

GENWORTH FINANCIAL INC

FORM 8-K (Current report filing)

Filed 08/10/07 for the Period Ending 08/10/07

Address	6620 WEST BROAD STREET RICHMOND, VA 23230
Telephone	804-281-6000
CIK	0001276520
Symbol	GNW
SIC Code	6311 - Life Insurance
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

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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**

August 10, 2007
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))
-

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 June 30, 2007 and December 31, 2006, and for the three and six months ended June 30, 2007 and 2006, 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 June 30, 2007 and December 31, 2006, and for the three and six months ended June 30, 2007 and 2006

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: August 10, 2007

By: _____ /s/ Scott R. Lindquist
Scott R. Lindquist
Vice President and Controller
(Principal Accounting Officer)

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GENWORTH FINANCIAL MORTGAGE INSURANCE PTY LTD**CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(US 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 June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Net premiums earned	\$ 72,607	\$ 56,560	\$ 140,238	\$ 107,210
Net investment income	30,578	17,569	52,791	34,078
Net investment losses	(1,533)	—	(1,455)	—
Other income (losses)	(546)	686	606	384
Total revenues	<u>101,106</u>	<u>74,815</u>	<u>192,180</u>	<u>141,672</u>
Losses and expenses:				
Net losses and loss adjustment expenses	34,550	17,035	65,418	31,546
Acquisition and operating expenses, net of deferrals	13,223	8,886	25,060	17,801
Amortization of deferred acquisition costs and intangibles	4,830	2,060	10,100	5,796
Total losses and expenses	<u>52,603</u>	<u>27,981</u>	<u>100,578</u>	<u>55,143</u>
Income before income taxes	48,503	46,834	91,602	86,529
Provision for income taxes	15,867	13,506	28,618	25,457
Net income	<u>\$ 32,636</u>	<u>\$ 33,328</u>	<u>\$ 62,984</u>	<u>\$ 61,072</u>

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL MORTGAGE INSURANCE PTY LTD

CONDENSED CONSOLIDATED BALANCE SHEETS

(US dollar amounts in thousands, except share amounts)

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

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
	(Unaudited)	
Assets		
Fixed maturity securities available-for-sale, at estimated fair value	\$1,613,965	\$1,244,743
Cash and cash equivalents	378,716	254,414
Accrued investment income	27,729	22,465
Prepaid reinsurance premium	1,823	2,094
Deferred acquisition costs	48,166	37,929
Goodwill	6,354	5,904
Deferred tax assets, net	6,909	3,268
Other assets	23,796	23,772
Total assets	<u>\$2,107,458</u>	<u>\$1,594,589</u>
Liabilities and stockholder's equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	\$ 139,914	\$ 105,333
Unearned premiums	811,812	687,466
Related party payables	60,832	59,229
Other liabilities and accrued expenses	45,857	53,152
Total liabilities	<u>1,058,415</u>	<u>905,180</u>
Stockholder's equity:		
Ordinary shares—No par value; 1,356,558,500 and 1,066,558,500 shares authorized and issued as of June 30, 2007 and December 31, 2006, respectively	—	—
Additional paid-in capital	541,225	304,530
Accumulated other comprehensive income, net of tax:		
Net unrealized investment losses	(22,102)	(11,405)
Foreign currency translation adjustments	154,428	83,776
Total accumulated other comprehensive income	<u>132,326</u>	<u>72,371</u>
Retained earnings	<u>375,492</u>	<u>312,508</u>
Total stockholder's equity	<u>1,049,043</u>	<u>689,409</u>
Total liabilities and stockholder's equity	<u>\$2,107,458</u>	<u>\$1,594,589</u>

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL MORTGAGE INSURANCE PTY LTD
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(US dollar amounts in thousands)

(Unaudited)

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

	Six months ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 62,984	\$ 61,072
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of investment discounts and premiums	1,386	2,675
Net investment losses	1,455	—
Acquisition costs deferred	(15,740)	(10,967)
Amortization of deferred acquisition costs and intangibles	10,100	5,796
Deferred income taxes	(1,337)	(436)
Corporate overhead allocation	4,847	5,971
Change in certain assets and liabilities:		
Accrued investment income and other assets	(73)	1,116
Reserve for losses and loss adjustment expenses	25,204	16,517
Unearned premiums	67,759	59,316
Other liabilities	(16,937)	(2,708)
Net cash from operating activities	139,648	138,352
Cash flows from investing activities:		
Proceeds from maturities and repayments of fixed maturities	45,395	37,136
Purchases of fixed maturities	(321,929)	(40,047)
Payments for equipment and software	—	(983)
Net cash from investing activities	(276,534)	(3,894)
Cash flows from financing activities:		
Capital contribution received	236,696	—
Net cash from financing activities	236,696	—
Effect of exchange rate changes on cash and cash equivalents	24,492	(4,503)
Net change in cash and cash equivalents	124,302	129,955
Cash and cash equivalents at beginning of period	254,414	139,452
Cash and cash equivalents at end of period	\$ 378,716	\$ 269,407

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL MORTGAGE INSURANCE PTY LTD
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2007 and 2006

(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 2006 year end financial statements on Form 8-K furnished on March 15, 2007.

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
Six Months Ended June 30, 2007 and 2006

(Unaudited)

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

(2) Accounting Pronouncements

Recently adopted

On January 1, 2007, we adopted Financial Accounting Standards Board (“FASB”) Interpretation (“FIN”) No. 48, *Accounting for Uncertainty in Income Taxes*. This guidance clarifies the criteria that must be satisfied to recognize the financial statement benefit of a position taken in our tax returns. The criteria for recognition in the consolidated financial statements set forth in FIN No. 48 require an affirmative determination that it is more likely than not, based on a tax position’s technical merits, that we are entitled to the benefit of that position. The adoption of this interpretation did not have a material impact on the condensed consolidated results of operations and financial position.

Upon adoption of FIN No. 48 on January 1, 2007, there were no unrecognized tax benefits, accrued interest or penalties.

We file Australian income tax returns and are not currently under examination by the Australia Taxation Office. We are no longer subject to examination for tax years prior to 2002.

On January 1, 2007, we adopted the American Institute of Certified Public Accountants (“AICPA”) Statement of Position (“SOP”) 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts*. This statement provides guidance on accounting for deferred acquisition costs and other balances on an internal replacement, defined broadly as a modification in product benefits, features, rights, or coverages that occurs by the exchange of an existing contract for a new contract, or by amendment, endorsement, or rider to an existing contract, or by the election of a benefit, feature, right, or coverage within an existing contract. The adoption of this interpretation did not have a material impact on the condensed consolidated results of operations and financial position.

Not yet adopted

In September 2006, FASB issued 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. SFAS No. 157 is effective for us on January 1, 2008. We do not expect SFAS No. 157 to have a material impact on our consolidated financial statements.

In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This statement provides an option to report selected financial assets and liabilities, including insurance contracts, at fair value. SFAS No. 159 will be effective for us on January 1, 2008. We have not decided whether we will elect the fair value option for any financial assets or liabilities; and therefore, we do not know the impact, if any, SFAS No. 159 will have on our consolidated financial statements.

GENWORTH FINANCIAL MORTGAGE INSURANCE PTY LTD
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Six Months Ended June 30, 2007 and 2006

(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 are 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 are as follows:

<u>(US dollar amounts in thousands)</u>	<u>As Reported 2006</u>	<u>As Revised 2006</u>
APRA net income after tax	\$ 178,953	\$ 199,400
APRA capital base	\$1,015,265	\$1,291,532
APRA minimum capital requirement	\$ 848,315	\$1,203,509
APRA solvency ratio	1.20	1.07

The APRA solvency ratio is the combined amounts of Genworth Financial Mortgage Insurance Pty Ltd and its wholly-owned subsidiary, Genworth Financial Mortgage Indemnity Limited.

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.

The APRA solvency ratio at December 31, 2006 was reported as 1.20. APRA revised the prudential supervision of LMI with effect from January 1, 2006. These revisions strengthened the LMI capital and reporting framework and resulted in increased minimum capital requirements for LMI providers. During the first quarter of 2007, the Company recalculated its APRA solvency ratio to include the effect of financed premiums and under that recalculation the APRA solvency ratio at December 31, 2006 was 1.07.

On March 30, 2007, the Company received a capital contribution of \$234 million from its parent company, Genworth Financial Mortgage Insurance Holdings Pty Ltd, as part of its regulatory capital management plan. As of June 30, 2007, the APRA solvency ratio was 1.37.