

GENWORTH FINANCIAL INC

FORM 8-K

(Current report filing)

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Address	6620 WEST BROAD STREET RICHMOND, VA 23230
Telephone	804-281-6000
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

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

May 15, 2008
Date of Report
(Date of earliest event reported)



GENWORTH FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-32195
(Commission File Number)

33-1073076
(I.R.S. Employer
Identification No.)

6620 West Broad Street, Richmond, VA
(Address of principal executive offices)

23230
(Zip Code)

(804) 281-6000
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

The condensed consolidated financial statements of Genworth Financial Mortgage Insurance Pty Ltd, an indirect subsidiary of Genworth Financial, Inc., as of March 31, 2008 and December 31, 2007, and for the three months ended March 31, 2008 and 2007, are included in Exhibit 99.1 to Item 9.01 of this Current Report on Form 8-K.

The information contained in this Current Report on Form 8-K (including the exhibit) is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as otherwise expressly stated in such filing. This information may be included or incorporated by reference in registration statements or reports filed under the Securities Act, or the Exchange Act, in connection with the issuance of asset-backed securities by one or more third parties.

Item 9.01 Financial Statements and Exhibits.

The following material is furnished as an exhibit to this Current Report on Form 8-K:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
99.1	Genworth Financial Mortgage Insurance Pty Ltd Condensed Consolidated Financial Statements as of March 31, 2008 and December 31, 2007 and for the three months ended March 31, 2008 and 2007.

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 hereunto duly authorized.

GENWORTH FINANCIAL, INC.

DATE: May 15, 2008

By: /s/ Amy R. Corbin
Amy R. Corbin
Vice President and Controller
(Principal Accounting Officer)

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Genworth Financial Mortgage Insurance Pty Ltd

Condensed Consolidated Statements of Income

(U.S. dollar amounts in thousands)

(Unaudited)

The unaudited interim financial information has not been reviewed by an independent registered public accounting firm.

	Three months ended March 31,	
	2008	2007
Revenues:		
Net premiums earned	\$ 82,961	\$ 67,631
Net investment income	35,126	22,213
Net investment gains (losses)	(672)	78
Other income	1,188	1,153
Total revenues	<u>118,603</u>	<u>91,075</u>
Losses and expenses:		
Net losses and loss adjustment expenses	34,814	30,868
Acquisition and operating expenses, net of deferrals	18,810	11,837
Amortization of deferred acquisition costs and intangibles	7,166	5,271
Total losses and expenses	<u>60,790</u>	<u>47,976</u>
Income before income taxes	57,813	43,099
Provision for income taxes	18,693	12,751
Net income	<u>\$ 39,120</u>	<u>\$ 30,348</u>

See Notes to Condensed Consolidated Financial Statements

Genworth Financial Mortgage Insurance Pty Ltd

Condensed Consolidated Balance Sheets
(U.S. dollar amounts in thousands, except share amounts)

The unaudited interim financial information has not been reviewed by an independent registered public accounting firm.

	March 31,	December 31,
	2008	2007
	(unaudited)	
Assets		
Fixed maturity securities available-for-sale, at estimated fair value	\$1,915,366	\$1,782,351
Cash and cash equivalents	299,282	311,720
Accrued investment income	32,806	30,254
Prepaid reinsurance premium	1,354	1,428
Deferred acquisition costs	67,018	62,606
Goodwill	6,837	6,577
Deferred tax assets, net	15,330	16,194
Related party receivables	43,154	42,275
Other assets	20,370	22,412
Total assets	<u>\$2,401,517</u>	<u>\$2,275,817</u>
Liabilities and stockholder's equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	\$ 157,244	\$ 155,190
Unearned premiums	953,024	905,766
Related party payables	86,930	70,004
Other liabilities and accrued expenses	33,771	59,391
Total liabilities	<u>1,230,969</u>	<u>1,190,351</u>
Stockholder's equity:		
Ordinary shares – No par value; 1,356,558,500 shares authorized and issued as of March 31, 2008 and December 31, 2007	—	—
Additional paid-in capital	550,516	548,953
Accumulated other comprehensive income, net of tax:		
Net unrealized investment losses	(37,610)	(37,464)
Foreign currency translation adjustments	234,181	189,636
Total accumulated other comprehensive income	196,571	152,172
Retained earnings	423,461	384,341
Total stockholder's equity	<u>1,170,548</u>	<u>1,085,466</u>
Total liabilities and stockholder's equity	<u>\$2,401,517</u>	<u>\$2,275,817</u>

See Notes to Condensed Consolidated Financial Statements

Genworth Financial Mortgage Insurance Pty Ltd

Condensed Consolidated Statements of Cash Flows
(U.S. dollar amounts in thousands)
(Unaudited)

The unaudited interim financial information has not been reviewed by an independent registered public accounting firm.

	<u>Three months ended March 31,</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Net income	\$ 39,120	\$ 30,348
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of investment discounts and premiums	(340)	634
Net investment (gains) losses	672	(78)
Acquisition costs deferred	(8,867)	(5,867)
Amortization of deferred acquisition costs and intangibles	7,166	5,271
Deferred income taxes	—	(268)
Corporate overhead allocation	6,126	2,160
Change in certain assets and liabilities:		
Accrued investment income and other assets	3,160	(345)
Reserve for losses and loss adjustment expenses	(4,002)	10,270
Unearned premiums	11,719	33,626
Other liabilities	(17,677)	4,768
Net cash from operating activities	<u>37,077</u>	<u>80,519</u>
Cash flows from investing activities:		
Proceeds from maturities and repayments of fixed maturities	94,477	11,316
Purchases of fixed maturities	(153,769)	(80,356)
Net cash from investing activities	<u>(59,292)</u>	<u>(69,040)</u>
Cash flows from financing activities:		
Capital contribution received	—	235,012
Net cash from financing activities	<u>—</u>	<u>235,012</u>
Effect of exchange rate changes on cash and cash equivalents	9,777	3,140
Net change in cash and cash equivalents	<u>(12,438)</u>	<u>249,631</u>
Cash and cash equivalents at beginning of period	311,720	254,414
Cash and cash equivalents at end of period	<u>\$ 299,282</u>	<u>\$ 504,045</u>

See Notes to Condensed Consolidated Financial Statements

Genworth Financial Mortgage Insurance Pty Ltd

**Notes to Condensed Consolidated Financial Statements
Three Months Ended March 31, 2008 and 2007
(Unaudited)**

The unaudited interim financial information has not been reviewed by an independent registered public accounting firm.

(1) Nature of Business, Formation of Genworth Mortgage and Basis of Presentation

Genworth Financial Mortgage Insurance Pty Ltd (“Genworth Mortgage” or the “Company” as appropriate) offers mortgage insurance products in Australia and New Zealand and is headquartered in Sydney, Australia. In particular, the Company offers primary mortgage insurance, known as “lenders mortgage insurance,” or LMI, and portfolio credit enhancement policies. The principal product is LMI, which is generally single premium business and provides 100% coverage of the loan amount in the event of a mortgage default.

The Company’s 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 United States Securities and Exchange Commission (“SEC”) disclosure requirements for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. Preparing financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. These condensed consolidated financial statements include all adjustments considered necessary by management to present a fair statement of the financial position, results of operations, and cash flow for the periods presented. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. The condensed consolidated financial statements included herein should be read in conjunction with the audited financial statements and related notes contained in our 2007 year end financial statements on Form 8-K furnished on March 27, 2008.

The Company’s management has determined that the Company has one reportable operating segment, mortgage insurance.

Genworth Mortgage, formerly GE Mortgage Insurance Company Pty Ltd, is a wholly-owned subsidiary of Genworth Financial Mortgage Insurance Holdings Pty Ltd and was incorporated in Australia on November 10, 2003. The ultimate parent company of Genworth Mortgage is Genworth Financial, Inc. (“Genworth”). Genworth is a company incorporated in Delaware on October 23, 2003. GE Mortgage Insurance Company Pty Ltd changed its name to Genworth Financial Mortgage Insurance Pty Ltd on November 28, 2005.

The condensed consolidated financial statements are presented in U.S. dollars. The accompanying financial statements include Genworth Financial Mortgage Indemnity Limited and are prepared on a consolidated basis. All intercompany transactions have been eliminated in the consolidated financial statements.

Genworth Financial Mortgage Insurance Pty Ltd

**Notes to Condensed Consolidated Financial Statements
Three Months Ended March 31, 2008 and 2007
(Unaudited)**

The unaudited interim financial information has not been reviewed by an independent registered public accounting firm.

(2) Accounting Pronouncements

Recently adopted

Fair Value Measurements

As of January 1, 2008, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of SFAS No. 157 did not have a material impact on our consolidated financial statements. Additionally, on January 1, 2008, we elected the partial adoption of SFAS No. 157 under the provisions of Financial Accounting Standards Board (“FASB”) Staff Position (“FSP”) FAS 157-2, which amends SFAS No. 157 to allow an entity to delay the application of this statement until January 1, 2009 for certain non-financial assets and liabilities. Under the provisions of the FSP, we will delay the application of SFAS No. 157 for fair value measurements used in the impairment testing of goodwill and indefinite-lived intangible assets and eligible non-financial assets and liabilities included within a business combination. In January 2008, FASB also issued proposed FSP FAS 157-c that would amend SFAS No. 157 to clarify the principles on fair value measurement of liabilities. Management is monitoring the status of this proposed FSP for any impact on our consolidated financial statements.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We hold fixed maturity and equity securities and certain other financial instruments, which are carried at fair value.

Fair value measurements are generally based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS No. 157 requires all assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3—Instruments whose significant value drivers are unobservable.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded derivatives and actively traded mutual fund investments.

Level 2 includes those financial instruments that are valued by independent pricing services or valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various inputs, such as interest rate, credit spread and foreign exchange rates for the underlying financial instruments. All significant inputs are observable, or derived from observable, information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category primarily include: certain public and private corporate fixed maturity and equity securities; government or agency securities; and certain mortgage and asset-backed securities.

Genworth Financial Mortgage Insurance Pty Ltd

**Notes to Condensed Consolidated Financial Statements
Three Months Ended March 31, 2008 and 2007
(Unaudited)**

The unaudited interim financial information has not been reviewed by an independent registered public accounting firm.

Level 3 is comprised of financial instruments whose fair value is estimated based on non-binding broker prices or internally developed models or methodologies utilizing significant inputs not based on, or corroborated by, readily available market information. This category primarily consists of certain less liquid fixed maturity, equity and trading securities and certain derivative instruments where we cannot corroborate the significant valuation inputs with market observable data.

At each reporting period, all assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability, such as the relative impact on the fair value as a result of including a particular input.

Our fixed maturity and equity securities use Level 2 inputs for the determination of fair value. These fair values are obtained primarily from independent pricing services, when available, utilizing Level 2 inputs.

Fair Value Option for Financial Assets and Financial Liabilities

As of January 1, 2008, we adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This statement provides an option, on specified election dates, to report selected financial assets and liabilities, including insurance contracts, at fair value. Subsequent changes in fair value for designated items are reported in income in the current period. The adoption of SFAS No. 159 did not impact our consolidated financial statements, as no items were elected for measurement at fair value upon initial adoption. We will continue to evaluate eligible financial assets and liabilities on their election dates. Any future elections will be disclosed in accordance with the provisions outlined in the statement.

Not yet adopted

In December 2007, FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*. This statement establishes accounting and reporting standards for noncontrolling interests in a subsidiary and for deconsolidation of a subsidiary. SFAS No. 160 will be effective for us on January 1, 2009 and will be applied prospectively as of the effective date. We do not expect SFAS No. 160 to have a material impact on our consolidated financial statements.

Genworth Financial Mortgage Insurance Pty Ltd

**Notes to Condensed Consolidated Financial Statements
Three Months Ended March 31, 2008 and 2007
(Unaudited)**

The unaudited interim financial information has not been reviewed by an independent registered public accounting firm.

(3) Statutory Accounting

Genworth Mortgage prepares financial statements for its regulator, the Australian Prudential Regulation Authority (“APRA”), in accordance with the accounting practices prescribed by the regulator, which is a comprehensive basis of accounting other than U.S. GAAP. The main differences were as follows:

- Premium is recognized on a cash receipts basis;
- Deferred acquisition costs are not recognized;
- A premium liability is recognized representing the unexpired risk portion of insurance policies written. The premium liability is valued as the present value of the expected future claim payments.
- Loss and loss adjustment expense reserves include a risk margin and are discounted to present value.

The Company’s APRA net income after tax, capital base, minimum capital requirement and solvency ratio as of and for the year ended were as follows:

<u>(U.S. dollar amounts in thousands)</u>	<u>2007</u>
APRA net income after tax	<u>\$ 149,527</u>
APRA capital base	\$1,326,600
APRA minimum capital requirement	\$1,002,665
APRA solvency ratio	1.32

The above APRA net income after tax, capital base, minimum capital requirement and solvency ratio is the combined amounts of Genworth Financial Mortgage Insurance Pty Ltd and its wholly-owned subsidiary, Genworth Financial Mortgage Indemnity Ltd.

Under the prudential regulation framework in Australia, mortgage insurers are required to establish a catastrophic risk charge defined as a 1 in 250 year event. The Company is required to maintain adequate capital to fund this charge, in addition to normal insurance liabilities, by ensuring that its capital base exceeds its minimum capital requirement at all times.

As of March 31, 2008, the APRA solvency ratio is 1.30.

The Company’s ability to pay dividends to Genworth Financial Mortgage Insurance Holdings Pty Ltd is restricted to the extent the payment of dividends exceeds current year income. Any dividend above this level requires prior approval from APRA. In addition, any dividend payment must result in the Company continuing to meet the APRA minimum capital requirement.