

GENWORTH FINANCIAL INC  
Form 10-Q  
August 02, 2011  
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**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, 2011

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)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**6620 West Broad Street**  
**Richmond, Virginia**  
(Address of Principal Executive Offices)

**33-1073076**  
(I.R.S. Employer  
Identification Number)

**23230**  
(Zip Code)

**(804) 281-6000**  
(Registrant's Telephone Number, Including Area Code)

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

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

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

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

As of July 25, 2011, 490,716,493 shares of Class A Common Stock, par value \$0.001 per share, were outstanding.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****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,	
	2011	2010	2011	2010
<b>Revenues:</b>				
Premiums	\$ 1,455	\$ 1,470	\$ 2,892	\$ 2,940
Net investment income	881	823	1,711	1,588
Net investment gains (losses)	(40)	(139)	(68)	(209)
Insurance and investment product fees and other	359	256	688	512
<b>Total revenues</b>	<b>2,655</b>	<b>2,410</b>	<b>5,223</b>	<b>4,831</b>
<b>Benefits and expenses:</b>				
Benefits and other changes in policy reserves	1,672	1,340	3,081	2,655
Interest credited	204	211	405	424
Acquisition and operating expenses, net of deferrals	514	499	1,014	974
Amortization of deferred acquisition costs and intangibles	197	179	382	363
Interest expense	134	109	261	224
<b>Total benefits and expenses</b>	<b>2,721</b>	<b>2,338</b>	<b>5,143</b>	<b>4,640</b>
Income (loss) before income taxes	(66)	72	80	191
Provision (benefit) for income taxes	(6)	(5)	24	(98)
Net income (loss)	(60)	77	56	289
Less: net income attributable to noncontrolling interests	36	35	70	69
Net income (loss) available to Genworth Financial, Inc.'s common stockholders	\$ (96)	\$ 42	\$ (14)	\$ 220
<b>Net income (loss) available to Genworth Financial, Inc.'s common stockholders per common share:</b>				
Basic	\$ (0.20)	\$ 0.09	\$ (0.03)	\$ 0.45
Diluted	\$ (0.20)	\$ 0.08	\$ (0.03)	\$ 0.45
<b>Weighted-average common shares outstanding:</b>				
Basic	490.6	489.1	490.4	489.0
Diluted	490.6	494.2	490.4	493.9

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Supplemental disclosures:				
Total other-than-temporary impairments	\$ (28)	\$ (24)	\$ (59)	\$ (101)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	2	(27)	(3)	(30)
Net other-than-temporary impairments	(26)	(51)	(62)	(131)
Other investment gains (losses)	(14)	(88)	(6)	(78)
Total net investment gains (losses)	\$ (40)	\$ (139)	\$ (68)	\$ (209)

See Notes to Condensed Consolidated Financial Statements

**Table of Contents****GENWORTH FINANCIAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts in millions, except per share amounts)

	June 30, 2011 (Unaudited)	December 31, 2010
<b>Assets</b>		
Investments:		
Fixed maturity securities available-for-sale, at fair value	\$ 56,221	\$ 55,183
Equity securities available-for-sale, at fair value	374	332
Commercial mortgage loans	6,432	6,718
Restricted commercial mortgage loans related to securitization entities	457	507
Policy loans	1,542	1,471
Other invested assets	3,301	3,854
Restricted other invested assets related to securitization entities (\$378 and \$370 at fair value)	379	372
<b>Total investments</b>	<b>68,706</b>	<b>68,437</b>
Cash and cash equivalents	2,831	3,132
Accrued investment income	693	733
Deferred acquisition costs	7,362	7,256
Intangible assets	692	741
Goodwill	1,333	1,329
Reinsurance recoverable	16,999	17,191
Other assets	988	810
Deferred tax asset	1,291	1,100
Separate account assets	11,452	11,666
<b>Total assets</b>	<b>\$ 112,347</b>	<b>\$ 112,395</b>
<b>Liabilities and stockholders' equity</b>		
Liabilities:		
Future policy benefits	\$ 31,177	\$ 30,717
Policyholder account balances	26,115	26,978
Liability for policy and contract claims	7,327	6,933
Unearned premiums	4,563	4,541
Other liabilities (\$145 and \$150 other liabilities related to securitization entities)	5,637	6,085
Borrowings related to securitization entities (\$58 and \$51 at fair value)	452	494
Non-recourse funding obligations	3,374	3,437
Long-term borrowings	4,755	4,952
Deferred tax liability	1,937	1,621
Separate account liabilities	11,452	11,666
<b>Total liabilities</b>	<b>96,789</b>	<b>97,424</b>
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.001 par value; 1.5 billion shares authorized; 579 million and 578 million shares issued as of June 30, 2011 and December 31, 2010, respectively; 491 million and 490 million shares outstanding as of June 30, 2011 and December 31, 2010, respectively	1	1
Additional paid-in capital	12,110	12,095
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	352	21
Net unrealized gains (losses) on other-than-temporarily impaired securities	(116)	(121)

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Net unrealized investment gains (losses)	236	(100)
Derivatives qualifying as hedges	943	924
Foreign currency translation and other adjustments	883	668
<b>Total accumulated other comprehensive income (loss)</b>	<b>2,062</b>	<b>1,492</b>
Retained earnings	2,959	2,973
Treasury stock, at cost (88 million shares as of June 30, 2011 and December 31, 2010)	(2,700)	(2,700)
<b>Total Genworth Financial, Inc.'s stockholders' equity</b>	<b>14,432</b>	<b>13,861</b>
Noncontrolling interests	1,126	1,110
<b>Total stockholders' equity</b>	<b>15,558</b>	<b>14,971</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 112,347</b>	<b>\$ 112,395</b>

See Notes to Condensed Consolidated Financial Statements

**Table of Contents****GENWORTH FINANCIAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

(Amounts in millions)

(Unaudited)

	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 stockholders equity
Balances as of December 31, 2010	\$ 1	\$ 12,095	\$ 1,492	\$ 2,973	\$ (2,700)	\$ 13,861	\$ 1,110	\$ 14,971
Repurchase of subsidiary shares							(71)	(71)
Comprehensive income (loss):								
Net income (loss)				(14)		(14)	70	56
Net unrealized gains (losses) on securities not other-than-temporarily impaired			331			331	5	336
Net unrealized gains (losses) on other-than-temporarily impaired securities			5			5		5
Derivatives qualifying as hedges			19			19		19
Foreign currency translation and other adjustments			215			215	36	251
Total comprehensive income (loss)								667
Dividends to noncontrolling interests							(24)	(24)
Stock-based compensation expense and exercises and other		15				15		15
Balances as of June 30, 2011	\$ 1	\$ 12,110	\$ 2,062	\$ 2,959	\$ (2,700)	\$ 14,432	\$ 1,126	\$ 15,558
Balances as of December 31, 2009	\$ 1	\$ 12,034	\$ (164)	\$ 3,105	\$ (2,700)	\$ 12,276	\$ 1,074	\$ 13,350
Cumulative effect of change in accounting, net of taxes and other adjustments			91	(104)		(13)		(13)
Comprehensive income (loss):								
Net income				220		220	69	289
Net unrealized gains (losses) on securities not other-than-temporarily impaired			1,268			1,268	9	1,277
Net unrealized gains (losses) on other-than-temporarily impaired securities			68			68		68
Derivatives qualifying as hedges			360			360		360
Foreign currency translation and other adjustments			(292)			(292)	(15)	(307)



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Total comprehensive income (loss)									1,687
Dividends to noncontrolling interests								(21)	(21)
Stock-based compensation expense and exercises and other	24				24				24
Other capital transactions	20				20				20
Balances as of June 30, 2010	\$ 1	\$ 12,078	\$ 1,331	\$ 3,221	\$ (2,700)	\$ 13,931	\$ 1,116	\$ 15,047	

See Notes to Condensed Consolidated Financial Statements

**Table of Contents****GENWORTH FINANCIAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in millions)****(Unaudited)**

	<b>Six months ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 56	\$ 289
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Amortization of fixed maturity discounts and premiums and limited partnerships	(53)	5
Net investment losses (gains)	68	209
Charges assessed to policyholders	(327)	(233)
Acquisition costs deferred	(449)	(392)
Amortization of deferred acquisition costs and intangibles	382	363
Deferred income taxes	(85)	(173)
Net increase in trading securities, held-for-sale investments and derivative instruments	79	119
Stock-based compensation expense	16	23
<b>Change in certain assets and liabilities:</b>		
Accrued investment income and other assets	(83)	24
Insurance reserves	1,281	1,208
Current tax liabilities	5	(211)
Other liabilities and other policy-related balances	(48)	(674)
<b>Net cash from operating activities</b>	<b>842</b>	<b>557</b>
<b>Cash flows from investing activities:</b>		
<b>Proceeds from maturities and repayments of investments:</b>		
Fixed maturity securities	3,069	2,057
Commercial mortgage loans	411	263
Restricted commercial mortgage loans related to securitization entities	49	27
<b>Proceeds from sales of investments:</b>		
Fixed maturity and equity securities	1,893	2,393
<b>Purchases and originations of investments:</b>		
Fixed maturity and equity securities	(5,183)	(6,867)
Commercial mortgage loans	(142)	(23)
Other invested assets, net	(28)	1,491
Policy loans, net	(71)	(64)
Payments for businesses purchased, net of cash acquired	(4)	
<b>Net cash from investing activities</b>	<b>(6)</b>	<b>(723)</b>
<b>Cash flows from financing activities:</b>		
Deposits to universal life and investment contracts	1,221	1,174
Withdrawals from universal life and investment contracts	(2,123)	(1,734)
Short-term borrowings and other, net	137	(285)
Redemption and repurchase of non-recourse funding obligations	(45)	(6)
Proceeds from the issuance of long-term debt	545	660
Repayment and repurchase of long-term debt	(760)	
Repayment of borrowings related to securitization entities	(49)	(31)

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Repurchase of subsidiary shares	(71)	
Dividends paid to noncontrolling interests	(24)	(21)
Net cash from financing activities	(1,169)	(243)
Effect of exchange rate changes on cash and cash equivalents	32	(7)
Net change in cash and cash equivalents	(301)	(416)
Cash and cash equivalents at beginning of period	3,132	5,002
Cash and cash equivalents at end of period	\$ 2,831	\$ 4,586