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), unless, following such Business Combination, all or substantially all of the individuals and entities who were the Beneficial Owners of Outstanding Company Voting Securities immediately prior to such Business Combination are the Beneficial Owners, directly or indirectly, of more than fifty percent (50%) of the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from the Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) (the “Successor Entity”) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Voting Securities; or

iv. Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

i. "Change of Control Date" shall mean the date on which the Change of Control occurs.

j. "Code" shall mean the Internal Revenue Code of 1986, as amended.

k. "Committee" shall mean the Management Development and Compensation Committee of the Board, or such other committee appointed or designated by the Board from time to time to administer the Plan. Notwithstanding the foregoing, if no Committee exists which has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board, and all references herein to the Committee shall be deemed to be references to the Board.

l. "Company" shall mean Genworth Financial, Inc., a Delaware corporation, and any successor thereto as provided in Section 13.

m. "Competitive Services" shall mean the lines of business and services with which a Participant is actively involved in conducting business on behalf of the Company at the time of a Qualified Termination, to be stated with more specificity in the restrictive covenant agreement required by Section 5.

n. "Director" shall mean any individual who is a member of the Board.

o. "Disability" shall mean a permanent disability that would make a Participant eligible for benefits under the long-term disability program maintained by the Company or any of its Affiliates or in the absence of any such program, such meaning as the Committee shall determine.

p. "Effective Date" shall mean December 17, 2014.

q. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor act thereto.

r. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

s. "Good Reason" shall mean (i) relocation of the Participant's principal business location to an area outside a 50 mile radius of its current location; (ii) any reduction in the Participant's compensation (including Base Salary and Bonus), a substantial reduction in the benefits provided to the Participant, and/or any failure to timely pay any part of the Participant's compensation when due (including Base Salary and Bonus) or any benefits due under any benefit plan, program or arrangement; provided, however, that Company-initiated across-the-board reductions in compensation or benefits affecting substantially all Company employees shall alone not be considered Good Reason, unless the compensation reductions exceed fifteen percent (15%) of pay (Base Salary plus Bonus); or (iii) any significant and material diminution in the Participant's duties or responsibilities from that which exists on the Change of Control Date, excluding for this purpose (1) isolated and inadvertent actions not taken in bad faith and remedied by the Company promptly after the Company receives notice from the Participant, and (2) any diminution in duties or responsibilities with respect to the Participant's continuing employment with the Company relating to a Business Unit Sale; provided, however, that a change in title or reporting relationship alone shall not constitute Good Reason; provided, further, that any event described in clauses (i) through (iii) above shall constitute Good Reason only if the Company fails to rescind or remedy such event within 30 days after receipt from the Participant of written notice of the event which constitutes Good Reason; provided, further, that Good Reason shall cease to exist for an event or condition described in clauses (i) through (iii) above on the 90th day following its occurrence, unless the Participant has given the Company written notice thereof prior to such date.

For purposes of determining the amount of any cash payment payable to the Participant in accordance with the provisions of Section 3(a), any reduction in compensation or benefits that would constitute Good Reason hereunder shall be deemed not to have occurred.

t. "Non-Competition Period" shall mean the 12-month period commencing upon a Qualified Termination.

u. "Omnibus Plans" shall mean the 2004 Genworth Financial, Inc. Omnibus Incentive Plan and the 2012 Genworth Financial, Inc. Omnibus Incentive Plan, each as amended from time to time, or any successor plans providing for the grant or award of equity-based compensation to the Company's employees, officers and directors. With respect to a Participant in this Plan, the provisions of this Plan shall override the provisions of the Omnibus Plan and award agreements thereunder related to a Change of Control, except the provisions of the Omnibus Plan or related award agreements that apply when, pursuant to a Change of Control, a successor entity does not assume and maintain an award granted under the Omnibus Plan.

v. "Participant" shall mean each key employee of the Company or any of its Affiliates who has: (i) been selected by the Committee in its sole discretion and designated in writing as eligible for participation herein, and (ii) signed an acknowledgment and consent letter agreeing to the terms and conditions set forth in the Plan and the Participant's designed Tier level. The Committee will review the list of Participants on a periodic basis, and may add or remove Participants at its discretion, provided, however, that any removal of a Participant shall not be effective within 180 days prior to a Change of Control.

w. "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

x. “Plan” shall mean this Genworth Financial, Inc. 2014 Change of Control Plan, as may be amended from time to time.

y. Prohibited Competitor” shall mean no greater than ten (10) specifically named entities, identified by the Company, that compete with the Company in the Restricted Territory with respect to the Competitive Services at the time of a Qualified Termination, to be stated with more specificity in the restrictive covenant agreement required by Section 5.

z. “Qualified Termination” shall mean, subject to Section 11 of this Plan, within 24 full calendar months after a Change of Control as defined in Section 2(h), a termination of the Participant’s employment by the Company without Cause (and not as a result of the Participant’s death or Disability), or by the Participant for Good Reason. Notwithstanding the preceding sentence, in no event shall a Participant’s termination of employment with the Company constitute a Qualified Termination if such termination occurs as a result of or in connection with a Business Unit Sale and either (i) the Participant is offered employment with a successor entity in connection with the Business Unit Sale and the terms of such employment offer would not constitute Good Reason, or (ii) the Participant accepts employment with a successor entity in connection with the Business Unit Sale.

aa. “Restricted Period” shall mean the 24-month period commencing upon a Qualified Termination.

bb. “Restricted Territory” shall mean the territory in which a Participant is conducting business on behalf of the Company at the time of a Qualified Termination, to be stated with more specificity in the restrictive covenant agreement required by Section 5.

cc. “Severance Benefits” shall mean the severance benefits described in Section 3(a).

dd. “Tier I Executives” shall mean the executives determined by the Committee in its sole discretion from time to time prior to the Change of Control Date to be Tier I Executives and identified as such in the records of the Plan maintained by the Company at any time during the period.

ee. “Tier II Executives” shall mean the executives determined by the Committee in its sole discretion from time to time prior to the Change of Control Date to be Tier II Executives and identified as such in the records of the Plan maintained by the Company at any time during the period.

3. Benefits.

a. Severance Benefits. Subject to Sections 4, 5, 6 and 7, if the Participant has a Qualified Termination, the Participant shall be eligible to receive the following payments and benefits:

i. a lump sum cash payment (net of applicable taxes and withholdings) of accrued but unpaid salary and accrued but unused vacation as of the date of the Participant's Qualified Termination (net of applicable taxes and withholdings), payable in accordance with the Company's normal payroll practices (typically within 15 days following the date of termination), or earlier if required by applicable law;

ii. a lump sum cash payment (net of applicable taxes and withholdings) based on the Participant's annual bonus that would have been payable with respect to the fiscal year in which the Qualified Termination occurs (determined based on actual pro rata performance as of the date of the Participant's Qualified Termination, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on the Participant's target Bonus amount, if such performance cannot be reasonably established in the sole discretion of the Committee), prorated to the nearest half-month to reflect the portion of the fiscal year that had elapsed prior to the Participant's Qualified Termination;

iii. a lump sum cash payment (net of applicable taxes and withholdings) based on the Participant's position as of the date of the Participant's Qualified Termination, as follows:

A. Tier I Executives: 2.5 times Base Salary, plus 2.5 times Bonus; or

B. Tier II Executives: 2.0 times Base Salary, plus 2.0 times Bonus;

iv. subject to Section 11 of this Plan, all performance-based cash and equity awards granted to the Participant by the Company under the Omnibus Plans shall become vested and shall be deemed earned based on actual pro rata performance as of the date of the Participant's Qualified Termination, to the extent such performance can be reasonably established in the sole discretion of the Committee, or otherwise based on an assumed achievement of all relevant performance goals at "target" levels, if actual pro rata performance cannot be reasonably established in the sole discretion of the Committee; and shall pay out pro rata (to the nearest half-month) based on the portion of the performance period elapsed on the effective date of the Qualified Termination;

v. subject to Section 11 of this Plan, all stock options, restricted stock units and other time-vesting cash and equity awards granted to the Participant by the Company under the Omnibus Plan shall immediately become vested and exercisable in full and/or all restrictions on all shares subject to awards shall lapse (regardless of whether such stock options, restricted stock units or other equity-based awards were vested and exercisable or subject to restrictions as of the date of the Participant's Qualified Termination or the Change of Control), with any stock options or other equity-based awards remaining exercisable for the remainder of their stated term;

vi. full and immediate vesting of any benefit under any funded or unfunded nonqualified pension, retirement or deferred compensation plan now or hereafter maintained by the Company in which the Participant participates, with payment to be made at such time and in accordance with the terms of such plan(s); and

vii. except to the extent the following violates section 2716 of the Public Health Service Act (as added by Section 1001 of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act) or any other applicable law, the following health and welfare benefits:

A. Continuation of the Participant's coverage under the Company's Group Life Insurance Plan for up to 18 months following the Qualified Termination. The coverage continued in accordance with this Plan will be subject to the modifications made to the same coverage during the 18 month period that is maintained by similarly situated participants who have not terminated employment; and

B. Payment of a lump sum cash payment (net of applicable taxes and withholdings), payable within 60 days following the Participant's Qualified Termination, equal to the monthly cost to provide group medical, dental, vision and/or prescription drug plan benefits sponsored by the Company and maintained by the Participant as of the date of the Participant's termination of employment, multiplied by 18. For purposes of this Section 3(a)(vii)(B), the cost of such benefits will be calculated based on the "applicable premium" determined in accordance with Code Section 4980B(f)(4) and the regulations issued thereunder (less the 2% administrative fee and less the active-employee rate for such coverage) for the year in which the termination of employment occurs.

Subject to Section 11 of this Plan, Severance Benefits described in paragraphs (ii) through (iv) above shall be paid within sixty (60) days following the Participant's Qualified Termination in accordance with the provisions of this Section 3(a). Consistent with Section 11, if a Participant becomes entitled to the Severance Benefits described in paragraphs (ii) through (v) above during a period in which he or she is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes), the payment of such benefits (but not the vesting of such benefits) shall be delayed until the earlier of the Participant's death or the first business day of the seventh month following the Participant's separation from service.

b. Death Benefits. If a Participant dies after becoming entitled to Severance Benefits hereunder but before receiving full payment, such remaining benefits will be paid to the Participant's estate as soon as practicable after his or her death.

c. Non-Duplication of Benefits. A Participant entitled to Severance Benefits under this Plan shall not be eligible to receive any severance, layoff or termination benefits provided under any other agreement, plan, program or arrangement maintained or sponsored by the Company, including, without limitation, the Company's Layoff Payment Plan and the Company's 2015 Key Employee Severance Plan. In addition, if any termination payments made to a Participant by the Company are related to an actual or potential liability under the Worker Adjustment and Retraining Notification Act (WARN) or similar law, such amounts shall reduce (offset) the Participant's Severance Benefit under this Plan.

4. Mandatory Reduction of Payments in Certain Events.

a. Anything in this Plan to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of a Participant (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, prior to the making of any Payment to the Participant, a calculation shall be made comparing (i) the net benefit to the Participant of the Payment after payment of the Excise Tax, to (ii) the net benefit to the Participant if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). The reduction of the Payments due hereunder, if applicable, shall be made by first reducing cash Payments and then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value to actual present value of such Payments as of the date of the Change of Control, as determined by the Determination Firm (as defined in Section 4(b) below). For purposes of this Section 4, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Section 4, the "Parachute Value" of a Payment means the present value as of the date of the Change of Control of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

b. The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to Section 4(a)(i) and (ii) above shall be made by an independent, nationally recognized accounting firm or compensation consulting firm mutually acceptable to the Company and the Participant (the "Determination Firm") which shall provide detailed supporting calculations. Any determination by the Determination Firm shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments which the Participant was entitled to, but did not receive pursuant to Section 4(a), could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

c. In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 4 shall be of no further force or effect.

5. Restrictive Covenants. Any amounts or benefits payable pursuant to this Plan (except for any payment pursuant to Section 3(a)(i) of the Plan) shall only be payable if the Participant executes, delivers to the Company and does not revoke a restrictive covenant agreement in a form acceptable to the Company (which may be contained in the same agreement as the full general release required by Section 7), which agreement will contain, at a minimum, provisions substantially similar to the following:

a. Confidential Information and Confidentiality. In connection with his or her employment with the Company, the Participant previously executed a Conditions of Employment acknowledgment obligating the Participant to comply with the terms of the Company's Proprietary Information and Inventions Agreement ("PIIA"), which is incorporated herein by reference. The Participant acknowledges and reaffirms his or her obligation to comply with the terms of the PIIA. This Plan is not intended to, and does not, alter either the Company's rights or the Participant's obligations under the PIIA or any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, the Participant shall not be restricted from disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, the Participant shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by the Participant. Unless otherwise publicly disclosed by the Company, the Participant agrees to keep his or her participation in this Plan strictly confidential and agrees not to disclose it to any person at any time, other than the Participant's family or legal and financial advisors, who shall be subject to the same confidentiality provisions.

b. Non-Disparagement. Subject to any obligations the Participant may have under applicable law, the Participant will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its affiliates, subsidiaries, agents, officers, directors or employees. In the event such a communication is made to anyone, including but not limited to the media, public interest groups and publishing companies, it will be considered a material breach of the terms of the Plan. Nothing in this section shall limit a Participant's ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

c. Covenant Not to Compete. Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), the Participant shall not, during the Non-Competition Period, (i) carry on or engage in Competitive Services on behalf of a Prohibited Competitor within the Restricted Territory on his or her own or on behalf of any other person or entity, or (ii) own, manage, operate, join, control or participate in the ownership, management, operation or control, of any Prohibited Competitor.

d. Solicitation of Customers or Clients by Participants. Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), the Participant shall not, during the Restricted Period, directly or indirectly, solicit or contact any of the customers or clients of the Company with whom the Participant had material contact during his or her employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

e. Solicitation of Company Employees. Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), the Participant shall will not, during the Restricted Period, directly or indirectly, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

f. Return of Materials. Each Participant agrees that he or she will not retain or destroy (except as set forth below), and will immediately return to the Company on or prior to the termination of Participant's employment with the Company, or at any other time the Company requests such return, any and all property of the Company that is in his or her possession or subject to his or her control, including, but not limited to, keys, credit and identification cards, personal items or equipment, customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, access cards, computers, mobile devices, other electronic media, all other files and documents relating to the Company and its business (regardless of form, but specifically including all electronic files and data of the Company), together with all Developments (as defined in the PIIA) and all secret or confidential information covered by the PIIA, belonging to the Company or that a Participant received from or through his or her employment with the Company. Each Participant agrees not to make, distribute, or retain copies of any such information or property. To the extent that a Participant has electronic files or information in his or her possession or control that belong to the Company, contain secret or confidential information covered by the PIIA, or constitute Developments under the PIIA (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the termination of such Participant's employment with the Company, or at any other time the Company requests, such Participant shall (a) provide the Company with an electronic copy of all of such files or information (in an electronic format that readily accessible by the Company); (b) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Company-owned computers, mobile devices, electronic media, cloud storage, or other media, devices, or equipment, such that such files and information are permanently deleted and irretrievable; and (c) provide a written certification to the Company that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted. Each Participant agrees that he or she will reimburse the Company for all of its costs, including reasonable attorneys' fees, of recovering the above materials and otherwise enforcing compliance with this provision if he or she does not return the materials to the Company or take the required steps with respect to electronic information or files on or prior to the termination of such Participant's employment with the Company or at any other time the materials and/or electronic file actions are requested by the Company or if such Participant otherwise fails to comply with this provision.

g. Remedies. Participants specifically acknowledge and agree that the remedy at law for any breach of the provisions of this Section 5 (the "Restrictive Covenants") will be inadequate, and that in the event a Participant breaches, or threatens to breach, any of the Restrictive Covenants, the Company shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, such Participant from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. Participants understand and agree that, if the Company and a Participant become involved in legal action regarding the enforcement of the Restrictive Covenants and if the Company prevails in such legal action, the Company will be entitled, in addition to any other remedy, to recover from such Participant its reasonable costs and attorneys' fees incurred in enforcing such covenants. The Company's ability to enforce its rights under the Restrictive Covenants or applicable law against a Participant shall not be impaired in any way by the existence of a claim or cause of action on the part of such Participant based on, or arising out of, this Plan or any other agreement, event or transaction.

h. Severability and Modification of Covenants. Participants acknowledge and agree that each of the Restrictive Covenants is reasonable and valid in time and scope and in all other respects. Participants and the Company agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Restrictive Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Restrictive Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Plan or such Restrictive Covenant. If any of the provisions of the Restrictive Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of the Company's legitimate business interests and may be enforced by the Company to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

6. No Duty to Mitigate/Set-off. No Participant entitled to receive Severance Benefits hereunder shall be required to seek other employment or to attempt in any way to reduce any amounts payable to him or her pursuant to this Plan. Further, the amount of Severance Benefits payable hereunder shall not be reduced by any compensation earned by the Participant as a result of employment by another employer or otherwise. Except as provided herein, the amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against the Participant or others.

7. Release Required. Any Severance Benefits payable pursuant to this Plan (except for any payment pursuant to Section 3(a)(i) of the Plan) shall only be payable if the Participant executes, delivers to the Company and does not revoke a full general release of all claims of any kind whatsoever that the Participant has or may have against the Company and its Affiliates and their officers, directors and employees, known or unknown, arising on or before the date on which the Participant executes such release (other than claims to payments specifically provided hereunder; claims to vested accrued benefits under the Company's tax-qualified employee benefit plans; claims for reimbursement under the Company's medical reimbursement program for any unreimbursed medical expenses incurred on or before the Participant's date of termination; claims for unreimbursed business expenses in accordance with the Company's policy or rights of indemnification or contribution to which the Participant was entitled under the Company's By-laws, the Company's Certificate of Incorporation or otherwise with regard to the Participant's service as an employee, officer or director of the Company; or claims that the Participant cannot by law release) in a form acceptable to the Company. Notwithstanding the foregoing, the Participant agrees to reasonably cooperate with the Company with respect to any claim, lawsuit, action, proceeding or governmental investigation relating to the Change of Control. The release will not limit a Participant's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission ("Government Agencies"), nor will it limit a Participant's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by such Participant, on his or her behalf, or by any other individual. Such release must be executed and all revocation periods shall have expired within 60 days after the Participant's date of termination; failing which such amount or benefit shall be forfeited. If such payment or benefit constitutes non-exempt deferred compensation for purposes of Section 409A of the Code, and if such60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the release becomes irrevocable in the first such calendar year.

8. Funding. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company and/or its Affiliates may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

9. Administration of the Plan.

a. Plan Administrator. The administrator of the Plan shall be the Committee.

b. Authority of the Committee. Subject to the terms of the Plan, the Committee shall have full discretion and authority to determine a Participant's participation and benefits under the Plan and to interpret and construe the provisions of the Plan.

c. Delegation of Authority. The Committee may delegate any or all of its powers and responsibilities hereunder to other persons. Any such delegation shall not be effective until it is accepted by the persons designated by the Committee and may be rescinded at any time by written notice from the Committee to the person to whom the delegation is made. Notwithstanding the foregoing, the Committee may not delegate any of its powers or responsibilities with respect to any matters relating to or involving a Participant who has been designated by the Board as an executive officer of the Company.

d. Retention of Professional Assistance. The Committee may employ such legal counsel, accountants and other persons as may be required in carrying out its duties and responsibilities in connection with the Plan.

e. Claims/Disputes Procedure.

i. Prior to paying any benefit under the Plan, the Committee may require the Participant to provide such information or material as the Committee, in its sole discretion, shall deem necessary for it to make any determination it may be required to make under the Plan. The Committee may withhold payments of any benefit under the Plan until it receives all such information and material and is reasonably satisfied of its accuracy.

ii. Claims for benefits under the Plan should be forwarded to the Committee. The Committee shall provide adequate notice in writing to a Participant whose claim for benefits is denied, setting forth the specific reasons for such denial. In the event of the denial of a claim, the Participant has the right to file a written request for a review of the denial with the Committee within 90 days after the Participant receives written notice of the denial. If a Participant requests such a review, the Committee will conduct a full and fair review of the claim for benefits and will deliver to the Participant a written decision on that claim within 60 days after the receipt of the written request for review, unless there are special circumstances requiring an extension of the time for review, in which case the 60-day period may be extended by the Committee up to a period of 120 days after the receipt of the written request for review.

iii. All acts and decisions of the Committee shall be final and binding upon the Participant.

f. Indemnification. The Committee, its members and any person designated pursuant to Section 9(c) above shall not be liable for any action or determination made in good faith with respect to the Plan. The Company shall, to the extent permitted by law, by the purchase of insurance or otherwise, indemnify and hold harmless each member of the Committee and each director, officer and employee of the Company for liabilities or expenses they and each of them incur in carrying out their respective duties under this Plan, other than for any liabilities or expenses arising out of such individual's willful misconduct or fraud.

g. Fees and Expenses. The Company will pay or reimburse the Participant, on a current basis, for all costs and expenses, including without limitation court costs and reasonable attorneys' fees, incurred by the Participant in seeking to obtain or enforce any right or benefit provided by this Plan, provided that the Participant is successful on at least one claim brought to obtain or enforce any such right.

10. Effect of Participant's Breach. If a Participant breaches any of the provisions of this Plan, including but not limited to the Restrictive Covenants in Section 5, the Participant will be required to reimburse the Company for any and all Severance Benefits provided under the terms of the Plan (other than those that were already vested without respect to the Plan), and all obligations of the Company under the Plan to provide any additional payments or benefits to the Participant will cease immediately and be null and void.

11. Code Section 409A.

a. Notwithstanding anything in this Plan to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") would otherwise be payable or distributable hereunder by reason of a Participant's termination of employment, such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless (i) the circumstances giving rise to such termination of employment meet any description or definition of "separation from service" in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any amount upon a termination of employment, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant "separation from service."

b. Notwithstanding anything in this Plan to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan by reason of a Participant's separation from service during a period in which he or she is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first business day of the seventh month following the Participant's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated and the Participant's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service, whereupon the accumulated amount will be paid or distributed to the Participant and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder ("Final 409A Regulations"), *provided, however*, that, as permitted in the Final 409A Regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Company, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

12. Amendment and Termination. The Company reserves the right to amend or terminate, in whole or in part, any or all of the provisions of this Plan at any time, provided that in no event shall any amendment reducing the Severance Benefits provided hereunder be effective within 180 days prior to a Change of Control.

13. Successors. All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company. In any such event, the term "Company", as used in this Plan, shall mean the Company, as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by the terms and provisions of this Plan.

14. Miscellaneous.

a. Rights of Participants. Nothing herein contained shall be held or construed to create any liability or obligation upon the Company to retain any Participant in its service. All Participants shall remain subject to discharge or discipline to the same extent as if this Plan had not been put into effect.

b. Governing Law. The Plan shall be governed by the laws of the Commonwealth of Virginia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

c. Withholding. The Company shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold federal, state or local income or other taxes incurred by reason of payments pursuant to this Plan.

d. Severability. In case any provision of this Plan be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions of this Plan unless such determination shall render impossible or impracticable the functioning of this Plan, and in such case, an appropriate provision or provisions shall be adopted so that this Plan may continue to function properly.

e. Assignment and Alienation. The benefits payable to the Participant under the Plan shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind and any attempt to cause any benefits to be so subjected shall not be recognized.

f. Communications. All announcements, notices and other communications regarding this Plan will be made by the Company in writing.

g. ERISA Plan. The Plan is intended to be a “top hat” welfare benefit plan within the meaning of U.S. Department of Labor Regulation § 2520.104-24.

15. Entire Agreement. This Plan sets forth the entire understanding of the Company with respect to the subject matter hereof and, with the exception of the Company’s Layoff Payment Plan and the Company’s 2015 Key Employee Severance Plan, supersedes all existing severance and change of control plans, agreements and understandings (whether oral or written) between the Company and the Participants with respect to the subject matter herein. The Plan may only be amended as expressly set forth above in Section 12.

Exhibit 10.6

Genworth Financial, Inc.
Amended and Restated
2015 Key Employee Severance Plan

Amended and Restated as of May 15, 2019

1. Purpose. The purpose of the Plan is to promote the retention of a selected group of key employees of the Company by enabling the Company to offer certain protections to such employees in the event their employment is involuntarily terminated under certain circumstances. Capitalized terms and phrases used herein shall have the meanings ascribed thereto in Section 2.

2. Definitions.

a. "Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations of the Exchange Act.

b. "Base Salary" shall mean the Participant's annual base salary in effect on the date of termination of the Participant's employment with the Company, including amounts not currently includible in gross income by reason the Participant's election to defer such amounts under a cafeteria plan, 401(k) plan, or nonqualified deferred compensation plan of the Company or an Affiliate.

c. "Board" shall mean the board of directors of the Company as constituted from time to time.

d. "Bonus" shall mean the Participant's target annual cash bonus for the year in which the Participant's employment is terminated.

e. "Business Unit Sale" shall mean the Company's sale or disposition of all or any portion of a business unit.

f. "Cause" shall mean (with regard to a Participant's termination of employment with the Company, the removal of a Participant from being a Participant under the Plan, or the reduction in a Participant's tier level under the Plan) the Committee's good faith determination that: (i) the Participant has failed to perform his or her duties with the Company and its Affiliates as determined by the Committee; (ii) the Participant has committed, been convicted of or pled guilty or nolo contendere (or any similar plea or admission) to any felony or any act of fraud, misappropriation or embezzlement; (iii) the Participant has engaged in conduct (other than conduct covered under clause (i) above) which, in the good faith judgment of the Committee, is injurious to the Company and/or its Affiliates, monetarily or otherwise; or (iv) the Participant has violated or breached any policy of the Company or an Affiliate, the terms of this Plan, or any applicable noncompetition, confidentiality, or other restrictive covenant with respect to the Company or any of its Affiliates.

g. "Code" shall mean the Internal Revenue Code of 1986, as amended.

h. "Committee" shall mean the Management Development and Compensation Committee of the Board, or such other committee appointed or designated by the Board from time to time to administer the Plan. Notwithstanding the foregoing, if no Committee exists which has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board, and all references herein to the Committee shall be deemed to be references to the Board.

i. "Company" shall mean Genworth Financial, Inc., a Delaware corporation, and any successor thereto as provided in Section 13.

j. "Competitive Services" shall mean the lines of business and services with which a Participant is actively involved in conducting business on behalf of the Company at the time of a Qualified Termination, to be stated with more specificity in the restrictive covenant agreement required by Section 4.

k. "Director" shall mean any individual who is a member of the Board.

l. "Disability" shall mean a permanent disability that would make a Participant eligible for benefits under the long-term disability program maintained by the Company or any of its Affiliates or in the absence of any such program, such meaning as the Committee shall determine.

m. "Effective Date" shall mean January 1, 2015.

n. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor act thereto.

o. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

p. "Executive Officer" shall mean an individual designated by the Board as an executive officer of the Company.

q. "Good Reason" shall mean (i) relocation of the Participant's principal business location to an area outside a 50 mile radius of its current location; or (ii) any material reduction in the Participant's Base Salary or Bonus, and/or any failure to timely pay any part of the Participant's compensation when due (including Base Salary and Bonus) or any benefits due under any benefit plan, program or arrangement; provided, however, that Company-initiated reductions in compensation affecting substantially all U.S.-based Company employees shall not alone be considered Good Reason, unless the compensation reductions exceed fifteen percent (15%) of pay (Base Salary plus Bonus); provided that any event described in clauses (i) or (ii) above shall constitute Good Reason only if the Company fails to rescind or remedy such event within 30 days after receipt from the Participant of written notice of the event which constitutes Good Reason; provided, further, that Good Reason shall cease to exist for an event or condition described in clauses (i) or (ii) above on the 90th day following its occurrence, unless the Participant has given the Company written notice thereof prior to such date.

For purposes of determining the amount of any cash payment payable to the Participant in accordance with the provisions of Section 3(a), any reduction in compensation or benefits that would constitute Good Reason hereunder shall be deemed not to have occurred.

r. "Non-Competition Period" shall mean (i) the 12-month period commencing upon a Qualified Termination in the case of a Tier I or Tier II Employee, and (ii) the 6-month period commencing upon a Qualified Termination in the case of a Tier III Employee.

s. "Omnibus Plans" shall mean the 2004 Genworth Financial, Inc. Omnibus Incentive Plan and the 2012 Genworth Financial, Inc. Omnibus Incentive Plan, each as amended from time to time, or any successor plans providing for the grant or award of equity-based compensation to the Company's employees, officers and directors.

t. "Participant" shall mean each key employee of the Company or any of its Affiliates who has: (i) been selected by the Committee in its sole discretion and designated in writing as eligible for participation herein, and (ii) signed an acknowledgment and consent letter agreeing to the terms and conditions set forth in the Plan. The Committee will review the list of Participants on a periodic basis, and may (i) add Participants at its discretion, and (ii) remove Participants, subject to Sections 11 and 12.

u. "Plan" shall mean this Genworth Financial, Inc. 2015 Key Employee Severance Plan, as may be amended from time to time.

v. "Prohibited Competitor" shall mean no greater than ten (10) specifically named entities, identified by the Company, that compete with the Company in the Restricted Territory with respect to the Competitive Services at the time of a Qualified Termination, to be stated with more specificity in the restrictive covenant agreement required by Section 4.

w. "Qualified Termination" shall mean a termination of the Participant's employment by the Company (i) without Cause (including a job loss due to any reduction in the work force, but excluding termination of employment due to the Participant's death or Disability), or (ii) by the Participant for Good Reason. Notwithstanding the preceding sentence, in no event shall a Participant's termination of employment with the Company constitute a Qualified Termination if such termination occurs as a result of or in connection with a Business Unit Sale and either (i) the Participant is offered employment with a successor entity in connection with the Business Unit Sale and the terms of such employment offer would not constitute Good Reason, or (ii) the Participant accepts employment with a successor entity in connection with the Business Unit Sale.

x. "Restricted Period" shall mean the 24-month period commencing upon a Qualified Termination.

y. "Restricted Territory" shall mean the territory in which a Participant is conducting business on behalf of the Company at the time of a Qualified Termination, to be stated with more specificity in the restrictive covenant agreement required by Section 4.

z. "Severance Benefits" shall mean the payments and benefits described in Section 3(a).

aa. "Tier I Employees" shall mean the employees determined by the Committee in its sole discretion from time to time to be Tier I Employees and identified as such in the records of the Plan maintained by the Company at any time during the term of the Plan.

bb. "Tier II Employees" shall mean the employees determined by the Committee in its sole discretion from time to time to be Tier II Employees and identified as such in the records of the Plan maintained by the Company at any time during the term of the Plan.

cc. "Tier III Employees" shall mean the employees determined by the Committee in its sole discretion from time to time to be Tier III Employees and identified as such in the records of the Plan maintained by the Company at any time during the term of the Plan.

3. Benefits.

a. Severance Benefits. Subject to Sections 4, 5, 6 and 10, if the Participant has a Qualified Termination, the Participant shall be eligible to receive the following payments and benefits:

i. a lump sum cash payment of accrued but unpaid salary and accrued but unused vacation as of the Participant's date of termination (net of applicable taxes and withholdings), payable in accordance with the Company's normal payroll practices (typically within 15 days following the date of termination), or earlier if required by applicable law;

ii. a lump sum cash payment (net of applicable taxes and withholdings) based on the Participant's annual bonus that would have been payable with respect to the fiscal year in which the Qualified Termination occurs (determined at the end of such year based on actual performance results through the end of such year), prorated to the nearest half-month to reflect the portion of the fiscal year that had elapsed prior to the Participant's date of termination, and payable at the same time as annual bonuses are payable to other employees of the Company;

iii. a lump sum cash payment (net of applicable taxes and withholdings), payable within 60 days following the Participant's date of termination, based on the Participant's participation level under the Plan as of the Participant's date of termination, as follows:

A. Tier I Employees: 2.0 times Base Salary, plus 2.0 times Bonus; or

B. Tier II Employees: 1.0 times Base Salary, plus 1.0 times Bonus; or

C. Tier III Employees: 1.0 times Base Salary;

iv. a lump sum cash payment (net of applicable taxes and withholdings), payable within 60 days following the Participant's date of termination, equal to the monthly cost to provide group medical, dental, vision and/or prescription drug plan benefits sponsored by the Company and maintained by the Participant as of the date of the Participant's termination of employment, multiplied by a number of months equal to (i) twelve (12), in the case of Tier I and Tier II Employees, or (ii) six (6), in the case of Tier III Employees. For purposes of this Section 3(a)(iv), the cost of such benefits will be calculated based on the "applicable premium" determined in accordance with Code Section 4980B(f)(4) and the regulations issued thereunder (less the 2% administrative fee and less the active-employee rate for such coverage) for the year in which the termination of employment occurs;

v. subject to Section 10 of this Plan, stock options, stock appreciation rights (SARs), restricted stock units (RSUs) and other stock and cash awards with time-based vesting restrictions granted under the Omnibus Plans and held by a Participant who is an Executive Officer as of the date of such Participant's Qualified Termination shall become immediately vested as of the date of such Participant's Qualified Termination, but only with respect to the number of awards that otherwise would have become vested on the award's next regularly scheduled vesting date based on continued employment;

vi. subject to Section 10 of this Plan, performance-based stock and cash awards granted under the Omnibus Plans and held by a Participant who is an Executive Officer as of the date of such Participant's Qualified Termination shall remain outstanding and shall be earned, if at all, based on actual performance through the end of the performance period, prorated to the nearest half-month to reflect the portion of the performance period that had elapsed prior to the Participant's Qualified Termination, payable on the regular payment date for such awards.

vii. any stock options and SARs that are vested (or become vested) and unexercised as of the date of the Qualified Termination and are held by a Participant shall expire on the earlier of (i) the one-year anniversary of the Qualified Termination, or (ii) their regular termination date; *provided*, *however*, that if the Participant dies before the earlier of such dates, then the stock options and SARs that are vested and unexercised as of the Qualified Termination shall not expire until twenty-four (24) months after the date of the Participant's death; and

viii. with respect to a Participant who is an Executive Officer as of the date of such Participant's Qualified Termination and who has at least five years of Company-recognized service with the Company as of the Qualified Termination, full and immediate vesting of any benefit under any funded or unfunded nonqualified pension, retirement or deferred compensation plan now or hereafter maintained by the Company in which the Participant participates, with payment to be made at such time and in accordance with the terms of such plan(s).

b. Death Benefits. If a Participant has a Qualified Termination, but subsequently dies before receiving some or all of the Severance Benefits, such remaining benefits will be paid to the Participant's estate as soon as practicable after his or her death.

c. Non-Duplication of Benefits. In the event that a Participant becomes entitled to receive Severance Benefits under this Plan and may also be eligible for benefits under any other Company plan, program, arrangement or agreement as a result of the Participant's termination of employment, the Participant shall be entitled to receive the greater of the Severance Benefits available under this Plan, on the one hand, and the benefits available under such other plan, program, arrangement or agreement, on the other, but not both. For the avoidance of doubt, if a Participant is entitled to receive Severance Benefits under this Plan, he or she will not be eligible to receive any benefits under the Company's Layoff Payment Plan. Conversely, if a Participant is entitled to receive benefits under the Genworth Financial, Inc. 2014 Change of Control Plan, he or she will not be eligible to receive Severance Benefits under this Plan. In addition, if any termination payments made to a Participant by the Company are related to an actual or potential liability under the Worker Adjustment and Retraining Notification Act (WARN) or similar law, such amounts shall reduce (offset) the Participant's Severance Benefit under this Plan.

4. Restrictive Covenants. Any Severance Benefits payable pursuant to this Plan (except for any payment pursuant to Section 3(a)(i) of the Plan) shall only be payable if the Participant executes, delivers to the Company and does not revoke a restrictive covenant agreement in a form acceptable to the Company (which may be contained in the same agreement as the full general release required by Section 6), which agreement will contain, at a minimum, provisions substantially similar to the following:

a. Confidential Information and Confidentiality. In connection with his or her employment with the Company, the Participant previously executed a Conditions of Employment acknowledgment obligating the Participant to comply with the terms of the Company's Proprietary Information and Inventions Agreement ("PIIA"), which is incorporated herein by reference. The Participant acknowledges and reaffirms his or her obligation to comply with the terms of the PIIA. This Plan is not intended to, and does not, alter either the Company's rights or the Participant's obligations under the PIIA or any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, the Participant shall not be restricted from disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, the Participant shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by the Participant. Unless otherwise publicly disclosed by the Company, the Participant agrees to keep his or her participation in this Plan strictly confidential and agrees not to disclose it to any person at any time, other than the Participant's family or legal and financial advisors, who shall be subject to the same confidentiality provisions.

b. Non-Disparagement. Subject to any obligations the Participant may have under applicable law, the Participant will not make or cause to be made any statements that disparage, are inimical to, or damage the reputation of the Company or any of its affiliates, subsidiaries, agents, officers, directors or employees. In the event such a communication is made to anyone, including but not limited to the media, public interest groups and publishing companies, it will be considered a material breach of the terms of the Plan. Nothing in this section shall limit a Participant's ability to provide truthful testimony or information in response to a subpoena, court order, or investigation by a government agency.

c. Non-Competition. Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), the Participant shall not, during the Non-Competition Period, (i) carry on or engage in Competitive Services on behalf of a Prohibited Competitor within the Restricted Territory on his or her own or on behalf of any other person or entity, or (ii) own, manage, operate, join, control or participate in the ownership, management, operation or control, of any Prohibited Competitor.

d. Non-Solicitation of Customers or Clients by Participants. Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), the Participant shall not, during the Restricted Period, directly or indirectly, solicit or contact any of the customers or clients of the Company with whom the Participant had material contact during his or her employment, regardless of the location of such customers or clients, for the purpose of engaging in, providing, marketing, or selling any services or products that are competitive with the services and products being offered by the Company.

e. Non-Solicitation of Company Employees. Unless waived in writing by the most senior Human Resources officer of the Company (or his or her successor), the Participant shall will not, during the Restricted Period, directly or indirectly, solicit or encourage any director, agent or employee of the Company to terminate his or her employment or other engagement with the Company.

f. Return of Materials. Each Participant agrees that he or she will not retain or destroy (except as set forth below), and will immediately return to the Company on or prior to the termination of Participant's employment with the Company, or at any other time the Company requests such return, any and all property of the Company that is in his or her possession or subject to his or her control, including, but not limited to, keys, credit and identification cards, personal items or equipment, customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, access cards, computers, mobile devices, other electronic media, all other files and documents relating to the Company and its business (regardless of form, but specifically including all electronic files and data of the

Company), together with all Developments (as defined in the PIIA) and all secret or confidential information covered by the PIIA, belonging to the Company or that a Participant received from or through his or her employment with the Company. Each Participant agrees not to make, distribute, or retain copies of any such information or property. To the extent that a Participant has electronic files or information in his or her possession or control that belong to the Company, contain secret or confidential information covered by the PIIA, or constitute Developments under the PIIA (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the termination of such Participant's employment with the Company, or at any other time the Company requests, such Participant shall (a) provide the Company with an electronic copy of all of such files or information (in an electronic format that readily accessible by the Company); (b) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Company-owned computers, mobile devices, electronic media, cloud storage, or other media, devices, or equipment, such that such files and information are permanently deleted and irretrievable; and (c) provide a written certification to the Company that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted. Each Participant agrees that he or she will reimburse the Company for all of its costs, including reasonable attorneys' fees, of recovering the above materials and otherwise enforcing compliance with this provision if he or she does not return the materials to the Company or take the required steps with respect to electronic information or files on or prior to the termination of such Participant's employment with the Company or at any other time the materials and/or electronic file actions are requested by the Company or if such Participant otherwise fails to comply with this provision.

g. Remedies. Participants specifically acknowledge and agree that the remedy at law for any breach of the provisions of this Section 4 (the "Restrictive Covenants") will be inadequate, and that in the event a Participant breaches, or threatens to breach, any of the Restrictive Covenants, the Company shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, such Participant from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. Participants understand and agree that, if the Company and a Participant become involved in legal action regarding the enforcement of the Restrictive Covenants and if the Company prevails in such legal action, the Company will be entitled, in addition to any other remedy, to recover from such Participant its reasonable costs and attorneys' fees incurred in enforcing such covenants. The Company's ability to enforce its rights under the Restrictive Covenants or applicable law against a Participant shall not be impaired in any way by the existence of a claim or cause of action on the part of such Participant based on, or arising out of, this Plan or any other agreement, event or transaction.

h. Severability and Modification of Covenants. Participants acknowledge and agree that each of the Restrictive Covenants is reasonable and valid in time and scope and in all other respects. Participants and the Company agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Restrictive Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Restrictive Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Plan or such Restrictive Covenant. If any of the provisions of the Restrictive Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of the Company's legitimate business interests and may be enforced by the Company to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

5. No Duty to Mitigate/Set-off. No Participant entitled to receive Severance Benefits hereunder shall be required to seek other employment or to attempt in any way to reduce any amounts payable to him or her pursuant to this Plan. Further, the amount of Severance Benefits payable hereunder shall not be reduced by any compensation earned by the Participant as a result of employment by another employer or otherwise. Except as provided herein, the amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against the Participant or others. In the event of the Participant's breach of any provision hereunder, including without limitation, Sections 4, 5 or 6, the Company shall be entitled to recover any payments previously made to the Participant hereunder.

6. Release Required. Any Severance Benefits payable pursuant to this Plan (except for any payment pursuant to Section 3(a)(i) of the Plan) shall only be payable if the Participant executes, delivers to the Company and does not revoke a full general release of all claims of any kind whatsoever that the Participant has or may have against the Company and its Affiliates and their officers, directors and employees, known or unknown, arising on or before the date on which the Participant executes such release (other than claims to payments specifically provided hereunder; claims to vested accrued benefits under the Company's tax-qualified employee benefit plans; claims for reimbursement under the Company's medical reimbursement program for any unreimbursed medical expenses incurred on or before the Participant's date of termination; claims for unreimbursed business expenses in accordance with the Company's policy or rights of indemnification or contribution to which the Participant was entitled under the Company's By-laws, the Company's Certificate of Incorporation or otherwise with regard to the Participant's service as an employee, officer or director of the Company; or claims that the Participant cannot by law release) in a form acceptable to the Company. The release will not limit a Participant's ability to file a charge or complaint with the Equal Employment Opportunity Commission or any other federal, state or local governmental agency or commission ("Government Agencies"), nor will it limit a

Participant's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies in connection with any charge or complaint, whether filed by such Participant, on his or her behalf, or by any other individual. Such release must be executed and all revocation periods shall have expired within 60 days after the Participant's date of termination; failing which all Severance Benefits shall be forfeited. If any payment or benefit hereunder constitutes non-exempt deferred compensation for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year, even if the release becomes irrevocable in the first such calendar year.

7. Funding. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company and/or its Affiliates may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

8. Administration of the Plan.

a. Plan Administrator. The administrator of the Plan shall be the Committee.

b. Authority of the Committee. Subject to the terms of the Plan, the Committee shall have full discretion and authority to determine a Participant's participation and benefits under the Plan and to interpret and construe the provisions of the Plan.

c. Delegation of Authority. The Committee may delegate any or all of its powers and responsibilities hereunder to other persons. Any such delegation shall not be effective until it is accepted by the persons designated by the Committee and may be rescinded at any time by written notice from the Committee to the person to whom the delegation is made. Notwithstanding the foregoing, the Committee may not delegate any of its powers or responsibilities with respect to any matters relating to or involving an Executive Officer of the Company.

d. Retention of Professional Assistance. The Committee may employ such legal counsel, accountants and other persons as may be required in carrying out its duties and responsibilities in connection with the Plan.

e. Claims/Disputes Procedure.

i. Prior to paying any benefit under the Plan, the Committee may require the Participant to provide such information or material as the Committee, in its sole discretion, shall deem necessary for it to make any determination it may be required to make under the Plan. The Committee may withhold payments of any benefit under the Plan until it receives all such information and material and is reasonably satisfied of its accuracy.

ii. Claims for benefits under the Plan should be forwarded to the Committee. The Committee shall provide adequate notice in writing to a Participant whose claim for benefits is denied, setting forth the specific reasons for such denial. In the event of the denial of a claim, the Participant has the right to file a written request for a review of the denial with the Committee within 90 days after the Participant receives written notice of the denial. If a Participant requests such a review, the Committee will conduct a full and fair review of the claim for benefits and will deliver to the Participant a written decision on that claim within 60 days after the receipt of the written request for review, unless there are special circumstances requiring an extension of the time for review, in which case the 60-day period may be extended by the Committee up to a period of 120 days after the receipt of the written request for review.

iii. All acts and decisions of the Committee shall be final and binding upon the Participant.

f. Indemnification. The Committee, its members and any person designated pursuant to Section 8(c) above shall not be liable for any action or determination made in good faith with respect to the Plan. The Company shall, to the extent permitted by law, by the purchase of insurance or otherwise, indemnify and hold harmless each member of the Committee and each director, officer and employee of the Company for liabilities or expenses they and each of them incur in carrying out their respective duties under this Plan, other than for any liabilities or expenses arising out of such individual’s willful misconduct or fraud.

9. Effect of Participant’s Breach. If a Participant breaches any of the provisions of this Plan, including but not limited to the Restrictive Covenants in Section 4, the Participant will be required to reimburse the Company for any and all Severance Benefits provided under the terms of the Plan (other than those that were already vested without respect to the Plan), and all obligations of the Company under the Plan to provide any additional payments or benefits to the Participant will cease immediately and be null and void.

10. Code Section 409A.

a. Notwithstanding anything in this Plan to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code would otherwise be payable or distributable hereunder by reason of a Participant’s termination of employment, such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless (i) the circumstances giving rise to such termination of employment meet any description or definition of "separation from service" in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition), or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A of the Code by reason of the short-term deferral exemption or otherwise. This provision does not prohibit the *vesting* of any amount upon a termination of employment, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant "separation from service."

b. Notwithstanding anything in this Plan to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan by reason of a Participant's separation from service during a period in which he or she is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) if the payment or distribution is payable in a lump sum, the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first business day of the seventh month following the Participant's separation from service; and

(ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated and the Participant's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service, whereupon the accumulated amount will be paid or distributed to the Participant and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder ("Final 409A Regulations"), *provided, however*, that, as permitted in the Final 409A Regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Company, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

11. Duration. The Plan shall become effective as of the Effective Date, and shall continue in effect until terminated by the Board or the Committee. Subject to Section 12, the Committee or the Board may terminate the Plan as of any date that is at least 3

months after the date of the Committee or the Board's action. If any Participants become entitled to any payments or benefits hereunder during such 3-month period, this Plan shall continue in full force and effect and shall not terminate or expire with respect to such Participants until after all such Participants have received such payments and benefits in full.

12. Amendment and Termination. The Plan may be amended from time to time in any respect by the Committee or the Board; provided, however, that any amendment that would adversely affect the rights or potential rights of Participants shall not be effective for at least 3 months after the date of the Committee or the Board's action.

For the avoidance of doubt, removal of a Participant as a Participant (other than as a result of the Participant ceasing to be an employee under circumstances in which he or she would not be entitled to Severance Benefits under the terms of the Plan), a decrease in the Participant's Tier level or any other reduction in payments or benefits shall be deemed to be an amendment of the Plan which adversely affects the rights of the Participant.

Notwithstanding anything contained in this Section 12 to the contrary, in the event the Committee determines in good faith that a Participant has engaged in conduct that constitutes Cause, the Committee may remove such Participant as a Participant under the Plan or decrease a Participant's Tier level immediately upon such determination, and such individual shall thereafter have no further rights to participate in the Plan or receive any Severance Benefits under the Plan (if the Participant has been removed as a Participant in the Plan), or have only the rights associated with the decreased Tier level (if the Participant's Tier level has been decreased).

13. Successors. All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company. In any such event, the term "Company", as used in this Plan, shall mean the Company, as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by the terms and provisions of this Plan.

14. Miscellaneous.

a. Rights of Participants. Nothing herein contained shall be held or construed to create any liability or obligation upon the Company to retain any Participant in its service. All Participants shall remain subject to discharge or discipline to the same extent as if this Plan had not been put into effect.

b. Governing Law. The Plan shall be governed by the laws of the Commonwealth of Virginia, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction.

c. Withholding. The Company shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold federal, state or local income or other taxes incurred by reason of payments pursuant to this Plan.

d. Severability. In case any provision of this Plan be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions of this Plan unless such determination shall render impossible or impracticable the functioning of this Plan, and in such case, an appropriate provision or provisions shall be adopted so that this Plan may continue to function properly.

e. Assignment and Alienation. The benefits payable to the Participant under the Plan shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind and any attempt to cause any benefits to be so subjected shall not be recognized.

f. Communications. All announcements, notices and other communications regarding this Plan will be made by the Company in writing.

g. ERISA Plan. The Plan is intended to be a "top hat" welfare benefit plan within the meaning of U.S. Department of Labor Regulation § 2520.104-24.

15. Entire Agreement. This Plan sets forth the entire understanding of the Company with respect to the subject matter hereof. The Plan may only be amended as expressly set forth above in Section 12.

Exhibit 31.1

CERTIFICATIONS

I, Thomas J. McInerney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genworth Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 31, 2019

/s/ Thomas J. McInerney

Thomas J. McInerney
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Kelly L. Groh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genworth Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 31, 2019

/s/ Kelly L. Groh

Kelly L. Groh
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Thomas J. McInerney, as President and Chief Executive Officer of Genworth Financial, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Quarterly Report on Form 10-Q of the Company for the six months ended June 30, 2019 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 31, 2019

/s/ Thomas J. McInerney

Thomas J. McInerney
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

I, Kelly L. Groh, as Executive Vice President and Chief Financial Officer of Genworth Financial, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Quarterly Report on Form 10-Q of the Company for the six months ended June 30, 2019 (the “Report”), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 31, 2019

/s/ Kelly L. Groh

Kelly L. Groh
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)