

GENWORTH FINANCIAL INC

Form 10-Q

November 01, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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	80-0873306 (I.R.S. Employer
Incorporation or Organization)	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)	

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 October 23, 2013, 494,259,563 shares of Class A Common Stock, par value \$0.001 per share, were outstanding.

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NOTE REGARDING THIS QUARTERLY REPORT

As previously announced, on April 1, 2013, we completed a holding company reorganization in connection with a comprehensive capital plan for our U.S. mortgage insurance business, which is discussed in further detail in note 1 of the financial statements in Item 1 Financial Statements of this Quarterly Report on Form 10-Q. Pursuant to the reorganization, the public holding company historically known as Genworth Financial, Inc. (now renamed Genworth Holdings, Inc. (Genworth Holdings)) became a direct, 100% owned subsidiary of a new public holding company that it had formed and that now has been renamed Genworth Financial, Inc. (New Genworth). In connection with the reorganization, all the stockholders of Genworth Holdings immediately prior to the completion of the reorganization automatically became stockholders of New Genworth, owning the same number of shares of stock in New Genworth that they owned in Genworth Holdings immediately prior to the reorganization. New Genworth, as the successor issuer to Genworth Holdings (pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), began making filings under the Securities Act of 1933, as amended, and the Exchange Act, from April 1, 2013.

On April 1, 2013, in connection with the reorganization, Genworth Holdings distributed to New Genworth (as its sole stockholder), through a dividend (the Distribution), the 84.6% membership interest in one of its subsidiaries (Genworth Mortgage Holdings, LLC (GMHL)) that it held directly, and 100% of the shares of another of its subsidiaries (Genworth Mortgage Holdings, Inc. (GMHI)), that held the remaining 15.4% of outstanding membership interests of GMHL. At the time of the Distribution, GMHL and GMHI together owned (directly or indirectly) 100% of the shares or other equity interests of all of the subsidiaries that conducted Genworth Holdings U.S. mortgage insurance business (these subsidiaries also owned the subsidiaries that conducted Genworth Holdings European mortgage insurance business). As part of the comprehensive U.S. mortgage insurance capital plan, on April 1, 2013, immediately prior to the Distribution, Genworth Holdings contributed \$100 million to the U.S. mortgage insurance subsidiaries.

On April 1, 2013, in connection with the reorganization (a) New Genworth provided a full and unconditional guarantee to the trustee of Genworth Holdings outstanding senior notes and the holders of the senior notes, on an unsecured unsubordinated basis, 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 the full and punctual payment of all other amounts payable by Genworth Holdings under the senior notes indenture in respect of such senior notes and (b) New Genworth provided a full and unconditional guarantee to the trustee of Genworth Holdings outstanding subordinated notes and the holders of the subordinated notes, on an unsecured subordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, the outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the subordinated notes indenture in respect of the subordinated notes.

References to Genworth, the Company, we or our in this Quarterly Report on Form 10-Q (including in the condensed consolidated financial statements and notes thereto in this report) have the following meanings, unless the context otherwise requires:

For periods prior to April 1, 2013: Genworth Holdings and its subsidiaries

For periods from and after April 1, 2013: New Genworth and its subsidiaries

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GENWORTH FINANCIAL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Amounts in millions, except per share amounts)**

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	\$ 59,086	\$ 62,161
Equity securities available-for-sale, at fair value	379	518
Commercial mortgage loans	5,858	5,872
Restricted commercial mortgage loans related to securitization entities	290	341
Policy loans	1,668	1,601
Other invested assets	1,826	3,493
Restricted other invested assets related to securitization entities, at fair value	392	393
Total investments	69,499	74,379
Cash and cash equivalents	3,554	3,632
Accrued investment income	705	715
Deferred acquisition costs	5,256	5,036
Intangible assets	404	366
Goodwill	867	868
Reinsurance recoverable	17,224	17,230
Other assets	668	710
Separate account assets	9,957	9,937
Assets associated with discontinued operations		439
Total assets	\$ 108,134	\$ 113,312
Liabilities and stockholders' equity		
Liabilities:		
Future policy benefits	\$ 33,612	\$ 33,505
Policyholder account balances	25,266	26,262
Liability for policy and contract claims	7,271	7,509
Unearned premiums	4,160	4,333
Other liabilities (\$78 and \$133 other liabilities related to securitization entities)	4,607	5,239
Borrowings related to securitization entities (\$73 and \$62 at fair value)	297	336

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Non-recourse funding obligations	2,046	2,066
Long-term borrowings	4,780	4,776
Deferred tax liability	293	1,507
Separate account liabilities	9,957	9,937
Liabilities associated with discontinued operations		61
Total liabilities	92,289	95,531
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.001 par value; 1.5 billion shares authorized; 583 million and 580 million shares issued as of September 30, 2013 and December 31, 2012, respectively; 494 million and 492 million shares outstanding as of September 30, 2013 and December 31, 2012, respectively		
	1	1
Additional paid-in capital	12,149	12,127
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired		
	1,106	2,692
Net unrealized gains (losses) on other-than-temporarily impaired securities		
	3	(54)
Net unrealized investment gains (losses)	1,109	2,638
Derivatives qualifying as hedges	1,442	1,909
Foreign currency translation and other adjustments	388	655
Total accumulated other comprehensive income (loss)	2,939	5,202
Retained earnings	2,215	1,863
Treasury stock, at cost (88 million shares as of September 30, 2013 and December 31, 2012)	(2,700)	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	14,604	16,493
Noncontrolling interests	1,241	1,288
Total stockholders' equity	15,845	17,781
Total liabilities and stockholders' equity	\$ 108,134	\$ 113,312

See Notes to Condensed Consolidated Financial Statements

Table of Contents**GENWORTH FINANCIAL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Amounts in millions, except per share amounts)****(Unaudited)**

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Revenues:				
Premiums	\$ 1,291	\$ 1,313	\$ 3,838	\$ 3,721
Net investment income	801	825	2,436	2,503
Net investment gains (losses)	(23)	9	(63)	13
Insurance and investment product fees and other	248	309	780	936
Total revenues	2,317	2,456	6,991	7,173
Benefits and expenses:				
Benefits and other changes in policy reserves	1,169	1,363	3,639	3,977
Interest credited	184	193	552	582
Acquisition and operating expenses, net of deferrals	407	443	1,253	1,322
Amortization of deferred acquisition costs and intangibles	182	160	441	578
Goodwill impairment		89		89
Interest expense	124	126	371	352
Total benefits and expenses	2,066	2,374	6,256	6,900
Income from continuing operations before income taxes	251	82	735	273
Provision for income taxes	105	23	254	65
Income from continuing operations	146	59	481	208
Income (loss) from discontinued operations, net of taxes	2	12	(12)	51
Net income	148	71	469	259
Less: net income attributable to noncontrolling interests	40	36	117	102
Net income available to Genworth Financial, Inc.'s common stockholders	\$ 108	\$ 35	\$ 352	\$ 157
Income from continuing operations available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	\$ 0.21	\$ 0.05	\$ 0.74	\$ 0.22

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Diluted	\$ 0.21	\$ 0.05	\$ 0.73	\$ 0.22
Net income available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	\$ 0.22	\$ 0.07	\$ 0.71	\$ 0.32
Diluted	\$ 0.22	\$ 0.07	\$ 0.71	\$ 0.32
Weighted-average common shares outstanding:				
Basic	494.0	491.7	493.3	491.5
Diluted	499.3	493.9	497.9	494.5
Supplemental disclosures:				
Total other-than-temporary impairments	\$ (3)	\$ (26)	\$ (17)	\$ (84)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	(2)	(3)	(5)	(1)
Net other-than-temporary impairments	(5)	(29)	(22)	(85)
Other investments gains (losses)	(18)	38	(41)	98
Total net investment gains (losses)	\$ (23)	\$ 9	\$ (63)	\$ 13

See Notes to Condensed Consolidated Financial Statements

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(Amounts in millions)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	\$ 148	\$ 71	\$ 469	\$ 259
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(191)	517	(1,624)	1,029
Net unrealized gains (losses) on other-than-temporarily impaired securities	5	28	57	44
Derivatives qualifying as hedges	(139)	(76)	(467)	2
Foreign currency translation and other adjustments	144	148	(313)	145
Total other comprehensive income (loss)	(181)	617	(2,347)	1,220
Total comprehensive income (loss)	(33)	688	(1,878)	1,479
Less: comprehensive income attributable to noncontrolling interests	62			