GENWORTH FINANCIAL INC
Form 10-K
February 26, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

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	**80-0873306**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6620 West Broad Street Richmond, Virginia	**23230**
(Address of principal executive offices)	**(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	Name of each exchange on which registered
Class A Common Stock, par value $.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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	x	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 x

As of February 10, 2016, 497,828,731 shares of Class A Common Stock, par value $0.001 per share were outstanding.

The aggregate market value of the common equity (based on the closing price of the Class A Common Stock on the New York Stock Exchange) held by non-affiliates of the registrant on June 30, 2015, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $3.8 billion. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant s definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 in connection with the 2016 annual meeting of the registrant s stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Cautionary Note Regarding Forward-looking Statements

This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations, 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 limite statements regarding the outlook for our future business and financial performance. 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 the items identified under Part I Item 1A Risk Factors. We therefore 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.

Note Regarding This Annual Report

Beginning in the fourth quarter of 2015, we changed how we review our operating businesses and no longer have separate reporting divisions. Under our new structure, 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 are no longer 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, Inc. 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 and discontinued operations. Financial information has been updated for all periods to reflect the reorganized segment reporting structure.

On December 1, 2015, we completed the sale of our lifestyle protection insurance business, which had previously been designated as a non-core business. Our lifestyle protection insurance business, previously the only business in our former International Protection segment, has been reported as discontinued operations and its financial position, results of operations and cash flows are separately reported for all periods presented. All prior periods reflected herein have been re-presented on this basis.

On October 27, 2015, we announced that Genworth Mortgage Insurance Corporation (GMICO), our wholly-owned indirect subsidiary, entered into an agreement to sell our European mortgage insurance business to AmTrust Financial Services, Inc. As the held-for-sale criteria were satisfied during the fourth quarter of 2015, our European mortgage insurance business has been reported as held for sale and its financial position is separately reported for all periods presented. All prior periods reflected herein have been re-presented on this basis. The transaction is expected to close in the first quarter of 2016 and is subject to customary conditions, including requisite regulatory approvals.

See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information regarding the sales of these businesses.

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PART I

Item 1. Business
Overview

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 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.

References to Genworth, the Company, we or our have the following meanings, unless the context otherwise requi

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

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

We are dedicated to helping meet the homeownership and long-term care needs of our customers. We are headquartered in Richmond, Virginia. We facilitate homeownership in the United States and internationally by providing mortgage insurance products that allow people to purchase homes with low down payments while protecting lenders against the risk of default. Through our homeownership education and assistance programs, we also help people keep their homes when they experience financial difficulties. We offer individual and group long-term care insurance products to meet consumer needs for long-term care. On February 4, 2016, we announced our decision to suspend sales of our traditional life insurance and fixed annuity products.

We operate our business through 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. For the year ended December 31, 2015, our U.S. Mortgage Insurance segment s income from continuing operations available to Genworth Financial, Inc. s common stockholders and net operating income was $179 million for each measure.

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. For the year ended December 31, 2015, our Canada Mortgage Insurance segment s income from continuing operations available to Genworth Financial, Inc. s common stockholders and net operating income were $140 million and $152 million, respectively.

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. For the year ended December 31, 2015, our Australia Mortgage Insurance segment s income from continuing operations available to Genworth Financial, Inc. s common stockholders and net operating income were $103 million and $102 million, respectively.

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. For the year ended December 31, 2015, our U.S. Life Insurance segment had a loss from continuing operations available to Genworth Financial, Inc. s common stockholders of $253 million and net operating income of $43 million.

Runoff. The Runoff segment includes the results of non-strategic products which are no longer actively sold. 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, funding agreements backing notes (FABNs) and guaranteed investment contracts (GICs). We no longer offer retail and group variable annuities but continue to service our existing blocks of business. For the year ended December 31, 2015, our Runoff segment had a loss from continuing operations available to Genworth Financial, Inc. s common stockholders of $5 million and net operating income of $27 million.

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 and discontinued operations. See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for information related to discontinued operations. For the year ended December 31, 2015, Corporate and Other activities had a loss from continuing operations available to Genworth Financial, Inc. s common stockholders and a net operating loss of $372 million and $248 million, respectively.

We had $12.8 billion of total Genworth Financial, Inc. s stockholders equity and $106.4 billion of total assets as of December 31, 2015. For the year ended December 31, 2015, our revenues were $8.5 billion and we had a net loss available to Genworth Financial, Inc. s common stockholders of $0.6 billion.

Strategic Update

Our focus remains on improving business performance and increasing financial and strategic flexibility across the organization. Our strategy includes maximizing our opportunities in our mortgage insurance businesses and restructuring our U.S. life insurance businesses.

We expect to continue to grow and strengthen our mortgage insurance businesses by taking advantage of accretive market opportunities balanced with capital optimization. This includes focusing on earnings growth and writing profitable new business while maintaining regulatory capital standards, with prudent buffers. In our U.S. mortgage insurance business, this includes maintaining compliance with the private mortgage insurer eligibility requirements (PMIERs) that became effective on December 31, 2015.

We are also focused on restructuring our U.S. life insurance businesses. On February 4, 2016, we announced an initiative to: (i) suspend sales of our traditional life insurance and fixed annuity products after the first quarter of 2016; (ii) further reduce expense levels in 2016; (iii) repatriate existing business from Brookfield Life and Annuity Insurance Company Limited (BLAIC), our primary Bermuda domiciled reinsurance subsidiary, to our U.S. life insurance subsidiaries in 2016; and (iv) separate and potentially isolate our long-term care insurance business.

Our decision to suspend sales of our traditional life insurance and fixed annuity products was a result of the continued impact of adverse ratings actions and recent sales levels of these products. We will, however, continue to service our existing in-force block of business. Our decision to suspend sales of these products is expected to reduce cash expenses by approximately $50 million pre-tax annually. In addition, we previously announced a multi-step restructuring plan targeting annual cash savings in excess of $100 million. Actions taken in 2015 as part of that plan are expected to reduce cash expenses on an annualized run rate by approximately $90 million to $100 million pre-tax or more. We plan to repatriate all of the existing business, including the long-term care insurance business, held in BLAIC. In connection with these actions, BLAIC would be dissolved, which would facilitate future cash movements from our international subsidiaries to the holding company.

Once all business is repatriated from BLAIC, we intend through a series of reinsurance and restructuring transactions to separate, then potentially isolate, our long-term care insurance business from our other U.S. life

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insurance businesses. These actions will be part of a multi-phased process that is intended to align substantially all of our in-force life insurance and annuity business under Genworth Life and Annuity Insurance Company (GLAIC), our Virginia domiciled life insurance company, and all long-term care insurance business under Genworth Life Insurance Company (GLIC), our Delaware domiciled life insurance company. Once these actions take place, we plan to separate GLAIC and GLIC ownership so that both subsidiaries are wholly-owned by an intermediate holding company. Genworth Life Insurance Company of New York (GLICNY), our New York domiciled life insurance company, which is currently partially owned by GLAIC, would become a wholly-owned subsidiary of GLIC. To further isolate our long-term care insurance business from our other businesses and cause it to be excluded from our public debt covenants, GLIC and GLICNY may ultimately be direct subsidiaries of Genworth Financial and no longer subsidiaries of Genworth Holdings. We would aim to complete these actions over the next 12 to 18 months. However, these proposed actions will require regulatory approval from several different regulatory jurisdictions, and may require other third-party approvals. We have committed to contribute $200 million of holding company cash (from the anticipated tax benefit related to a life block transaction that closed in January 2016 and is expected to be paid to the holding company in the third quarter of 2016) to GLIC as part of executing this restructuring plan.

In conjunction with our U.S. life insurance restructuring plan, we continue to remain open to alternatives and actively assess other strategic options. In assessing our strategic options, we are considering, among other factors, the level of, and restrictions contained in, our existing indebtedness, tax considerations, the views of regulators and rating agencies, and the performance and prospects of our businesses.

We are continuing to execute our long-term care insurance strategy, which includes: obtaining significant premium rate increases and benefit reductions on certain of our in-force blocks of long-term care insurance to improve profitability and reduce the strain on capital; requesting smaller rate increases more proactively on newer in-force blocks of long-term care insurance as needed; and introducing new products with appropriately priced benefits.

We also seek to maintain appropriate levels of capital in the event of unforeseen events and potential in-force block volatility. We generate statutory capital from earnings on our in-force business, as well as from ongoing capital management and efficiency strategies such as use of reinsurance, management of new business mix and levels and cost reductions. We also continue to evaluate and pursue opportunities to redeploy capital from lower returning blocks of business.

At Genworth Holdings, we have targeted maintaining cash and highly liquid securities of at least one and one-half times debt service plus a $350 million buffer in the near term and focus on reducing debt levels over time. We also seek to increase financial flexibility by improving elements of our credit profile, including by reducing our debt levels, which impact our financial strength ratings. In light of market influences and the impact of recent ratings downgrades on the valuation of our senior debt, we may evaluate the level of cash buffer we maintain at the holding company as we consider opportunities to repurchase our debt over time. In January 2016, Genworth Holdings redeemed its senior notes due in 2016 using proceeds from the sale of our lifestyle protection insurance business.

U.S. Mortgage Insurance

Through our U.S. Mortgage Insurance segment, we provide private mortgage insurance. Private mortgage insurance enables borrowers to buy homes with a down payment of less than 20% of the home s value (low down-payment mortgages or high loan-to-value mortgages). Mortgage insurance protects lenders against loss in the event of a borrower s default. It also generally aids financial institutions in managing their capital efficiently by, in some cases, reducing the capital required for low-down-payment mortgages. If a borrower defaults on mortgage payments, private mortgage insurance reduces and may eliminate losses to the insured institution. Private mortgage insurance may also facilitate the sale of mortgage loans in the secondary mortgage market because of the credit enhancement it provides.

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We have been providing mortgage insurance products and services in the United States since 1981 and operate in all 50 states and the District of Columbia. Our principal mortgage insurance customers are originators of residential mortgage loans who typically determine which mortgage insurer or insurers they will use for the placement of mortgage insurance written on loans they originate. For the year ended December 31, 2015, approximately 18% of new insurance written in our U.S. mortgage insurance business was attributable to our largest five lender customers, with no customer representing more than 10% of new insurance written.

The U.S. private mortgage insurance industry is affected in part by the requirements and practices of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Fannie Mae and Freddie Mac are government-sponsored enterprises and we refer to them collectively as the GSEs. The GSEs purchase and provide guarantees on residential mortgages as part of their governmental mandate to provide liquidity through the secondary mortgage market. The GSEs may purchase mortgages with unpaid principal amounts up to a specified maximum, known as the conforming loan limit, which is currently $417,000 (up to $625,000 in certain high-cost geographical areas of the country) and subject to annual adjustment.

Each GSE s Congressional charter generally prohibits it from purchasing a mortgage where the loan-to-value ratio exceeds 80% of home value unless the portion of the unpaid principal balance of the mortgage in excess of 80% of the value of the property securing the mortgage is protected against default by lender recourse, participation or by a qualified insurer. Much of the demand for private mortgage insurance is a function of the requirements of the GSEs. The GSEs purchased the majority of the flow loans we insured as of December 31, 2015. The GSEs specify mortgage insurance coverage levels and also have the authority to change the pricing arrangements for purchasing retained-participation mortgages, or mortgages with lender recourse, as compared to insured mortgages, increase or reduce required mortgage insurance coverage percentages, and alter or liberalize underwriting standards and pricing terms on low-down-payment mortgages they purchase. In furtherance of their respective charter requirements, each GSE maintains eligibility criteria to establish when a mortgage insurer is qualified to issue coverage that will be acceptable to the GSEs for high loan-to-value mortgages they acquire. For more information about the financial and other requirements of the GSEs for our U.S. mortgage insurance subsidiaries, see Regulation Mortgage Insurance Regulation Other regulation.

Selected financial information and operating performance measures regarding our U.S. Mortgage Insurance segment are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations U.S. Mortgage Insurance segment.

Products and services

The majority of our U.S. mortgage insurance policies provide default loss protection on a portion (typically 10% to 40%) of the balance of an individual mortgage loan. Our primary mortgage insurance policies are predominantly flow mortgage insurance policies, which cover individual loans at the time the loan is originated. We also from time to time enter into bulk mortgage insurance transactions or lender-paid insurance transactions with lenders and investors in selected instances, under which we insure individual loans on a flow basis or a portfolio of loans at or after origination for a negotiated price and terms.

In addition to flow and bulk primary mortgage insurance, we have in prior years written mortgage insurance on a pool basis. Under pool insurance, the mortgage insurer provides coverage contemporaneously with loan origination on a group of specified loans, typically for 100% of all losses on every loan in the portfolio, subject to an agreed aggregate loss limit.

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Flow mortgage insurance

Flow mortgage insurance is primary mortgage insurance placed on an individual loan pursuant to the terms and conditions of a master policy. Our primary mortgage insurance covers default risk on first mortgage loans generally secured by one- to four-unit residential properties and can be used to protect mortgage lenders and investors from default on any type of residential mortgage loan instrument that we have approved. Our insurance covers a specified coverage percentage of a claim amount consisting of unpaid loan principal, plus delinquent interest and certain other expenses associated with the default and subsequent foreclosure. As the insurer, we are generally required to pay the coverage percentage specified in the primary master policy and certificate, but we also have the option to pay the lender an amount equal to the total unpaid loan principal, delinquent interest and other expenses incurred with the default and foreclosure, and acquire title to the property. In addition, the claim amount may be reduced or eliminated if the loss on the defaulted loan is reduced as a result of the lender s disposition of the property. The lender selects the coverage percentage at the time the loan is originated, often to comply with investor requirements to reduce the loss exposure on loans purchased by the investor. Our master policies require that loans be underwritten to approved guidelines and provide for cancellation of coverage and return of premium for material breach of obligations. Our master policies generally do not extend to or cover material breach of obligations and misrepresentations known to the insured or others involved in the origination of the loan. From time to time, based on various factors, we request loan files to verify compliance with our master policies and required procedures. Where our review and any related investigation establish material non-compliance or misrepresentation or there is a failure to deliver complete loan files as required, we may cancel or rescind coverage with a return of premiums.

We also perform fee-based contract underwriting services for mortgage lenders. The provision of underwriting services by mortgage insurers eliminates the duplicative lender and mortgage insurer underwriting activities and expedites the approval process. Under the terms of our contract underwriting agreements, we agree to indemnify the lender against losses incurred in the event we make material errors in determining whether loans processed by our contract underwriters meet specified underwriting or purchase criteria, subject to contractual limitations on liability.

Our use of captive reinsurance with lender affiliates has been reduced substantially and amounts remaining in trust available to pay losses are now de minimis. We have agreed with the Consumer Financial Protection Bureau (CFPB) and, separately, with the State of Minnesota Department of Commerce not to enter into any new captive reinsurance transactions for a period of 10 years, which expires in June 2025.

Bulk mortgage insurance

Under primary bulk mortgage insurance, we insure a portfolio of loans in a single, bulk transaction. Generally, in our bulk mortgage insurance, the individual loans in the portfolio are insured to specified levels of coverage and there may be deductible provisions and aggregate loss limits applicable to all of the insured loans. In addition, loans that we insure in bulk mortgage insurance transactions with loan-to-value ratios above 80% typically are also covered by flow mortgage insurance, written either by us or another private mortgage insurer, which helps mitigate our exposure under the bulk mortgage insurance transactions. We base the premium on our bulk mortgage insurance upon our evaluation of the overall risk of the insured loans included in a transaction and we negotiate the premium directly with the securitizer or other owner of the loans. Premiums for bulk mortgage insurance transactions generally are paid monthly by lenders, investors or a securitization vehicle in connection with a securitization transaction or the sale of a loan portfolio.

Underwriting and pricing

Loan applications for all flow loans we insure are reviewed to evaluate each individual borrower s credit strength and history, the characteristics of the loan and the value of the underlying property as well as to establish the applicable premium. We set premiums at the time a certificate of insurance is issued based on our expectations regarding likely performance of a loan over the long term. In most states, where our U.S. mortgage insurance subsidiaries are licensed, we are required to file rates before we are authorized to charge premium. In some states, these rates must be approved before their use. Changes in rates likewise must be filed and receive approval. In general, states may require actuarial justification on the basis of the insurer s loss experience, expenses and future projections. In addition, states may consider general default experience in the mortgage insurance industry in assessing the premium rates charged by mortgage insurers. Once a certificate of coverage is issued, we may not alter the premium charged or cancel coverage without cause.

Fair Isaac Company (FICO) developed the FICO credit scoring model to calculate a score based upon a borrower s credit history. We use the FICO credit score as one indicator of a borrower s credit quality. Typically, a borrower with a higher credit score has a lower likelihood of defaulting on a loan. FICO credit scores range up to 850, with a score of 620 or more generally viewed as a prime loan and a score below 620 generally viewed as a sub-prime loan. A minus loans generally are loans where the borrowers have FICO credit scores between 575 and 660, and where the borrower has a blemished credit history. As of December 31, 2015, on a risk in-force basis and at the time of loan closing, approximately 97% of our primary insurance loans were prime in credit quality with FICO credit scores of at least 620, approximately 2% had FICO credit scores between 575 and 619, and approximately 1% had FICO credit scores of 574 or less. Loan applications for flow mortgage insurance are either directly reviewed by us (or our contract underwriters), or as noted below, by lenders under delegated authority and either may utilize automated underwriting systems. A substantial number of our mortgage lender customers underwrite loan applications for mortgage insurance under a delegated underwriting program, in which we permit approved lenders to commit us to insure loans using underwriting guidelines, including credit scores, we have previously approved. When underwriting bulk mortgage insurance transactions, we evaluate characteristics of the loans in the portfolio, including credit scores, and examine all or a sample of loan files.

We previously offered mortgage insurance for Alt-A loans, which were originated under programs in which there was a reduced level of verification or disclosure of the borrower s income or assets and a higher historical and expected default rate at origination than standard documentation loans; Interest Only loans, which allowed the borrower flexibility to pay interest only, or to pay interest and as much principal as desired, during an initial period of time; and payment option adjustable rate mortgages (ARMs), which typically provided four payment options that a borrower could select for the first five years of a loan. We have made numerous changes to our underwriting guidelines, including exiting certain products and types of coverages and imposing geographical and third-party loan origination guidelines, and have changed pricing. One result of these changes is that any risk in-force represented by above-described loan types is confined to our 2008 and prior book years. We continue to monitor current housing conditions and the performance of our books of business to determine if we need to make further changes in our pricing or underwriting guidelines and practices.

Loss mitigation

We work closely with lenders who identify and monitor delinquent borrowers. When a delinquency cannot be cured through basic collections, we have the right to approve loan modifications and seek the cooperation of servicers in modifying the terms and conditions of delinquent mortgage loans so as to enable borrowers to stay in their home and avoid foreclosure, thereby potentially reducing our claims. We have granted loss mitigation delegation to servicers whereby they perform loss mitigation efforts on our behalf. Moreover, the CFPB has promulgated a final rule obligating servicers to engage in loss mitigation efforts with a borrower prior to foreclosure. These efforts have traditionally involved loan modifications intended to enable qualified borrowers to make restructured loan payments or efforts to sell the property thereby potentially reducing claim amounts to us.

After a delinquency is reported to us, we review, and where appropriate conduct further investigations. Under our master policies, we may request specified documentation concerning the origination, closing and servicing of an insured loan. Failure to deliver required documentation or our review of such documentation may result in rescission, cancellation or claims curtailment or denial. We will consider an insured s appeal of our decision and if we agree with the appeal we take the necessary steps to reinstate uninterrupted insurance coverage and reactivate the loan certificate or otherwise address the issues raised in the appeal. If the parties are unable to agree on the outcome of the appeal, the insured may choose to pursue arbitration or litigation under the master policies and challenge the results. If arbitrated, ultimate resolution of the dispute would be pursuant to a panel s binding arbitration award. Subject to applicable limitations in the master policies, legal challenges to our actions may be brought several years later. For additional information regarding our master policies, see Regulation U.S. Insurance Regulation Policy forms.

From time to time, we enter into agreements with policyholders to accelerate claims and negotiate an agreed upon payment amount for claims on an identified group of delinquent loans. In exchange for our accelerated claim payment, mortgage insurance is canceled and we are discharged from any further liability on the identified loans.

Distribution

We distribute our mortgage insurance products through our dedicated sales force throughout the United States. This sales force primarily markets to financial institutions and mortgage originators which impose a requirement for mortgage insurance as part of the borrower s financing. In addition to our field sales force, we also distribute our products through a telephone sales force serving our smaller lenders, as well as through our Action Center which provides live phone support for all customer segments.

Competition

In recent years, our principal sources of competition comprised U.S. and state government agencies and other private mortgage insurers. Historically, we have also competed with mortgage lenders and other investors, the GSEs, structured transactions in the capital markets and with other financial instruments designed to mitigate credit risk.

U.S. and state government agencies. We and other private mortgage insurers compete for flow mortgage insurance business directly with U.S. federal and state governmental and quasi-governmental agencies, principally the Federal Housing Administration (FHA) and the Veteran s Administration (VA). In addition to competition from the FHA and the VA, we and other private mortgage insurers face competition from state-supported mortgage insurance funds in several states, including California, Illinois and New York.

Private mortgage insurers. The U.S. private mortgage insurance industry remains highly competitive, particularly with the entry of several new participants in the last several years. There are currently seven active mortgage insurers, including us.

Mortgage lenders, the GSEs and other participants in the mortgage finance industry. We have experienced competition in recent years from various participants in the mortgage finance industry including loan originators, the GSEs, investment banks and other purchasers of interests in mortgages as well as reinsurers and other participants in the capital markets. Competition from lenders has been in the form of self-insurance or origination of simultaneous second mortgages used to bring the loan-to value ratio of a first mortgage below the level where mortgage insurance is required by the GSEs. The GSEs have recently entered into risk sharing transactions with financial institutions other than mortgage insurers designed to reduce the risk of their mortgage portfolios partly in response to concerns expressed by their conservator, the Federal Housing Finance Agency (FHFA). Third-party reinsurers have entered into recent transactions with mortgage insurers, including one of our U.S. mortgage insurance subsidiaries, pursuant to which the third-party reinsurer assumes mortgage insurance risk for a fee. We may also compete with structured transactions in the capital markets and other financial instruments designed to mitigate the risk of mortgage defaults, such as credit default swaps and credit linked notes.

Canada Mortgage Insurance

We entered the Canadian mortgage insurance market in 1995 and operate in every province and territory. We are currently the leading private mortgage insurer in the Canadian market.

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In July 2009, Genworth MI Canada Inc. (Genworth Canada), our indirect subsidiary, completed an IPO of its common shares and we currently hold approximately 57.3% of the outstanding common shares of Genworth Canada on a consolidated basis, with Genworth Financial International Holdings, LLC (GFIH) holding 40.6% and our U.S. mortgage insurance business holding 16.7%. See note 23 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

Selected financial information and operating performance measures regarding our Canada Mortgage Insurance segment are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Canada Mortgage Insurance segment.

Products

Our main products are primary flow and bulk mortgage insurance. In both primary flow and bulk mortgage insurance, our mortgage insurance in Canada provides insurance coverage for 100% of the unpaid loan balance, including interest, selling costs and expenses. Regulations in Canada require the use of mortgage insurance for all high loan-to-value mortgage loans extended by federally incorporated banks, trust companies and insurers, where the loan-to-value ratio exceeds 80%. Most mortgage lenders in Canada offer both fixed rate and variable rate mortgages. High loan-to-value mortgages insured by our mortgage insurance business in Canada tend to be predominantly fixed rate mortgages of at least a five-year term, at the end of which the mortgages can be renewed. Most mortgage lenders in Canada offer a portability feature, which allows borrowers to transfer their original mortgage loan to a new property, subject to certain criteria. Our flow mortgage insurance policies contain a portability feature which allows borrowers to also transfer the mortgage default insurance associated with the mortgage loan.

We also provide bulk mortgage insurance to lenders that have originated loans with loan-to-value ratios of less than or equal to 80%. These policies provide lenders with immediate capital relief from applicable bank regulatory capital requirements and facilitate the securitization of mortgages in the Canadian market.

Government guarantee eligibility

We are subject to regulation under the Protection of Residential Mortgage or Hypothecary Insurance Act (Canada) (PRMHIA). Under the terms of PRMHIA, the Canadian government guarantees the benefits payable under a mortgage insurance policy, less 10% of the original principal amount of an insured loan, in the event that we fail to make claim payments with respect to that loan because of insolvency. We pay the Canadian government a risk fee for this guarantee. Because banks are not required to maintain regulatory capital on an asset backed by a sovereign guarantee, our 90% sovereign guarantee permits lenders purchasing our mortgage insurance to reduce their regulatory capital charges for credit risks on mortgages by 90%. Our primary government-sponsored competitor receives a 100% sovereign guarantee. The maximum outstanding insured exposure for private insured mortgages is CAD$300.0 billion, and the risk fee that we and other private mortgage insurers pay to the Canadian government is equal to 2.25% of premiums.

Over the past several years, the Canadian government implemented a series of revisions to the rules for government guaranteed mortgages. We have incorporated these revisions into our underwriting guidelines. For more information about PRMHIA, see Regulation Mortgage Insurance Regulation International regulation Canada.

Underwriting and pricing

We review loan applications for all flow mortgage insurance loans we insure in Canada to evaluate each individual borrower s credit strength and history, the characteristics of the loan and the value of the underlying property. We evaluate the credit strength of a borrower by reviewing his or her credit history and credit score. We employ internal mortgage scoring models in the underwriting processes, as well as automated valuation models to evaluate property risk and fraud application prevention and management tools. When underwriting bulk mortgage insurance transactions, we evaluate characteristics of the loans in the portfolio and examine loan files on a sample basis.

Loan applications for flow mortgage insurance in Canada are processed through a system that analyzes the data based on pre-established criteria and systematically determines the approval status. Our employees manually review loans that do not meet the criteria for automated decisioning. We have established an audit plan to review underwritten loans to ensure documentation supports the data provided by lenders. Our audit teams request and review samples (statistically valid and/or stratified) of performing loans. Once an audit review has been completed, our audit teams summarize and evaluate their findings against policy. If our audit teams detect non-compliance issues, we work with the lender to develop appropriate corrective actions.

We regularly take actions to reduce our new business risk profile, which includes: tightening underwriting guidelines, product restrictions and reducing new business in geographic areas we believe are more economically sensitive. We believe these underwriting actions have improved our performance on new books of business.

Loss mitigation

In Canada, we work closely with lenders to identify and monitor delinquent borrowers. When a delinquency cannot be cured through basic collections, we work with the lender and, if permitted, with the borrower to identify an optimal loan workout solution. If it is determined that the borrower has the capacity to make a modified mortgage payment, we work with the lender to implement the most appropriate payment plan to address the borrower s hardship situation. If the borrower does not have the capacity to make payments on a modified loan, we work with the lender and borrower to sell the property at the best price to minimize the severity of our claim and provide the borrower with a reasonable resolution. In Canada, we continue to execute a strategy to accelerate and facilitate the conveyance of real estate properties to us in selected circumstances. This strategy allows for better control of the remediation and marketing processes, reduction in carrying costs during the sale process and potential realization of a higher sales price with the cumulative impact being lower losses.

After a delinquency is reported to us, or after a claim is received, we review, and where appropriate conduct further investigations, to determine if there has been an event of underwriting non-compliance, non-disclosure of relevant information or any misrepresentation of information provided during the underwriting process. Our master policies provide that we may rescind coverage if there has been any failure to comply with agreed underwriting criteria or in the event of fraud or misrepresentation involving the lender or an agent of the lender. If such issues are identified, the claim or delinquent loan file is reviewed to determine the appropriate action, including potentially reducing the claim amount to be paid or rescinding the coverage. Generally, the issues we have initially identified are reviewed with the lender and the lender has an opportunity to provide further information or documentation to resolve the issue. Additionally, we may pursue recoveries from borrowers for paid claims within the time period permitted by law and may use third-party collection agencies to assist in these recoveries.

Distribution and customers

We maintain dedicated sales forces that market our mortgage insurance products in Canada to lenders. Our sales forces market to financial institutions and mortgage originators, who in turn offer mortgage insurance products to borrowers.

Residential mortgage financing in Canada is concentrated in the country s largest five banks and a limited number of other mortgage originators. The majority of our business in Canada comes from this group of residential mortgage originators. For example, one major lender customer (defined as a lender that individually accounts for more than 10% of gross written premiums in our mortgage insurance business in Canada) represented 16% of total gross written premiums in our mortgage insurance business in Canada for the year ended December 31, 2015.

Competition

Our primary mortgage insurance competitor in Canada is the Canada Mortgage and Housing Corporation (CMHC) which is owned by the Canadian government, although we currently have one other private

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competitor in the Canadian market. CMHC s mortgage insurance provides lenders with 100% capital relief from bank regulatory requirements. We compete with CMHC primarily based upon our reputation for high quality customer service, quick decision making on insurance applications, strong underwriting expertise and provision of support services.

Australia Mortgage Insurance

We entered the Australian mortgage insurance market in 1997. In 2015, we were the leading provider of mortgage insurance in Australia based upon flow new insurance written.

On May 15, 2014, Genworth Mortgage Insurance Australia Limited (Genworth Australia), a holding company for Genworth s Australian mortgage insurance business, completed an IPO of its common shares and we currently beneficially own 52.0% of the ordinary shares of Genworth Australia through subsidiaries. See note 23 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

Selected financial information and operating performance measures regarding our Australia Mortgage Insurance segment are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Australia Mortgage Insurance segment.

Products

In Australia, our main products are primary flow mortgage insurance, also known as lenders mortgage insurance (LMI), and bulk mortgage insurance. LMI is similar to the single premium primary flow mortgage insurance we offer in Canada with 100% coverage. Residential mortgage loans in Australia are predominantly variable rate loans with 25 to 30 year terms. Lenders remit the single premium to us as the mortgage insurer following settlement of the loan and, generally, either collect the equivalent amount from the borrower at the time the loan proceeds are advanced or capitalize it in the loan.

Banks, building societies and credit unions generally acquire LMI only for residential mortgage loans with loan-to-value ratios above 80%. The Australian Prudential Regulation Authority (APRA) prudential standards for authorized deposit-taking institutions (ADIs) using the standard Basel II approach provide reduced capital requirements for high loan-to-value residential mortgage loans if they have been insured by a mortgage insurance company regulated by APRA. The capital levels for Australian internal ratings-based (IRB) ADIs are determined by their APRA-approved IRB models, which may or may not allocate capital credit for LMI. We believe that APRA and the IRB ADIs have not yet finalized internal models for residential mortgage risk, but we do not believe that the IRB ADIs currently benefit from an explicit reduction in their capital requirements for mortgage loans covered by mortgage insurance. APRA s insurance authorization conditions require Australian mortgage insurance companies, including ours, to be monoline insurers, which are insurance companies that offer just one type of insurance product.

We also provide bulk mortgage insurance in Australia mainly to APRA-regulated lenders that intend to securitize Australian residential loans they have originated. Bulk mortgage insurance serves as an important source of credit enhancement for the Australian securitization market, and our bulk coverage is generally purchased for low loan-to-value, seasoned loans, and accounted for approximately 7% of new insurance written in our Australian mortgage insurance business for the year ended December 31, 2015.

Underwriting and pricing

Loan applications for all flow loans we insure in Australia are reviewed either by us or approved lenders under delegated underwriting authority to evaluate each individual borrower s credit strength and history, the characteristics of the loan and the value of the underlying property. Unlike in the United States where FICO credit scores are broadly used in evaluating a borrower s credit strength, standardized credit scores are not widely used in Australia. We employ internal scoring models in the underwriting process and use risk rules models to enhance the underwriter s ability to evaluate the loan risk and make consistent underwriting decisions. Additional tools used by our mortgage insurance business in Australia include automated valuation models to evaluate property risk and fraud application prevention and management tools. When underwriting bulk mortgage insurance transactions, we evaluate characteristics of the loans in the portfolio and examine loan files on a sample basis.

Loan applications for flow mortgage insurance are reviewed by our employees or by employees of qualified mortgage lender customers who underwrite loan applications for mortgage insurance under a delegated underwriting program. This delegated underwriting program permits approved lenders to commit us to insure loans using underwriting guidelines we have previously approved. We have established an audit plan to review delegated underwritten loans to ensure compliance with the approved underwriting guidelines, operational procedures and master policy requirements. Our audit teams request and review samples (statistically valid and/or stratified) of performing loans. Once an audit review has been completed, our audit teams summarize and evaluate their findings against policy. If our audit teams detect non-compliance issues, we work with the lender to develop appropriate corrective actions.

We regularly take actions to reduce our new business risk profile, which includes: tightening underwriting guidelines, product restrictions, reducing new business in geographic areas we believe are more economically sensitive, and terminating commercial relationships as a result of weaker business performance. We have also increased prices for certain products based on periodic reviews of performance, with a focus on higher risk segments. We believe these underwriting and pricing actions have improved our performance on new books of business.

Loss mitigation

In Australia, we work closely with lenders to identify and monitor delinquent borrowers. When a delinquency cannot be cured through basic collections, we work with the lender to identify an optimal loan workout solution. If it is determined that the borrower has the capacity to make a modified mortgage loan payment, we work with the lender to implement the most appropriate payment plan to address the borrower s hardship situation. If the borrower does not have the capacity to make payments on a modified loan, we work with the lender and borrower to sell the property at the best price to minimize the severity of our claim and provide the borrower with a reasonable resolution.

After a delinquency is reported to us, or after a claim is received, we review, and where appropriate conduct further investigations, to determine if there has been an event of underwriting non-compliance, non-disclosure of relevant information or any misrepresentation of information provided during the underwriting process. Our master policies provide that we may rescind coverage if there has been any failure to comply with agreed underwriting criteria or in the event of fraud or misrepresentation involving the lender or an agent of the lender. If such issues are identified, the claim or delinquent loan file is reviewed to determine the appropriate action, including potentially reducing the claim amount to be paid or rescinding the coverage. Generally, the issues we have initially identified are reviewed with the lender and the lender has an opportunity to provide further information or documentation to resolve the issue.

We may also review a group or portfolio of insured loans if we believe there may be systemic misrepresentations or non-compliance issues. If such issues are detected, we generally will work with the lender to develop an agreed settlement in respect of the group of loans so identified. Additionally, we may pursue recoveries from borrowers for paid claims within the time period permitted by law and may use third-party collection agencies to assist in these recoveries.

Distribution and customers

We maintain dedicated sales forces that market our mortgage insurance products in Australia to lenders. Our sales forces market to financial institutions and mortgage originators, who in turn offer mortgage insurance products to borrowers.

There is concentration among a small group of banks that write most of the residential mortgage loans in Australia. We maintain strong relationships within the major bank and regional bank channels, as well as building societies, credit unions and non-bank mortgage originators called mortgage managers. The four largest mortgage originators in Australia provide the majority of the financing for residential mortgage financing in that country. Our mortgage insurance business in Australia is concentrated in a small number of key customers. For the year ended December 31, 2015, approximately 72% and 66%, respectively, of our new insurance written and gross written premiums in our mortgage insurance business in Australia were attributable to our largest three customers, with the largest customer representing 34% and 44%, respectively, of new insurance written and gross written premiums during that year. The term of the current supply and service contract with our largest customer expires on December 31, 2016, unless it is terminated earlier in certain circumstances, including, among other things, a downgrade of the financial strength rating of our principal mortgage insurance subsidiary in Australia by Standard & Poor s Financial Services, LLC (S&P) to below A- (subject to certain exceptions). The contract with our second largest customer expires in February 2017 unless it is terminated earlier in certain customary circumstances. The contract with our third largest customer is set to expire in November 2017 with a 12-month extension option at the customer s discretion but can be terminated at any time by either party with a 90-day notification period. It is our current expectation that we would negotiate with our largest customers to renew or extend the above mentioned contracts beyond their current expiration dates on terms acceptable to all parties.

These banks continue to evaluate the utilization of mortgage insurance in connection with the implementation of the bank capital standards in Australia based on the standards of the Basel Committee, and this could impact both the size of the private mortgage insurance market in Australia and our market share. The response of banks to the new capital standards will develop over time and this response could impact our Australian mortgage insurance business.

Competition

The Australian flow mortgage insurance market is primarily served by us and one other private mortgage insurance company, as well as certain lender-affiliated captive mortgage insurance companies. In addition, some lenders may self-insure certain high loan-to-value mortgage risks. We compete primarily based upon our reputation for high quality customer service, quick decision making on insurance applications, strong underwriting expertise and flexibility in terms of product development and provision of support services.

U.S. Life Insurance

Through our U.S. Life Insurance segment, we offer long-term care insurance products as well as service traditional life insurance and fixed annuity products. On February 4, 2016, we announced our decision to suspend sales of our traditional life insurance and fixed annuity products. While we will no longer sell these products, we will continue to service our existing retained and reinsured blocks of business. Future long-term care solutions may include over time new life insurance and fixed annuity products with accelerated benefit or other features that address long-term care needs and expand access to broader consumer groups.

In February 2016, we also launched IncomeAssurance^{SM}, a medically underwritten single premium immediate annuity product. IncomeAssurance^{SM} is designed for older Americans and provides a lifetime, guaranteed income solution to help fund care or other priorities. It provides access to a new consumer group who generally would not qualify for a traditional long-term care insurance products purchased in advance of needing care. We teamed with Partnership Life Assurance Company Limited (Partnership), a leading U.K. insurer, to develop IncomeAssurance^{SM}. The relationship combines our distribution and long-term care insurance leadership position with Partnership s intellectual property, underwriting and product expertise. IncomeAssurance^{SM} will be substantially reinsured to Partnership.

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Selected financial information and operating performance measures regarding our U.S. Life Insurance segment are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations U.S. Life Insurance segment.

Long-term care insurance

We established ourselves as a pioneer in long-term care insurance 40 years ago and remain a leading provider in the industry. Our experience helps us plan for disciplined growth built on a foundation of risk management, product innovation, a diversified distribution strategy and claims processing expertise. We believe our hedging strategies and reinsurance reduce some of the risks associated with these products.

Products

Our individual and group long-term care insurance products provide defined levels of protection against the significant and escalating costs of long-term care services provided in the insured s home or in assisted living or nursing facilities. In contrast to health insurance, long-term care insurance provides coverage for skilled and custodial care provided outside of a hospital or health-related facility.

In the fourth quarter of 2013, we introduced a product which increased premium rates but gave consumers the flexibility to choose the right fit for their long-term care needs, combined with the simplicity of prepackaged benefits. In the fourth quarter of 2014, we began filing for regulatory approval of an enhanced product to improve competitiveness, while meeting our targeted returns, by, among other things, reducing premium rates and adjusting coverage options. As of December 31, 2015, this enhanced product had been filed in 47 states, approved in 45 states and launched in 43 states, with an additional two states targeted to be launched in the first half of 2016. In support of this product, we are investing in targeted distribution and marketing initiatives to increase long-term care insurance sales. In addition, we are evaluating market trends and sales and investing in the development of products and distribution strategies that we believe will help expand the long-term care insurance market over time and meet broader consumer needs. During the fourth quarter of 2014, we suspended sales of our individual long-term care insurance products in Massachusetts and New Hampshire because we were unable to obtain satisfactory rates and rate increases on in-force policies. We had previously suspended sales of our individual long-term care insurance products in Vermont. Effective June 1, 2013, we also no longer offer AARP-branded long-term care insurance products.

Underwriting

We employ medical underwriting procedures to assess and quantify risks before we issue our individual long-term care insurance policies. In 2013, as part of our underwriting procedures, we require blood and lab screening of all applicants. Our group long-term care insurance product utilizes various underwriting processes, including modified guaranteed underwriting for actively at work employees, simplified underwriting for spouses of actively at work employees and full medical underwriting for employees outside their enrollment window, retirees or others.
We periodically review our underwriting requirements and have made, and may make changes to processes as needed, including whether we continue to require blood and lab screening of all applicants.

Pricing

We have accumulated extensive pricing and claims experience, and believe we have the largest claims database in the industry. The overall financial performance of our long-term care insurance business depends primarily on the accuracy of our pricing assumptions, including for morbidity and mortality experience, persistency and investment yields. Our claims database provides us with substantial data that has helped us develop pricing methodologies for our newer policies. We tailor pricing based on segmented risk categories, including couples, gender, medical history and other factors. Financial performance on older policies issued without the full benefit of this experience has been worse than initially assumed in pricing of those blocks. We continually monitor trends and developments and update assumptions that may affect the risk, pricing and profitability of our long-term care insurance products and adjust our new product pricing and other terms, as

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appropriate. We also work with a medical advisory board comprised of independent experts from the medical field that provides insights on emerging morbidity and medical trends, enabling us to be more proactive in our risk segmentation, pricing and product development strategies.

In-force rate actions

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 on older generation blocks of business that were written before 2002 in order to bring those blocks closer to a break-even point over time and reduce the strain on our earnings and capital. We are also requesting premium rate increases on newer blocks of business, as needed, to help bring their loss ratios back towards their original pricing and introducing new products that are underwritten and priced to reflect our recent experience and updated assumptions.

In the third quarter of 2012, we initiated a round of long-term care insurance in-force premium rate increases on three policy series of older generation policies and on one early series of new generation policies. In the third quarter of 2013, we began filing for regulatory approval for premium rate increases on a second series of our new generation products. We will continue to pursue these rate increases in all states as required to meet our objectives. The goal of our rate actions already implemented, as well as future rate actions, is to mitigate losses on our older generation policy series and help offset higher than priced-for loss ratios and lower returns on newer generation products. In addition to premium increases received, reserve levels, and thus our profitability, have been impacted, and we expect they will continue to be impacted, by policyholder behavior in response to premium rate increases which could include taking reduced benefits or non-forfeiture options. We received 35 filing approvals from 24 states in 2015, representing a weighted-average increase of 29% on $739 million in annualized in-force premiums. We also submitted 79 new filings in 28 states in 2015, representing $546 million in in-force premiums.

The approval process for in-force rate increases and the amount and timing of the rate increases approved varies by state. In certain states, the decision to approve or disapprove a rate increase can take more than a year. Upon approval, insureds are provided with written notice of the increase and increases are generally applied on the insured s next policy anniversary date. Therefore, the benefits of any rate increase are not fully realized until the implementation cycle is complete. For certain risks related to our long-term care insurance premiums and rate increases, see Item 1A Risk Factors We may not be able to increase premiums or reduce benefits on our in-force long-term care insurance policies by enough or quickly enough and the rate actions or reduced benefits currently being implemented and any future rate actions may adversely affect demand for our long-term care insurance products, our reputation in the market, our results of operations and our financial condition.

Distribution

Currently, we distribute our products primarily through appointed independent producers, financial intermediaries and employer groups. As we develop our product portfolio, we plan to expand our distribution strategy to strengthen access to customers we serve today and those we intend to serve going forward. We expect to deepen existing relationships with select distribution partners whose priorities closely align with ours. Additionally, we intend to focus on forming new partnerships that may incrementally expand our customer reach, especially to those in the middle market. Across all channels, we expect to prioritize closer relationships with consumers.

Following the adverse rating actions after the announcement of our results for the fourth quarter of 2015, distributors, representing in excess of 20% of our 2015 individual long-term care insurance sales, suspended distribution of our long-term care insurance products. We expect that our sales will continue to be adversely impacted by our current ratings.

Competition

Competition in the long-term care insurance industry is primarily from a limited number of insurance companies. Our products compete by providing consumers with an array of long-term care coverage solutions, coupled with long-term care support services. A broad set of insurers compete in the combination product market whereby they offer life insurance products with riders that accelerate benefits based upon a long-term care need, and other combination products. We expect continued changes in the competitive landscape of the long-term care insurance market as well as our financial strength ratings will continue to impact our sales levels.

Life insurance

Life insurance products provide protection against financial hardship after the death of an insured. Some of these products also offer a savings element that can help accumulate funds to meet future financial needs. Our traditional life insurance product offerings previously included universal life insurance in the form of index universal life and linked-benefit products, combining a universal life insurance contract with a long-term care insurance rider, and term life insurance. We also have in-force blocks of term universal life and whole life insurance.

Fixed annuities

Fixed annuity products help individuals create dependable income streams for life or for a specified period of time and help them save and invest to achieve financial goals. Our traditional fixed annuity product offerings previously included single premium deferred annuities, single premium immediate annuities and structured settlements.

Single premium deferred annuities

Fixed single premium deferred annuities require a single premium payment at time of issue and provide an accumulation period and an annuity payout period. The annuity payout period in these products may be either a defined number of years, the annuitant s lifetime or the longer of a defined number of years and the annuitant s lifetime. During the accumulation period, we credit the account value of the annuity with interest earned at a crediting rate guaranteed for no less than one year at issue, but which may be guaranteed for up to seven years, and thereafter is subject to annual crediting rate resets at our discretion. The crediting rate is based upon many factors including prevailing market rates, spreads and targeted returns, subject to statutory and contractual minimums. The majority of our fixed single premium deferred annuity contractholders retain their contracts for five to ten years.

Fixed indexed annuities have been part of our product suite of single premium deferred annuities. Fixed indexed annuities provide an annual crediting rate that is based on the performance of a defined external index rather than a rate that is declared by the insurance company. The external indices we use are the S&P 500® and the Barclay s U.S. Low Volatility ER II Index. Our fixed indexed annuity product also may provide guaranteed minimum withdrawal benefits (GMWBs).

Single premium immediate annuities

Single premium immediate annuities provide a fixed amount of income for either a defined number of years, the annuitant s lifetime or the longer of a defined number of years and the annuitant s lifetime in exchange for a single premium.

Structured settlements

Structured settlement annuity contracts provide an alternative to a lump sum settlement, generally in a personal injury lawsuit or workers compensation claim, and typically are purchased by property and casualty insurance companies for the benefit of an injured claimant. The structured settlements provide scheduled payments over a fixed period or, in the case of a life-contingent structured settlement, for the life of the claimant with a guaranteed minimum period of payments.

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Runoff

The Runoff segment includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of funding agreements, FABNs and GICs. We no longer offer retail and group variable annuities but continue to service our existing blocks of business.

Selected financial information and operating performance measures regarding our Runoff segment are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Runoff segment.

Products

Variable annuities and variable life insurance

Our variable annuities provide contractholders the ability to allocate purchase payments and contract value to underlying investment options available in a separate account format. The contractholder bears the risk associated with the performance of investments in the separate account. In addition, some of our variable annuities permit customers to allocate assets to a guaranteed interest account managed within our general account. Certain of our variable annuity products provide contractholders with lifetime guaranteed income benefits. Our variable annuity products generally provide guaranteed minimum death benefits (GMDBs) and may provide GMWBs and certain types of guaranteed annuitization benefits.

Variable annuities generally provide us fees including mortality and expense risk charges and, in some cases, administrative charges. The fees equal a percentage of the contractholder s policy account value or related benefit base value, and as of December 31, 2015, ranged from 0.75% to 4.20% per annum depending on the features and options within a contract.

Our variable annuity contracts with a basic GMDB provide a minimum benefit to be paid upon the annuitant s death, usually equal to the larger of account value and the return of net deposits. Some contractholders also have riders that provide enhanced death benefits. Assuming every annuitant died on December 31, 2015, as of that date, contracts with death benefit features not covered by reinsurance had an account value of $5,378 million and a related death benefit exposure, or net amount at risk, of $193 million.

Some of our variable annuity products provide the contractholder with a guaranteed minimum income stream that they cannot outlive, along with an opportunity to participate in market appreciation.

We no longer offer retail and group variable annuities or variable life insurance products; however, we continue to service our existing block of business which could include additional deposits on existing annuity contracts.

Institutional

Our institutional products consist of funding agreements, FABNs and GICs, which are deposit-type products that pay a guaranteed return to the contractholder on specified dates. We explore periodic issuance of our institutional products for asset-liability management purposes.

Corporate-owned life insurance

We no longer offer our corporate-owned life insurance product; however, we continue to manage our existing block of business.

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Other accident and health insurance

Our other accident and health insurance includes Medicare supplement insurance reinsured to a third party, and certain disability, accident and health insurance that we no longer sell.

Corporate and Other Activities

Our Corporate and Other activities 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 our operating segments, including discontinued operations. Corporate and Other activities include our mortgage insurance businesses in Europe. Additionally, we have a presence in the private mortgage insurance market in Mexico and maintain a license in Korea with a small portfolio currently in runoff. We are also a minority shareholder of a joint venture partnership in India that offers mortgage guarantees against borrower defaults on housing loans from mortgage lenders in India. The financial impact of this joint venture was minimal during 2015, 2014 and 2013. On October 27, 2015, we entered into an agreement to sell our European mortgage insurance business. The transaction is expected to close in the first quarter of 2016 and is subject to customary conditions, including requisite regulatory approvals. See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

On December 1, 2015, we sold our lifestyle protection insurance business to AXA for approximately $493 million. This business was accounted for as discontinued operations and its financial position, results of operations and cash flows were separately reported for all periods presented. We received net proceeds of approximately $400 million from the sale, subject to the finalization of closing balance sheet purchase price adjustments. See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

Selected financial information and operating performance measures regarding our Corporate and Other activities are included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Corporate and Other activities.

International Operations

Our total revenues attributed to international operations for the years ended December 31, 2015, 2014 and 2013 were approximately $1.1 billion, $1.2 billion and $1.4 billion, respectively. More information regarding our international operations and revenue in our largest countries is presented in note 19 to the consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Risk Management

Risk management is a critical part of our business. We have an enterprise risk management framework that includes risk management processes relating to economic capital analysis, product development, product pricing and management of in-force business, credit risk management, asset-liability management, liquidity management, investment activities, portfolio diversification, underwriting and risk and loss mitigation, financial databases and information systems, business dispositions, and operational capabilities. The risk management framework includes an assessment and implementation of company and business risk appetites, the identification and assessment of risks, a proactive decision process to determine which risks are acceptable to be retained, based on risk and reward considerations, limit setting on major risks, emerging risk identification and the ongoing monitoring, reporting and management of risks. We adhere to risk management disciplines and aim to leverage these efforts into a competitive advantage in distribution and management of our products.

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As part of our evaluation of in-force product performance, new product initiatives and risk mitigation alternatives, we monitor regulatory and rating agency capital models as well as internal economic capital models to determine the appropriate level of risk-adjusted capital. We utilize our internal economic capital model to assess the risk of loss to our capital resources based upon the portfolio of risks we underwrite and retain and upon our asset and operational risk profiles. Our commitment to risk management involves the ongoing review and expansion of internal risk management capabilities with a focus on utilizing top talent, improved infrastructure and modeling.

Product development and management

Our risk management process begins with the development and introduction of new products and services. We have established a product development process that specifies a series of required analyses, reviews and approvals for any new product. For each proposed product, this process includes a review of the market opportunity and competitive landscape, major pricing assumptions and methodologies, return expectations and variability of returns, sensitivity analysis, asset-liability management, reinsurance and other risk mitigating strategies, underwriting criteria, legal, compliance and business risks and potential mitigating actions. Before we introduce a new product, we establish a monitoring program with specific performance targets and leading indicators, which we monitor frequently to identify any deviations from expected performance so that we can take corrective action when necessary. Significant product introductions, measured either by volume, level or type of risk, require approval by our senior management team at either the business or enterprise level.

We use a similar process to introduce changes to existing products and to offer existing products in new markets and through new distribution channels. Product performance reviews include an analysis of the major drivers of profitability, underwriting performance and variations from expected results including an in-depth experience analysis of the product s major risk factors. Other areas of focus include the regulatory and competitive environments and other emerging factors that may affect product performance.

In addition, we initiate special reviews when a product s performance fails to meet the indicators we established during that product s introductory review process for subsequent reviews of in-force blocks of business. If a product does not meet our performance criteria, we consider adjustments in pricing, design and marketing or ultimately discontinuing sales of that product. We review our underwriting, pricing, distribution and risk selection strategies on a regular basis in an effort to ensure that our products remain competitive and consistent with our marketing and profitability objectives. For example, in our mortgage insurance businesses, we review the profitability of lender accounts to assess whether our business with these lenders is achieving anticipated performance levels and to identify trends requiring remedial action, including changes to underwriting guidelines, product mix or other customer performance.

Asset-liability management

We maintain segmented investment portfolios for the majority of our product lines. This enables us to perform an ongoing analysis of the interest rate, credit, foreign exchange, equity, volatility and liquidity risks associated with each major product line, in addition to credit risks for our overall enterprise versus approved limits. We analyze the behavior of our liability cash flows across a wide variety of scenarios, reflecting policy features and expected policyholder behavior. We also analyze the cash flows of our asset portfolios across the same scenarios. We believe this analysis shows the sensitivity of both our assets and liabilities to changes in economic environments and enables us to manage our assets and liabilities more effectively. In addition, we deploy hedging programs to mitigate certain economic risks associated with our assets, liabilities and capital. For example, we partially hedge the equity, interest rate and market volatility risks in our variable annuity products, as well as interest rate risks in our long-term care insurance products.

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Liquidity management

We monitor the cash and highly marketable investment positions in each of our operating companies against operating targets that are designed to ensure that we will have the cash necessary to meet our obligations as they come due. The targets are set based on stress scenarios that have the effect of increasing our expected cash outflows and decreasing our expected cash inflows. In addition, we monitor the ability of our operating companies to provide the dividends needed to meet the cash needs of our holding companies and analyze the impact of reduced dividend levels under stress scenarios.

Portfolio diversification and investments

We use new business and in-force product limits to manage our risk concentrations and to manage product, business level, geographic and other risk exposures. We manage unique product exposures in our business segments. For example, in managing our mortgage insurance risk exposure, we monitor geographic concentrations in our portfolio and the condition of housing markets in each major area in the countries in which we operate. We also monitor fundamental price indicators and factors that affect home prices and their affordability at the national and regional levels.

In addition, our assets are managed within limitations to control credit risk and to avoid excessive concentration in our investment portfolio using defined investment and concentration guidelines that help ensure disciplined underwriting and oversight standards. We seek diversification in our investment portfolio by investing in multiple asset classes and limiting size of exposures. The portfolios are tailored to match the cash flow characteristics of our liabilities, and actively monitoring exposures, changes in credit characteristics and shifts in markets.

We utilize surveillance and quantitative credit risk analytics to identify concentrations and drive diversification of portfolio risks with respect to issuer, sector, rating and geographic concentration. Issuer credit limits for the investment portfolios of each of our businesses (based on business capital, portfolio size and relative issuer cumulative default risk) govern and control credit concentrations in our portfolio. Derivatives counterparty risk and credit derivatives are integrated into issuer limits as well. We also limit and actively monitor country and sovereign exposures in our global portfolio and evaluate and adjust our risk profiles, where needed, in response to geopolitical and economic developments in the relevant areas.

Underwriting and risk and loss mitigation

Underwriting guidelines for all products are routinely reviewed and adjusted as necessary with the aim at providing policyholders with the appropriate premium and benefit structure. We seek external reviews from the reinsurance and consulting communities and to utilize their experience to calibrate our risk taking to expected outcomes.

Our risk and loss mitigation activities include ensuring that new policies are issued based on accurate information that we receive and that policy benefit payments are paid in accordance with the policy contract terms.

Financial databases and information systems

Our financial databases and information systems technology are important tools in our risk management. For example, we believe we have the largest database for long-term care insurance claims with 40 years of experience in offering those products. We also have substantial experience in offering individual life insurance products with a large database of claims experience, particularly in preferred risk classes, which has significant predictive value. We have extensive data on the performance of mortgage originations in the United States and other major markets we operate in which we use to assess the drivers and distributions of delinquency and claims experience.

We use technology, in some cases proprietary technology, to manage variations in our underwriting process. For example, in our mortgage insurance businesses, we use borrower credit bureau information, proprietary mortgage scoring models and/or our extensive database of mortgage insurance experience along with external data including rating agency data to evaluate new products and portfolio performance. In the United States and Canada, our proprietary mortgage scoring models use the borrower s credit score and additional data concerning the borrower, the loan and the property, including loan-to-value ratio, loan type, loan amount, property type, occupancy status and borrower employment to predict the likelihood of having to pay a claim. In addition, our models take into consideration macroeconomic variables such as unemployment, interest rate and home price changes. We believe assessing housing market and mortgage loan attributes across a range of economic outcomes enhances our ability to manage and price for risk. We perform portfolio analysis on an ongoing basis to determine if modifications are required to our product offerings, underwriting guidelines or premium rates.

We rely extensively on complex models to calculate the value of assets and liabilities (including reserves), capital levels and other financial metrics, as well as for other purposes. We have a model risk management framework in place that is designed to ensure appropriate governance of model risk. Independent model validation teams assess on a systematic basis the appropriate use of models, taking into account the risks associated with assumptions, algorithms and process controls supporting the use of the models. See Item 1A Risk Factors If the models used in our businesses are inaccurate, it could have a material adverse impact on our business, results of operations and financial condition.

Business dispositions

When we consider a disposition of a block or book of business or entity, we use various business, financial and risk management disciplines to evaluate the merits of the proposals and assess its strategic fit with our current business model. We have a review process that includes a series of required analyses, reviews and approvals similar to those employed for new product introductions.

Operational capabilities

We have risk management programs in place to review the continued operation of our businesses in the event of loss or other adverse consequences on business outcomes resulting from inadequate or failed internal processes, people and systems or from external events. We provide risk assessments, together with control reviews, to provide an indication as to how the risks need to be managed. Significant events impacting our businesses are assessed in terms of their impact on our risk profile. Controls are used to mitigate the likelihood of a risk occurring or minimizing the consequence of the risk if it did occur. Investigative teams are maintained in our various locations to address potential operational risk incidents from both internal and external sources.

Operations and Technology

Service and support

In our mortgage insurance businesses, we have introduced technology enabled services to help our customers (lenders and servicers) as well as our consumers (borrowers and homeowners). Technology advancements have allowed us to reduce application approval turn-times, error rates and enhance our customers ease of doing business with us. Through our secure internet-enabled information systems and data warehouses, servicers can transact business with us in a timely manner. In the United States, proprietary, decision models have helped generate loss mitigation strategies for distressed borrowers. Our models use information from various third-party sources, such as consumer credit agencies, to indicate borrower willingness and capacity to fulfill debt obligations. Identification of specific borrower groups that are likely to work their loans out allows us to create custom outreach strategies to achieve a favorable loss mitigation outcome.

In our U.S. life insurance businesses, we interact directly with our independent sales intermediaries through secure websites that have enabled them to transact business with us electronically.

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Operating centers

We have established scalable, low-cost operating centers in Virginia and North Carolina. In addition, through an arrangement with an outsourcing provider, we have a substantial team of professionals in India who provide a variety of services to us, including data entry, transaction processing and functional support to our insurance operations.

Reserves

We calculate and maintain reserves for estimated future payments of claims to our policyholders and contractholders in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and industry accounting practices. We build these reserves as the estimated value of those obligations increases, and we release these reserves as those future obligations are paid, experience changes or policies lapse. The reserves we establish reflect estimates and actuarial assumptions and methodologies with regard to our future experience. These estimates and actuarial assumptions and methodologies involve the exercise of significant judgment and are inherently uncertain. These estimates and actuarial assumptions and methodologies are subjected to a variety of internal reviews and, in some cases, external independent reviews. Our future financial results depend significantly upon the extent to which our actual future experience is consistent with the assumptions we have used in determining our reserves as well as the assumptions originally used in pricing our products. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past had, material impacts on our reserves, results of operations and financial condition. Many factors, and changes in these factors, can affect future experience including, but not limited to: interest rates; market returns and volatility; economic and social conditions such as inflation, unemployment, home price appreciation or depreciation, and healthcare experience (including type of care and cost of care); policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next); insured life expectancy or longevity; insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates); and doctrines of legal liability and damage awards in litigation. Because these assumptions relate to factors that 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. Moreover, we may not be able to mitigate the impact of unexpected adverse experience by increasing premiums and/or other charges to policyholders (where we have the right to do so) or by offering reduced benefits as an alternative to increasing premiums.

For additional information on reserves, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Insurance liabilities and reserves.

Reinsurance

We reinsure a portion of our annuity, life insurance, long-term care insurance and mortgage insurance with unaffiliated reinsurers. In a reinsurance transaction, a reinsurer agrees to indemnify another insurer for part or all of its liability under a policy or policies it has issued for an agreed upon premium. We participate in reinsurance activities in order to minimize exposure to significant risks, limit losses, and provide additional capacity for future growth. We also obtain reinsurance to meet certain capital requirements, including sometimes utilizing intercompany reinsurance agreements to manage our statutory capital positions. However, these intercompany agreements do not have an effect on our consolidated U.S. GAAP financial statements.

We enter into various agreements with reinsurers that cover individual risks, group risks or defined blocks of business, primarily on a coinsurance, yearly renewable term, excess of loss or catastrophe excess basis. These reinsurance agreements spread risk and minimize the effect or losses. For example, in addition to reinsuring mortality risk on our life insurance products, we are coinsuring approximately 20% of all our long-term care insurance sales. The extent of each risk retained by us depends on our evaluation of the specific risk, subject, in certain circumstances, to maximum retention limits based on the characteristics of coverages.

Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse us for the ceded amount in the event a claim is paid. Cessions under reinsurance agreements do not discharge our obligations as the primary insurer. In the event that reinsurers do not meet their obligations under the terms of the reinsurance agreements, reinsurance recoverable balances could become uncollectible. Our amounts recoverable from reinsurers represent receivables from and/or reserves ceded to reinsurers. The amounts recoverable from reinsurers were $17.2 billion and $17.3 billion as of December 31, 2015 and 2014, respectively.

We focus on obtaining reinsurance from a diverse group of reinsurers. We regularly evaluate the financial condition of our reinsurers and monitor concentration risk with our reinsurers at least annually. Our U.S. life insurance subsidiaries have established standards and criteria for our use and selection of reinsurers. In order for a new reinsurer to participate in our current program, without collateralization, we require the reinsurer to have an S&P rating of A- or better or a Moody s Investors Services Inc. (Moody s) rating of A3 or better and a minimum capital and surplus level of $350 million. If the reinsurer does not have these ratings, we generally require them to post collateral as described below. In addition, we may require collateral from a reinsurer to mitigate credit/collectability risk. Typically, in such cases, the reinsurer must either maintain minimum specified ratings and risk-based capital (RBC) ratios or provide the specified quality and quantity of collateral. Similarly, we have also required collateral in connection with books of business sold pursuant to indemnity reinsurance agreements. We have been required to post collateral when purchasing books of business.

Reinsurers that are not licensed, accredited or authorized in the state of domicile of the reinsured (ceding company) are required to post statutorily prescribed forms of collateral for the ceding company to receive reinsurance credit. The three primary forms of collateral are: (i) qualifying assets held in a reserve credit trust; (ii) irrevocable, unconditional, evergreen letters of credit issued by a qualified U.S. financial institution; and (iii) assets held by the ceding company in a segregated funds withheld account. Collateral must be maintained in accordance with the rules of the ceding company s state of domicile and must be readily accessible by the ceding company to cover claims under the reinsurance agreement. Accordingly, our U.S. life insurance subsidiaries require unauthorized reinsurers that are not so licensed, accredited or authorized to post acceptable forms of collateral to support their reinsurance obligations to us.

The following table sets forth our exposure to our principal reinsurers in our U.S. life insurance subsidiaries as of December 31, 2015:

(Amounts in millions)	Reinsurance recoverable
UFLIC (1)	$ 14,363
RGA Reinsurance Company	959
Munich American Reassurance Company	710
Riversource Life Insurance Company (2)	533
General Re Life Corporation	352

(1) We have several significant reinsurance transactions with Union Fidelity Life Insurance Company (UFLIC), an affiliate of our former parent, General Electric Company (GE), which results in a significant concentration of reinsurance risk. UFLIC s obligations to us are secured by trust accounts. See note 8 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data.

(2)

Our reinsurance arrangement with Riversource Life Insurance Company covers a runoff block of single premium term life insurance policies.

We have also historically entered into reinsurance programs in which we share portions of our U.S. mortgage insurance risk written on loans originated or purchased by lenders with captive reinsurance companies affiliated with these lenders. In return, we cede to the captive reinsurers a predetermined portion of our gross premiums on flow insurance written. New insurance written through the bulk channel generally is not subject to these arrangements. As of December 31, 2015, we recorded U.S. mortgage insurance ceded loss reserves of $6 million within reinsurance recoverable where cumulative losses have exceeded the attachment points in several captive reinsurance arrangements. In addition, our U.S. mortgage insurance business entered into three new reinsurance agreements in order to obtain PMIERs credit. For additional information regarding these new agreements, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Significant Developments.

In our mortgage insurance business in Australia, all of the reinsurance treaties are on an excess of loss basis that are designed to attach only under stress loss events and are renewable (with the agreement of both us and the relevant reinsurers) on a periodic basis. As of December 31, 2015, our Australian mortgage insurance business had six portfolio excess of loss reinsurance treaties with an aggregate coverage limit of AUD$875 million. This coverage was provided by more than 20 reinsurance partners, each currently rated A or better by S&P and/or A.M. Best Company, Inc. (A.M. Best). All treaties qualify for full capital credit offset within APRA s regulatory capital requirements. Most of the treaties have a two-year base term with options to extend for three to four years. On January 1, 2016, our Australian mortgage insurance business restructured its reinsurance placement to have seven portfolio excess of loss treaties with an aggregate coverage limit of AUD$950 million. This coverage is provided by more than 20 reinsurance partners rated A by S&P and/or A.M. Best and is designed to provide reinsurance under severe stress events. These treaties qualify for full capital credit offset within APRA s regulatory capital requirements. Most of the treaties have a two-year base term with options to extend for three to six years.

For additional information related to reinsurance, see note 8 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data.

Financial Strength Ratings

Ratings with respect to financial strength are an important factor in establishing the competitive position of insurance companies. Ratings are important to maintaining public confidence in us and our ability to market our products. Rating organizations review the financial performance and condition of most insurers and provide opinions regarding financial strength, operating performance and ability to meet obligations to policyholders.

As of February 25, 2016, our principal mortgage insurance subsidiaries were rated in terms of financial strength by S&P, Moody s and Dominion Bond Rating Service (DBRS) as follows:

Company	**S&P rating**	**Moody s rating**	**DBRS rating**
Genworth Mortgage Insurance Corporation	BB+ (Marginal)	Ba1 (Questionable)	Not rated
Genworth Financial Mortgage Insurance Company Canada	A+ (Strong)	Not rated	AA (Superior)
Genworth Financial Mortgage Insurance Pty. Limited (Australia) (1)	A+ (Strong)	A3 (Good)	Not rated

(1) Also rated A+ by Fitch Ratings (Fitch).

As of February 25, 2016, our principal life insurance subsidiaries were rated in terms of financial strength by S&P, Moody s and A.M. Best as follows:

Company	S&P rating	Moody s rating	A.M. Best rating
Genworth Life Insurance Company	BB (Marginal)	Ba1 (Questionable)	B++ (Good)
Genworth Life and Annuity Insurance Company	BB (Marginal)	Baa2 (Adequate)	B++ (Good)
Genworth Life Insurance Company of New York	BB (Marginal)	Ba1 (Questionable)	B++ (Good)

The S&P, Moody s, DBRS and A.M. Best ratings included are not designed to be, and do not serve as, measures of protection or valuation offered to investors. These financial strength ratings should not be relied on with respect to making an investment in our securities.

S&P states that insurers rated A (Strong) or BB (Marginal) have strong or marginal financial security characteristics, respectively. The A and BB ranges are the third- and fifth-highest of nine financial strength rating ranges assigned by S&P, which range from AAA to R. A plus (+) or minus (-) shows relative standing within a major rating category. These suffixes are not added to ratings in the AAA category or to ratings below the CCC category. Accordingly, the A+, BB+ and BB ratings are the fifth-, eleventh- and twelfth-highest of S&P s 21 ratings categories.

Moody s states that insurance companies rated A (Good) offer good financial security, that insurance companies rated Baa (Adequate) offer adequate financial security and that insurance companies rated Ba (Questionable) offer questionable financial security. The A (Good), Baa (Adequate) and Ba (Questionable) ranges are the third-, fourth- and fifth-highest, respectively, of nine financial strength rating ranges assigned by Moody s, which range from Aaa to C. Numeric modifiers are used to refer to the ranking within the group, with 1 being the highest and 3 being the lowest. These modifiers are not added to ratings in the Aaa category or to ratings below the Caa category. Accordingly, the A3, Baa2 and Ba1 ratings are the seventh-, ninth- and eleventh-highest, respectively, of Moody s 21 ratings categories.

DBRS states that long-term obligations rated AA are of superior credit quality. The capacity for the payment of financial obligations is considered high and unlikely to be significantly vulnerable to future events. Credit quality differs from AAA only to a small degree.

A.M. Best states that the B++ (Good) rating is assigned to those companies that have, in its opinion, a good ability to meet their ongoing insurance obligations. The B++ (Good) rating is the fifth-highest of 15 ratings assigned by A.M. Best, which range from A++ to F.

We also solicit a rating from Fitch for our Australian mortgage insurance subsidiary. Fitch states that A (Strong) rated insurance companies are viewed as possessing strong capacity to meet policyholder and contract obligations. The A rating category is the third-highest of nine financial strength rating categories, which range from AAA to C. The symbol (+) or (-) may be appended to a rating to indicate the relative position of a credit within a rating category. These suffixes are not added to ratings in the AAA category or to ratings below the B category. Accordingly, the A+ rating is the fifth-highest of Fitch s 21 ratings categories.

We also solicit a rating from HR Ratings on a local scale for Genworth Seguros de Credito a la Vivienda S.A. de C.V., our Mexican mortgage insurance subsidiary, with a short-term rating of HR1 and long-term rating of HR AA. For short-term ratings, HR Ratings states that HR1 rated companies are viewed as exhibiting high capacity for timely payment of debt obligations in the short-term and maintain low credit risk. The HR1 short-term rating category is the highest of six short-term rating categories, which range from HR1 to HR D. For long-term ratings, HR Ratings states that HR AA rated companies are viewed as having high credit quality and offer high safety for timely payment of debt obligations and maintain low credit risk under adverse economic scenarios. The HR AA long-term rating is the second-highest of HR Rating s eight long-term rating categories, which range from HR AAA to HR D.

Following our earnings announcement for the fourth quarter of 2015, which included the announcement of our decision to suspend sales of our traditional life insurance and fixed annuity products and a restructure plan to separate and potentially isolate our long-term care insurance business, rating agencies took a variety of adverse rating actions with respect to our principal life insurance subsidiaries. On February 9, 2016, S&P announced, among other things, its downgrade of our principal life insurance subsidiaries to BB from BBB-. S&P placed GMICO s BB+ rating on credit-watch negative. On February 9, 2016, A.M. Best also announced, among other things, its downgrade of our principal life insurance subsidiaries to B++ from A-. On February 5, 2016, Moody s announced, among other things, its downgrade of Genworth Life Insurance Company and Genworth Life Insurance Company of New York to Ba1 from Baa1 and Genworth Life and Annuity Insurance Company to Baa2 from Baa1. Moody s affirmed GMICO s I rating with a stable outlook.

S&P, Moody s, DBRS, A.M. Best, Fitch and HR Ratings review their ratings periodically and we cannot assure you that we will maintain our current ratings in the future. Other agencies may also rate our company or our insurance subsidiaries on a solicited or an unsolicited basis. We do not provide information to agencies issuing unsolicited ratings and we cannot ensure that any agencies that rate our company or our insurance subsidiaries on an unsolicited basis will continue to do so.

For information on adverse credit rating actions related to Genworth Holdings, see Item 1A Risk Factors Recent adverse rating agency actions have resulted in a loss of business and adversely affected our results of operations, financial condition and business and future adverse rating actions could have a further and more significant adverse impact on us.

Investments

Organization

Our investment department includes asset management, portfolio management, derivatives, risk management, operations, accounting and other functions. Under the direction of our Chief Investment Officer, it is responsible for managing the assets in our various portfolios, including establishing investment and derivatives policies and strategies, reviewing asset-liability management, performing asset allocation for our domestic subsidiaries and coordinating investment activities with our international subsidiaries.

We use both internal and external asset managers to take advantage of expertise in particular asset classes or to leverage country-specific investing capabilities. We internally manage certain asset classes for our domestic insurance operations, including public government, municipal and corporate securities, structured securities, commercial mortgage loans, privately placed debt securities and derivatives. We utilize external asset managers for most of our international portfolios, as well as select asset classes. Management of investments for our international operations is overseen by the investment committees reporting to the boards of directors of the applicable non-U.S. legal entities in consultation with our Chief Investment Officer. The majority of the assets in our Canadian and Australian mortgage insurance businesses are managed by unaffiliated investment managers located in their respective countries. As of December 31, 2015 and 2014, approximately 9% and 15%, respectively, of our invested assets were held by our international businesses and were invested primarily in non-U.S.-denominated securities.

We manage our assets to meet diversification, credit quality, yield and liquidity requirements of our policy and contract liabilities by investing primarily in fixed maturity securities, including government, municipal and corporate bonds and mortgage-backed and other asset-backed securities. We also hold mortgage loans on commercial real estate and other invested assets, which include derivatives, trading securities, limited partnerships and short-term investments. Investments for our particular insurance company subsidiaries are required to comply with our risk management requirements, as well as applicable laws and insurance regulations.

For a discussion of our investments, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Consolidated Balance Sheets.

Our primary investment objective is to meet our obligations to policyholders and contractholders while increasing value to our stockholders by investing in a diversified, high quality portfolio, comprised primarily of income producing securities and other assets. Our investment strategy focuses on:

managing interest rate risk, as appropriate, through monitoring asset durations relative to policyholder and contractholder obligations;

selecting assets based on fundamental, research-driven strategies;

emphasizing fixed-income, low-volatility assets while pursuing active strategies to enhance yield;

maintaining sufficient liquidity to meet unexpected financial obligations;

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- regularly evaluating our asset class mix and pursuing additional investment classes when prudent; and

- continuously monitoring asset quality and market conditions that could affect our assets.

We are exposed to two primary sources of investment risk:

- credit risk relating to the uncertainty associated with the continued ability of a given issuer to make timely payments of principal and interest and

- interest rate risk relating to the market price and cash flow variability associated with changes in market interest rates.

We manage credit risk by analyzing issuers, transaction structures and any associated collateral. We continually evaluate the probability of credit default and estimated loss in the event of such a default, which provides us with early notification of worsening credits. We also manage credit risk through industry and issuer diversification and asset allocation practices. For commercial mortgage loans, we manage credit risk through property type, geographic region and product type diversification and asset allocation.

We manage interest rate risk by monitoring the relationship between the duration of our assets and the duration of our liabilities, seeking to manage interest rate risk in both rising and falling interest rate environments, and utilizing various derivative strategies, where appropriate and available. For further information on our management of interest rate risk, see Part II Item 7A Quantitative and Qualitative Disclosures About Market Risk.

Fixed maturity securities

Fixed maturity securities, which were primarily classified as available-for-sale, including tax-exempt bonds, consisted principally of publicly traded and privately placed debt securities, and represented 78% and 80%, respectively, of total cash, cash equivalents and invested assets as of December 31, 2015 and 2014.

We invest in privately placed fixed maturity securities to increase diversification and obtain higher yields than can ordinarily be obtained with comparable public market securities. Generally, private placements provide us with protective covenants, call protection features and, where applicable, a higher level of collateral. However, our private placements are not as freely transferable as public securities because of restrictions imposed by federal and state securities laws, the terms of the securities and the characteristics of the private market.

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The following table presents our public, private and total fixed maturity securities by the Nationally Recognized Statistical Rating Organizations (NRSRO) designations and/or equivalent ratings, as well as the percentage, based upon fair value, that each designation comprises. Certain fixed maturity securities that are not rated by an NRSRO are shown based upon internally prepared credit evaluations.

	December 31,					
(Amounts in millions)	**2015**			**2014**		
NRSRO designation	**Amortized cost**	**Fair value**	**% of total**	**Amortized cost**	**Fair value**	**% of total**
Public fixed maturity securities						
AAA	$ 13,513	$ 14,785	34%	$ 13,916	$ 15,599	34%
AA	3,904	4,121	10	4,363	4,730	10
A	11,152	12,155	28	11,917	13,572	30
BBB	10,386	10,720	25	9,485	10,490	23
BB	1,240	1,200	3	1,303	1,361	3
B	72	63		76	76	
CCC and lower	82	92		100	112	
Total public fixed maturity securities	$ 40,349	$ 43,136	100%	$ 41,160	$ 45,940	100%
Private fixed maturity securities						
AAA	$ 1,479	$ 1,531	10%	$ 1,501	$ 1,564	10%
AA	1,844	1,899	13	1,915	1,995	13
A	4,578	4,731	31	4,266	4,538	30
BBB	5,951	6,003	40	5,840	6,074	40
BB	828	777	5	792	792	5
B	118	104	1	103	95	1
CCC and lower	14	16		79	79	1
Total private fixed maturity securities	$ 14,812	$ 15,061	100%	$ 14,496	$ 15,137	100%
Total fixed maturity securities						
AAA	$ 14,992	$ 16,316	28%	$ 15,417	$ 17,163	28%
AA	5,748	6,020	11	6,278	6,725	11
A	15,730	16,886	29	16,183	18,110	30
BBB	16,337	16,723	29	15,325	16,564	27
BB	2,068	1,977	3	2,095	2,153	4
B	190	167		179	171	
CCC and lower	96	108		179	191	
Total fixed maturity securities	$ 55,161	$ 58,197	100%	$ 55,656	$ 61,077	100%

Based upon fair value, public fixed maturity securities represented 74% and 75%, respectively, of total fixed maturity securities as of December 31, 2015 and 2014. Private fixed maturity securities represented 26% and 25%, respectively, of total fixed maturity securities as of December 31, 2015 and 2014.

We diversify our corporate securities by industry and issuer. As of December 31, 2015, our combined holdings in the 10 corporate issuers to which we had the greatest exposure were $2.0 billion, which was approximately 3% of our total cash, cash equivalents and invested assets. The exposure to the largest single corporate issuer held as of December 31, 2015 was $283 million, which was less than 1% of our total cash, cash equivalents and invested assets. See note 4 to our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information on diversification by sector.

We do not have material unhedged exposure to foreign currency risk in our invested assets of our U.S. operations. In our international insurance operations, both our assets and liabilities are generally denominated in local currencies.

Further analysis related to our investments portfolio as of December 31, 2015 and 2014 is included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Investment and Derivative Instruments.

Commercial mortgage loans and other invested assets

Our mortgage loans are collateralized by commercial properties, including multi-family residential buildings. Commercial mortgage loans are primarily stated at principal amounts outstanding, net of deferred expenses and allowance for loan loss. We diversify our commercial mortgage loans by both property type and geographic region. See note 4 to our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information on distribution across property type and geographic region for commercial mortgage loans, as well as information on our interest in equity securities and other invested assets.

Selected financial information regarding our other invested assets and derivative instruments as of December 31, 2015 and 2014 is included under Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Investment and Derivative Instruments.

Regulation

Our businesses are subject to extensive regulation and supervision.

General

Our insurance operations are subject to a wide variety of laws and regulations. State insurance laws and regulations (Insurance Laws) regulate most aspects of our U.S. insurance businesses, and our U.S. insurers are regulated by the insurance departments of the states in which they are domiciled and licensed. Our non-U.S. insurance operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are domiciled. Our insurance products and businesses also are affected by U.S. federal, state and local tax laws, and the tax laws of non-U.S. jurisdictions. Our securities operations, including our insurance products that are regulated as securities, such as variable annuities and variable life insurance, also are subject to U.S. federal and state and non-U.S. securities laws and regulations. The U.S. Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), state securities authorities and similar non-U.S. authorities regulate and supervise these products.

The primary purpose of the Insurance Laws regulating our insurance businesses and their equivalents in the other countries in which we operate, and the securities laws affecting our variable annuity products, variable life insurance products, registered FABNs and our broker/dealer, is to protect our policyholders, contractholders and clients, not our stockholders. These laws and regulations are regularly re-examined and any changes to these laws or new laws may be more restrictive or otherwise adversely affect our operations.

Insurance and securities regulatory authorities (including state law enforcement agencies and attorneys general or their non-U.S. equivalents) periodically make inquiries regarding compliance with insurance, securities and other laws and regulations, and we cooperate with such inquiries and take corrective action when warranted.

Our distributors and institutional customers also operate in regulated environments. Changes in the regulations that affect their operations may affect our business relationships with them and their decision to distribute or purchase our subsidiaries products.

In addition, the Insurance Laws of our U.S. insurers domiciliary jurisdictions and the equivalent laws in Australia, Canada and certain other jurisdictions in which we operate require that a person obtain the approval of the applicable insurance regulator prior to acquiring control, and in some cases prior to divesting its control, of an insurer. These laws may discourage potential acquisition proposals and may delay, deter or prevent an investment in or a change of control involving us, or one or more of our regulated subsidiaries, including transactions that our management and some or all of our stockholders might consider desirable.

U.S. Insurance Regulation

Our U.S. insurers are licensed and regulated in all jurisdictions in which they conduct insurance business. The extent of this regulation varies, but Insurance Laws generally govern the financial condition of insurers, including standards of solvency, types and concentrations of permissible investments, establishment and maintenance of reserves, credit for reinsurance and requirements of capital adequacy, and the business conduct of insurers, including marketing and sales practices and claims handling. In addition, Insurance Laws usually require the licensing of insurers and agents, and the approval of policy forms, related materials and the rates for certain lines of insurance.

The Insurance Laws applicable to us or our U.S. insurers are described below. Our U.S. mortgage insurers are also subject to additional Insurance Laws applicable specifically to mortgage insurers discussed below under Mortgage Insurance.

Insurance holding company regulation

All U.S. jurisdictions in which our U.S. insurers conduct business have enacted legislation requiring each U.S. insurer (except captive insurers) in a holding company system to register with the insurance regulatory authority of its domiciliary jurisdiction and furnish that regulatory authority various information concerning the operations of, and the interrelationships and transactions among, companies within its holding company system that may materially affect the operations, management or financial condition of the insurers within the system. These Insurance Laws regulate transactions between insurers and their affiliates, sometimes mandating prior notice to the regulator and/or regulatory approval. Generally, these Insurance Laws require that all transactions between an insurer and an affiliate be fair and reasonable, and that the insurer s statutory surplus following such transaction be reasonable in relation to its outstanding liabilities and adequate to its financial needs.

As a holding company with no significant business operations of our own, we depend on dividends from our respective subsidiaries, permitted payments under tax sharing and expense reimbursement arrangements with our subsidiaries and other distributions as the principal source of cash to meet our obligations, including the payment of operating expenses, amounts we owe to GE under the Tax Matters Agreement and to our subsidiaries for tax sharing agreements and interest on, and repayment of principal of, any debt obligations, among other things. Our U.S. insurers payment of dividends or other distributions is regulated by the Insurance Laws of their respective domiciliary states, and insurers may not pay an extraordinary dividend or distribution, or pay a dividend except out of earned surplus, without prior regulatory approval. In general, an extraordinary dividend or distribution is defined as a dividend or distribution that, together with other dividends and distributions made within the preceding 12 months, exceeds the greater (or, in some jurisdictions, the lesser) of:

- 10% of the insurer s statutory surplus as of the immediately prior year end or

- the statutory net gain from the insurer s operations (if a life insurer) or the statutory net income (if not a life insurer) during the prior calendar year.

In addition, insurance regulators may prohibit the payment of ordinary dividends or other payments by our insurers (such as a payment under a tax sharing agreement or for employment or other services) if they determine that such payment could be adverse to our policyholders or contractholders.

The Insurance Laws require that a person obtain the approval of the insurance commissioner of an insurer s domiciliary jurisdiction prior to acquiring control of such insurer. Control of an insurer is generally presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies

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representing, 10% or more of the voting securities of the insurer or its ultimate parent entity. In considering an application to acquire control of an insurer, the insurance commissioner generally considers factors such as the experience, competence and financial strength of the applicant, the integrity of the applicant s board of directors and executive officers, the acquirer s plans for the management and operation of the insurer, and any anti-competitive results that may arise from the acquisition. Most states now require a person seeking to acquire control of an insurer licensed but not domiciled in that state to make a filing prior to completing an acquisition if the acquirer and its affiliates and the target insurer and its affiliates have specified market shares in the same lines of insurance in that state. These provisions may not require acquisition approval but can lead to imposition of conditions on an acquisition that could delay or prevent its consummation.

The Insurance Laws require that an insurance holding company system s ultimate controlling person submit annually to its lead state insurance regulator an enterprise risk report that identifies activities, circumstances or events involving one or more affiliates of an insurer that, if not remedied properly, are likely to have a material adverse effect upon the financial condition or liquidity of the insurer or its insurance holding company system as a whole. The Insurance Laws also require that a controlling person of an insurer submit prior notice to the insurer s domiciliary insurance regulator of a divestiture of control. Finally, most states have adopted insurance regulations setting forth detailed requirements for cost sharing and management agreements between an insurer and its affiliates.

The National Association of Insurance Commissioners (the NAIC) adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the ORSA Model Act). The ORSA Model Act requires an insurance holding company system s Chief Risk Officer to submit annually to its lead state insurance regulator an Own Risk and Solvency Assessment (ORSA) Summary Report. The ORSA is a confidential internal assessment appropriate to the nature, scale and complexity of an insurer, conducted by that insurer of the material and relevant risks identified by the insurer associated with an insurer s current business plan and the sufficiency of capital resources to support those risks. Most states have adopted the ORSA Model Act. Under ORSA, we are required to:

- regularly, no less than annually, conduct an ORSA to assess the adequacy of our risk management framework, and current and estimated projected future solvency position;
- internally document the process and results of the assessment; and
- provide a confidential high-level ORSA Summary Report annually to the lead state commissioner if the insurer is a member of an insurance group and, upon request, by the domiciliary state regulator.

The NAIC has adopted new model laws and regulations as part of its Solvency Modernization Initiative. In November 2014, the NAIC adopted the Corporate Governance Annual Disclosure Model Act and the Corporate Governance Annual Disclosure Model Regulation (the Corporate Governance Model Act and Regulation), which would require insurers to disclose detailed information regarding their governance practices. In December 2014, the NAIC adopted amendments of the insurance holding company model act and regulations (the 2014 NAIC Amendments), which would authorize U.S. regulators to, among other items, lead or participate in the group-wide supervision of certain international insurance groups. Both the Corporate Governance Model Act and Regulation and the 2014 NAIC Amendments must be adopted by individual state legislatures and insurance regulators in order to be effective in a particular state. To date, only a few states have adopted the Corporate Governance Model Act and Regulation and the 2014 NAIC Amendments.

During 2014, the NAIC also approved a new regulatory framework applicable to the use of captive insurers in connection with Regulation XXX and Regulation AXXX transactions. Among other things, the framework calls for more disclosure of an insurer s use of captives in its statutory financial statements, and narrows the types of assets permitted to back statutory reserves that are required to support the insurer s future obligations. The NAIC has implemented the framework through a new actuarial guideline (AG 48), which requires the actuary of the ceding insurer that opines on the insurer s reserves to issue a qualified opinion if the framework is not followed. The requirements of AG 48 became effective as of January 1, 2015 in all states, without any further action necessary by state legislatures or insurance regulators to implement it. The NAIC is developing a model regulation to be adopted by the states that is generally expected to contain the same substantive provisions as the provisions of the adopted AG 48.

During 2015, the NAIC adopted a roadmap for cybersecurity consumer protections that is anticipated to be the starting point for development of a new NAIC model law governing cybersecurity consumer protections.

We cannot predict the future impact, if any, that the 2014 NAIC Amendments, compliance with the ORSA Model Act, the requirements of AG 48 and the XXX/AXXX model regulation, the Corporate Governance Model Act and Regulation and the NAIC cybersecurity consumer protection initiative will have on our business, financial condition or results of operations.

Periodic reporting

Our U.S. insurers must file reports, including detailed annual financial statements, with insurance regulatory authorities in each jurisdiction in which they do business, and their operations and accounts are subject to periodic examination by such authorities.

Policy forms

Our U.S. insurers policy forms are subject to regulation in every U.S. jurisdiction in which they transact insurance business. In most U.S. jurisdictions, policy forms must be filed prior to their use, and in some U.S. jurisdictions, forms must be approved by insurance regulatory authorities prior to use.

Our U.S. mortgage insurance business began issuing all of its coverage under a new master policy effective October 1, 2014 (the Revised Master Policy). For loans insured prior to October 1, 2014, coverage continues to be provided pursuant to the terms and conditions of the master policy in effect at the time of coverage inception for relevant loans (the Existing Master Policies). We adopted provisions under the Revised Master Policy that are substantially similar to those adopted by each private mortgage insurer in the industry as mandated by the GSEs, under the oversight of their conservator, FHFA. These mandatory provisions update and clarify the responsibilities of insurers, originators and servicers and enhance the insurance protection provided to the GSEs. Among the changes contained in the Revised Master Policy are new provisions which limit our rights to rescind coverage (Rescission Limitations), as compared to the Existing Master Policies. The Rescission Limitations restrict: (i) our right to rescind coverage for underwriting non-compliance or appraisal deficiencies in cases where the borrower makes a sufficient number of timely loan payments or where we perform additional verification of credit or collateral files; and (ii) our right to investigate loan files other than for servicing matters and claims administration. The Rescission Limitations do not apply to misrepresentation by the lender or others involved in the origination of an insured loan or for specified instances involving patterns of misrepresentation.

Market conduct regulation

The Insurance Laws of U.S. jurisdictions govern the marketplace activities of insurers, affecting the form and content of disclosure to consumers, product illustrations, advertising, product replacement, sales and underwriting practices, and complaint and claims handling, and these provisions are generally enforced through periodic market conduct examinations.

Statutory examinations

Insurance departments in U.S. jurisdictions conduct periodic detailed examinations of the books, records, accounts and business practices of domestic insurers. These examinations generally are conducted in cooperation with insurance departments of two or three other states or jurisdictions representing each of the NAIC zones, under guidelines promulgated by the NAIC.

Guaranty associations and similar arrangements

Most jurisdictions in which our U.S. insurers are licensed require those insurers to participate in guaranty associations which pay contractual benefits owed under the policies of impaired or insolvent insurers. These associations levy assessments, up to prescribed limits, on each member insurer in a jurisdiction on the basis of the proportionate share of the premiums written by such insurer in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some jurisdictions permit member insurers to recover assessments paid through full or partial premium tax offsets. Aggregate assessments levied against our U.S. insurers were not material to our consolidated financial statements.

Policy and contract reserve sufficiency analysis

The Insurance Laws of their domiciliary jurisdictions require our U.S. life insurers to conduct annual analyses of the sufficiency of their life and health insurance and annuity reserves. Other jurisdictions where insurers are licensed may have certain reserve requirements that differ from those of their domiciliary jurisdictions. In each case, a qualified actuary must submit an opinion stating that the aggregate statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for the insurer s associated contractual obligations and related expenses. If such an opinion cannot be provided, the insurer must establish additional reserves by transferring funds from surplus. Our U.S. life insurers submit these opinions annually to their insurance regulatory authorities. Different reserve requirements exist for our U.S. mortgage insurance subsidiaries. See Mortgage Insurance Regulation State regulation Reserves.

Surplus and capital requirements

Insurance regulators have the discretionary authority, in connection with maintaining the licensing of our U.S. insurers, to limit or restrict insurers from issuing new policies, or policies having a dollar value over certain thresholds, if, in the regulators judgment, the insurer is not maintaining a sufficient amount of surplus or is in a hazardous financial condition. We seek to maintain new business and capital management strategies to support meeting related regulatory requirements.

Risk-based capital

The NAIC has established RBC standards for U.S. life insurers, as well as a risk-based capital model act (RBC Model Act). All 50 states and the District of Columbia have adopted the RBC Model Act or a substantially similar law or regulation. The RBC Model Act requires that life insurers annually submit a report to state regulators regarding their RBC based upon four categories of risk: asset risk, insurance risk, interest rate and market risk, and business risk. The capital requirement for each is generally determined by applying factors which vary based upon the degree of risk to various asset, premium and reserve items. The formula is an early warning tool to identify possible weakly capitalized companies for purposes of initiating further regulatory action.

If an insurer s RBC fell below specified levels, it would be subject to different degrees of regulatory action depending upon the level, ranging from requiring the insurer to propose actions to correct the capital deficiency to placing the insurer under regulatory control. As of December 31, 2015, 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. The consolidated RBC ratio of our U.S. domiciled life insurance subsidiaries was approximately 393% and 435% of the company action level as of December 31, 2015 and 2014, respectively. The RBC ratio for the year ended December 31, 2015 was impacted by $198 million of additional statutory reserves primarily reflecting assumption updates in our universal and term universal life insurance products in the fourth quarter of 2015. In addition, based on our annual statutory cash flow testing of our long-term care insurance business, our New York insurance subsidiary recorded $89 million of additional statutory reserves in the fourth quarter of 2015.

Group capital

The NAIC and international insurance regulators, including the International Association of Insurance Supervisors (IAIS), are working to develop group capital standards. The NAIC is developing a group capital measure, which is expected to be based on aggregation of existing regulatory capital calculations for all entities within the insurance holding company system (such as risk-based capital for insurance companies). It is unclear how the development of group capital measures by the NAIC will interact with existing capital requirements for insurance companies in the United States and with international capital standards. It is possible that we may be required to hold additional capital as a result of these developments.

Statutory accounting principles

U.S. insurance regulators developed statutory accounting principles (SAP) as a basis of accounting used to monitor and regulate the solvency of insurers. Since insurance regulators are primarily concerned with ensuring an insurer s ability to pay its current and future obligations to policyholders, statutory accounting conservatively values the assets and liabilities of insurers, generally in accordance with standards specified by the insurer s domiciliary jurisdiction. Uniform statutory accounting practices are established by the NAIC and are generally adopted by regulators in the various U.S. jurisdictions.

Due to differences in methodology between SAP and U.S. GAAP, the values for assets, liabilities and equity reflected in financial statements prepared in accordance with U.S. GAAP are materially different from those reflected in financial statements prepared under SAP.

Regulation of investments

Each of our U.S. insurers is subject to Insurance Laws that require diversification of its investment portfolio and which limit the proportion of investments in different asset categories. Assets invested contrary to such regulatory limitations must be treated as non-admitted assets for purposes of measuring surplus, and, in some instances, regulations require divestiture of such non-complying investments. We believe the investments made by our U.S. insurers comply with these Insurance Laws.

Federal regulation of insurance products

Most of our variable annuity products, some of our fixed guaranteed products, and all of our variable life insurance products, as well as our FABNs issued as part of our registered notes program are securities within the meaning of federal and state securities laws, are registered under the Securities Act of 1933 and are subject to regulation by the SEC. See Other Laws and Regulations Securities regulation. These products may also be indirectly regulated by FINRA as a result of FINRA s regulation of broker/dealers and may be regulated by state securities authorities. Federal and state securities regulation similar to that discussed below under Other Laws and Regulations Securities regulation affects investment advice and sales and related activities with respect to these products. U.S. mortgage insurance products and insurers are also subject to federal regulation discussed below under Mortgage Insurance. In addition, although the federal government does not comprehensively regulate the business of insurance, federal legislation and administrative policies in several areas, including taxation, financial services regulation, and pension and welfare benefits regulation, can also significantly affect the insurance industry.

Dodd-Frank Act and other federal initiatives

Although the federal government generally does not directly regulate the insurance business, federal initiatives often, and increasingly, have an impact on the business in a variety of ways, including limitations on antitrust immunity, tax incentives for lifetime annuity payouts, simplification bills affecting tax-advantaged or tax-exempt savings and retirement vehicles, and proposals to modify the estate tax. In addition, various forms of direct federal regulation of insurance have been proposed in recent years.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) made extensive changes to the laws regulating financial services firms and required various federal agencies to adopt a broad range of new implementing rules and regulations, many of which have taken effect.

Among other provisions, the Dodd-Frank Act established a new framework of regulation of the over-the-counter (OTC) derivatives markets which requires, among other things, trade reporting of OTC derivatives transactions, formalized documentation requirements, execution of designated transactions on a swap execution facility (SEF) or designated contracts market (DCM), clearing of designated transactions through designated clearing organizations (DCOs) and exchange of initial and variation margin for non-cleared swap transactions. We currently are subject to reporting with respect to all derivatives transactions we enter into and must execute certain interest rate and other transactions on a SEF or DCM, which transactions we also must clear through a DCO. The clearing requirements, among other things, require us to post with a futures commission merchant highly liquid securities or cash as initial margin and cash to meet variation margin requirements for most interest rate derivatives we trade. Over time, we will experience additional collateral requirements for derivative transactions that are not required to be cleared. As the new marketplace continues to evolve, we may have to alter or limit the way we use derivatives in the future, which could have a material adverse effect on our results of operations and financial condition. We are subject to similar trade reporting, documentation, central trading and clearing and OTC margining requirements when we transact with foreign derivatives counterparties. Dodd-Frank and foreign derivatives requirements expose us to operational, compliance, execution and other risks, including central counterparty insolvency risk.

In the case of our U.S. mortgage insurance business, the Dodd-Frank Act requires lenders to retain some of the risk associated with mortgage loans that they sell or securitize, unless the mortgage loans are Qualified Residential Mortgages or unless the securitization or security is partially or fully exempted. Under regulations promulgated pursuant to the Dodd-Frank Act, loans which meet the definition of Qualified Mortgages are also eligible as Qualified Residential Mortgages. The legislation and regulations also prohibit a creditor from making a residential mortgage loan unless the creditor makes a reasonable and good faith determination that, at the time the loan is consummated, the consumer has a reasonable ability to repay the loan. In addition, the Dodd-Frank Act created the CFPB, which regulates certain aspects of the offering and provision of consumer financial products or services but not the business of insurance. In January 2014, CFPB rules implementing the ability-to-repay and Qualified Mortgage standards contained in the Dodd-Frank Act went into effect. The rules set requirements for how mortgage lenders can demonstrate that they have effectively considered the consumer s ability to repay a mortgage loan, establish when a mortgage may be classified as a Qualified Mortgage and determine when a lender is eligible for a safe harbor as a presumption that the lender has complied with the ability-to-repay requirements. We expect the rules to have a positive impact on the credit quality of mortgage loans which may benefit our delinquency rates but the rule may have the negative impact of reducing the number of loans originated and therefore available for the mortgage insurance market. The CFPB may issue additional rules or regulations, may adopt interpretations of existing laws which differ from past interpretations and may assert jurisdiction over regulatory or enforcement matters in lieu of or in addition to the existing jurisdiction of other federal or state agencies, all of which may affect our U.S. mortgage insurance business.

The Dodd-Frank Act also establishes a Financial Stability Oversight Council (FSOC), which is authorized to subject non-bank financial companies, which may include insurance companies, deemed systemically significant to stricter prudential standards and other requirements and to subject such companies to a special orderly liquidation process outside the federal Bankruptcy Code, administered by the Federal Deposit Insurance Corporation. We have not currently been designated as systemically significant by FSOC but this determination could change in the future. FSOC s potential recommendation of measures to address systemic financial risk could affect our insurance operations as could a future determination that we or our counterparties are systemically significant, which could impose significant burdens on us, impact the way we conduct our business, increase compliance costs, duplicate state regulation and could result in a competitive disadvantage.

The Dodd-Frank Act establishes a Federal Insurance Office (FIO) within the Department of the Treasury. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office performs various functions with respect to insurance, including serving as a non-voting member of the FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. In December 2013, FIO issued a report on alternatives to modernize and improve the system of insurance regulation in the United States, including by increasing national uniformity through either a federal charter or effective action by the states, in particular recommending federal standards and oversight regulations for mortgage insurers. If adopted, we cannot predict what effect, if any, such standards and regulations may have on our U.S. mortgage insurance business. Further, in December 2014, FIO delivered its report to Congress describing the global reinsurance market and its critical role in supporting the U.S. insurance system.

A Residential Mortgage-Backed Securities Working Group was formed in 2012 under President Obama s Financial Fraud Enforcement Task Force to investigate misconduct contributing to the financial crisis through the pooling and sale of residential mortgage-backed securities. The principal focus of this Working Group has been directed at enforcement actions against issuers and servicers of mortgage-backed securities. As the activities of this Working Group are ongoing, we cannot predict what impact, if any, this Working Group may have on the mortgage insurance industry in general and our business in particular.

We cannot predict the requirements of all of the regulations adopted under the Dodd-Frank Act, the effect such legislation or regulations will have on financial markets generally, or on our businesses specifically, the additional costs associated with compliance with such regulations or legislation, or any changes to our operations that may be necessary to comply with the Dodd-Frank Act and the regulations thereunder, any of which could have a material adverse effect on our business, results of operations, cash flows or financial condition. We also cannot predict whether other federal initiatives will be adopted or what impact, if any, such initiatives, if adopted as laws, may have on our business, financial condition or results of operations.

Changes in tax laws

In December 2015, President Obama signed the Protecting Americans from Tax Hikes Act of 2015 (2015 Path Act). Included in the 2015 Path Act was a permanent extension of the active financing provision for foreign insurance subsidiaries, under which income from a foreign subsidiary s active conduct of an insurance business is eligible for deferral of tax. The 2015 Path Act provided two year retroactive extensions through December 31, 2016 of certain tax benefits to individuals and businesses. It contained a two-year extension allowing certain taxpayers whose mortgage debt that may be forgiven in 2015 and 2016 to exclude the debt forgiveness from taxable income. Also included in the 2015 Path Act was a provision to continue to allow certain mortgage insurance premiums as deductible interest for 2015 and 2016. It is unclear at this time whether these provisions will be extended past 2016 in future legislation. However, we believe that the impact on our U.S. mortgage insurance products will be immaterial regardless of whether or not the provisions are further extended.

Bermuda Insurance Regulation

The Bermuda Monetary Authority (the BMA) regulates all financial institutions operating in or from Bermuda, including our Bermudian captive insurance companies. Specific regulation varies in Bermuda depending on whether the insurance company has been granted a long-term business license or a general business license and by the class under which each company falls within such licenses. Regardless of license or class, all companies are required to maintain minimum capital and surplus levels and minimum solvency standards and are subject to auditing and reporting requirements.

Under Bermuda s Insurance Act 1978, in addition to the ability to pay dividends from retained earnings subject to certain procedures and compliance with applicable financial margins, Bermuda insurance companies may distribute up to 15% of their total paid-in or contributed capital without the prior approval of the BMA. Insurance companies may apply to the BMA to make distributions in excess of such level.

In recent years, the BMA has adopted new solvency regulations and certain other regulations to enhance its governance and disclosure requirements for insurance companies in order for Bermuda to achieve consistency with changes being developed by other leading insurance regulators worldwide, and in so doing achieve equivalence with the Solvency II directive. Both of our Bermudian captive insurance companies met or exceeded the minimum solvency requirements that were in effect in Bermuda as of December 31, 2015. New minimum solvency requirements, including transitional measures that will be phased in over 16 years, took effect in Bermuda on January 1, 2016 (the Solvency II Standards). These new requirements are intended to achieve compliance with the Solvency II directive. On November 26, 2015, via delegated act, the European Commission granted Bermuda full equivalence in all areas of Solvency II for an indefinite period of time. The European Commission s act is being reviewed by the European Parliament and Council over the 90 day period following the grant of full equivalence. Once the delegated act comes into force, the equivalence decision will be applied retroactively to January 1, 2016. Under the Solvency II Standards, the calculation of the amount of long-dated liabilities, such as long-term care insurance, produces much higher amounts than under the prior standards. BLAIC, one of our Bermuda-domiciled captive reinsurance subsidiaries, reinsures a portion of our long-term care insurance business, as well as blocks of our life insurance business. One of our strategic priorities is to repatriate all of the business in BLAIC. The timing of the repatriation is expected to occur in 2016 and is subject to various regulatory approvals.

Mortgage Insurance Regulation

State regulation

General

Mortgage insurers generally are limited by Insurance Laws to directly writing only mortgage insurance business to the exclusion of other types of insurance. Mortgage insurers are not subject to the NAIC s RBC requirements but certain states and other regulators impose another form of capital requirement on mortgage insurers requiring maintenance of a risk-to-capital ratio not to exceed 25:1. GMICO, our primary U.S. mortgage insurance subsidiary, had a risk-to-capital ratio of 16.4:1 and 14.3:1 as of December 31, 2015 and 2014, respectively. If one of our U.S. mortgage insurance subsidiaries that is writing business in a particular state fails to maintain that state s required minimum capital level, we would generally be required to stop writing new business immediately in the state until the insurer re-establishes the required regulatory level of capital or receives a waiver of such requirement from the state s insurance regulator or, alternatively, until we establish an alternative source of underwriting capacity such as an affiliated insurer which meets state regulatory capital-related requirements and has been approved as an eligible mortgage guaranty insurer by the GSEs.

The North Carolina Department of Insurance s (NCDOI) current regulatory framework by which GMICO s risk-to-capital ratio is calculated differs from the capital requirements of the GSEs as discussed under Other U.S. regulation.

During 2012, the NAIC established a Mortgage Guaranty Insurance Working Group (the MGIWG) to determine and make recommendations to the NAIC s Financial Condition Committee as to what, if any, changes to make to the solvency and other regulations relating to mortgage guaranty insurers. During 2014 and 2015, the MGIWG published revised drafts of the previously proposed amendments of the NAIC s Mortgage Guaranty Insurers Model Act (the MGI Model) and solicited comments on these revised proposed amendments. The proposed amendments of the MGI Model relate to, among other things: (i) capital and reserve standards, including increased minimum capital and surplus requirements, mortgage guaranty-specific RBC standards, dividend restrictions and contingency and premium deficiency reserves; (ii) limitations on the geographic concentration of mortgage guaranty risk, including state-based limitations; (iii) restrictions on mortgage insurers investments in notes secured by mortgages; (iv) prudent underwriting standards and formal underwriting guidelines to be approved by the insurer s board; (v) the establishment of formal, internal Mortgage Guaranty Quality Control Programs with respect to in-force business; (vi) prohibitions

on reinsurance with bank captive reinsurers; and (vii) incorporation of an NAIC Mortgage Guaranty Insurance Standards Manual. At this time, we cannot predict the outcome of this process, the effect changes, if any, will have on the mortgage guaranty insurance market generally, or on our businesses specifically, the additional costs associated with compliance with any such changes, or any changes to our operations that may be necessary to comply, any of which could have a material adverse effect on our business, results of operations, cash flows or financial condition.
We also

cannot predict whether other regulatory initiatives will be adopted or what impact, if any, such initiatives, if adopted as laws, may have on our business, financial condition or results of operations.

Reserves

Insurance Laws require our U.S. mortgage insurers to establish a special statutory contingency reserve in their statutory financial statements to provide for losses in the event of significant economic declines. Annual additions to the statutory contingency reserve must equal 50% of net earned premiums as defined by Insurance Laws. These contingency reserves generally are held until the earlier of (i) the time that loss ratios exceed 35% or (ii) 10 years, although regulators have granted discretionary releases from time to time. However, approval by the NCDOI is required for contingency reserve releases when loss ratios exceed 35%. This reserve reduces the policyholder surplus of our U.S. mortgage insurers, and therefore, their ability to pay dividends to us. The statutory contingency reserve for our U.S. mortgage insurers was approximately $500 million as of December 31, 2015.

Federal regulation

In addition to federal laws directly applicable to mortgage insurers, the laws and regulations applicable to mortgage originators and lenders, purchasers of mortgage loans such as Freddie Mac and Fannie Mae, and governmental insurers such as the FHA and VA indirectly affect mortgage insurers. For example, changes in federal housing legislation and other laws and regulations that affect the demand for private mortgage insurance may have a material effect on private mortgage insurers. Legislation or regulation that increases the number of people eligible for FHA or VA mortgages could have a materially adverse effect on our ability to compete with the FHA or VA.

The Homeowners Protection Act of 1998 (the Homeowners Protection Act) provides for the automatic termination, or cancellation upon a borrower s request, of the borrower s obligation to pay for private mortgage insurance upon satisfaction of certain conditions, although mortgage servicers may continue to keep the coverage in place at their expense. The Homeowners Protection Act applies to owner-occupied residential mortgage loans regardless of lien priority and to borrower-paid mortgage insurance closed after July 29, 1999. FHA loans are not covered by the Homeowners Protection Act. Under the Homeowners Protection Act, automatic termination of the borrower s obligation to pay for mortgage insurance would generally occur once the loan-to-value ratio reaches 78%. A borrower generally may request cancellation of mortgage insurance once the actual payments reduce the loan balance to 80% of the home s original value. For borrower-initiated cancellation of mortgage insurance, the borrower must have a good payment history as defined by the Homeowners Protection Act.

The Real Estate Settlement and Procedures Act of 1974 (RESPA) applies to most residential mortgages insured by private mortgage insurers. Mortgage insurance has been considered in some cases to be a settlement service for purposes of loans subject to RESPA. Subject to limited exceptions, RESPA precludes us from providing services to mortgage lenders free of charge, charging fees for services that are lower than their reasonable or fair market value, and paying fees for services that others provide that are higher than their reasonable or fair market value. In addition, RESPA prohibits persons from giving or accepting any portion or percentage of a charge for a real estate settlement service, other than for services actually performed. Although many states prohibit mortgage insurers from giving rebates, RESPA has been interpreted to cover many non-fee services as well. Mortgage insurers and their customers are subject to the possible sanctions of this law, which may be enforced by the CFPB, state insurance departments, state attorneys general and other enforcement authorities.

The Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA) also affect the business of mortgage insurance in various ways. ECOA, for example, prohibits discrimination against certain protected classes in credit transactions. FCRA governs the access and use of consumer credit information in credit transactions and requires notices to consumers in certain circumstances.

Most originators of mortgage loans are required to collect and report data relating to a mortgage loan applicant s race, nationality, gender, marital status and census tract to the U.S. Department of Housing and Urban Development Administration or the Federal Reserve under the Home Mortgage Disclosure Act of 1975 (HMDA). The purpose of HMDA is to detect possible impermissible discrimination in home lending and, through disclosure, to discourage such discrimination. Mortgage insurers are not required to report HMDA data although, under the laws of several states, mortgage insurers currently are prohibited from discriminating on the basis of certain classifications. In the past, mortgage insurers voluntarily submitted to the Federal Financial Institutions Examinations Council data on loans submitted for insurance as required for most mortgage lenders under HMDA. However, recently our U.S. mortgage insurance subsidiary no longer voluntarily reports HMDA data, which is consistent with industry practice.

Other U.S. regulation

Effective December 31, 2015, each GSE adopted revised PMIERs which set forth operational and financial requirements that mortgage insurers must meet in order to remain eligible. By March 1, 2016, an approved insurer must certify as to its compliance with PMIERs as of December 31, 2015. If an approved insurer meets all of PMIERs except the financial requirements, then it may submit by March 31, 2016 a transition plan that each GSE in its sole and absolute discretion may approve or disapprove. If approved, the GSEs will permit a transition period deemed by the GSEs to be reasonably sufficient for the approved insurer to meet the financial requirements, which in any case may not extend beyond June 30, 2017. If an approved insurer is unable to certify as to its compliance with the non-financial requirements of PMIERs, then by March 1, 2016, it may submit a corrective action plan detailing how it expects to achieve compliance. An approved insurer will retain its ability to write insurance on loans eligible for delivery to the GSEs from December 31, 2015 until a transition plan or corrective action plan, as the case may be, has been specifically approved or disapproved, subject to the approved insurer continuing to meet all other PMIERs requirements.

The financial requirements of PMIERs mandate that a mortgage insurer s Available Assets (generally only the most liquid assets of an insurer) must meet or exceed Minimum Required Assets (which are based on an insurer s risk in-force and are calculated from tables of factors with several risk dimensions and are subject to a floor amount). The operational PMIERs requirements include standards that govern the relationship between the GSEs and approved insurers and are designed to ensure that approved insurers operate under uniform guidelines, such as claim processing timelines. They include quality control requirements that are designed to ensure that approved insurers have a strong internal risk management infrastructure that emphasizes continuous process improvement and senior management oversight. Examples of the quality control requirements are robust documentation of procedures and independence of the quality control function. If an approved insurer is deemed by the GSEs to be out of compliance with PMIERs, the GSEs may take actions such as: (i) communication of a written warning to the approved insurer that expresses concern and suggests possible remediation; (ii) issuance of a written warning to an approved insurer that it has violated, is violating, or is about to violate any of the provisions of PMIERs, and that suspension or termination may result unless corrective action is taken within a specified time period; or (iii) imposition of additional terms and conditions of eligibility, including the remediation options contained in PMIERs.

As of the December 31, 2015 effective date of PMIERs, our U.S mortgage insurance business met the PMIERs operational and financial requirements, based in part on: (i) our entry during 2015 into three separate excess of loss reinsurance transactions with three panels of reinsurers covering our 2009 through 2015 book years that we believe, based on indications from the GSEs, provide up to approximately $535 million of PMIERs credit; (ii) the intercompany sale during 2015 by our U.S. mortgage insurance business of its ownership interest in affiliated preferred securities for approximately $200 million; and (iii) an internal restructuring of legal entities during 2015.

In their letters of approval for the third reinsurance transaction entered into during 2015 by our U.S. mortgage insurance subsidiary, each GSE requires our U.S. mortgage insurance subsidiary to maintain a maximum statutory risk to capital ratio of 18:1 or they reserve the right to reevaluate the amount of PMIERs credit indicated in their approval letters and, in the case of Fannie Mae, this reevaluation expressly may include the first two of our 2015 reinsurance transactions as well. Fannie Mae also reserved these rights in the event it finds that our U.S. mortgage insurance subsidiary, for insurance written after December 31, 2015, did not retain at least 40% of the gross Required Assets under PMIERs. Fannie Mae s approval of the third reinsurance transaction of 2015 will be automatically withdrawn if the NCDOI fails to approve (or fails to non-disapprove) the transaction. Freddie Mac has also imposed additional requirements on our option to commute these reinsurance agreements. Both GSEs reserved the right to periodically review the reinsurance transaction for treatment under PMIERs.

Canada regulation

The Office of the Superintendent of Financial Institutions (OSFI) provides oversight to all federally incorporated financial institutions, including our Canadian mortgage insurance companies, which are indirect wholly-owned subsidiaries of Genworth Canada. OSFI also has oversight responsibility for CMHC, our main competitor. OSFI does not have enforcement powers over market conduct issues in the insurance industry, which are a provincial responsibility. The Bank Act, Insurance Companies Act and Trust and Loan Companies Act prohibit Canadian banks, trust companies and insurers from extending mortgage loans where the loan value exceeds 80% of the property s value, unless mortgage insurance is obtained in connection with the loan. As a result, all mortgages issued by these financial institutions with a loan-to-value ratio exceeding 80% must be insured by a qualified insurer, which includes CMHC. Legislation prohibits such financial institutions from charging borrowers amounts for mortgage insurance that exceed the lender s actual costs and impose disclosure obligations in respect of mortgage insurance.

As discussed in Business Canada Mortgage Insurance Government guarantee eligibility, government guaranteed mortgage insurers, including our Canadian mortgage insurance companies, are subject to PRMHIA regulation, which restricts our direct insurance activities to insuring mortgages that meet the government s mortgage insurance eligibility. Reinsurance business is not subject to these restrictions. We are required to hold certain regulatory capital under PRMHIA and the Insurance Companies Act (Canada) to support our outstanding mortgage insurance in-force.

Under PRMHIA, the regulations establish the following criteria a high loan-to-value mortgage has to meet in order to be insured:

- a maximum mortgage amortization of 25 years
- insurance of mortgages limited to loans with a loan-to-value of 95% or less
- insurance of refinanced mortgage limited to loans with a loan-to-value of 80% or less
- insurance of mortgages for investment properties limited to 80% or less
- capping the maximum gross debt service ratios at 39% and total debt service ratios at 44%

capping home purchase price to less than $1 million

setting a minimum credit score of 600

On December 11, 2015, the Canadian government announced a change to the eligibility rules for new government backed insured mortgages on properties priced above CAD$500,000. Effective February 15, 2016, the minimum down payment for new insured mortgages will be increased from 5% to 10% for the portion of home prices above CAD$500,000.

Beginning in 2014, as part of requirements from our regulator in Canada, we developed and implemented our own risk and solvency assessment (Canada ORSA). Our Canada ORSA is a process that links our risk management framework to our business strategy and decision-making framework. Our Canada ORSA provides a

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baseline assessment of identified risks and the supporting risk management activities. Additionally, our Canada ORSA documents our risk exposure relative to our risk appetite and calculates the capital required to support those risks under certain pre-defined stress events. The implementation of our Canada ORSA did not result in a significant change to our practices of evaluating and managing risks.

On November 6, 2014, OSFI published the final B-21 Residential Mortgage Insurance Underwriting Practices and Procedures Guideline (the B-21 Guideline). In the B-21 Guideline, OSFI sets out principles that promote and support sound residential mortgage insurance underwriting. These six principles focus on three main themes: (i) governance, development of business objectives and strategy, and oversight; (ii) interaction with lenders as part of the underwriting process; and (iii) internal underwriting operations and risk management. The B-21 Guideline also enhances disclosure requirements, which will support greater transparency, clarity and public confidence in mortgage insurers residential mortgage insurance underwriting practices. Genworth Canada is in compliance with the B-21 Guideline which was effective June 30, 2015.

Under PRMHIA and the Insurance Companies Act (Canada), our mortgage insurance business in Canada is required to meet a minimum capital test (MCT) to support its outstanding mortgage insurance in-force. The MCT ratio is calculated based on a methodology prescribed by OSFI. The Department of Finance in Canada has established an MCT ratio for our mortgage insurance business in Canada of 175% under PRMHIA. On June 23, 2013, OSFI communicated that it has commenced an internal process aimed at developing a new capital framework for mortgage insurers expected to be effective in 2017. We regularly review our capital levels and, after reviewing stress testing results and consulting with OSFI in 2014, we have established an operating MCT holding target of 220% pending the development of the new capital framework for mortgage insurers. The holding target of 220% MCT is designed to provide a capital buffer to allow time to take necessary actions should capital levels be pressured by deteriorating macroeconomic conditions. In the third quarter of 2014, OSFI published an interim MCT guideline for mortgage insurers effective January 1, 2015. This guideline was developed by adjusting the 2015 MCT guideline applicable to property and casualty insurers to reflect the specific characteristics of the mortgage insurance business until the new capital framework for mortgage insurers is developed. The implementation of the interim MCT in 2015 did not have a significant impact on our MCT ratio. As of December 31, 2015, our MCT ratio was 233%, which is above capital holding requirements as well as the MCT holding target.

On December 11, 2015, CMHC announced a price increase to its guarantee fees it will charge issuers as well as annual limits for new guarantees for both its National Housing Act Mortgage-Backed Securities (NHA MBS) and Canadian Mortgage Bond (CMB) programs effective July 1, 2016. CMHC guarantees the timely payment of principal and interest for NHA MBS and CMB, enabling approved financial institutions to pool eligible mortgages and transform them into marketable securities that can be sold to investors. The guarantee fees are paid by lenders in addition to the mortgage insurance premium. This price increase was in addition to a price increase implemented effective April 1, 2015. On June 3, 2015, the Canadian government published regulations that prohibit the substitution of mortgages in insured pools after May 15, 2015 and limit the mortgage insurer s commitment period to no more than one year.

On June 6, 2015, the Canadian government published draft regulations to implement the prohibition that was announced in its 2013 budget to limit portfolio insurance to only those mortgages that will be used in CMHC securitization programs and to prohibit the use of government guaranteed insured mortgages in private securitizations. The regulations will become effective on July 1, 2016. Although it is difficult to determine the full impact of these changes at this time, we believe the changes will decrease demand for low loan-to-value mortgage insurance.

The Insurance Companies Act (Canada) provides that dividends may only be declared by the board of directors of the Canadian insurer and paid if there are reasonable grounds to believe that the payment of the dividend would not cause the insurer to be in violation of its minimum capital and liquidity requirements. Also, we are required to notify OSFI prior to the dividend payment.

As a public company that is traded on the Toronto Stock Exchange (the TSX), Genworth Canada is subject to securities laws and regulation in each province in Canada, as well as the reporting requirements of the TSX.

Australia regulation

APRA regulates all ADIs in Australia and life, general and mortgage insurance companies. APRA s authorization conditions require Australian mortgage insurers to be monoline insurers, which are insurers offering just one type of insurance product. APRA s prudential standards apply to individual authorized insurers and to the relevant Australian-based holding company and group.

APRA also sets minimum capital levels and monitors corporate governance requirements, including the risk management strategy for our Australian mortgage insurance business. In this regard, APRA reviews our management, controls, processes, reporting and methods by which all risks are managed, including an annual financial condition report and an annual report on insurance liabilities by an appointed actuary. APRA also requires us to submit its risk management strategy and reinsurance management strategy, which outlines the use of reinsurance in Australia, annually and more frequently if there are material changes.

In setting minimum capital levels, APRA requires mortgage insurers to ensure they have sufficient capital to withstand a hypothetical three-year stress loss scenario defined by APRA. APRA s prudential standards provide for increased mortgage insurers capital requirements for insured loans that are considered to be non-standard. APRA also imposes quarterly reporting obligations on mortgage insurers with respect to risk profiles, reinsurance arrangements and financial position. We evaluate the capital position of our mortgage insurance business in Australia in relation to the Prescribed Capital Amount (PCA) as determined by APRA, utilizing the Internal Capital Adequacy Assessment Process (ICAAP) 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 December 31, 2015, our PCA ratio was 159%, which is above capital holding requirements.

In addition, APRA determines the capital requirements for ADIs and has reduced capital requirements for certain ADIs that insure residential mortgages with an acceptable mortgage insurer for all non-standard mortgages and for standard mortgages with loan-to-value ratios above 80%. APRA s prudential standards currently set out a number of circumstances in which a loan may be considered to be non-standard from an ADI s perspective. The capital levels for Australian IRB ADIs are determined by their APRA-approved IRB models, which may or may not allocate capital credit for LMI. We believe that APRA and the IRB ADIs have not yet finalized internal models for residential mortgage risk, so we do not believe that the IRB ADIs currently benefit from an explicit reduction in their capital requirements for mortgages covered by mortgage insurance. APRA s prudential standards also provide that LMI on a non-performing loan (90 days plus arrears) protects most ADIs from having to increase the regulatory capital on the loan to a risk-weighting of 100%. These prudential standards include a definition of an acceptable mortgage insurer and eliminate the reduced capital requirements for ADIs in the event that the mortgage insurer has contractual recourse to the ADI or a member of the ADI s consolidated group.

On July 20, 2015, APRA issued a press release announcing that for the IRB banks the average risk-weight on Australian residential mortgage loan exposures will increase from approximately 16% to at least 25%, which will be effective on July 1, 2016. In October 2015, the Australian government issued a response to the Financial System Inquiry (FSI) recommendations, setting forth the Australian government s approach and intended timeline for improving Australia s financial system. While the Australian government agreed with the FSI s recommendations regarding setting strong capital ratio requirements for ADIs and narrowing mortgage risk weight differences, the Australian government s response did not specifically comment on the role and utilization of mortgage insurance. Rather, the Australian government endorsed APRA s role in regulating these areas. On December 16, 2015, APRA announced a staggered approach to IRB accreditation, providing the capacity for an ADI to use accredited IRB models for regulatory capital purposes for some credit portfolios ahead of others, and also noting the Basel Committee s review of capital management for IRB banks. Given the recent nature of these regulatory and policy developments, we and other market participants are still assessing potential impacts and we have therefore not yet determined whether or how these regulatory and policy developments will impact our Australian mortgage insurance business.

In November 2014, APRA released Prudential Practice Guide APG 223 Residential Mortgage Lending (APG 223), as part of its continued focus on lending standards. The guidelines are focused on clarifying the regulators expectations around lending standards and, amongst other items, addressed the strengthening of loan serviceability testing across all ADIs. In addition, APRA also wrote to ADIs to advise that in its view annual investor credit growth materially above a benchmark of 10% would be an important risk indicator that supervisors will take into account when reviewing ADIs residential mortgage risk profile and considering supervisory actions. In August 2015, the Australian Securities & Investments Commission (ASIC) released a report following its investigations into interest-only loans over the first half of 2015. The report introduces new responsible lending guidance for banks and non-bank lenders, brokers and servicers, focusing on home loans. The impact of APG 223 and the increased supervision by APRA and ASIC has been the tightening of lending standards which in 2015 has begun to lead to reduced volumes of new insurance written for loans with loan-to-values greater than 80% and gross written premiums in our Australian mortgage insurance business.

APRA has the power to impose restrictions on the ability of our Australian mortgage insurance business to declare and pay dividends based on a number of factors, including the impact on the minimum regulatory capital ratio of that business.

As a public company that is traded on the Australian Securities Exchange (the ASX), Genworth Australia is subject to Australian securities laws and regulation, as well as the reporting requirements of the ASX.

Other Non-U.S. Insurance Regulation

We operate in a number of countries around the world in addition to the United States, Canada, Australia and Bermuda. Generally, our subsidiaries (and in some cases our branches) conducting business in these countries must obtain licenses from local regulatory authorities and satisfy local regulatory requirements, including those relating to rates, forms, capital, reserves and financial reporting.

Other Laws and Regulations

Securities regulation

Certain of our U.S. subsidiaries and certain policies, contracts and services offered by them, are subject to regulation under federal and state securities laws and regulations of the SEC, state securities regulators and FINRA. Most of our insurance company separate accounts are registered under the Investment Company Act of 1940. Most of our variable annuity contracts and all of our variable life insurance policies, as well as our FABNs issued by one of our U.S. subsidiaries as part of our registered notes program are registered under the Securities Act of 1933. One of our U.S. subsidiaries is registered and regulated as a broker/dealer under the Securities Exchange Act of 1934 and is a member of, and subject to regulation by FINRA, as well as by various state and local regulators. The registered representatives of our broker/dealer are also regulated by the SEC and FINRA and are subject to applicable state and local laws.

These laws and regulations are primarily intended to protect investors in the securities markets and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include suspension of individual employees, limitations on the activities in which the broker/dealer may engage, suspension or revocation of the investment adviser or broker/dealer registration, censure or fines. We may also be subject to similar laws and regulations in the states and other countries in which we offer the products described above or conduct other securities-related activities.

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The SEC, FINRA, state attorneys general, other federal offices and the New York Stock Exchange may conduct periodic examinations, in addition to special or targeted examinations of us and/or specific products. These examinations or inquiries may include, but are not necessarily limited to, product disclosures and sales issues, financial and accounting disclosure and operational issues. Often examinations are sweep exams whereby the regulator reviews current issues facing the financial or insurance industry as a whole.

Environmental considerations

As an owner and operator of real property, we are subject to extensive U.S. federal and state and non-U.S. environmental laws and regulations. Potential environmental liabilities and costs in connection with any required remediation of such properties is also an inherent risk in property ownership and operation. In addition, we hold equity interests in companies, and have made loans secured by properties, that could potentially be subject to environmental liabilities. We routinely have environmental assessments performed with respect to real estate being acquired for investment and real property to be acquired through foreclosure. We cannot provide assurance that unexpected environmental liabilities will not arise. However, based upon information currently available to us, we believe that any costs associated with compliance with environmental laws and regulations or any remediation of such properties will not have a material adverse effect on our business, financial condition or results of operations.

ERISA considerations

We provide certain products and services to employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974 (ERISA) or the Internal Revenue Code. As such, our activities are subject to the restrictions imposed by ERISA and the Internal Revenue Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and fiduciaries may not cause or permit a covered plan to engage in certain prohibited transactions with persons who have certain relationships with respect to such plans. The applicable provisions of ERISA and the Internal Revenue Code are subject to enforcement by the U.S. Department of Labor (DOL), the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation.

In April 2015, the DOL re-proposed regulations that may expand the circumstances in which sales personnel, such as insurance agents, are considered fiduciaries under ERISA. The proposed regulations have not yet been finalized. We cannot predict whether these regulations will become final regulations and what impact, if any, these regulations, if they become final, may have on our business, financial condition or results of operations.

USA PATRIOT Act

The USA PATRIOT Act of 2001 (the Patriot Act), enacted in response to the terrorist attacks on September 11, 2001, contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to broker/dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties who may be involved in terrorism or money laundering. Anti-money laundering laws outside of the United States contain similar provisions. The increased obligations of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, require the implementation and maintenance of internal practices, procedures and controls. We believe that we have implemented, and that we maintain, appropriate internal practices, procedures and controls to enable us to comply with the provisions of the Patriot Act. Certain additional requirements became applicable under the Patriot Act in May 2006 through a U.S. Treasury regulation which required that certain insurers have anti-money laundering compliance plans in place. We believe our internal practices, procedures and controls comply with these requirements.

Privacy of consumer information

In the United States, federal and state laws and regulations require financial institutions, including insurance companies, to protect the security and confidentiality of consumer financial information and to notify consumers about policies and practices relating to the collection and disclosure of consumer information and policies relating to protecting the security and confidentiality of that information. Similarly, federal and state laws and regulations govern the disclosure and security of consumer health information. In particular, regulations promulgated by the U.S. Department of Health and Human Services, the Federal Trade Commission and various states regulate the disclosure and use of protected health information by health insurers and other covered entities, the physical and procedural safeguards employed to protect the security of that information, and the electronic transmission of such information. From time to time, Congress and state legislatures consider additional legislation relating to privacy and other aspects of consumer information. We cannot predict whether such legislation will be enacted, or what impact, if any, such legislation may have on our business, financial condition or results of operations.

In Europe, the collection and use of personal information is subject to strict regulation. The European Union s Data Protection Directive establishes a series of baseline privacy requirements that European Union member states are obliged to enact into their national legislation. In addition, certain European Union countries have additional national law requirements regarding the use of private data. Other European countries that are not European Union member states have similar privacy requirements in their national laws. These requirements generally apply to all businesses, including insurance companies, and include the provision of notice to customers and other persons concerning how their personal information is used and disclosed, limitations on the transfer of personal information to countries outside the European Union, registration with the national privacy authorities, where applicable, and the use of appropriate information security measures against the access or use of personal information by unauthorized persons. We are monitoring developments in European Union privacy law, including the agreement announced regarding the EU-U.S. Privacy Shield framework, which will govern EU-to-U.S. data transfers, and the expected adoption of the European Union General Data Protection Regulation, which will replace existing national privacy laws for European Union member countries. These developments may increase costs as we transition to ensure compliance with the new regimes, but we cannot predict the long-term impact, if any, these developments may have on our business, financial condition or results of operations.

Similar laws and regulations protecting the security and confidentiality of consumer and financial information are also in effect in Canada, Australia and other countries in which we operate.

Employees

As of December 31, 2015, we had approximately 4,100 full-time and part-time employees.

Directors and Executive Officers

See Part III, Item 10 of this Annual Report on Form 10-K for information about our directors and executive officers.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, without charge, on our website, www.genworth.com, as soon as reasonably practicable after we file or furnish such reports with the SEC. The public may read and copy any materials we file or furnish with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain

information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Copies of our SEC filed or furnished reports are also available, without charge, from Genworth Investor Relations, 6620 West Broad Street, Richmond, VA 23230.

Our website also includes the charters of our Audit Committee, Nominating and Corporate Governance Committee, Risk Committee, and Management Development and Compensation Committee, any key practices of these committees, our Governance Principles, and our company s code of ethics. Copies of these materials also are available, without charge, from Genworth Investor Relations, at the above address. Within the time period required by the SEC and the New York Stock Exchange, we will post on our website any amendment to our code of ethics and any waiver applicable to any of our directors, executive officers or senior financial officers.

On June 4, 2015, our President and Chief Executive Officer certified to the New York Stock Exchange that he was not aware of any violation by us of the New York Stock Exchange s corporate governance listing standards.

Transfer Agent and Registrar

Our Transfer Agent and Registrar is Computershare Shareowner Services LLC, P.O. Box 30170, College Station, TX 77842-3170. Telephone: 866-229-8413; 201-680-6578 (outside the United States and Canada may call collect); and 800-231-5469 (for hearing impaired).

Item 1A. Risk Factors

You should carefully consider the following risks. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our common stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward-looking statements made by us or on our behalf. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under Cautionary note regarding forward-looking statements and the risks of our businesses described elsewhere in this Annual Report on Form 10-K for the year ended December 31, 2015.

Strategic Risks

We may be unable to successfully execute strategic plans to effectively address our current business challenges.

We continue to pursue our strategic options with a focus on improving business performance and increasing financial and strategic flexibility across the organizations. Our strategy includes maximizing our opportunities in our mortgage insurance businesses and restructuring our U.S. life insurance businesses. See Item 1 Business Strategic Update.

We cannot be sure we will be able to successfully execute on any of our strategic plans to effectively address our current business challenges (including with respect to the restructuring of our U.S. life insurance businesses, cost savings, ratings and capital), including as a result of: (a) our inability to generate required capital; (b) our failure to obtain any required regulatory, stockholder, noteholder or other third-party approvals or consents or anticipated credit or financial strength ratings; (c) our strategic plans changing or being more costly or difficult to successfully implement than we currently anticipate or the expected benefits achieved being less than we anticipate; (d) our inability to achieve anticipated cost-savings; and (e) adverse tax or accounting charges.

We continue to remain open to alternatives and actively assess our strategic options, which could include selling additional blocks of business and/or reducing ownership of or selling businesses, including in transactions that would be material to us. We may be unable to complete any sale of additional blocks of business, or reduce ownership of or sell businesses on terms anticipated or at all.

Even if we are successful in executing our strategic plans or alternative plans, the execution of these plans may have expected or unexpected adverse consequences, including adverse rating actions and adverse tax and accounting charges (such as significant losses on sale of businesses or assets or deferred acquisition costs (DAC) or deferred tax asset write offs). For example, in the third quarter of 2015, we announced the sale of certain blocks of our term life insurance and the sale of our European mortgage insurance business. We reported an impairment of DAC as a result of loss recognition testing of certain term life insurance policies as part of the sale of certain blocks of our term life insurance. In addition, we reported a loss on the sale of our European mortgage insurance business given its book value prior to recording the anticipated sale.

To increase our financial flexibility we may decide to issue equity at Genworth Financial, which would be dilutive to our shareholders, or debt at Genworth Financial or Genworth Holdings (including debt convertible into equity of Genworth Financial), which could increase our leverage. The availability of any additional debt or equity funding will depend on a variety of factors, including, market conditions, regulatory considerations, the general availability of credit and particularly, to the financial services industry, our credit ratings and credit capacity and the performance of and outlook for our business. Market conditions may make it difficult to obtain funding or complete asset sales to generate additional liquidity, especially on short notice and when the demand for additional funding in the market is high. Our access to funding may be further impaired by our credit or financial strength ratings and our financial condition. See 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.

We may be unable to increase the capital needed in our businesses in a timely manner and on anticipated terms, including through improved business performance, reinsurance or similar transactions, asset sales, securities offerings or otherwise, in each case as and when required.

We have in the past provided, and currently expect to provide, additional capital to our businesses as necessary (and to the extent we determine it is appropriate to do so) to meet regulatory or GSE capital requirements, comply with rating agency criteria to maintain ratings and provide capital and liquidity buffers for our businesses to operate and meet unexpected cash flow obligations. We may not be able to fund or raise the required capital as and when required and the amount of capital required may be higher than anticipated. Our inability to fund or raise the capital required in the anticipated timeframes and on the anticipated terms, could have a material adverse impact on our business, results of operations and financial condition, including causing us to reduce our business levels or be subject to a variety of regulatory actions.

To address the capital needs of our U.S. life insurance businesses, we currently intend to continue, among other things, to not to pay dividends from our life insurance subsidiaries to the holding company.

In addition, we intend to continue to support the increased capital needs of our U.S. mortgage insurance business resulting from PMIERs. As of December 31, 2015, our U.S. mortgage insurance business met the PMIERs financial and operational requirements, and holds a reasonable amount in excess of the financial requirements, based in part on its entry into a series of reinsurance transactions and sale of affiliated preferred securities during 2015. In order to continue to provide a prudent level of financial flexibility in connection with the PMIERs capital requirements given the dynamic nature of asset and requirement valuations over time, our U.S. mortgage insurance business may execute future capital transactions, including additional reinsurance transactions and contributions of holding company cash. See If we are unable to meet the requirements mandated by PMIERs because the GSEs amend them or because the GSEs interpretation of the financial requirements requires us to hold amounts of capital that are higher than we currently have planned or otherwise, we may not be eligible to write new insurance on loans acquired by the GSEs, which would have a material adverse effect on our business, results of operations and financial condition.

The implementation of any further reinsurance transactions all depend on market conditions, third-party approvals or other actions (including approval by regulators and the GSEs), and other factors which are outside of our control, and therefore we cannot be sure we will be able to successfully implement these actions on the anticipated timetable and terms or at all, or achieve the anticipated benefits. For a discussion of risks related to our strategic plans, see We may be unable to successfully execute strategic plans to effectively address our current business challenges.

Risks Relating to Estimates, Assumptions and Valuations

If our reserves for future policy claims are inadequate, we may be required to increase our reserves, which could have a material adverse effect on our results of operations and financial condition.

We calculate and maintain reserves for estimated future payments of claims to our policyholders and contractholders in accordance with U.S. GAAP and industry accounting practices. We release these reserves as those future obligations are paid, experience changes or policies lapse. The reserves we establish reflect estimates and actuarial assumptions with regard to our future experience. These estimates and actuarial assumptions involve the exercise of significant judgment. Our future financial results depend significantly upon the extent to which our actual future experience is consistent with the assumptions and methodologies we have used in pricing our products and calculating our reserves. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past had, material impacts on our reserves, results of operations and financial condition. Many factors, and changes in these factors, can affect future experience, including, but not limited to: interest rates; investment returns and volatility; economic and social conditions, such as inflation, unemployment, home price appreciation or depreciation, and health care experience (including type of care and cost of care); policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next); insured life expectancy or longevity; insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates); future premium increases; expenses; and doctrines of legal liability and damage awards in litigation. 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. For information regarding adequacy of reserves specifically related to our long-term care insurance, life insurance and annuities businesses, see We may be required to increase our reserves in our long-term care insurance, life insurance and/or annuity businesses as a result of deviations from our estimates and actuarial assumptions or other reasons, which could have a material adverse effect on our results of operations and financial condition.

We regularly review our reserves and associated assumptions as part of our ongoing assessment of our business performance and risks. If we conclude that our reserves are insufficient to cover actual or expected policy and contract benefits and claim payments (as we have on certain occasions in the past) as a result of changes in experience, assumptions or otherwise, we would be required to increase our reserves and incur charges in the period in which we make the determination. The amounts of such increases may be significant (as they have been on occasions in the past) and this could materially adversely affect our results of operations and financial condition and may require us to generate or fund additional capital in our businesses.

For additional information on reserves, including the significant historical financial impact of some of these risks, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Insurance liabilities and reserves.

If the models used in our businesses are inaccurate, it could have a material adverse impact on our business, results of operations and financial condition.

We employ models to, among other uses, price products, calculate reserves, value assets and generate projections used to estimate future pre-tax income and to evaluate loss recognition testing, as well as to evaluate risk and determine internal capital requirements. These models rely on estimates and projections that are inherently uncertain, may use data and/or assumptions that do not reflect recent experience and relevant industry data, and may not operate as intended. In addition, from time to time we seek to improve certain actuarial and financial models, and the conversion process may result in material changes to assumptions and financial results. The models we employ are complex, which increases our risk of error in their design, implementation or use. Also, the associated input data, assumptions and calculations and the controls we have in place to mitigate these risks may not be effective in all cases. The risks related to our models often increase when we change assumptions and/or methodologies, or add or change modeling platforms. We intend to continue to enhance our modeling capabilities for various of our businesses, including for our long-term care insurance projection assumptions where we are migrating to a new modeling system in 2016 or later. This new modeling system is intended to segregate and refine assumptions based upon healthy and disabled insured lives, as compared to our total insured lives estimate we use today. During or after the implementation of these enhancements, we may discover errors or other deficiencies in existing models, assumptions and/or methodologies. Moreover, we may either use additional, more granular and more detailed information we expect to receive through enhancements in our reserving and other processes or we may employ more simplified approaches in the future, either of which may cause us to refine or otherwise change existing assumptions and/or methodologies and thus associated reserve levels, which in turn could have a material adverse impact on business, results of operations and financial condition.

We may be required to increase our reserves in our long-term care insurance, life insurance and/or annuity businesses as a result of deviations from our estimates and actuarial assumptions or other reasons, which could have a material adverse effect on our results of operations and financial condition.

The expected future profitability and prices of our long-term care insurance, life insurance and some annuity products are based upon expected claims and payment patterns, using assumptions for, among other things, projected interest rates and investment returns, morbidity rates, mortality rates (i.e., likelihood of death of our policyholders and contractholders), persistency, lapses and expenses. The long-term profitability of these products depends upon how our actual experience compares with our pricing and valuation assumptions. If any of our assumptions are inaccurate, our reserves may be inadequate, which may have a material adverse effect on our results of operations, financial condition and business. For example, if morbidity rates are higher than our pricing assumptions, we could be required to make greater payments and thus establish additional reserves under our long-term care insurance policies than we had expected, and such amounts could be significant. Likewise, if mortality rates are lower than our pricing assumptions, we could be required to make greater payments and thus establish additional reserves under both our long-term care insurance policies and annuity contracts and such amounts could be significant. Conversely, if mortality rates are higher than our pricing and valuation assumptions, we could be required to make greater payments under our life insurance policies and annuity contracts with GMDBs than we had projected. Moreover, changes in the assumptions we use can have a material adverse effect on our results of operations. For example, changes to assumptions in our universal and term universal life insurance products in the fourth quarter of 2015 resulted in an increase of $175 million in our liability for policyholder account balances. In our assumption review in 2015, we looked at a number of assumptions, including older age mortality in our life insurance products, shock lapse in our term universal life insurance product and for our group long-term care insurance products, for which we did not make any changes at this time. We will review these and other assumptions again in 2016 with the benefit of updated experience and comparisons to industry experience, where appropriate, and we will likely make changes to at least one or more of these or other assumptions with a resulting negative impact. We do not know whether such impact would be material or whether it would be offset by impacts from other assumptions that may or may not occur. 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.

The risk that our claims experience may differ significantly from our pricing assumptions is particularly significant for our long-term care insurance products. Long-term care insurance policies provide for long-duration coverage and, therefore, our actual claims experience will emerge over many years, or decades, after both pricing and locked-in valuation assumptions have been established. For example, among other factors, changes in economic and interest rate risk, socio-demographics, behavioral trends (e.g., location of care and level of benefit use) and medical advances, may have a material adverse impact on our future claims trends. Moreover, long-term care insurance does not have the extensive claims experience history of life insurance. As a consequence, given that recent experience will represent a larger proportion of total experience, our long-term care insurance assumptions will be more heavily influenced by recent experience than would be the case for our life insurance assumptions. It follows that our ability to forecast future claim costs for long-term care insurance is more limited than for life insurance. For additional information on our long-term care insurance reserves, including the significant historical financial impact of some of these risks, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Insurance liabilities and reserves.

Our loss recognition testing for our long-term care insurance products is reviewed in the aggregate, excluding our acquired block of long-term care insurance, which is tested separately. Our long-term care insurance business, excluding the acquired block, had positive margin which was dependent on the assumptions we made on our ability to successfully implement our in-force management strategy involving premium increases or reduced benefits. In the fourth quarter of 2014, we began including future rate actions in our loss recognition testing in addition to those rate actions that had already been filed and approved or awaiting regulatory approval. There is no guarantee that we will be able to obtain regulatory approval for the future rate actions we have assumed in connection with our loss recognition testing. Favorable impacts on our margin from rate actions would primarily impact our long-term care insurance block, excluding the acquired block. Our acquired block would not benefit significantly from additional rate actions as it is older. For our acquired block of long-term care insurance, the impacts of any adverse changes in assumptions would likely be immediately reflected in net income (loss) as our margin for this block was zero after the reserve increase in the fourth quarter of 2014 and had a margin of approximately $10 million as of December 31, 2015. For our long-term care insurance block, excluding the acquired block, any adverse changes in assumptions would only be reflected in net income (loss) to the extent the margin was reduced below zero.

We also perform cash flow testing separately for each of our U.S. life insurance companies on a statutory accounting basis. To the extent that the cash flow testing margin is negative in any of our U.S. life insurance companies, we would need to increase statutory reserves, which would decrease our RBC ratios and we may be required to increase our capital within one or more of our U.S. life insurance companies. A need to significantly increase statutory reserves could have a material adverse effect on our business, results of operations and financial condition. For example, we established $198 million of additional statutory reserves resulting from updates to our universal life insurance products with secondary guarantees in our Virginia and Delaware licensed life insurance subsidiaries as of December 31, 2015. In addition, the New York Department of Financial Services, which regulates our New York domiciled insurance subsidiary, has historically not allowed us to combine long-term care insurance cash flow testing results with other products and has required specific adequacy testing scenarios that are generally more severe than those deemed acceptable in other states. Moreover, the required testing scenarios by the New York Department of Financial Services have a disproportionate impact on our long-term care insurance products. Based on our annual statutory cash flow testing of our long-term care insurance business, our New York insurance subsidiary recorded $89 million and $39 million of additional statutory reserves in the fourth quarters of 2015 and 2014, respectively, and expects to record an aggregate of $267 million of additional statutory reserves over the next three years. For additional information regarding impacts to statutory capital as a result of reserve increases, see An adverse change in our regulatory requirements, including risk-based capital, could result in a decline in our ratings and/or increased scrutiny by regulators and have a material adverse impact on our results of operations, financial condition and business.

The effect of persistency on profitability varies for different products. For most of our life insurance and deferred annuity products, actual persistency that is lower than our persistency assumptions could have an adverse impact on profitability, primarily because we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy or contract. For our deferred annuities with GMWBs and guaranteed annuitization benefits, actual persistency that is higher than our persistency assumptions could have an adverse impact on profitability because we could be required to make withdrawal or annuitization payments for a longer period of time than the account value would support. For our universal life insurance policies, increased persistency that is the result of the sale of policies by the insured to third parties that continue to make premium payments on policies that would otherwise have lapsed, also known as life settlements, could have an adverse impact on profitability because of the higher claims rate associated with settled policies.

For our long-term care insurance and some other health insurance policies, actual persistency in later policy durations that is higher than our persistency assumptions could have a negative impact on profitability. If these policies remain in-force longer than we assumed, then we could be required to make greater benefit payments than we had anticipated when we priced these products. This risk is particularly significant in our long-term care insurance business because we do not have the experience history that we have in many of our other businesses. As a result, our ability to predict persistency and resulting benefit experience for long-term care insurance is more limited than for many other products. A significant number of our long-term care insurance policies have experienced higher persistency than we had originally assumed, which has resulted in higher claims and an adverse effect on the profitability of that business. In addition, the impact of inflation on claims could be more pronounced for our long-term care insurance business than our other businesses given the long tail nature of this business. To the extent inflation causes these health care costs to increase, we will be required to increase our claim reserves. Although we consider the potential effects of inflation when setting premium rates, our premiums may not fully offset the effects of inflation and may result in our underpricing of the risks we insure.

The risk that our lapse experience may differ significantly from our pricing assumptions is significant for our term life and term universal life insurance policies. These policies generally have a level premium period for a specified period of years (e.g., 10 years to 30 years), after which the premium may increase significantly. The level premium period for a significant portion of our term life insurance policies will end in the next few years and policyholders may lapse with greater frequency than we anticipate in our reserve assumptions. In addition, it may be that healthy policyholders are the ones who lapse (as they can more easily replace coverage at a lower cost), creating adverse selection where less healthy policyholders remain in our portfolio. If the frequency of lapses is higher than our reserve assumptions, we would experience higher DAC amortization and lower premiums and could experience higher benefit costs. We have somewhat limited experience on which to base both the lapse assumption and the mortality assumption after the end of the level premium period, which increases the uncertainty associated with our assumptions and reserve levels. However, we have experienced both a greater frequency of policyholder lapses and more severe adverse selection, after the level premium period, and this experience could continue or worsen.

Although some of our products permit us to increase premiums during the life of the policy or contract, we cannot guarantee that these increases would be sufficient to maintain profitability or that such increases would be approved by regulators or approved in a timely manner. Moreover, many of our products either do not permit us to increase premiums or limit those increases during the life of the policy or contract. Significant deviations in experience from pricing expectations could have an adverse effect on the profitability of our products. In addition to our annual reviews, we regularly review our methodologies and assumptions in light of emerging experience and may be required to make further adjustments to reserves in our long-term care insurance, life insurance and/or annuities businesses in the future. Any changes to these reserves may have a materially negative impact on our results of operations, financial condition and business.

We may be required to accelerate the amortization of deferred acquisition costs and the present value of future profits, which would increase our expenses and reduce profitability.

DAC represents costs related to the successful acquisition of our insurance policies and investment contracts, which are deferred and amortized over the estimated life of the related insurance policies and investment contracts. These costs primarily consist of commissions in excess of ultimate renewal commissions and underwriting and contract and policy issuance expenses incurred on policies and contracts successfully acquired. Under U.S. GAAP, DAC is subsequently amortized to income, over the lives of the underlying contracts, in relation to the anticipated recognition of premiums or gross profits. In addition, when we acquire a block of insurance policies or investment contracts, we assign a portion of the purchase price to the right to receive future net cash flows from the acquired block of insurance and investment contracts and policies. This intangible asset, called present value of future profits (PVFP), represents the actuarially estimated present value of future cash flows from the acquired policies. We amortize the value of this intangible asset in a manner similar to the amortization of DAC.

Our amortization of DAC and PVFP generally depends upon, among other items, anticipated profits from investments, surrender and other policy and contract charges, mortality, morbidity and maintenance expense margins. Unfavorable experience with regard to expected expenses, investment returns, mortality, morbidity, withdrawals or lapses may cause us to increase the amortization of DAC or PVFP, or both, or to record a charge to increase benefit reserves, and such increases could be material.

We regularly review DAC and PVFP to determine if they are recoverable from future income. If these costs are not recoverable, they are charged as expenses in the financial period in which we make this determination. For example, if we determine that we are unable to recover DAC from profits over the life of a block of insurance policies or annuity contracts, or if withdrawals or surrender charges associated with early withdrawals do not fully offset the unamortized acquisition costs related to those policies or annuities, we would be required to recognize the additional DAC amortization as an expense in the current period. Equity market volatility could result in losses in our variable annuity products and associated hedging program which could challenge our ability to recover DAC on these products and could lead to further write-offs of DAC.

For additional information on DAC and PVFP, including the significant historical financial impact of some of these risks, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Deferred acquisition costs and Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Present value of future profits.

When we have projected profits in earlier years followed by projected losses in later years (as is currently the case with our long-term care insurance business), we are required to increase our reserve liabilities over time to offset the projected future losses, which could adversely affect our results of operations and financial condition.

We calculate and maintain reserves for estimated future payments of claims to our policyholders and contractholders in accordance with U.S. GAAP and industry accounting practices. When we conclude that our reserves are insufficient by line of business to cover actual or expected policy and contract benefits and claim payments as a result of changes in experience, assumptions or otherwise, we are required to increase our reserves and incur charges in the period in which we make the determination. For certain long-duration products in our U.S. Life Insurance segment, we are also required to accrue additional reserves over time when the overall reserve is adequate by line of business, but profits are projected in earlier years followed by losses projected in later years. When this pattern of profits followed by losses exists for these products, and we determine that an additional reserve liability is required, we increase reserves in the years we expect to be profitable by the amounts necessary to offset losses projected in later years.

In our long-term care insurance products, projected profits followed by projected losses are anticipated to occur because U.S. GAAP requires that original assumptions be used in determining reserves for future policy claims unless and until a premium deficiency exists. Our existing locked-in reserve assumptions do not include assumptions for premium rate increases, which if included in reserves, could reduce or eliminate future projected losses. As a result of this pattern of projected profits followed by projected losses, we are required to accrue additional future policy benefit reserves in the profitable years, currently expected to be through approximately 2034 (before accruing for the additional liability), by the amounts necessary to offset losses in later years. During the year ended December 31, 2015, we increased our long-term care insurance future policy benefit reserves by $13 million to accrue for profits followed by losses. The amount of future increases in reserves may be significant and this could materially adversely affect our results of operations and financial condition. For additional information, including the significant historical financial impact of some of these risks, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Insurance liabilities and reserves.

Our valuation of fixed maturity, equity and trading securities uses methodologies, estimations and assumptions that are subject to change and differing interpretations which could result in changes to investment valuations that may materially adversely affect our results of operations and financial condition.

We report fixed maturity, equity and trading securities at fair value on our consolidated balance sheets. These securities represent the majority of our total cash, cash equivalents and invested assets. Our portfolio of fixed maturity securities consists primarily of investment grade securities. Valuations use inputs and assumptions that are less observable or require greater estimation, as well as valuation methods that are more complex or require greater estimation, thereby resulting in values that are less certain and may vary significantly from the value at which the investments may be ultimately sold. The methodologies, estimates and assumptions we use in valuing our investment securities evolve over time and are subject to different interpretation (including based on developments in relevant accounting literature), all of which can lead to changes in the value of our investment securities. Rapidly changing and unanticipated interest rate, external macroecomonic, credit and equity market conditions could materially impact the valuation of investment securities as reported within our consolidated financial statements, and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

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Risks Relating to Economic, Market and Political Conditions

Downturns and volatility in global economies and equity and credit markets could materially adversely affect our business and results of operations.

Our results of operations are materially affected by the state of the global economies in which we operate and conditions in the capital markets we access. Factors such as high unemployment, low consumer spending, low business investment, high government spending, home price appreciation, the volatility and strength of the global capital markets, and inflation all affect the business and economic environment and, ultimately, the demand for and terms of our products and results of operations of our business. The recessionary state and the volatility of many economies in the past have fueled uncertainty and downturns in global mortgage markets and have contributed to increased volatility in our business and results of operations. This uncertainty and volatility has impacted, and may impact in the future, the demand for certain financial and insurance products. As a result, we may experience an elevated incidence of claims and lapses or surrenders of policies, and some of our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether.

Rising unemployment or underemployment rates can, for example, negatively impact a borrower s ability to pay his or her mortgage, thereby increasing the likelihood that we could incur additional losses in our mortgage insurance businesses. We set loss reserves for our mortgage insurance businesses based in part on expected claims and delinquency cure rate patterns. These expectations reflect our assumptions regarding unemployment and underemployment levels. If unemployment levels are higher than those within our loss reserving assumptions, the claims frequency and severity for our mortgage insurance businesses could be higher than we had projected. In addition, a return to low or negative home prices, coupled with weakened economic conditions, could cause further increases in our incurred losses and related loss ratios. Our loss experience may also increase as policies continue to age. If the claim frequency on the risk in-force significantly exceeds the claim frequency that was assumed in setting premium rates, our financial condition, results of operations and cash flows would be materially adversely affected.

Downturns and volatility in equity markets may also cause some existing customers to withdraw cash values or reduce investments in our separate account products, which include variable annuities. In addition, if the performance of the underlying mutual funds in our separate account products experience downturns and volatility for an extended period of time, the payment of any living benefit guarantee available in certain variable annuity products may have an adverse effect on us, because more payments will be required to come from general account assets than from contractholder separate account investments. Continued equity market volatility could result in additional losses in our variable annuity products and associated hedging program, which will further challenge our ability to recover DAC on these products and could lead to additional write-offs of DAC, as well as increased hedging costs.

Interest rates and changes in rates could materially adversely affect our business and profitability.

Our insurance and investment products are sensitive to interest rate fluctuations and expose us to the risk that falling interest rates or credit spreads will reduce our margin or the difference between the returns we earn on the investments that support our obligations under these products and the amounts that we must pay to policyholders and contractholders. We may reduce the interest rates we credit on most of these products only at limited, pre-established intervals, and some contracts have guaranteed minimum interest crediting rates. As a result, historically low interest rates over the last few years have adversely impacted, and may continue to materially adversely impact, our business and profitability.

During periods of increasing market interest rates, we may offer higher crediting rates on interest-sensitive products, such as universal life insurance and fixed annuities, and we may increase crediting rates on in-force products to keep these products competitive. In addition, rapidly rising interest rates may cause increased policy surrenders, withdrawals from life insurance policies and annuity contracts and requests for policy loans, as policyholders and contractholders shift assets into higher yielding investments. Therefore, increases in crediting rates, as well as surrenders and withdrawals, could have a material adverse effect on our financial condition and results of operations, including the requirement to liquidate investments in an unrealized loss position to satisfy surrenders or withdrawals.

Our life insurance, long-term care insurance and fixed annuity products, as well as our guaranteed benefits on variable annuities, also expose us to the risk of interest rate fluctuations. The pricing and expected future profitability of these products are based in part on expected investment returns. Over time, life and long-term care insurance products are expected to generally produce positive cash flows as customers pay periodic premiums, which we invest as they are received. Low interest rates increase reinvestment risk and reduce our ability to achieve our targeted investment margins and have, and may further, adversely affect the profitability of our life insurance, long-term care insurance and fixed annuity products, as well as increase hedging costs on our in-force block of variable annuity products. A low interest rate environment negatively impacts the sufficiency of our margins on both our DAC and PVFP. If interest rates remain low for a prolonged period, this could result in an impairment of these assets, and may reduce funds available to pay claims, including life and long-term care insurance claims, requiring an increase in our reserve liabilities, which could be significant (such as has been the case with our long-term care insurance business in the past). In addition, certain statutory capital requirements are based on models that consider interest rates. Prolonged periods of low interest rates may increase the statutory reserves we are required to hold as well as the amount of assets and capital we must maintain to support statutory reserves. In addition, our insurance and annuity products are sensitive to inflation rate fluctuations. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations.

In certain products, in particular our long-term care insurance products, the average life of our assets is considerably shorter than the average life of the liabilities. This increases our reinvestment rate risk with respect to the assets. Should interest rates remain low or go lower, this will cause our net investment income to be lower which will negatively impact the profitability of our businesses. In addition, to the extent the assets are of a shorter average life than the liabilities (especially as is the case with our long-term care insurance products), changes in interest rates will impact assets and liabilities differently. As interest rates decline, the net present value of the liabilities will therefore increase more than the net present value of the assets and could require us to hold higher reserves.

In both the U.S. and international mortgage markets, rising interest rates generally reduce the volume of new mortgage originations. A decline in the volume of new mortgage originations would have an adverse effect on our new insurance written. Rising interest rates also can increase the monthly mortgage payments for insured homeowners with ARMs that could have the effect of increasing default rates on ARM loans, thereby increasing our exposure on our mortgage insurance policies. This is particularly relevant in our international mortgage insurance businesses where ARMs are the predominant mortgage product. Higher interest rates can lead to an increase in defaults as borrowers at risk of default will find it harder to qualify for a replacement loan.

Declining interest rates historically have increased the rate at which borrowers refinance their existing mortgages, thereby resulting in cancellations of the mortgage insurance covering the refinanced loans. Declining interest rates historically have also contributed to home price appreciation, which may provide borrowers in the United States with the option of cancelling their mortgage insurance coverage earlier than we anticipated when pricing that coverage. These cancellations could have a material adverse effect on the results of our U.S. mortgage insurance business.

Interest rate fluctuations could impact our capital or solvency ratios specifically in our international mortgage insurance businesses where the required or available capital could be adversely impacted by changes in interest rates.

Interest rate fluctuations could also have an adverse effect on the results of our investment portfolio. During periods of declining market interest rates like over the past few years, the interest we receive on variable interest rate investments decreases. In addition, during those periods, we have had to, and in the future may have to, reinvest the cash we receive as interest or return of principal on our investments in lower-yielding high-grade instruments or in lower-credit instruments to maintain comparable returns. Issuers of fixed-income securities have also, and in the future may also decide to prepay their obligations in order to borrow at lower market rates, which exacerbates the risk that we have to invest the cash proceeds of these securities in lower-yielding or lower-credit instruments. During periods of increasing interest rates, market values of lower-yielding assets will decline. In addition, our interest rate hedges could decline which would require us to post additional collateral with our derivative counterparties.

Posting this collateral could materially adversely affect our financial condition and results of operation by reducing our liquidity and net investment income, to the extent that the additional collateral posting requires us to invest in higher-quality, lower-yielding investments.

See Part II Item 7A Quantitative and Qualitative Disclosures About Market Risk for additional information about interest rate risk.

A deterioration in economic conditions or a decline in home prices may adversely affect our loss experience in our mortgage insurance businesses.

Losses in our mortgage insurance businesses generally result from events, such as a borrower s reduction of income, unemployment, underemployment, divorce, illness, inability to manage credit, or a change in interest rate levels or home values, that reduce a borrower s willingness or ability to continue to make mortgage payments. The amount of the loss we suffer, if any, depends in part on whether the home of a borrower who defaults on a mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. A deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values, which increases our risk of loss. A decline in home prices, whether or not in conjunction with deteriorating economic conditions, may also increase our risk of loss. For example, while the level of existing housing inventory in the United States, as measured by the number of months it takes to sell a home, has stabilized at a level of less than six months, a higher-than-usual level of foreclosure-related properties within the U.S. housing market, inventory still poses a risk to overall home prices. The inventory of homes on the market may rise substantially as vacant properties migrate their way through the foreclosure process. As these homes eventually make their way through an already strained and unpredictable foreclosure cycle and potentially increase an elevated level of inventory of homes available for sale, we expect that home prices may be pressured downward in certain geographic areas depending upon the level and timing of this process. These conditions could result in a material adverse impact on our financial condition and results of operations.

In the past, the United States, in particular, experienced an economic slowdown and saw a pronounced weakness in its housing markets, as well as declines in home prices. This slowdown and the resulting impact on the housing markets have been reflected in past elevated level of delinquencies. In addition, there has been a lag in the rate at which delinquent loans are going to foreclosure due to various local and lender foreclosure moratoria as well as servicer and court-related backlog issues. As these loans eventually go to foreclosure, our paid claims will increase. Ongoing delays in foreclosure processes could cause our losses to increase as expenses accrue for longer periods or if the value of foreclosed homes further decline during such delays. If we experience an increase in the number or the cost of delinquencies that are higher than expected, our financial condition and results of operations could be adversely affected.

In Canada and the United States, declining commodity prices, particularly oil, have resulted in a rise in unemployment in certain regions. The recent worldwide decline in commodity prices and slowdown in China s economy resulted in rising unemployment in commodity-dependent regions in Australia. The adverse economic conditions in these regions could continue to deteriorate and could impact the broader economies in those countries as well as the global economy, resulting in higher delinquencies as well as declines in home prices, which could have an unfavorable impact on the results of our operations for those businesses affected.

We have significant international operations that could be adversely affected by changes in political or economic stability or government policies where we operate.

Global economic and regulatory developments could affect our business in many ways. For example, our operations are subject to local laws and regulations, which in many ways are similar to the state laws and regulations outlined below. Many of our international customers and independent sales intermediaries also operate in regulated environments. Changes in the regulations that affect their operations also may affect our business relationships with them and their ability to purchase or to distribute our products. These changes could have a material adverse effect on our financial condition and results of operations. In addition, compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may increase materially our direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on our financial condition and results of operations.

Local, regional and global economic conditions, including changes in housing markets, employment levels, government benefit levels, credit markets, trade levels, inflation, recession and currency fluctuations, as discussed above, also could have a material adverse effect on our international businesses. Political changes, some of which may be disruptive, can also interfere with our customers and all of our activities in a particular location. Attempts to mitigate these risks can be costly and are not always successful.

Our international businesses and operations are subject to the tax laws and regulations, and value added tax and other indirect taxes, in the countries in which they are organized and in which they operate. Foreign governments from time to time consider legislation and regulations that could increase the amount of taxes that we pay or impact the sales of our products. An increase to tax rates in the countries in which we operate could have a material adverse effect on our financial condition and results of operations.

Fluctuations in foreign currency exchange rates and international securities markets could negatively affect our financial condition and results of operations.

The results of our international operations are denominated in local currencies, and because we derive a significant portion of our income from our international operations, our results of operations could be adversely affected to the extent the dollar value of foreign currencies is reduced due to a strengthening of the U.S. dollar. We generally invest cash generated by our international operations in securities denominated in local currencies. As of December 31, 2015 and 2014, approximately 9% and 15%, respectively, of our invested assets were held by our international operations and were invested primarily in non-U.S.-denominated securities. Although investing in securities denominated in local currencies limits the effect of currency exchange rate fluctuation on local operating results, we remain exposed to the impact of fluctuations in exchange rates as we translate the operating results of our international operations into our consolidated financial statements. We currently do not hedge this exposure, other than for dividend and other expected cash payments from our Canadian and Australian mortgage insurance businesses, and, as a result, period-to-period comparability of our results of operations is affected by fluctuations in exchange rates. Our investments in non-U.S.-denominated securities are subject to fluctuations in non-U.S. securities and currency markets, and those markets can be volatile. Non-U.S. currency fluctuations also affect the value of any dividends paid by our non-U.S. subsidiaries to their parent companies in the United States. Fluctuations in foreign currency exchange rates could have a material adverse effect on our financial condition and results of operations.

Regulatory and Legal Risks

Our insurance businesses are extensively regulated and changes in regulation may reduce our profitability and limit our growth.

Our insurance operations are subject to a wide variety of laws and regulations and are extensively regulated. State insurance laws regulate most aspects of our U.S. insurance businesses, and our insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and licensed. Our international operations are principally regulated by insurance regulatory authorities in the jurisdictions in which they are domiciled. Failure to comply with applicable regulations or to obtain or maintain appropriate authorizations or exemptions under any applicable laws could result in restrictions on our ability to do business or engage in activities regulated in one or more jurisdictions in which we operate and could subject us to fines and other sanctions which could have a material adverse effect on our business. In addition, the nature and extent of regulation of our activities in applicable jurisdictions could materially change causing a material adverse effect on our business.

Insurance regulatory authorities in the United States and internationally have broad administrative powers including, but not limited to:

- licensing companies and agents to transact business;
- calculating the value of assets and determining the eligibility of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving policy forms;
- regulating discrimination in pricing and coverage terms and unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;
- establishing and revising statutory capital and reserve requirements and solvency standards;
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;
- approving future rate increases;
- evaluating enterprise risk to an insurer;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and

regulating the types, amounts and valuation of investments.

State insurance regulators and the NAIC regularly re-examine existing laws and regulations, specifically focusing on modifications to SAP, interpretations of existing laws and the development of new laws and regulations applicable to insurance companies and their products. Any proposed or future legislation or NAIC initiatives, if adopted, may be more restrictive on our ability to conduct business than current regulatory requirements or may result in higher costs or increased statutory capital and reserve requirements. Further, because laws and regulations can be complex and sometimes inexact, there is also a risk that any particular regulator s or enforcement authority s interpretation of a legal, accounting or reserving issue may change over time to our detriment, or expose us to different or additional regulatory risks. The application of these regulations and guidelines by insurers involves interpretations and judgments that may differ from those of state insurance departments. We cannot provide assurance that such differences of opinion will not result in regulatory, tax or other challenges to the actions we have taken to date. The result of those potential challenges could require us to increase levels of statutory capital and reserves or incur higher operating costs and/or have implications on certain tax positions.

In addition, the FHFA, the regulatory body of the Federal Home Loan Banks (FHLBs), began exploring changes to federal regulations in December 2010, augmented by an additional proposed advisory bulletin in 2012 on FHLB lending to insurers. The FHFA published a proposed rule amending its regulation of FHLB membership on September 12, 2014, and issued its final rule on FHLB membership on January 12, 2016, with an effective date of February 19, 2016. FHLB membership provides a low-cost alternative funding source for our businesses. Changes in these laws and regulations, or in interpretations thereof in the United States, can be made for the benefit of the consumer, or for other reasons, at the expense of the insurer and thus could have a material adverse effect on our financial condition and results of operations. These FHFA regulations also impose general eligibility requirements for FHLB membership which, if not met, would render an institution ineligible for FHLB membership. Under these provisions an insurance company member must, among other things, meet certain financial condition requirements under the FHFA regulations. The FHLB could determine that the financial condition of one of our insurers is such that the FHLB deems it is not safe to make advances to the insurer, which would effectively eliminate a funding source for our businesses.

Regulators in the United States and internationally have developed criteria under which they are subjecting non-bank financial companies, including insurance companies, that are deemed systemically important to higher regulatory capital requirements and stricter prudential standards. Although neither we nor any of our subsidiaries have been designated systemically important, we cannot predict whether we or any of our subsidiaries will be deemed systemically important in the future or how such a designation would impact our business, results of operations, cash flows or financial condition.

Litigation and regulatory investigations or other actions are common in the insurance business and may result in financial losses and harm our reputation.

We face the risk of litigation and regulatory investigations or other actions in the ordinary course of operating our businesses, including 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, cancellation or rescission of coverage, product design, product disclosure, 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 RESPA or related state anti-inducement laws and breaching fiduciary or other duties to customers. In our investment-related operations, we are subject to litigation involving commercial disputes with counterparties. 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. Plaintiffs in class action and other lawsuits against us, as well as regulators, may seek very large or indeterminate amounts, which may remain unknown for substantial periods of time.

We are also subject to litigation arising out of our general business activities such as our contractual and employment relationships and we are currently subject to two shareholder putative class action lawsuits alleging securities law violations.

A substantial legal liability or a significant regulatory action (including uncertainty about the outcome of pending legal and regulatory investigations and actions) against us could have a material adverse effect on our 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 and incur significant legal expenses, which could have a material adverse effect on our business, financial condition or results of operations. At this time, it is not feasible to predict, nor determine, the ultimate outcomes of any pending investigations and legal proceedings, nor to provide reasonable ranges of possible losses other than those that have been disclosed.

With respect to risks relating to the previously-disclosed litigation *In re Genworth Financial, Inc. Securities Litigations*, the court has scheduled a trial to begin on May 9, 2016, and the parties are currently engaging in a mediation process. The plaintiffs have recently taken the position that the class is entitled to recover per share and per bond amounts that, if the plaintiffs were to prevail, would, in the aggregate, be material. There can be no assurance that the mediation will result in a settlement and, if it does not, we intend to continue to vigorously defend the lawsuit. At this stage of the litigation, we are unable to determine or predict the ultimate outcome of this litigation or provide an estimate or range of reasonably possible losses arising from this litigation. Nevertheless, we believe that it is reasonably possible we will incur additional losses in resolving this litigation beyond the amounts already accrued and, if so, that it is reasonably possible the amount of such losses would be material. Any settlement or unfavorable judgment that requires us to pay a material amount would have a material adverse effect on our results of operations in the near term (based on the currently scheduled timing of the mediation process and trial), and could materially reduce, or in the case of a judgment exceed, our available liquidity, which would have a material adverse effect on our financial condition and business.

For a further discussion of certain current investigations and proceedings in which we are involved, see note 21 in Part II Item 8 Financial Statements and Supplementary Data. We cannot assure you that these investigations and proceedings will not have a material adverse effect on our business, financial condition or results of operations. It is also possible that we could become subject to further investigations and have lawsuits filed or enforcement actions initiated against us. In addition, increased regulatory scrutiny and any resulting investigations or legal proceedings could result in new legal precedents and industry-wide regulations or practices that could materially adversely affect our business, financial condition and results of operations.

As holding companies, we and Genworth Holdings depend on the ability of our respective subsidiaries to pay dividends and make other payments and distributions to each of us and to meet our obligations.

We and Genworth Holdings each act as a holding company for our respective subsidiaries and do not have any significant operations of our own. Dividends from our respective subsidiaries, permitted payments to us under tax sharing and expense reimbursement arrangements with our subsidiaries and proceeds from borrowings are our principal sources of cash to meet our obligations. These obligations include operating expenses and interest and principal on current and any future borrowings and amounts owed to GE under the Tax Matters Agreement. If the cash we receive from our respective subsidiaries pursuant to dividends and tax sharing and expense reimbursement arrangements is insufficient to fund any of these obligations, or if a subsidiary is unable or unwilling for any reason to pay dividends to either of us, we or Genworth Holdings may be required to raise cash through, among other things, the incurrence of debt (including convertible or exchangeable debt), the sale of assets or the issuance of equity.

The payment of dividends and other distributions by our insurance subsidiaries is dependent on, among other things, the performance of the subsidiaries, is subject to corporate law restrictions, and is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits are deemed extraordinary and require insurance regulatory approval. In addition, insurance regulators may prohibit the payment of ordinary dividends or other payments by the insurance subsidiaries (such as a payment under a tax sharing agreement or for employee or other services) if they determine that such payment could be adverse to policyholders or contractholders. Moreover, as a consequence of our recent adverse financial results, the regulators who have governance over our international mortgage insurance subsidiaries may impose additional restrictions over such subsidiaries using the broad prudential authorities available to the major regulators. Courts typically grant regulators significant deference when considering challenges of an insurance company to a determination by insurance regulators to grant or withhold approvals with respect to dividends and other distributions.

In addition, as a public company that is traded on the TSX, Genworth Canada is subject to securities laws and regulations in each province in Canada, as well as the rules of the TSX. These applicable laws, regulations and rules include but are not limited to, obligations and procedures in respect of the equal and fair treatment of all shareholders of Genworth Canada. Although the board of directors of Genworth Canada is composed of a majority of Genworth nominees, under Canadian law each director has an obligation to act honestly and in good faith with a view to the best interests of Genworth Canada. Moreover, as a public company that is traded on the ASX, Genworth Australia and its subsidiaries are subject to Australian securities laws and regulations, as well as the rules of the ASX. These applicable laws, regulations and rules include but are not limited to, obligations and procedures in respect of the equal and fair treatment of all shareholders of Genworth Australia. Although the board of directors of Genworth Australia is currently composed of an even number of Genworth designated directors and non-executive independent directors, under Australian law each director has an obligation to exercise their powers and discharge their duties in good faith in the best interests of Genworth Australia and for a proper purpose. Accordingly, actions taken by Genworth Canada and Genworth Australia and their respective boards of directors (including the payment of dividends to us) are subject to, and may be limited by, the laws, regulations and rules applicable to such entities.

We expect our international subsidiaries to be the sole source of cash dividends paid to us in 2016 as we continue to strengthen the capital position of our U.S. life insurance and U.S. mortgage insurance businesses, and therefore our liquidity and capital positions are particularly dependent on the performance of those subsidiaries and their ability to pay dividends to us as anticipated.

Fifty percent of our in-force long-term care insurance business (excluding policies assumed from a non-affiliate third-party reinsurer) of GLIC, a Delaware insurance company and our indirect wholly-owned subsidiary, is reinsured to BLAIC, a Bermuda insurance company and our indirect wholly-owned subsidiary. GFIH, our indirect wholly-owned subsidiary, has entered into a capital maintenance agreement whereby GFIH has agreed to provide capital to BLAIC to fund payment obligations of BLAIC to GLIC or GLAIC, as applicable, under certain reinsurance agreements, including the one covering our long-term care insurance business. As of December 31, 2015, GFIH directly or indirectly owns our 52.0% interest in our Australian mortgage insurance subsidiaries and 40.6% of our Canadian mortgage insurance subsidiary. As a result of GFIH s capital maintenance agreement, adverse developments in our reinsured long-term care insurance business (including the recent increases in our reserves of that business) have adversely impacted BLAIC s financial condition, which could, in turn, adversely impact GFIH s willingness or ability to pay dividends to Genworth Holdings. We intend to seek regulatory approvals to effectively unwind the long-term care insurance reinsurance agreement between GLIC and BLAIC and release the related GFIH capital guarantee thereof; however, we do not know whether or when the required approvals will be obtained and what conditions, if granted, may be imposed. Our inability to receive dividends related to our Australian and Canadian mortgage insurance businesses from GFIH as anticipated or the inability of GFIH to sell or otherwise dispose of shares of the businesses it owns or distribute the proceeds from any such sale to us, would have a material adverse impact on our results of operations, financial condition and business.

An adverse change in our regulatory requirements, including risk-based capital, could result in a decline in our ratings and/or increased scrutiny by regulators and have a material adverse impact on our results of operations, financial condition and business.

Our U.S. life insurance subsidiaries are subject to the NAIC s RBC standards and other minimum statutory capital and surplus requirements imposed under the laws of their respective states of domicile. The failure of our insurance subsidiaries to meet applicable RBC requirements or minimum statutory capital and surplus requirements could subject our insurance subsidiaries to further examination or corrective action imposed by state insurance regulators, including limitations on their ability to write additional business, or the addition of state regulatory supervision, rehabilitation, seizure or liquidation.

Our U.S. mortgage insurers are not subject to the NAIC s RBC requirements but are required by certain states and other regulators to maintain a certain risk-to-capital ratio. In addition, PMIERs include revised financial requirements for mortgage insurers under which a mortgage insurer s Available Assets (generally only the most liquid assets of an insurer) must meet or exceed Minimum Required Assets (which are based on an insurer s risk-in-force and are calculated from tables of factors with several risk dimensions and are subject to a floor amount). The failure of our U.S. mortgage insurance subsidiaries to meet their regulatory requirements, and additionally the PMIERs financial requirements, could limit our ability to write new business. For further discussion of the importance of financial requirements to our U.S. mortgage insurance subsidiaries, see If we are unable to meet the requirements mandated by

PMIERs because the GSEs amend them or the GSEs interpretation of the financial requirements requires us to hold amounts of capital that are higher than we currently have planned or otherwise, we may not be eligible to write new insurance on loans acquired by the

GSEs, which would have a material adverse effect on our business, results of operations and financial condition and Our U.S. mortgage insurance subsidiaries are subject to minimum statutory capital requirements and hazardous financial condition standards which, if not met or waived, would result in restrictions or prohibitions on our doing business and could have a material adverse impact on our results of operations.

Additionally, our international insurance subsidiaries also have minimum regulatory requirements which vary by country. For example, as described under Item 1 Business Regulation Bermuda Insurance Regulation, there will be fundamental changes to the existing solvency capital regime for all insurers and reinsurers operating in Bermuda as a result of the introduction of the Solvency II directive, which became effective on January 1, 2016. These new minimum solvency requirements include transitional measures that will be phased in over 16 years. Implementation of the transitional measures to our long-term care insurance business in Bermuda would, over time, have a material adverse effect on the business, results of operations and financial condition of BLAIC, our primary Bermuda domiciled reinsurance subsidiary. One of our strategic priorities is to repatriate all of the business in BLAIC, including our long-term care insurance business. The timing of the repatriation is expected to occur in 2016, but in any event, prior to the transitional measures having a material adverse effect on BLAIC. The repatriation is subject to various regulatory approvals.

In addition, the Canadian regulator, OSFI, released a discussion paper on proposed changes to the Regulatory Capital Framework for Property and Casualty Insurers, and OSFI noted that it has commenced an internal process aimed at developing a new capital framework for mortgage insurers expected to be effective in 2017. At this stage, it is not possible to predict the impact these changes will have on our operations.

An adverse change in our RBC, risk-to-capital ratio or other minimum regulatory requirements also could cause rating agencies to downgrade the financial strength ratings of our insurance subsidiaries and the credit ratings of Genworth Holdings, which would have an adverse impact on our ability to write and retain business and could cause regulators to take regulatory or supervisory actions with respect to our businesses, all of which could have a material adverse effect on our results of operations, financial condition and business.

If we are unable to meet the requirements mandated by PMIERs because the GSEs amend them or the GSEs interpretation of the financial requirements requires us to hold amounts of capital that are higher than we have planned or otherwise, we may not be eligible to write new insurance on loans acquired by the GSEs, which would have a material adverse effect on our business, results of operations and financial condition.

Each GSE s Congressional charter generally prohibits it from purchasing or guaranteeing a mortgage where the loan-to-value ratio exceeds 80% of home value unless the portion of the unpaid principal balance of the mortgage which is in excess of 80% of the value of the property securing the mortgage is protected against default by lender recourse, participation or by a qualified insurer. In furtherance of their respective charter requirements, each GSE has adopted PMIERs effective December 31, 2015. The PMIERs include revised financial requirements for mortgage insurers under which a mortgage insurer s Available Assets (generally only the most liquid assets of an insurer) must meet or exceed Minimum Required Assets (which are based on an insurer s risk-in-force and are calculated from tables of factors with several risk dimensions and are subject to a floor amount) and otherwise generally establish when a mortgage insurer is qualified to issue coverage that will be acceptable to the respective GSE for acquisition of high loan-to-value mortgages. The GSEs may amend or waive PMIERs at their discretion.

The amount of capital that may be required in the future to maintain the Minimum Required Assets, as defined in PMIERs, and operate our business is dependent upon, among other things: (i) the way PMIERs are applied and interpreted by the GSEs and FHFA as and after they are implemented; (ii) the future performance of the U.S. housing market; (iii) our generation of earnings in our U.S. mortgage insurance business, available assets and risk-based required assets (including as they relate to the value of the shares of our Canadian mortgage insurance subsidiary that are owned by our U.S. mortgage insurance business as a result of share price and foreign exchange movements or otherwise), reducing risk in-force and reducing delinquencies as anticipated, and writing anticipated amounts and types of new U.S. mortgage insurance business; and (iv) our overall financial performance, capital and liquidity levels. Depending on our actual experience, the amount of capital required under PMIERs for our U.S. mortgage insurance business may be higher than currently anticipated. In the absence of a premium increase, the more capital we hold relative to insured loans, the lower our returns will be. We may be unable to increase premium rates for various reasons, principally due to competition. Our inability, on the other hand, to increase the capital as required in the anticipated timeframes and on the anticipated terms, and to realize the anticipated benefits, could have a material adverse impact on our business, results of operations and financial condition. More particularly, our ability to meet the PMIERs financial requirements and maintain a prudent amount of capital in excess of those requirements, given the dynamic nature of asset and requirement valuations over time, is dependent upon, among other things: (i) our ability to complete reinsurance transactions on our anticipated terms and timetable, which are subject to market conditions, third-party approvals and other actions (including approval by regulators and the GSEs), and other factors which are outside of our control; (ii) our ability to contribute holding company cash or other sources of capital to satisfy the portion of the financial requirements that are not satisfied through reinsurance transactions; and (iii) the approval by the GSEs of our application to meet the financial requirements by the conclusion of the transition period, if such application is pursued by us. In addition, another potential capital source includes, but is not limited to, the issuance of securities by Genworth Financial or Genworth Holdings, which could materially adversely impact our business, shareholders and debtholders.

Our assessment of PMIERs compliance is based on a number of factors, including current affiliate asset valuations under PMIERs and our understanding of the GSEs interpretation of the PMIERs financial requirements. Although we believe we have sufficient capital in our U.S. mortgage insurance business as required as of the PMIERs effective date and that we will continue to be an approved insurer thereafter, there can be no assurance this will continue to be the case. In addition, the approval letters of the GSEs on our last reinsurance transaction of our 2015 book year are qualified by certain conditions, including, but not limited to, our ability to remain below a statutory risk-to-capital ratio of 18:1 and the GSEs rights to reevaluate the credit for reinsurance available under PMIERs. If we are unable to maintain these conditions or the capital requirements mandated by PMIERs because PMIERs are amended by the GSEs or are interpreted by the GSEs to require us to hold an amount of capital higher than we currently plan or otherwise or we determine not to or are unable to generate or utilize additional sources of capital to meet them, we may not be eligible to write new insurance on loans acquired by the GSEs, which would have a material adverse effect on our business, results of operations and financial condition.

Our U.S. mortgage insurance subsidiaries are subject to minimum statutory capital requirements and hazardous financial condition standards which, if not met or waived, would result in restrictions or prohibitions on our doing business and could have a material adverse impact on our results of operations.

Certain states have insurance laws or regulations which require a mortgage insurer to maintain a minimum amount of statutory capital relative to its level of risk in-force. While formulations of minimum capital vary in certain states, the most common measure applied allows for a maximum permitted risk-to-capital ratio of 25:1. If one of our U.S. mortgage insurance subsidiaries that is writing business in a particular state fails to maintain that state s required minimum capital level, we would generally be required to immediately stop writing new business in the state until the insurer re-establishes the required level of capital or receives a waiver of the requirement from the state s insurance regulator, or until we establish an alternative source of underwriting capacity acceptable to the regulator. As of December 31, 2015 and 2014, GMICO s risk-to-capital ratio was approximately 16.4:1 and 14.3:1, respectively. While it is our expectation that our U.S. mortgage insurance business will continue to meet its regulatory capital requirements, should GMICO in the future exceed required risk-to-capital levels, we would seek required regulatory and GSE forbearance and approvals or seek approval for the utilization of alternative insurance vehicles. However, there can be no assurance if, and on what terms, such forbearance and approvals may be obtained.

While we believe GMICO has sufficient claims-paying resources currently to meet its claims obligations on existing insurance in-force, we cannot provide assurance that this would always be the case. Furthermore, our estimates of claims-paying resources and claim obligations are based on various assumptions, which include the timing of the receipt of claims on loans in our delinquency inventory and future claims that we anticipate will ultimately be received, our anticipated loss mitigation activities, premiums, housing prices and unemployment rates. These assumptions are subject to inherent uncertainty and require judgment by management. Current conditions in the U.S. economy make the assumptions about when anticipated claims will be received, housing values, and unemployment rates uncertain, such that there is a wide range of reasonably possible outcomes. Also, our U.S. mortgage insurance subsidiaries hold certain affiliate assets including, but not limited to, investments in the common stock of Genworth Canada and our European mortgage insurance subsidiary, which are included in our reported statutory capital of our U.S. mortgage insurance subsidiaries. Although we have entered into an agreement to sell our mortgage insurance business in Europe which is expected to close in the first quarter of 2016, it remains subject to customary closing conditions, including obtaining requisite regulatory approvals. The statutory reported value of the Canadian and European mortgage insurance investments is subject to the operating performance of these affiliates as well as changes in foreign exchange rates and mark-to-market valuation on their investment portfolios. These exposures to foreign currency exchange rates are not currently hedged and, hence, the statutory capital of our U.S. mortgage insurance subsidiaries and their statutory risk-to-capital ratio may fluctuate because of variances in future reported values. In addition, if the NCDOI decreases or no longer permits the admissibility of all or a portion of these affiliate assets, this could have a material adverse impact on the statutory capital and business of our U.S. mortgage insurance subsidiaries.

In addition to the minimum statutory capital requirements, our U.S. mortgage insurance business is subject to standards by which insurance regulators in a particular state evaluate the financial condition of the insurer. Typically, regulators are required to evaluate specified criteria to determine whether or not a company may be found to be in hazardous financial condition, in which event restrictions on the business may be imposed. Among these criteria are formulas used in assessing trends relating to statutory capital. We can provide no assurance as to whether or when a regulator may make a determination of hazardous financial condition for one or more of our mortgage insurance subsidiaries. Such a determination could likely lead to restrictions or prohibitions on our doing business in that state and could have a material adverse impact on results of operations depending on the number of states involved.

The NAIC established the MGIWG to determine and make recommendations to the NAIC s Financial Condition Committee as to what, if any, changes to make to the solvency and other regulations relating to mortgage guaranty insurers. During 2014 and 2015, the MGIWG published revised drafts of the previously proposed amendments of the NAIC s Mortgage Guaranty Insurers Model Act (the MGI Model) and solicited comments on these revised proposed amendments. The proposed amendments of the MGI Model relate to, among other things: (i) capital and reserve standards, including increased minimum capital and surplus requirements, mortgage guaranty-specific RBC standards, dividend restrictions and contingency and premium deficiency reserves; (ii) limitations on the geographic concentration of mortgage guaranty risk, including state-based limitations; (iii) restrictions on mortgage insurers investments in notes secured by mortgages; (iv) prudent underwriting standards and formal underwriting guidelines to be approved by the insurer s board; (v) the establishment of formal, internal Mortgage Guaranty Quality Control Programs with respect to in-force business; (vi) prohibitions on reinsurance with bank captive reinsurers; and (vii) incorporation of an NAIC Mortgage Guaranty Insurance Standards Manual. At this time, we cannot predict the outcome of this process, the effect changes, if any, will have on the mortgage guaranty insurance market generally, or on our businesses specifically, the additional costs associated with compliance with any such changes, or any changes to our operations that may be necessary to comply, any of which could have a material adverse effect on our business, results of operations or financial condition. We also cannot predict whether other regulatory initiatives will be adopted or what impact, if any, such initiatives, if adopted as laws, may have on our business, results of operations or financial condition.

Fannie Mae, Freddie Mac and a small number of large mortgage lenders 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.

Our U.S. mortgage insurance products protect mortgage lenders and investors from default-related losses on residential first mortgage loans made primarily to home buyers with high loan-to-value mortgages, generally, those home buyers who make down payments of less than 20% of their home s purchase price. Fannie Mae s and Freddie Mac s charters generally prohibit them from purchasing any mortgage with a face amount that exceeds 80% of the home s value, unless that mortgage is insured by a qualified insurer or the mortgage seller retains at least a 10% participation in the loan or agrees to repurchase the loan in the event of default. The provisions in Fannie Mae s and Freddie Mac s charters create much of the demand for private mortgage insurance in the United States. High loan-to-value mortgages purchased by Fannie Mae or Freddie Mac generally are insured with private mortgage insurance. We believe the rate of mortgages purchased by Fannie Mae and Freddie Mac has increased the market size for private flow mortgage insurance during recent years. However, while Fannie Mae s and Freddie Mac s purchase activity increased in recent years, mortgage insurance penetration did not increase proportionately due to a combination of tighter mortgage insurance guidelines and the impact of GSE loan-level pricing on high loan-to-value loans. Changes by the GSEs in underwriting requirements or pricing terms on mortgage purchases could adversely affect the market size for private mortgage insurance. Fannie Mae and Freddie Mac are subject to regulatory oversight by the U.S. Department of Housing and Urban Development Administration and the FHFA. Any change in the charter provisions of the GSEs or other statutes or regulations relating to their mortgage acquisition activity or changes in the way the GSEs seek to comply with their charter requirements could have a material adverse effect on our financial condition and results of operations.

An increase in consolidation among mortgage lenders may result in significant customer concentration for U.S. mortgage insurers. Fannie Mae, Freddie Mac and the largest mortgage lenders possess substantial market power, which enables them to influence our business and the mortgage insurance industry in general. Although we actively monitor and develop our relationships with Fannie Mae, Freddie Mac and our largest mortgage lending customers, a deterioration in any of these relationships, or the loss of business or opportunities for new business from any of our key customers, could have a material adverse effect on our financial condition and results of operations.

In September 2008, the FHFA was appointed conservator of the GSEs. The U.S. Congress continues to examine the role of the GSEs in the U.S. housing market, and the Obama Administration also continues to evaluate available options regarding the future status of the GSEs. If legislation is enacted that reduces or eliminates the need for the GSEs to obtain credit enhancement on above 80% loan-to-value loans or that otherwise reduces or eliminates the role of the GSEs in single-family housing finance, the demand for private mortgage insurance in the United States could be significantly reduced. In February 2011, the Obama Administration issued a white paper setting forth various proposals to gradually eliminate Fannie Mae and Freddie Mac. Since that date, members of Congress have from time to time proposed legislation on the GSEs and along with various housing experts and others within the industry have also published proposals addressing the role of the GSEs in single family housing finance. We cannot predict whether or when any proposals will be implemented, and if so in what form, nor can we predict the effect of such a proposal, if so implemented, would have on our business, results of operations or financial condition.

Changes in regulations that adversely affect the mortgage insurance markets in which we operate could affect our operations significantly and could reduce the demand for mortgage insurance.

In addition to the general regulatory risks that are described under Our insurance businesses are extensively regulated and changes in regulation may reduce our profitability and limit our growth and under The Dodd-Frank Wall Street Reform and Consumer Protection Act subjects us to additional federal regulation, and we cannot predict the effect of such regulation on our business, results of operations or financial condition, we are also affected by various additional regulations relating particularly to our mortgage insurance operations.

United States

In the United States, federal and state regulations affect the scope of our U.S. competitors operations, which has an effect on the size of the U.S. mortgage insurance market and the intensity of the competition in our U.S. mortgage insurance business. This competition includes not only other private mortgage insurers, but also U.S. federal and state governmental and quasi-governmental agencies, principally the FHA and the VA, which are governed by federal regulations. Increases in the maximum loan amount that the FHA can insure, and reductions in the mortgage insurance premiums the FHA charges, can reduce the demand for private mortgage insurance. Decreases in the maximum loan amounts the GSEs will purchase or guarantee, increases in GSE fees or decreases in the maximum loan-to-value ratio for loans the GSEs will purchase can also reduce demand for private mortgage insurance. Legislative and regulatory changes could cause demand for private mortgage insurance to decrease.

If Basel III rules are implemented in the United States in their proposed form, the rules could discourage the use of mortgage insurance in the United States. See Basel III below. The heightened prudential standards for large bank holding companies and systemically significant financial companies that were proposed by the Federal Reserve Board in December 2011 may also increase the usefulness of mortgage insurance if insurance of that kind is treated as reducing counterparty credit exposure. However, if mortgage insurance is used in that way, it will create a new counterparty credit exposure to the issuer of the insurance, which could limit any usefulness it may otherwise have.

Our U.S. mortgage insurance business, as a credit enhancement provider in the residential mortgage lending industry, is also subject to compliance with various federal and state consumer protection and insurance laws, including RESPA, the ECOA, the FHA, the Homeowners Protection Act, the FCRA, the Fair Debt Collection Practices Act and others. Among other things, these laws prohibit payments for referrals of settlement service business, providing services to lenders for no or reduced fees or payments for services not actually performed, require fairness and non-discrimination in granting or facilitating the granting of credit, require cancellation of insurance and refund of unearned premiums under certain circumstances, govern the circumstances under which companies may obtain and use consumer credit information, and define the manner in which companies may pursue collection activities. Changes in these laws or regulations, changes in the appropriate regulator s interpretation of these laws or regulations or heightened enforcement activity could materially adversely affect the operations and profitability of our U.S. mortgage insurance business.

Canada

In Canada, all financial institutions that are federally regulated by OSFI are required to purchase mortgage insurance whenever the amount of a mortgage loan exceeds 80% of the value of the collateral property at the time the loan is made. From time to time, the Canadian government reviews the federal financial services regulatory framework and has in the past examined whether to remove, in whole or in part, the requirement for mortgage insurance on such high loan-to-value mortgages. High loan-to-value mortgage loans constitute a significant part of our portfolio of insured mortgages in, and the removal, in whole or in part, of the regulatory requirement for mortgage insurance for such loans could result in a reduction in the amount of new insurance written by us in Canada in future years. In addition, any increase in the threshold loan-to-value ratio above which mortgage insurance is required or increase in mandatory down payment requirements for mortgage borrowers could also result in a reduction in the amount of new insurance written by us in Canada in future years. Any of these events could have a material adverse effect on our business, results of operations and financial condition of our mortgage insurance business in Canada.

On December 11, 2015, CMHC announced a price increase to the guarantee fees it will charge issuers as well as annual limits for new guarantees for both its NHA MBS and CMB programs effective July 1, 2016. CMHC guarantees the timely payment of principal and interest for NHA MBS and CMB, enabling approved financial institutions to pool eligible mortgages and transform them into marketable securities that can be sold to investors. The guarantee fees are paid by lenders in addition to the mortgage insurance premium. This price increase was in addition to a price increase implemented effective April 1, 2015. On June 3, 2015, the Canadian government published regulations that prohibit the substitution of mortgages in insured pools after May 15, 2015 and limit the mortgage insurer s commitment period to no more than one year. On June 6, 2015, the Canadian government published draft regulations to implement the prohibition that was announced in its 2013 budget to limit portfolio insurance to only those mortgages that will be used in CMHC securitization programs and to prohibit the use of government guaranteed insured mortgages in private securitizations. The regulations will become effective on July 1, 2016. Although it is difficult to determine the full impact of these changes at this time, we believe the changes will decrease demand for low loan-to-value mortgage insurance in Canada.

If the Canadian government were to alter its policy in any manner adverse to us, including by managing its aggregate cap of CAD$300.0 billion on the outstanding principal amount of mortgages insured by private mortgage insurance providers in a manner that is detrimental to private mortgage insurance providers, altering the terms of or terminating its guarantee of the policies of private mortgage insurance providers, including those with our mortgage insurance business in Canada, or varying the treatment of private mortgage insurance in the capital rules, we could lose our ability to compete effectively with CMHC and could effectively be unable to write new business as a private mortgage insurer in Canada. This could have an adverse effect on our ability to offer mortgage insurance products in Canada and could materially adversely affect our financial condition and results of operations. For further discussion of the Canadian government guarantee, refer to Item 1 Business Canada Mortgage Insurance Government guarantee eligibility.

Australia

In Australia, APRA regulates all ADIs in Australia and life, general and mortgage insurance companies. APRA also determines the minimum regulatory capital requirements for ADIs. APRA s current regulations provide for reduced capital requirements for certain ADIs that insure residential mortgages with an acceptable mortgage insurer (which include our Australian mortgage insurance companies) for all non-standard mortgages and for standard mortgages with loan-to-value ratios above 80%. APRA s regulations currently set out a number of circumstances in which a loan may be considered to be non-standard from an ADI s perspective. The capital levels for Australian IRB ADIs are determined by their APRA-approved IRB models, which may or may not allocate capital credit for LMI. We believe that APRA and the IRB ADIs have not yet finalized internal models for residential mortgage risk, so we do not believe that the IRB ADIs currently benefit from an explicit reduction in their capital requirements for mortgages covered by mortgage insurance.

Under APRA rules, ADIs in Australia that are accredited as standardized receive a reduced capital incentive for using mortgage insurance for high loan-to-value mortgage loans in Australia. ADIs that are considered to be advanced accredited and determine their own capital estimates, are currently working with the mortgage insurers and APRA to determine the appropriate level of incentive mortgage insurance provides for high loan-to-value mortgage loans. The rules also provide that ADIs would be able to acquire mortgage insurance covering less of the exposure to the loan than existing requirements with reduced capital incentives. Accordingly, lenders in Australia may be able to reduce their use of mortgage insurance for high loan-to-value ratio mortgages, or limit their use to the higher risk portions of their portfolios, which may have an adverse effect on our mortgage insurance business in Australia.

Basel III

In December 2010, revisions to a set of regulatory rules and procedures governing global bank capital standards were introduced by the Basel Committee to strengthen regulatory capital, liquidity and other requirements for banks, known as Basel III. Although we believe these revisions could support further use of mortgage insurance as a risk and capital management tool in international markets, their adoption by individual countries internationally and in the United

States has not concluded and we cannot be sure that this will be the case. In December 2014, the Basel Committee issued two consultative documents, one on proposed revisions to the standardized approach to credit risk and the second on capital floors for IRB banks. We made submissions in response to those documents, advocating for recognition of mortgage insurance and certain other changes, including to the treatment of real estate risk. A second consultative document on the standardized approach to credit risk was issued in December 2015, with a second consultative document on capital floors for IRB banks expected in 2016. Since the Basel framework continues to evolve, we cannot predict the mortgage insurance benefits, if any, that ultimately will be provided to lenders, or how any such benefits may affect the opportunities for the growth of mortgage insurance. If countries implement Basel III in a manner that does not reward lenders for using mortgage insurance on high loan-to-value mortgage loans, or if lenders conclude that mortgage insurance does not provide sufficient capital incentives, then we may have to revise our product offerings to meet the new requirements and our results of operations may be materially adversely affected.

We may not be able to continue to mitigate the impact of Regulations XXX or AXXX and, therefore, we may incur higher operating costs that could have a material adverse effect on our financial condition and results of operations.

We have increased term and universal life insurance statutory reserves in response to Regulations XXX and AXXX and have taken steps to mitigate the impact these regulations have had on our business, including increasing premium rates and implementing reserve funding structures, as well as changing our product offerings. We cannot provide assurance that we will be able to continue to implement actions to mitigate further impacts of Regulations XXX or AXXX on our term and universal life insurance products. Market conditions and regulatory constraints have, at times, limited the capacity of, and impacted pricing for, these reserve funding structures. If capacity were to be limited for a prolonged period of time, our ability to obtain new funding for these structures could be hindered. Additionally, we cannot be sure that there will not be regulatory, tax or other challenges to the actions we have taken to date, which could require us to increase statutory reserves or incur higher operating and/or tax costs.

One way that we and other insurance companies have mitigated the impact of these regulations is through captive reinsurance companies and/or special purpose vehicles. During 2014, the NAIC approved a new regulatory framework applicable to the use of captive insurers in connection with Regulation XXX and Regulation AXXX transactions, and implemented the framework through AG 48, which requires the ceding company s actuary who opines on the insurer s reserves to issue a qualified opinion if the framework is not followed. The NAIC is also currently developing a model regulation to be implemented by states that is generally expected to contain the same substantive provisions as the provisions of the adopted AG 48. Further implementation of the framework remains with respect to RBC calculations, financial reporting by captives and other issues. Resolution of these issues, as well as potential additional requirements that could be imposed by individual regulators, could make it more difficult and/or expensive for us to mitigate the impact of Regulations XXX and AXXX.

If we were to discontinue our use of captive life reinsurance subsidiaries to finance statutory reserves in response to regulatory changes on a prospective basis, the reasonably likely impact would be increased costs related to alternative financing, such as third-party reinsurance, which would adversely impact our consolidated results of operations and financial condition. In addition, we cannot be certain that affordable alternative financing would be available.

The Dodd-Frank Wall Street Reform and Consumer Protection Act subjects us to additional federal regulation, and we cannot predict the effect of such regulation on our business, results of operations or financial condition.

The Dodd-Frank Act made extensive changes to the laws regulating financial services firms and required various federal agencies to adopt a broad range of new implementing rules and regulations, many of which have taken effect.

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Among other provisions, the Dodd-Frank Act established new framework of regulation of the OTC derivatives markets which require, among other things, trade reporting of OTC derivatives transactions, formalized documentation requirements, execution of designated transactions on a SEF or DCM, clearing of designated transactions through DCOs and exchange of initial and variation margin for non-cleared swap transactions. We currently are subject to reporting with respect to all derivatives transactions we enter into and must execute certain interest rate and other transactions on a SEF or DCM, which transactions we also must clear through a DCO. The clearing requirements, among other things, require us to post with a futures commission merchant highly liquid securities or cash as initial margin and cash to meet variation margin requirements for most interest rate derivatives we trade. Over time, we will experience additional collateral requirements for derivative transactions that are not required to be cleared. As the new marketplace continues to evolve, we may have to alter or limit the way we use derivatives in the future, which could have a material adverse effect on our results of operations and financial condition. We are subject to similar trade reporting, documentation, central trading and clearing and OTC margining requirements when we transact with foreign derivatives counterparties. Dodd-Frank and foreign derivatives requirements expose us to operational, compliance, execution and other risks, including central counterparty insolvency risk.

The applicability of many of these regulations to us will depend to a large extent on whether the FSOC determines that we are systemically significant, in which case we would become subject to supervision by the Federal Reserve Board. FSOC has adopted final rules for evaluating whether a non-bank financial company should be designated as systemically significant. To date, the FSOC has not identified us as systemically significant. Since we are not affiliated with an insured depository institution, such supervision would probably have its greatest effect on requirements relating to capital, liquidity, stress testing, limits on counterparty credit exposure, compliance and governance, early remediation in the event of financial weakness and other prudential matters. Systemically significant companies are also required to prepare resolution plans, so-called living wills, that set out how they could most efficiently be liquidated if they endangered the U.S. financial system or the broader economy. Insurance companies that are found to be systemically significant are permitted, in some circumstances, to submit abbreviated versions of such plans.

The Dodd-Frank Act establishes an FIO within the Department of the Treasury to perform various functions with respect to insurance, including serving as a non-voting member of the FSOC and making recommendations to the FSOC regarding insurers that may be designated for more stringent oversight by the FSOC. We have not been designated to receive oversight by the FSOC, but there can be no assurances that it will not happen in the future.

We cannot predict the requirements that will be imposed under all the regulations adopted under the Dodd-Frank Act, the effect regulations will have on financial markets generally, or on our businesses specifically (directly or indirectly), the additional costs associated with compliance with such regulations, or any changes to our operations that may be necessary to comply with the Dodd-Frank Act and the regulations thereunder, any of which could have a material adverse effect on our business, results of operations, cash flows or financial condition.

Changes in accounting and reporting standards issued by the Financial Accounting Standards Board or other standard-setting bodies and insurance regulators could materially adversely affect our financial condition and results of operations.

Our financial statements are subject to the application of U.S. GAAP, which is periodically revised and/or expanded. Accordingly, from time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board. It is possible that future accounting and reporting standards we are required to adopt could change the current accounting treatment that we apply to our financial statements and that such changes could have a material adverse effect on our financial condition and results of operations. In addition, the required adoption of future accounting and reporting standards may result in significant costs to implement. For example, current proposals may change the

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accounting for insurance contracts and financial instruments and could result in increased volatility of net income as well as other comprehensive income. In addition, these proposals could require us to make significant changes to systems and use additional resources, resulting in significant incremental costs to implement the proposals.

Liquidity, Financial Strength Ratings, Credit and Counterparty Risks

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.

We need liquidity to pay our operating expenses, interest on our debt, maturing debt obligations and to meet any statutory capital requirements of our subsidiaries. Genworth Holdings currently has approximately $3.8 billion of outstanding debt that matures between 2018 and 2066, including $0.6 billion that matures in 2018, $0.4 billion that matures in 2020 and $1.1 billion that matures in 2021. Our existing cash resources are not sufficient to repay all outstanding debt as it becomes due, and therefore we will be required to rely on a combination of potential liquidity sources to repay or refinance debt as it becomes due, including existing and future cash resources, new borrowings and/or other potential sources of liquidity such as issuing additional equity or asset sales. Market conditions and a variety of other factors may make it difficult or impracticable to generate additional liquidity on favorable terms or at all. Any failure to repay or refinance our debt as it becomes due would have a material adverse effect on our business, financial condition and results of operations.

To the extent we seek additional borrowings to satisfy our liquidity needs, the availability of additional borrowings depends on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry, and our credit ratings and credit capacity. If we were required to raise additional debt today, we do not believe we would be able to raise borrowings on acceptable terms or at all, based on current market conditions and our credit ratings and financial condition. There is no guarantee that any of these factors will improve in the future when we would seek additional borrowings. Disruptions, volatility and uncertainty in the financial markets and downgrades in our credit ratings may force us to delay raising capital, issue shorter term securities than would be optimal, bear an unattractive cost of capital or be unable to raise capital at any price.

Similarly, market conditions and a variety of other factors may make it difficult or impracticable to generate additional liquidity through asset sales or the issuance of additional equity, and any issuance of equity in such circumstances could be highly dilutive to our stockholders.

In addition, we have a credit agreement that provides a $300 million multi-currency revolving credit facility, with a $100 million sublimit for letters of credit, available on a revolving basis until September 26, 2016. Currently there are no borrowings outstanding under the credit facility. Our ability to borrow is subject to compliance with various financial and other covenants and conditions, including that, since June 30, 2013, there has been no event, development or circumstance that had or could reasonably be expected to have a material adverse effect (as defined in the credit agreement). We cannot predict whether we will be able to meet the borrowing conditions in the event we were to need or want to borrow in the future. The credit facility terminates on September 26, 2016 and there can be no assurance that we will be able to extend, replace or refinance this credit facility on terms (or at targeted amounts) acceptable to us or at all. Additionally, we may seek certain strategic asset sales which may cause the early termination of the credit facility.

For a further discussion of our liquidity, see Part II Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Recent adverse rating agency actions have resulted in a loss of business and adversely affected our results of operations, financial condition and business and future adverse rating actions could have a further and more significant adverse impact on us.

Financial strength ratings, which various rating agencies publish as measures of an insurance company s ability to meet contractholder and policyholder obligations, are important to maintaining public confidence in our products, the ability to market our products and our competitive position. Credit ratings, which rating agencies publish as measures of an entity s ability to repay its indebtedness, are important to our ability to raise capital through the issuance of debt and other forms of credit and to the cost of such financing.

Over the last several years, the ratings of our holding company and several of our insurance companies have been downgraded, placed on negative outlook and/or put on review for potential downgrade on various occasions. A ratings downgrade, negative outlook or review could occur (and has occurred) for a variety of reasons, including reasons specifically related to our company, generally related to our industry or the broader financial services industry or as a result of changes by the rating agencies in their methodologies or rating criteria. We may be at risk of additional ratings downgrades in the future. A negative outlook on our ratings or a downgrade in any of our financial strength or credit ratings, the announcement of a potential downgrade, negative outlook or review, or customer, investor, regulator or other concerns about the possibility of a downgrade, negative outlook or review, could have a material adverse effect on our results of operations, financial condition and business.

Following our earnings announcement for the fourth quarter of 2015, which included the announcement of our decision to suspend sales of our traditional life and fixed annuity products and a restructure plan to separate and potentially isolate our long-term care insurance business, the rating agencies took a variety of adverse ratings actions with respect to Genworth Holdings. On February 9, 2016, S&P announced, among other things, that it had downgraded the issuer credit and senior unsecured debt ratings of Genworth Holdings to B from BB-. On February 9, 2016, A.M. Best also announced, among other things, that it had downgraded the issuer credit rating and existing senior debt ratings of Genworth Holdings to bb+ from bbb-. On February 5, 2016, Moody s announced, among other things, that it had downgraded the issuer credit and senior unsecured debt ratings of Genworth Holdings to Ba3 from Ba1. The rating agencies also took a variety of adverse ratings actions with respect to the financial strength ratings of our principal life insurance subsidiaries following the announcement of our results for the fourth quarter of 2015. See Item 1 Business Financial Strength Ratings for information regarding the current financial strength ratings of our principal insurance subsidiaries.

The direct or indirect effects of such adverse ratings actions or any future actions could include, but are not limited to:

- reducing new sales of our products or limiting the business opportunities we are presented with;
- adversely affecting our relationships with distributors, including the loss of exclusivity under certain agreements with our independent sales intermediaries and distribution partners;
- causing us to lose key distributors that have ratings requirements that we may no longer satisfy (or resulting in our renegotiation of new, less favorable arrangements with those distributors);

requiring us to modify some of our existing products or services to remain competitive, or introduce new products or services;

materially increasing the number or amount of policy surrenders, withdrawals and loans by contractholders and policyholders;

requiring us to post additional collateral for our derivatives or hedging agreements (including those providing us with protection against certain foreign currency exchange movement, interest rate fluctuation and equity market risk) or enabling the counterparties to these agreements to exercise their right to terminate all transactions under the agreements;

requiring us to provide support, or to arrange for third-party support, in the form of collateral, capital contributions or letters of credit under the terms of certain of our reinsurance, securitization and other agreements, or otherwise securing our commercial counterparties for the perceived risk of our financial strength;

adversely affecting our ability to maintain reinsurance or obtain new reinsurance or obtain it on reasonable pricing and other terms;

limiting our ability to enter into new derivative transactions thereby increasing additional asset adequacy or other statutory reserves and lowering statutory capital, reducing our financial flexibility;

increasing the capital charge associated with affiliated investments within certain of our U.S. life insurance businesses thereby lowering capital and risk based capital of these subsidiaries and negatively impacting our financial flexibility;

regulators requiring certain of our subsidiaries to maintain additional capital, limiting thereby our financial flexibility and requiring us to raise additional capital;

adversely affecting our ability to raise capital;

increasing our cost of borrowing and making it more difficult to borrow in the public debt markets and replace our credit agreement when it expires in 2016; and

making it more difficult to execute strategic plans to effectively address our current business challenges.

Sales of our U.S. life insurance products, including our long-term care insurance products, were impacted by adverse rating actions after the announcement of our results for the third and fourth quarters of 2014. Following these rating actions, several distributors suspended distribution of our U.S. life insurance products. Those distributors represented, in aggregate, approximately 18%, 16% and 9%, respectively, of 2014 sales of our linked-benefits, annuities and long-term care insurance products. Following the adverse rating actions after the announcement of our results for the fourth quarter of 2015, additional distributors, representing in excess of 20% of our 2015 individual long-term care insurance sales, suspended distribution of our long-term care insurance products. We expect we will continue to be adversely impacted by these and recent rating actions. Any further adverse ratings announcements or actions likely would have, or intensify, the adverse impact of the direct or indirect effects discussed above (among others), all of which could have a material adverse impact on our results of operations, financial condition and business.

Under PMIERs, the GSEs have substantially revised their eligibility requirements and no longer primarily base such requirements on maintenance of specific ratings levels. In lieu of ratings criteria, the GSEs, under PMIERs, have adopted new financial requirements. See If we are unable to meet the requirements mandated by PMIERs because the GSEs amend them or the GSEs interpretation of the financial requirements requires us to hold amounts of capital that are higher than we have planned or otherwise, we may not be eligible to write new insurance on loans acquired by the GSEs, which would have a material adverse effect on our business, results of operations and financial condition for additional information regarding the requirements under PMIERs. However, under PMIERs, the GSEs now require maintenance of at least one rating with a rating agency acceptable to the respective GSEs. Our inability to insure new mortgage loans sold to the GSEs, or the transfer by the GSEs of our existing policies to an alternative mortgage insurer would have a materially adverse effect on our results of operations and financial condition. Further, our relationships with our mortgage insurance customers may be adversely affected by the ratings assigned to our holding company or other operating subsidiaries which could have a material adverse effect on our business, financial condition and results of operations.

Defaults by counterparties to our reinsurance arrangements or to derivative instruments we use to hedge our business risks, or defaults by us on agreements we have with these counterparties, may expose us to risks we sought to mitigate, which could have a material adverse effect on our results of operations and financial condition.

We routinely execute reinsurance and derivative transactions with reinsurers, brokers/dealers, commercial banks, investment banks and other institutional clients to mitigate our risks in various circumstances and to hedge various business risks. Many of these transactions expose us to credit risk in the event of default of our counterparty or client or change in collateral value. Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers. We cannot be sure that our reinsurers will pay the reinsurance recoverable owed to us now or in the future or that they will pay these recoverables on a timely basis. A reinsurer s insolvency, inability or unwillingness to make payments under the terms of its reinsurance agreement with us could have a material adverse effect on our financial condition and results of operations. Collateral is often posted by the counterparty to offset this risk, however, we bear the risk that the collateral declines in value or otherwise is inadequate to fully compensate us in the event of a default. We also enter into a variety of derivative instruments, including options and interest rate and currency swaps with a number of counterparties. If our counterparties fail or refuse to honor their obligations under the derivative instruments, and collateral posted, if any, is inadequate, our hedges of the related risk will be ineffective. In addition, if we trigger downgrade provisions on risk-hedging or reinsurance arrangements, the counterparties to these arrangements may be able to terminate our arrangements with them or require us to take other measures, such as post additional collateral, contribute capital or provide letters of credit. The loss of material risk-hedging or reinsurance arrangements could have a material adverse effect on our financial condition and results of operations. We ceded to UFLIC our in-force structured settlements block of business issued prior to 2004, certain variable annuity business issued prior to 2004 and the long-term care insurance assumed from MetLife Insurance Company USA. UFLIC has established trust accounts for our benefit to secure its obligations under the reinsurance arrangements, and at that time, General Electric Capital Corporation, an indirect subsidiary of GE, had agreed to maintain UFLIC s RBC above a specified minimum level pursuant to a Capital Maintenance Agreement. In connection with its announced realignment and reorganization of the business of General Electric Capital Corporation in December 2015, General Electric Capital Corporation merged with and into GE. As a result, GE is the successor obligor under the Capital Maintenance Agreement. If UFLIC becomes insolvent notwithstanding this agreement, and the amounts in the trust accounts are insufficient to pay UFLIC s obligations to us, it could have a material adverse effect on our financial condition and results of operations.

Defaults or other events impacting the value of our fixed maturity securities portfolio may reduce our income.

We are subject to the risk that the issuers or guarantors of fixed maturity securities we own may default on principal or interest payments they owe us. As of December 31, 2015, fixed maturity securities of $58.2 billion in our investment portfolio represented 78% of our total cash, cash equivalents and invested assets. Events reducing the value of our investment portfolio other than on a temporary basis could have a material adverse effect on our business, results of operations and financial condition. Levels of write-downs or impairments are impacted by our assessment of the financial condition of the issuer, whether or not the issuer is expected to pay its principal and interest obligations, our expected recoveries in the event of a default or circumstances that would require us to sell securities which have declined in value.

Defaults on our commercial mortgage loans or the mortgage loans underlying our investments in commercial mortgage-backed securities and volatility in performance may adversely affect our profitability.

Our commercial mortgage loans and investments in commercial mortgage-backed securities face default risk. Commercial mortgage loans are stated on our consolidated balance sheets at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of impairments and valuation allowances. We establish valuation allowances for estimated impairments as of the balance sheet date based on information, such as the market value of the underlying real estate securing the loan, any third-party guarantees on the loan balance or any cross collateral agreements and their impact on expected recovery rates. Commercial mortgage-backed securities are stated on our consolidated balance sheets at fair value.

Further, any concentration of geographic, sector or counterparty exposure in our commercial mortgage loans or the mortgage loans underlying our investments in commercial mortgage-backed securities may have adverse effects on our investment portfolio and consequently on our consolidated results of operations or financial condition. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region, sector or counterparty may have a greater adverse effect on the investment portfolios to the extent that the portfolios are exposed to such geographic region, sector or counterparty.

Operational Risks

If we are unable to retain, attract and motivate qualified employees or senior management, our results of operations, financial condition and business operations may be adversely impacted.

Our success is largely dependent on our ability to retain and attract qualified employees. We face intense competition in our industry for key employees with demonstrated ability, including actuarial, finance, legal, investment, risk, compliance and other professionals. Our ability to retain, attract and motivate experienced and qualified employees has been more challenging in light of our recent financial difficulties and our announced expense reductions, as well as the demands being placed on our employees. We cannot be sure we will be able to attract, retain and motivate the desired workforce, and our failure to do so could have a material adverse effect on results of operations, financial condition and business operations. In addition, we may not be able to meet regulatory requirements relating to required expertise in various professional positions.

Managing key employee succession and retention is also critical to our success. We would be adversely affected if we fail to adequately plan for the succession of our senior management and other key employees. While we have succession plans and long-term compensation plans, including retention programs, designed to retain our employees, our succession plans may not operate effectively and our compensation plans cannot guarantee that the services of these employees will continue to be available to us.

Our risk management programs may not be effective in identifying or adequate in controlling or mitigating the risks we face.

We have developed risk management programs that include risk appetite, limits, identification, quantification, governance, policies and procedures and seek to appropriately identify, monitor, measure, control, mitigate and report the types of risks to which we are subject. We regularly review our risk management programs and work to update them on an ongoing basis to be consistent with evolving global best market practices. However, our risk management programs may not fully control or mitigate all of the risks we face in our business.

Many of our methods of managing certain financial risks (e.g. credit, market, insurance and underwriting risks) are based on observed historical market behaviors and/or historical, statistically-based models. Historical measures may not accurately predict future exposures, which could be significantly greater than historical measures have indicated. We have also established internal risk limits based upon these historical, statistically-based models and we monitor compliance with these limits. Our internal risk limits may be insufficient and our monitoring may not detect all violations (inadvertent or otherwise) of these limits. Other risk management methods are based on our evaluation of information regarding markets, customers and customer behavior, macroeconomic and environmental conditions, catastrophic occurrences and potential changing paradigms that are publicly available or otherwise accessible to us. This collective information may not always be accurate, complete, up to date or properly considered, interpreted or evaluated in our analyses. Moreover, the models and other parts of our risk management programs we rely on in managing various aspects of our business may prove in practice to be less predictive than we expect for a variety of reasons, including as a result of issues arising in the construction, implementation, interpretation or use of the models or other programs or the use of inaccurate assumptions. The limitations of our models and other parts of our risk management programs may be material, and could lead us to make wrong or sub-optimal decisions in managing our risk and other aspects of our business and this could have a material adverse effect on our results of operations, financial condition and business.

Management of operational, legal, franchise and global regulatory risks requires, among other things, methods to appropriately identify all such key risks, systems to record incidents and policies and procedures designed to detect, record and address all such risks and occurrences. If our risk management framework does not effectively identify, measure and control our risks, we could suffer unexpected losses or be adversely affected and that could have a material adverse effect on our business, results of operations and financial condition.

We employ various strategies, including hedging and reinsurance, to mitigate financial risks inherent in our business and operations. These risks include current or future changes in the fair value of our assets and liabilities, current or future changes in cash flows, the effect of interest rates, changes in equity markets, credit spread movements, the occurrence of credit and counterparty defaults, currency fluctuations, changes in global housing prices, and changes in mortality, morbidity and lapses. We seek to control these risks by, among other things, entering in reinsurance contracts and derivative instruments. Such contracts and instruments may not always be available to us and subject us to counterparty credit risk. Developing effective strategies for dealing with these risks is a complex process, and no strategy can fully insulate us from such risks. The execution of these strategies also introduces operational risks and considerations. See Reinsurance may not be available, affordable or adequate to protect us against losses and Defaults by counterparties to our reinsurance arrangements or to derivative instruments we use to hedge our business risks, or defaults by us on agreements we have with these counterparties, may expose us to risks we sought to mitigate, which could have a material adverse effect on our results of operations and financial condition for more information about risks inherent in our reinsurance and hedging strategies.

We may choose to retain certain levels of financial risk, even when it is possible to mitigate these risks. The decision to retain certain levels of financial risk is predicated on our belief that the expected future returns that we will realize from retaining the risk, in relation to the level of risk retained, is favorable, but it may turn out that our expectations are incorrect and we incur material costs or suffer other adverse consequences that arise from the retained risk.

Our performance is highly dependent on our ability to manage risks that arise from day-to-day business activities, including underwriting, claims processing, policy administration and servicing, execution of our investment and hedging strategy, actuarial estimates and calculations, financial and tax reporting and other activities, many of which are very complex. We seek to monitor and control our exposure to risks arising out of or related to these activities through a variety of internal controls, management review processes and other mechanisms. However, the occurrence of unforeseen events, or the occurrence of events of a greater magnitude than expected, including those arising from inadequate or ineffective controls, a failure in processes, procedures or systems implemented by us or a failure on the part of employees upon which we rely in this regard, may have a material adverse effect on our financial condition or results of operations.

Past or future misconduct by our employees or employees of our vendors or suppliers could result in violations of laws by us, regulatory sanctions against us and/or serious reputational, legal or financial harm to our business, and the precautions we employ to prevent and detect this activity may not be effective in all cases. Although we employ controls and procedures designed to monitor the business decisions and activities of these individuals to prevent us from engaging in inappropriate activities, excessive risk taking, fraud or security breaches, these individuals may take such risks regardless of such controls and procedures and such controls and procedures may fail to detect all such decisions and activities. Our compensation policies and procedures are reviewed by us as part of our overall risk management program, but it is possible that such compensation policies and practices could inadvertently incentivize excessive or inappropriate risk taking. If these individuals take excessive or inappropriate risks, those risks could harm our reputation and have a material adverse effect on our business, results of operations and financial condition.

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.

Our businesses depend on our relationships with our customers, and in particular, our relationships with our largest lending customers in our mortgage insurance businesses. Our customers place insurance with us directly on loans that they originate and they also do business with us indirectly, primarily in the United States, through purchases of loans that already have our mortgage insurance coverage. Our relationships with our customers may influence both the amount of business they do with us directly and also their willingness to continue to approve us as a mortgage insurance provider for loans that they purchase. Particularly in Canada and Australia where a large portion of our business is concentrated with a small number of customers, the loss of business from significant customers could have an adverse effect on the amount of new business we are able to write and consequently, our financial condition and results of operations. Maintaining our business relationships and business volumes with our largest lending customers remains critical to the success of our business.

We cannot be certain that any loss of business from significant customers, or any single lender, would be replaced by other customers, existing or new. As a result of current market conditions and increased regulatory requirements, our lending customers may decide to write business only with a limited number of mortgage insurers or only with certain mortgage insurers, based on their views with respect to an insurer s pricing, service levels, underwriting guidelines, loss mitigation practices, financial strength or other factors.

As discussed in Part I Item 1 Business, our mortgage insurance businesses in Canada and Australia are highly concentrated in a small number of key distribution partners, which increases our risks and exposure in the event one or more of these partners terminate or reduce their relationship with us. Any termination, reduction or material change in relationship with a key distribution partner could have a material adverse effect on our future sales for one or more products. In addition, in Australia, where mortgage insurance is not required on high loan-to-value loans, some lenders self-insure a portion of their originations. If our lending customers in this market increase the self-insurance or other alternatives to mortgage insurance, this could have an unfavorable impact on the amount of new business we are able to write and consequently, our financial condition and results of operations.

We distribute our products through a wide variety of distribution methods, including through relationships with key distribution partners (including lender customers of our mortgage insurance businesses). These distribution partners are an integral part of our business model. We are at risk that key distribution partners may merge, change their distribution model affecting how our products are sold, or terminate their distribution contracts or relationships with us. In addition, timing of key distributor adoption of our new product offerings may impact sales of those products. Some distributors have, and in the future others may, elect to terminate or reduce their distribution relationships with us for a variety of reasons, including as a result of our recent financial challenges (including adverse ratings actions). And in the future, other distributors may terminate or reduce their relationships with us as a result of, among other things, these challenges as well as future adverse developments in our business or adverse rating agency actions or concerns about market-related risks, commission levels or the breadth of our product offerings.

Reinsurance may not be available, affordable or adequate to protect us against losses.

As part of our overall risk and capital management strategy, we have historically purchased reinsurance from external reinsurers as well as provided internal reinsurance support for certain risks underwritten by our various business segments. These reinsurance arrangements enable our businesses to transfer risks in exchange for some of the associated economic benefits and, as a result, improve our statutory capital position and manage risk to within our tolerance level. Some of these reinsurance arrangements are indefinite, but others require periodic renewals. For instance, in Australia, reinsurance contracts generally have a two-year base term. At the end of the base term, we can elect a runoff term to continue coverage, but with reducing amounts of regulatory capital benefits or attempt to negotiate a renewal. The availability and cost of reinsurance protection are impacted by our operating and financial performance, including ratings, as well as conditions beyond our control. For example, our recent financial challenges and adverse rating actions may reduce the availability of certain types of reinsurance and make it more costly when it is available, as reinsurers are less willing to take on credit risk in a volatile market. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain new reinsurance or renew existing reinsurance arrangements on acceptable terms, or at all, which could increase our risk and adversely affect our ability to write future business or obtain statutory capital credit for new reinsurance or could require us to make capital contributions to maintain regulatory capital requirements. See If we are unable to meet the capital requirements mandated by PMIERs because the GSEs amend them or the GSEs interpretation of the capital requirements requires us to hold amounts of capital that are higher than we currently have planned or otherwise, we may not be eligible to write new insurance on loans sold to or guaranteed by the GSEs, which would have a material adverse effect on our business, results of operations and financial condition.

Competitors could negatively affect our ability to maintain or increase our market share and profitability.

Our businesses are subject to intense competition. We believe the principal competitive factors in the sale of our products are product features, product investment returns, price, commission structure, marketing and distribution arrangements, brand, reputation, financial strength ratings and service. In many of our product lines, we face competition from competitors that have greater market share or breadth of distribution, offer a broader range of products, services or features, assume a greater level of risk, have lower profitability expectations or have higher financial strength ratings than we do. Our recent financial challenges have adversely and directly impacted the competitiveness of our life, annuity and long-term care insurance businesses, and indirectly adversely impacted our mortgage insurance businesses. In addition, many competitors offer similar products and use similar distribution channels. The appointment of a receiver to rehabilitate or liquidate or take other adverse regulatory actions against a significant competitor could also negatively impact our businesses if such actions were to impact consumer confidence in industry products and services.

The U.S. private mortgage insurance industry remains highly competitive, particularly with the entry of new participants in the last several years. There are currently seven active mortgage insurers, including us. Some of these private mortgage insurers, particularly new entrants, may have short- to mid-term business goals that differ from ours. For example, we believe that in order to achieve operational scale some competitors have sought to increase their market share through lower pricing on various products. In addition, not all of our mortgage insurance products have the same return on capital profile. Single premium insurance coverage, for instance, has been priced in the market at levels that currently generate lower lifetime premiums and require higher lifetime capital than monthly products. To the extent that some of our competitors are willing to set lower pricing and accept lower returns than we find acceptable, we may lose business opportunities involving products of this type and this may affect our overall business relationship with certain customers. If we match lower pricing on these products, we will experience a similar reduction in returns on capital. In addition, certain competitors have transitioned from delivering price to lenders via standard rate cards to a form of delivery (i.e., black box) with limited pricing information which could enhance their ability to change price across incremental risk attributes and shorten the time to implement future pricing changes in the marketplace. Depending upon the degree to which we undertake or match such pricing practices, there may be a material adverse impact on our business, results of operations and financial condition.

We compete with government-owned and government-sponsored enterprises in our mortgage insurance businesses, and this may put us at a competitive disadvantage on pricing and other terms and conditions.

Our U.S. mortgage insurance business competes with the FHA and the VA, as well as, certain local- and state-level housing finance agencies. In particular, since 2008, there has been a significant increase in the number of loans insured by the FHA. Separately, the government-owned and government-sponsored enterprises, including Fannie Mae and Freddie Mac, may also compete with our U.S. mortgage insurance business through certain of their risk-sharing insurance programs. Those competitors may establish pricing terms and business practices that may be influenced by motives such as advancing social housing policy or stabilizing the mortgage lending industry, which may not be consistent with maximizing return on capital or other profitability measures. In addition, those governmental enterprises typically do not have the same capital requirements that we and other mortgage insurance companies have and therefore may have financial flexibility in their pricing and capacity that could put us at a competitive disadvantage. In the event that a government-owned or sponsored entity in one of our markets determines to change prices significantly or alter the terms and conditions of its mortgage insurance or other credit enhancement products in furtherance of social or other goals rather than a profit or risk management motive, we may be unable to compete in that market effectively, which could have a material adverse effect on our financial condition and results of operations.

Like our U.S. mortgage insurance business, our international mortgage insurance businesses compete with government-owned and government-sponsored enterprises. These competitors may establish pricing terms and business practices that may be influenced by motives such as advancing social housing policy or stabilizing the mortgage lending industry, which may not be consistent with maximizing return on capital or other profitability measures. In the event that a government-owned or sponsored entity in one of our markets determines to reduce prices significantly or alter the terms and conditions of its mortgage insurance or other credit enhancement products in furtherance of social or other goals rather than a profit motive, we may be unable to compete in that market effectively, which could have a material adverse effect on our financial condition and results of operations.

In Canada, we compete with CMHC, a corporation owned by the Canadian government. CMHC is a sovereign entity that provides mortgage lenders a lower capital charge and a 100% government guarantee as compared to loans covered by our policy which benefit from a 90% government guarantee. CMHC also operates the CMB and the NHA MBS programs, which provide lenders the ability to efficiently guarantee and securitize their mortgage loan portfolios. If we are unable to effectively distinguish ourselves competitively with our Canadian mortgage lender customers, under current market conditions or in the future, we may be unable to compete effectively with CMHC as a result of the more favorable capital relief it can provide or the other products and incentives that it offers to lenders. Additionally, in times of economic stress, customers may choose CMHC as a result of being a higher rated sovereign entity regardless of our ability to distinguish ourselves competitively from CMHC. In October 2015, Canada elected a new prime minister and new majority party. Under the new regime, CHMC could decide to enhance its offerings or increase its market share, which could have an adverse impact on our ability to maintain our market share in Canada.

Recent conditions in the international financial markets could lead other countries to nationalize our competitors or establish competing governmental agencies, which would further limit our competitive position in international markets and, therefore, materially affect our results of operations.

We have previously had a material weakness in internal control over financial reporting and cannot provide assurance that additional material weaknesses will not be identified in the future. Further material weaknesses in internal control over financial reporting or ineffectiveness in disclosure controls and procedures could result in errors in our financial statements or untimely filings, which could cause investors to lose confidence in our reported financial information, and a decline in our stock price.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2014, we concluded that we did not have adequate controls designed and in place to ensure that we correctly implemented changes made to one of our methodologies as part of our comprehensive long-term care insurance claim reserves review completed in the third quarter of 2014. As a result, we failed to identify a $44 million after-tax calculation error. Although this control deficiency did not result in a material misstatement in the consolidated financial statements, we concluded a material weakness existed in the controls over the implementation of our long-term care insurance claim reserves assumption and methodology changes because such a misstatement could have occurred. We have since remediated such material weakness in internal control over financial reporting and in our disclosure controls and procedures, and as of December 31, 2015, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective within the meaning of Exchange Act Rule 13a-15(e) and that our internal control over financial reporting was effective, taking into account the steps taken to address such material weakness. Further material weaknesses in internal control over financial reporting or ineffectiveness in disclosure controls and procedures could occur however and result in errors in our financial statements or untimely filings, which could cause investors to lose confidence in our reported financial information, and a decline in our stock price.

Our computer systems may fail or be compromised, and unanticipated problems could materially adversely impact our disaster recovery systems and business continuity plans, which could damage our reputation, impair our ability to conduct business effectively and materially adversely affect our financial condition and results of operations.

Our business is highly dependent upon the effective operation of our computer systems. We also have arrangements in place with our partners and other third-party service providers through which we share and receive information. We rely on these systems throughout our business for a variety of functions, including processing claims and applications, providing information to customers and distributors, performing actuarial analyses and maintaining financial records. Despite the implementation of security and back-up measures, our computer systems and those of our partners and third-party service providers may be vulnerable to physical or electronic intrusions, computer viruses or other attacks, programming errors and similar disruptive problems. The failure of these systems for any reason could cause significant interruptions to our operations, which could result in a material adverse effect on our business, financial condition or results of operations.

We retain confidential information in our computer systems, and we rely on commercial technologies to maintain the security of those systems, including computers or mobile devices. Anyone who is able to circumvent our security measures and penetrate our computer systems or misuse authorized access could access, view, misappropriate, alter, or delete any information in the systems, including personally identifiable information, personal health information and proprietary business information. Our employees, distribution partners and other vendors may use portable computers or mobile devices which may contain similar information to that in our computer systems, and these devices have been and can be lost, stolen or damaged, and therefore subject to the same risks as our other computer systems. In addition, an increasing number of states and foreign countries require that affected parties be notified or other actions be taken (which could involve significant costs to us) if a security breach results in the inappropriate disclosure of personally identifiable information. Although we have experienced occasional, actual or attempted breaches of our cybersecurity, none of these breaches has had a material effect on our business, operations or reputation. Any compromise of the security of our computer systems or those of our partners and third-party service providers that results in inappropriate disclosure of personally identifiable customer information could damage our reputation in the marketplace, deter people from purchasing our products, subject us to significant civil and criminal liability and require us to incur significant technical, legal and other expenses.

In addition, unanticipated problems with, or failures of, our disaster recovery systems and business continuity plans could have a material adverse impact on our ability to conduct business and on our results of operations and financial condition, particularly if those problems affect our information technology systems and destroy, lose or otherwise compromise valuable data. In addition, in the event that a significant number of our employees were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised. The failure of our disaster recovery systems and business continuity plans could adversely impact our profitability and our business.

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Insurance and Product-Related Risks

We may not be able to increase premiums or reduce benefits on our in-force long-term care insurance policies by enough or quickly enough and the rate actions or reduced benefits currently being implemented and any future rate actions may adversely affect demand for our long-term care insurance products, our reputation in the market, our results of operations and our financial condition.

The success of our strategy for our long-term care insurance business is based on our ability to obtain significant price increases or benefit reductions, as warranted and actuarially justified based on our experience, on our in-force block of long-term care insurance policies and price our new policies appropriately (at significantly higher prices than has historically been the case). The adequacy of our current long-term care insurance reserves also depends significantly on various assumptions and our ability to successfully execute our in-force management plan through increased premiums or reduced benefits as anticipated. Although the terms of all of our long-term care insurance policies permit us to increase premiums during the premium-paying period, these increases generally require regulatory approval, which can often take a long time to obtain and may not be obtained in all relevant jurisdictions or for the full amounts requested. In addition, some states are considering adopting long-term care insurance rate increase legislation that would further limit increases in long-term care insurance premium rates beyond the rate stability legislation previously adopted in certain states, which would adversely impact our ability to achieve anticipated rate increases. Rate increases by us or our competitors could also adversely affect our reputation in the markets in which we operate, adversely impact our ability to continue to market and sell new long-term care insurance products, make it more difficult for us to obtain future rate increases and adversely impact our ability to retain existing policyholders and agents. Policyholders may be unwilling or unable to pay the increased premiums we will seek to charge. We cannot predict how our policyholders (or potential future policyholders), agents, competitors and regulators may react to any rate increases, nor can we predict if regulators will approve regulated rate increases. We may also be forced to stop selling our long-term care insurance products in markets where we cannot achieve satisfactory rate increases, which will cause a further decrease in our sales.

In addition, we include assumptions for significant anticipated (but not yet filed) future premium rate increases or benefit reductions in our determination of loss recognition testing of our long-term care insurance reserves under U.S. GAAP and asset adequacy testing of our statutory long-term care insurance reserves (except for our New York insurance subsidiary). We may not be able to realize these anticipated rate increases or benefit reductions in the future as a result of our inability to obtain required regulatory approvals or other factors. In this event, we would have to increase our long-term care insurance reserves by amounts that could be material. Moreover, we may not be able to mitigate the impact of unexpected adverse experience by increasing premiums and/or other charges to policyholders (when we have the right to do so) or alternatively by reducing benefits. If we are not able to achieve associated benefit reductions for our in-force long-term care insurance policies to the extent we anticipate, we may make greater payments under our long-term care insurance policies than we currently project.

There can also be no assurance that the premium levels of our current and future products will be well received by the market, and we may suffer from a decreased demand for our long-term care insurance products. If we are unable to sell our long-term care insurance products at such premium levels, we may not be able to sell them profitably or at all, and our results of operations and financial condition may be materially adversely affected.

If demand fails to increase new sales for our long-term care insurance products, our business and our financial condition and results of operations could be materially adversely affected.

A large percentage of our premium revenue is derived from sales of our long-term care insurance products. In recent years, industry sales of these products have declined. Several factors can affect demand for these products, including changes in market and economic conditions, risk tolerance of insurers and customers and legislative or regulatory changes. In the past, decisions by insurers to cease offering these products, to raise prices on in-force policies or new policies and/or to introduce new products with higher prices have negatively impacted sales for these products. These actions resulted in decreased purchases of these products and have caused some distributors to reduce their sales focus on these products. Our success in this business depends on our ability to introduce and market products and services that are financially attractive and address our customers changing demands. If the market for long-term care insurance products continues to decline, or if we are unable to compete effectively in that market with our product offerings, our financial condition and results of operations could be materially adversely affected. Reduced sales may also have a negative impact on our ability to receive future rate increases on our in-force policies, as state Medicaid systems may have decreased reliance on private funding of long-term care services through long-term care insurance. For the impact on sales of these products from recent rating changes, see Recent adverse rating agency actions have resulted in a loss of business and adversely affected our results of operations, financial condition and business and future adverse rating actions could have a further and more significant adverse impact on us.

We cannot be sure of the extent of benefits we will realize from loss mitigation actions or programs in our mortgage insurance businesses in the future.

As part of our loss mitigation efforts in the United States, Canada and Australia, we routinely investigate insured loans and evaluate the related servicing to ensure compliance with applicable guidelines and to detect possible fraud or misrepresentation. As a result, we have, and may in the future, rescind coverage on loans that do not meet our guidelines or curtail the amount of claims payable for non-compliance. In the past, we recognized significant benefits from taking action on these investigations and evaluations under our master policies. While we believe these actions are valid and expect additional actions based on future investigations and evaluations, we can give no assurance on the extent to which we may continue to see such rescissions or curtailments. In addition, insured lenders may object to our actions and we continue to have discussions with certain of those lenders regarding their objections to our actions that in the aggregate are material. If disputed by the insured and a legal proceeding were instituted, the validity of our actions would be determined by arbitration or judicial proceedings unless otherwise settled. In the near term, sales could be reduced or eliminated as a result of a dispute with one or more lenders and such disputes could have an adverse effect on our long-term relationships with those lenders that are impacted. Further, our loss reserving methodology includes estimates of the number of loans in our delinquency inventory that will be rescinded or have their claims curtailed. A variance between ultimate action rates and these estimates could have a material adverse effect on our financial position and results of operations. For example, if the loan modification trend in 2016 worsens beyond our expectations, we would expect further aging of our delinquent loan inventory, which could increase our loss reserves.

In the United States, the mortgage finance industry (with government support) has adopted various programs to modify delinquent loans to make them more affordable to borrowers with the goal of reducing the number of foreclosures. In all of our mortgage insurance businesses, regardless of jurisdiction, our master policies contain covenants that require cooperation and loss mitigation by the insured. The effect on us of a loan modification depends on re-default rates, which in turn can be affected by factors such as changes in home values and unemployment. Our estimates of the number of loans qualifying for modification programs is based on management judgment as informed by past experience and current market conditions but are inherently uncertain. We cannot predict what the actual volume of loan modifications will be or the ultimate re-default rate, and therefore, we cannot be certain whether these efforts will provide material benefits to us.

The premiums we agree to charge upon writing a mortgage insurance policy may not adequately compensate us for the risks and costs associated with the coverage we provide for the entire duration of that policy.

We establish renewal premium rates for the duration of a mortgage insurance policy upon issuance, and we cannot cancel the policy or adjust the premiums after the policy is issued. As a result, we cannot offset the impact of unanticipated claims with premium increases on policies in-force, and we cannot refuse to renew mortgage insurance coverage. In addition, our premium rates vary with the perceived risk of a claim on the insured loan,

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which takes into account factors such as the loan-to-value ratio, our long-term historical loss experience, whether the mortgage provides for fixed payments or variable payments, the term of the mortgage, the borrower s credit history and the level of documentation and verification of the borrower s income and assets. Our ability to properly determine eligibility and accurate pricing for the mortgage insurance we issue is dependent upon our underwriting and other operational routines. These underwriting routines may vary across the jurisdictions in which we do business. Deficiencies in actual practice in this area could have a material adverse impact on our results. In the event the premiums we agree to charge upon writing a mortgage insurance policy may not adequately compensate us for the risks and costs associated with the coverage, it may have a material adverse effect on our business, results of operation and financial condition.

A significant portion of our mortgage insurance coverage consists of mortgage loans with high loan-to-value ratios, which typically have claim incidence rates substantially higher than mortgage loans with lower loan-to-value ratios. In Canada and Australia, the risks of having a portfolio with a significant portion of high loan-to-value mortgages are greater than in the United States and Europe because we generally agree to cover 100% of the losses associated with mortgage defaults in those markets, compared to percentages in the United States and Europe that typically range between 10% and 35% of the loan amount. Although we take these factors into account in setting premiums, the difference in premium rates may not be sufficient to compensate us for the greater risks associated with mortgage loans bearing higher loan-to-value ratios or 100% cover.

A decrease in the volume of high loan-to-value home mortgage originations or an increase in the volume of mortgage insurance cancellations could result in a decline in our revenue in our mortgage insurance businesses.

We provide mortgage insurance primarily for high loan-to-value mortgages. Factors that could lead to a decrease in the volume of high loan-to-value mortgage originations include, but are not limited to:

- an increase in the level of home mortgage interest rates and, in the United States, a reduction or loss of mortgage interest deductibility for federal income tax purposes;
- implementation of more rigorous mortgage lending regulation, such as under Dodd-Frank Act in the United States and APRA Prudential Practice Guides in Australia;
- a decline in economic conditions generally, or in conditions in regional and local economies;
- the level of consumer confidence, which may be adversely affected by economic instability, war or terrorist events;
- an increase in the price of homes relative to income levels;
- adverse population trends, including lower homeownership rates;

high rates of home price appreciation, which for refinancings affect whether refinanced loans have loan-to-value ratios that require mortgage insurance; and

changes in government housing policy encouraging loans to first-time home buyers.

A decline in the volume of high loan-to-value mortgage originations would reduce the demand for mortgage insurance and, therefore, could have a material adverse effect on our financial condition and results of operations.

In addition, a significant percentage of the premiums we earn each year in our U.S. mortgage insurance business are renewal premiums from insurance policies written in previous years. We estimate that approximately 88%, 90% and 87%, respectively, of our U.S. gross premiums earned in each of the years ended December 31, 2015, 2014 and 2013 were renewal premiums. As a result, the length of time insurance remains in-force is an important determinant of our mortgage insurance revenues. Fannie Mae, Freddie Mac and many other mortgage investors in the United States generally permit a homeowner to ask the loan servicer to cancel the borrower s obligation to pay for mortgage insurance when the principal amount of the mortgage falls below 80%

of the home s value. Factors that tend to reduce the length of time our mortgage insurance remains in-force include:

- declining interest rates, which may result in the refinancing of the mortgages underlying our insurance policies with new mortgage loans that may not require mortgage insurance or that we do not insure;
- significant appreciation in the value of homes, which causes the size of the mortgage to decrease below 80% of the value of the home and enables the borrower to request cancellation of the mortgage insurance; and
- changes in mortgage insurance cancellation requirements under applicable federal law or mortgage insurance cancellation practices by mortgage lenders and investors.

Our U.S. policy flow persistency rates increased from 46% for the year ended December 31, 2003 to elevated levels of 81%, 82% and 80% for the years ended December 31, 2013, 2014 and 2015, respectively. A decrease in persistency in the U.S. market generally would reduce the amount of our insurance in-force and could have a material adverse effect on our financial condition and results of operations. However, higher persistency on certain products, especially A minus, Alt-A, ARMs and certain 100% loan-to-value loans, could have a material adverse effect if claims generated by such products remain elevated or increase.

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.

There are a variety of alternatives to private mortgage insurance that may reduce the amount of mortgage insurance we write. These alternatives include:

- originating mortgages in the United States that consist of two simultaneous loans, known as simultaneous seconds, comprising a first mortgage with a loan-to-value ratio of 80% and a simultaneous second mortgage for the excess portion of the loan, instead of a single mortgage with a loan-to-value ratio of more than 80%;
- using government mortgage insurance programs;
- holding mortgages in the lenders own loan portfolios and self-insuring;
- using programs, such as those offered by Fannie Mae and Freddie Mac in the United States, requiring lower mortgage insurance coverage levels;
- originating and securitizing loans in mortgage-backed securities whose underlying mortgages are not insured with private mortgage insurance or which are structured so that the risk of default lies with the investor, rather than a private mortgage insurer; and

using credit default swaps or similar instruments, instead of private mortgage insurance, to transfer credit risk on mortgages.

A decline in the use of private mortgage insurance in connection with high loan-to-value home mortgages for any reason would reduce the demand for flow mortgage insurance which could have a material adverse effect on our business, financial condition and results of operations.

Potential liabilities in connection with our U.S. contract underwriting services could have a material adverse effect on our financial condition and results of operations.

We offer contract underwriting services to certain of our mortgage lenders in the United States, pursuant to which our employees and contractors work directly with the lender to determine whether the data relating to a borrower and a proposed loan contained in a mortgage loan application file complies with the lender s loan underwriting guidelines or the investor s loan purchase requirements. In connection with that service, we also compile the application data and submit it to the automated underwriting systems of Fannie Mae and Freddie Mac, which independently analyze the data to determine if the proposed loan complies with their investor requirements.

Under the terms of our contract underwriting agreements, we agree to indemnify the lender against losses incurred in the event that we make material errors in determining whether loans processed by our contract underwriters meet specified underwriting or purchase criteria, subject to contractual limitations on liability. As a result, we assume credit and processing risk in connection with our contract underwriting services. If our reserves for potential claims in connection with our contract underwriting services are inadequate as a result of differences from our estimates and assumptions or other reasons, we may be required to increase our underlying reserves, which could materially adversely affect our results of operations and financial condition.

Medical advances, such as genetic research and diagnostic imaging, and related legislation could materially adversely affect the financial performance of our life insurance, long-term care insurance and annuity businesses.

Genetic testing research and discovery is advancing at a rapid pace. Though some of this research is focused on identifying the genes associated with rare diseases, much of the research is focused on identifying the genes associated with an increased risk of various diseases such as diabetes, heart disease, cancer and Alzheimer s disease. Diagnostic testing utilizing various blood panels or imaging techniques may allow clinicians to detect similar diseases during an earlier phase. We believe that if an individual learns through such testing that they are predisposed to a condition that may reduce their life expectancy or increase their chances of requiring long-term care, they potentially will be more likely to purchase life and long-term care insurance policies or not permit their existing policy to lapse. In contrast, if an individual learns that they lack the genetic predisposition to develop the conditions that reduce longevity or require long-term care, they potentially will be less likely to purchase life and long-term care insurance products, but more likely to purchase certain annuity products and permit their life and long-term care insurance policies to lapse.

Being able to access and use the medical information (including the results of genetic and diagnostic testing) known to our prospective policyholders is important to ensure that an underwriting risk assessment matches the anticipated risk priced into our life and long-term care insurance products, as well as our annuity products. Currently, there are some state level restrictions related to an insurer s access and use of genetic information, and periodically new genetic testing legislation is being introduced. However, further restrictions on the access and use of such medical information could create a mismatch between an assessed risk and the product pricing. Such a mismatch has the potential to increase product pricing resulting in a decrease in sales and purchasers at increased risk becoming the more likely buyer. The net result of this could cause a deterioration in the risk profile of our portfolio which could lead to payments to our policyholders and contractholders that are materially higher than anticipated.

In addition to earlier diagnosis or knowledge of disease risk, medical advances may also lead to newer forms of preventive care which could improve an individual s overall health and longevity. If this were to occur, the duration of payments made by us under certain forms of our annuity contracts likely would increase thereby reducing our profitability on those products.

Other Risks

The occurrence of natural or man-made disasters or a pandemic could materially adversely affect our financial condition and results of operations.

We are exposed to various risks arising out of natural disasters, including earthquakes, hurricanes, floods and tornadoes, and man-made disasters, including acts of terrorism and military actions and pandemics. For example, a natural or man-made disaster or a pandemic could disrupt our computer systems and our ability to conduct or process business, as well as lead to unexpected changes in persistency rates as policyholders and contractholders who are affected by the disaster may be unable to meet their contractual obligations, such as payment of premiums on our insurance policies, deposits into our investment products, and mortgage payments on loans insured by our mortgage insurance policies. They could also significantly increase our mortality and morbidity experience above the assumptions we used in pricing our insurance and investment products. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural or man-made disaster or a pandemic could trigger an economic downturn in the areas directly or indirectly affected by the disaster. These consequences could, among other things, result in a decline in business and increased claims from those areas, as well as an adverse effect on home prices in those areas, which could result in increased loss experience in our mortgage insurance businesses. Disasters or a pandemic also could disrupt public and private infrastructure, including communications and financial services, which could disrupt our normal business operations.

A natural or man-made disaster or a pandemic could also disrupt the operations of our counterparties or result in increased prices for the products and services they provide to us. For example, a natural or man-made disaster or a pandemic could lead to increased reinsurance prices or reduced availability of reinsurance and potentially cause us to retain more risk than we otherwise would retain if we were able to obtain reinsurance at lower prices. In addition, a disaster or a pandemic could adversely affect the value of the assets in our investment portfolio if it affects companies ability to pay principal or interest on their securities or the value of the underlying collateral of structured securities or the value of the underlying collateral of structured securities.

We have significant deferred tax assets, and any impairments of or valuation allowances against these deferred tax assets in the future could materially adversely affect our results of operations and financial condition.

We currently utilize significant deferred tax assets to offset income. The extent to which we can utilize deferred tax assets may be limited for various reasons, including but not limited to changes in tax rules or regulations and if projected future taxable income becomes insufficient to recognize the full benefit of our net operating loss (NOL) carryforwards prior to their expiration. Additionally, our ability to fully use these tax assets will also be adversely affected if we have an ownership change within the meaning of Section 382 of the U.S. Internal Revenue Code of 1986, as amended. An ownership change is generally defined as a greater than 50% increase in equity ownership by 5% shareholders (as that term is defined for purposes of Section 382) in any three-year period. Future changes in our stock ownership, depending on the magnitude, including the purchase or sale of our common stock by 5% shareholders, and issuances or redemptions of common stock by us, could result in an ownership change that would trigger the imposition of limitations under Section 382. Accordingly, there can be no assurance that in the future we will not experience limitations with respect to recognizing the benefits of our NOL carryforwards and other tax attributes for which limitations could have a material adverse effect on our results of operations, cash flows or financial condition.

We have agreed to make payments to GE based on the projected amounts of certain tax savings we expect to realize as a result of our IPO. We will remain obligated to make these payments even if we do not realize the related tax savings and the payments could be accelerated in the event of certain changes in control.

Under the Tax Matters Agreement, we have an obligation to pay GE a fixed amount over approximately the next eight years. This fixed obligation, the estimated present value of which was $188 million and $216 million as of December 31, 2015 and 2014, respectively, equals 80% (subject to a cumulative $640 million maximum amount) of the tax savings projected as a result of our IPO in 2004. Even if we fail to generate sufficient taxable income to realize the projected tax savings, we will remain obligated to pay GE, and this could have a material adverse effect on our financial condition and results of operations. We could also, subject to regulatory approval, be required to pay GE on an accelerated basis in the event of certain changes in control of our company.

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Provisions of our certificate of incorporation and bylaws and our Tax Matters Agreement with GE may discourage takeover attempts and business combinations that stockholders might consider in their best interests.

Our certificate of incorporation and bylaws include provisions that may have anti-takeover effects and may delay, deter or prevent a takeover attempt that our stockholders might consider in their best interests. For example, our certificate of incorporation and bylaws:

- permit our Board of Directors to issue one or more series of preferred stock;
- limit the ability of stockholders to remove directors;
- limit the ability of stockholders to fill vacancies on our Board of Directors;
- limit the ability of stockholders to call special meetings of stockholders and take action by written consent; and
- impose advance notice requirements for stockholder proposals and nominations of directors to be considered at stockholder meetings.

Under our Tax Matters Agreement with GE, if any person or group of persons other than GE or its affiliates gains the power to direct the management and policies of our company, we could become obligated immediately to pay to GE the total present value of all remaining tax benefit payments due to GE over the full term of the agreement. The estimated present value of our fixed obligation as of December 31, 2015 and 2014 was $188 million and $216 million, respectively. Similarly, if any person or group of persons other than us or our affiliates gains effective control of one of our subsidiaries, we could become obligated to pay to GE the total present value of all such payments due to GE allocable to that subsidiary, unless the subsidiary assumes the obligation to pay these future amounts under the Tax Matters Agreement and certain conditions are met. The acceleration of payments would be subject to the approval of certain state insurance regulators, and we are obligated to use our reasonable best efforts to seek these approvals. This feature of the agreement could adversely affect a potential merger or sale of our company. It could also limit our flexibility to dispose of one or more of our subsidiaries, with adverse implications for any business strategy dependent on such dispositions.

Risks Relating to Our Common Stock

The Board of Directors has decided to suspend dividends on our common stock until further notice.

We paid quarterly dividends on our common stock from our IPO in May 2004 until November 2008 when the Board of Directors decided to suspend the payment of dividends on our common stock to enhance our liquidity and capital position as a result of the global financial crisis and the challenging economic environment. We cannot assure you when, whether or at what level we will resume paying dividends on our common stock.

Our stock price will fluctuate.

Stock markets in general, and our common stock in particular, have experienced significant price and volume volatility since late 2008. The market price and volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our industry generally, as well as investor concern about, among other things, some of our products (including long-term care insurance), our operations, reserves, ratings, business prospects, liquidity and capital positions. In addition to the risk factors discussed above, the price and volume volatility of our common stock may be affected by, among other issues:

- our financial performance and condition and future prospects;

- operating results that vary from the expectations of securities analysts and investors;

- operating and securities price performance of companies that investors consider to be comparable to us;
- announcements of strategic developments, acquisitions and other material events by us or our competitors;
- changes in global financial markets and global economies and general market conditions;
- rating agency announcements or actions with respect to the ratings of our company and our subsidiaries or our competitors;
- changes in laws and regulations affecting our business; and
- market prices for our equity securities.

Stock price volatility and a decrease in our stock price could make it difficult for us to raise equity capital or, if we are able to raise equity capital, could result in substantial dilution to our existing stockholders.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the staff of the SEC.

Item 2. Properties

We own our headquarters facility in Richmond, Virginia, which consists of approximately 461,000 square feet in four buildings, as well as several facilities in Lynchburg, Virginia with approximately 450,000 square feet. In addition, we lease approximately 229,000 square feet of office space in 11 locations throughout the United States. We also lease approximately 166,000 square feet in 16 locations outside the United States.

Most of our leases in the United States and other countries have lease terms of three to five years. Although some leases have longer terms, no lease has an expiration date beyond 2022. Our aggregate annual rental expense under all leases was $11 million during the year ended December 31, 2015.

We believe our properties are adequate for our business as presently conducted.

Item 3. Legal Proceedings

See note 21 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for a description of material pending litigation and regulatory matters affecting us.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Common Stock

Our Class A Common Stock is listed on the New York Stock Exchange under the symbol GNW. The following table sets forth the high and low intra-day sales prices per share of our Class A Common Stock, as reported by the New York Stock Exchange, for the periods indicated:

2015	**High**	**Low**
First Quarter	$ 8.82	$ 6.75
Second Quarter	$ 9.19	$ 7.27
Third Quarter	$ 7.90	$ 4.23
Fourth Quarter	$ 5.75	$ 3.46

2014	**High**	**Low**
First Quarter	$ 18.26	$ 14.24
Second Quarter	$ 18.74	$ 15.66
Third Quarter	$ 17.85	$ 12.64
Fourth Quarter	$ 14.10	$ 7.17

As of February 10, 2016, we had 307 holders of record of our Class A Common Stock.

Common Stock Performance Graph

The following performance graph and related information shall not be deemed soliciting material nor to be filed with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent we specifically incorporate it by reference into such filing.

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The following graph compares the cumulative total stockholder return on our Class A Common Stock with the cumulative total stockholder return on the S&P 500 Insurance Index and the S&P 500 Stock Index.

	2010	2011	2012	2013	2014	2015
Genworth Financial, Inc.	$ 100.00	$ 49.85	$ 57.15	$ 118.19	$ 64.69	$ 28.39
S&P 500 Insurance Index	$ 100.00	$ 91.72	$ 109.23	$ 160.25	$ 173.53	$ 177.57
S&P 500®	$ 100.00	$ 102.11	$ 118.45	$ 156.82	$ 178.29	$ 180.75

Beginning in November 2015, we are now included in the S&P Mid-Cap 400 index. Going forward, we will re-evaluate the appropriate indices to use in this comparison.

Dividends

In November 2008, to enhance our liquidity and capital position in the challenging market environment, our Board of Directors suspended the payment of dividends on our 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 depend on many factors including our receipt of dividends from our operating subsidiaries, our financial condition and results of operations, the capital requirements of our subsidiaries, legal requirements, regulatory constraints, our credit and financial strength ratings and such other factors as the Board of Directors deems relevant. We cannot assure you when, whether or at what level we will resume paying dividends on our common stock.

See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations for additional information.

We act as a holding company for our subsidiaries and do not have any significant operations of our own. As a result, our ability to pay dividends in the future will depend on receiving dividends from our subsidiaries. Our insurance subsidiaries are subject to the laws of the jurisdictions in which they are domiciled and licensed and consequently are limited in the amount of dividends that they can pay. See Part I Item 1 Business Regulation.

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Item 6. Selected Financial Data

The following table sets forth selected financial information. The selected financial information as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 has been derived from our consolidated financial statements, which have been audited by KPMG LLP and are included in Item 8 Financial Statements and Supplementary Data. You should read this information in conjunction with the information under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements, the related notes and the accompanying independent registered public accounting firm s report, which are included in Item 8 Financial Statements and Supplementary Data.

	Years ended December 31,				
(Amounts in millions, except per share amounts)	**2015**	**2014**	**2013**	**2012**	**2011**
Consolidated Statements of Income Information					
Revenues:					
Premiums	$ 4,579	$ 4,700	$ 4,516	$ 4,364	$ 4,850
Net investment income	3,138	3,142	3,155	3,216	3,210
Net investment gains (losses)	(75)	(22)	(64)	22	(194)
Policy fees and other income	906	909	1,018	1,226	1,037
Total revenues	8,548	8,729	8,625	8,828	8,903
Benefits and expenses:					
Benefits and operating expenses	8,144	9,595	7,182	7,752	8,445
Interest expense	419	433	450	431	468
Total benefits and expenses	8,563	10,028	7,632	8,183	8,913
Income (loss) from continuing operations before income taxes	(15)	(1,299)	993	645	(10)
Provision (benefit) for income taxes	(9)	(94)	313	131	(45)
Income (loss) from continuing operations	(6)	(1,205)	680	514	35
Income (loss) from discontinued operations, net of taxes [(1)]	(407)	157	34	11	142
Net income (loss)	(413)	(1,048)	714	525	177
Less: net income attributable to noncontrolling interests [(2)]	202	196	154	200	139
Net income (loss) available to Genworth Financial, Inc. s common stockholders	$ (615)	$ (1,244)	$ 560	$ 325	$ 38
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders per common share:					
Basic	$ (0.42)	$ (2.82)	$ 1.07	$ 0.64	$ (0.21)
Diluted [(3)]	$ (0.42)	$ (2.82)	$ 1.05	$ 0.63	$ (0.21)
Income (loss) from discontinued operations, net of taxes, available to Genworth Financial, Inc. s common stockholders					

per common share:					
Basic [1]	$ (0.82)	$ 0.32	$ 0.07	$ 0.02	$ 0.29
Diluted [1]	$ (0.82)	$ 0.32	$ 0.07	$ 0.02	$ 0.29
Net income (loss) available to Genworth Financial, Inc. s common stockholders per common share:					
Basic	$ (1.24)	$ (2.51)	$ 1.13	$ 0.66	$ 0.08
Diluted [3]	$ (1.24)	$ (2.51)	$ 1.12	$ 0.66	$ 0.08
Weighted-average common shares outstanding: [4]					
Basic	497.4	496.4	493.6	491.6	490.6
Diluted [3]	497.4	496.4	498.7	494.4	493.5
Cash dividends declared per common share	$	$	$	$	$

(Amounts in millions)	Years ended December 31, 2015	2014	2013	2012	2011
Selected Segment Information					
Total revenues:					
U.S. Mortgage Insurance	$ 665	$ 639	$ 616	$ 676	$ 702
Canada Mortgage Insurance	564	669	760	786	823
Australia Mortgage Insurance	474	537	555	567	612
U.S. Life Insurance	6,545	6,587	6,330	6,250	6,130
Runoff	259	275	302	381	525
Corporate and Other	41	22	62	168	111
Total	$ 8,548	$ 8,729	$ 8,625	$ 8,828	$ 8,903
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders:					
U.S. Mortgage Insurance	$ 179	$ 91	$ 37	$ (114)	$ (494)
Canada Mortgage Insurance	140	167	182	239	162
Australia Mortgage Insurance	103	27	227	140	218
U.S. Life Insurance	(253)	(1,405)	384	274	356
Runoff	(5)	14	49	58	(37)
Corporate and Other	(372)	(295)	(353)	(283)	(309)
Total	$ (208)	$ (1,401)	$ 526	$ 314	$ (104)
Consolidated Balance Sheet Information					
Total investments	$ 69,128	$ 71,773	$ 67,203	$ 72,638	$ 70,227
All other assets [5]	37,176	37,400	38,370	37,663	38,630
Assets held for sale [1]	127	2,143	2,425	2,964	3,265
Total assets	$ 106,431	$ 111,316	$ 107,998	$ 113,265	$ 112,122
Policyholder liabilities	$ 74,087	$ 73,313	$ 69,733	$ 70,744	$ 69,422
Non-recourse funding obligations	1,920	1,981	2,021	2,047	3,220
Long-term borrowings	4,570	4,612	5,131	4,748	4,697
All other liabilities	11,090	13,519	14,242	16,527	17,091
Liabilities held for sale [1]	127	1,094	1,251	1,418	1,560
Total liabilities	$ 91,794	$ 94,519	$ 92,378	$ 95,484	$ 95,990
Accumulated other comprehensive income (loss)	$ 3,010	$ 4,446	$ 2,542	$ 5,202	$ 4,047
Noncontrolling interests [2]	$ 1,813	$ 1,874	$ 1,227	$ 1,288	$ 1,110
Total equity	$ 14,637	$ 16,797	$ 15,620	$ 17,781	$ 16,132
U.S. Statutory Financial Information [6]					
Statutory capital and surplus [7]	$ 4,941	$ 5,409	$ 5,104	$ 4,489	$ 4,604
Asset valuation reserve	$ 339	$ 311	$ 272	$ 218	$ 149

(1) On December 1, 2015, we sold our lifestyle protection insurance business, which was accounted for as discontinued operations and its financial position and results of operations were separately reported for all periods presented. On October 27, 2015, we announced that GMICO, our wholly-owned indirect subsidiary, entered into an agreement to sell our European mortgage insurance business. As the held-for-sale criteria were satisfied during the fourth quarter of 2015, we reported this business as held for sale and its financial position is separately reported for all periods presented. On August 30, 2013, we sold our wealth management business, which was accounted for as discontinued operations and its financial position and results of operations were separately reported for all periods presented. Also included in discontinued operations was our tax and advisor unit, Genworth Financial Investment Services, which was part of our

wealth management business until its sale on April 2, 2012. See note 24 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information.

(2) Noncontrolling interests relate to the IPOs of our Australian and Canadian mortgage insurance businesses. On May 21, 2014, Genworth Australia, a holding company for Genworth s Australian mortgage insurance business, completed an IPO of 220,000,000 of its ordinary shares. Following completion of the initial offering, we beneficially owned 66.2% of the ordinary shares of Genworth Australia. On May 15, 2015, we sold 92,300,000 of our shares in Genworth Australia at AUD$3.08 per ordinary share. Following completion of this offering, Genworth Financial beneficially owns 52.0% of the ordinary shares of Genworth Australia through subsidiaries. We completed an IPO of our Canadian mortgage insurance business in July 2009 which reduced our ownership percentage to 57.5%. We currently hold approximately 57.3% of the outstanding common shares of Genworth Canada on a consolidated basis through subsidiaries. See note 23 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to noncontrolling interests.

(3) Under applicable accounting guidance, companies in a loss position are required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share. Therefore, as a result of our loss from continuing operations available to Genworth Financial, Inc. s common stockholders and net loss available to Genworth Financial, Inc. s common stockholders for the years ended December 31, 2015 and 2014, we were required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share for the years ended December 31, 2015 and 2014, as the inclusion of shares for stock options, restricted stock units (RSUs) and stock appreciation rights (SARs) of 1.6 million and 5.6 million, respectively, would have been antidilutive to the calculation. If we had not incurred a loss from continuing operations available to Genworth Financial, Inc. s common stockholders and net loss available to Genworth Financial, Inc. s common stockholders for the years ended December 31, 2015 and 2014, dilutive potential weighted-average common shares outstanding would have been 499.0 million and 502.0 million, respectively.

(4) The number of shares used in our calculation of diluted earnings per common share in 2011, 2012, 2013, 2014 and 2015 was affected by stock options, RSUs and SARs and was calculated using the treasury method.

(5) We have several significant reinsurance transactions with UFLIC, an affiliate of GE, our former parent company, in which we ceded certain blocks of structured settlement annuities, variable annuities and long-term care insurance. As a result of these transactions, we transferred investment securities to UFLIC and recorded a reinsurance recoverable that was included in all other assets. For a discussion of this transaction, refer to note 8 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data.

(6) We derived the U.S. Statutory Financial Information from Annual Statements of our U.S. domiciled insurance company subsidiaries that were filed with the insurance departments in states where we are domiciled and were prepared in accordance with statutory accounting practices prescribed or permitted by the insurance departments in states where we are domiciled. These statutory accounting practices vary in certain material respects from U.S. GAAP.

(7) Combined statutory capital and surplus for our U.S. domiciled insurance subsidiaries includes surplus notes issued by our U.S. life insurance subsidiaries and statutorily required contingency reserves held by our U.S. mortgage insurance subsidiaries.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and related notes included in Item 8 Financial Statements and Supplementary Data.

Overview

Our business

We are dedicated to helping meet the homeownership and long-term care needs of our customers. We have the following five operating business segments: U.S. Mortgage Insurance; Canada Mortgage Insurance; Australia Mortgage Insurance; U.S. Life Insurance; and Runoff. We also have Corporate and Other activities.

Our financial information

The financial information in this Annual Report on Form 10-K has been derived from our consolidated financial statements.

Revenues and expenses

Our revenues consist primarily of the following:

***U.S. Mortgage Insurance*.** The revenues in our U.S. Mortgage Insurance segment consist primarily of:

- net premiums earned on U.S. mortgage insurance policies;
- net investment income and net investment gains (losses) on the segment s separate investment portfolio; and
- fee revenues from contract underwriting services.

***Canada Mortgage Insurance*.** The revenues in our Canada Mortgage Insurance segment consist primarily of:

- net premiums earned on Canada mortgage insurance policies; and
- net investment income and net investment gains (losses) on the segment s separate investment portfolio.

***Australia Mortgage Insurance*.** The revenues in our Australia Mortgage Insurance segment consist primarily of:

- net premiums earned on Australia mortgage insurance policies; and

- net investment income and net investment gains (losses) on the segment s separate investment portfolio.

***U.S. Life Insurance*.** The revenues in our U.S. Life Insurance segment consist primarily of:

- net premiums earned on individual and group long-term care insurance, individual term life insurance and single premium immediate annuities with life contingencies;

- net investment income and net investment gains (losses) on the segment s separate investment portfolios; and

- policy fees and other income, including surrender charges, mortality and expense risk charges, and other administrative charges.

***Runoff*.** The revenues in our Runoff segment consist primarily of:

- net investment income and net investment gains (losses) on the segment s separate investment portfolios; and policy fees and other income, including mortality and expense risk charges, primarily from variable annuity contracts, and other administrative charges.

***Corporate and Other*.** The revenues in Corporate and Other activities consist primarily of:

net premiums earned primarily on mortgage insurance policies in certain smaller international mortgage insurance businesses;

unallocated net investment income and net investment gains (losses); and

policy fees and other income from other businesses that are managed outside of our operating segments and eliminations of inter-segment transactions.

Our expenses consist primarily of the following:

benefits provided to policyholders and contractholders and changes in reserves;

interest credited on general account balances;

acquisition and operating expenses, including commissions, marketing expenses, policy and contract servicing costs, overhead and other general expenses that are not capitalized (shown net of deferrals);

amortization of DAC and other intangible assets;

goodwill impairment charges;

interest and other financing expenses; and

income taxes.

We allocate corporate expenses to each of our operating segments using various methodologies, including based on the amount of capital allocated to each operating segment.

In the first quarter of 2015, we revised how we allocate our consolidated provision for income taxes to our operating segments to simplify our process and reflect how our chief operating decision maker is evaluating segment performance. Our revised methodology applies a specific 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 income. 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. Previously, we calculated a unique income tax provision for each segment based on quarterly changes to tax attributes and implications of transactions specific to each product within the segment.

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. Prior year amounts have not been re-presented to reflect this revised presentation and are, therefore, not comparable to the current year provision for income taxes by segment. However, we do not believe that the previous methodology would have resulted in a materially different segment-level provision for income taxes.

Beginning in the first quarter of 2015, the effective tax rates disclosed herein are calculated using whole dollars. As a result, the percentages shown may differ from an effective tax rate calculated using rounded numbers.

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.

2015 compared to 2014

- We had a net loss available to Genworth Financial, Inc. s common stockholders of $615 million in 2015 compared to $1,244 million in 2014.

- We recorded a DAC impairment of $296 million in our life insurance business in 2015 related to a life block transaction discussed below. In addition, we recorded a charge of $194 million related to our annual review of assumptions in our universal and term universal life insurance products in 2015. For additional information on our annual assumption review and the related impacts on DAC, PVFP and reserves, see Critical Accounting Estimates. We also had a net $69 million of increased premiums and reduced benefits from in-force rate actions in our long-term care insurance business in 2015.

- In 2015, we also recorded a loss of $407 million related to our lifestyle protection insurance business and an estimated loss of $141 million related to the planned sale of our mortgage insurance business in Europe. See Significant Developments below for additional information regarding these transactions.

- In 2014, we increased reserves in our long-term care insurance business by $478 million as a result of our loss recognition testing completed in the fourth quarter of 2014 and by $345 million related to the completion of a review of our claim reserves in the third quarter of 2014. For additional information on reserves, see Critical Accounting Estimates Insurance liabilities and reserves. We also recorded goodwill impairments of $791 million in our U.S. Life Insurance segment in 2014.

- As we considered potential business portfolio changes in the fourth quarter of 2014, we recognized a tax charge of $174 million associated with our Australian mortgage insurance business as we could no longer assert our intent to permanently reinvest earnings in that business. We also recorded a charge of $31 million in the fourth quarter of 2014 in connection with our plans to sell our lifestyle protection insurance business from a change to the permanent reinvestment assertion on one of its legal entities.

2014 compared to 2013

- We had a net loss available to Genworth Financial, Inc. s common stockholders of $1,244 million in 2014 compared to net income available to Genworth Financial, Inc. s common stockholders of $560 million in 2013.

In 2014, we increased reserves in our long-term care insurance business by $478 million as a result of our loss recognition testing completed in the fourth quarter of 2014 and by $345 million related to the completion of a review of our claim reserves in the third quarter of 2014. For additional information on reserves, see Critical Accounting Estimates Insurance liabilities and reserves. We also recorded goodwill impairments of $791 million in our U.S. Life Insurance segment in 2014. These decreases were partially offset by $102 million of increased premiums and reduced benefits from in-force rate actions in our long-term care insurance business in 2014.

As we considered potential business portfolio changes in the fourth quarter of 2014, we recognized a tax charge of $174 million associated with our Australian mortgage insurance business as we could no longer assert our intent to permanently reinvest earnings in that business. We also recorded a charge of $31 million in the fourth quarter of 2014 in connection with our plans to sell our lifestyle protection insurance business from a change to the permanent reinvestment assertion on one of its legal entities. There was also a decrease of $56 million attributable to the IPO of 33.8% of our Australian mortgage insurance business in 2014.

In 2014, we recorded $123 million of higher income from discontinued operations primarily related to tax benefits. The net loss available to Genworth Financial, Inc. s common stockholders in 2014 also included an aggregate increase in our claim reserves in our U.S. mortgage insurance business of $34 million in connection with the settlement agreement with Bank of America, N.A. and the resolution of a second matter involving a dispute with another servicer over loss mitigation activities and a correction of $32 million in our life insurance business related to reserves on a reinsurance transaction.

Significant Developments

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

Dispositions

Sale of our lifestyle protection insurance business. On December 1, 2015, we sold our lifestyle protection insurance business to AXA and received approximately $493 million with net proceeds of approximately $400 million, subject to the finalization of closing balance sheet purchase price adjustments. See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

Agreement to sell our mortgage insurance business in Europe. On October 27, 2015, we entered into an agreement to sell our European mortgage insurance business that is expected to result in net proceeds of approximately $55 million to GMICO. The transaction is expected to close in the first quarter of 2016 and is subject to customary conditions, including requisite regulatory approvals. See note 24 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

Agreement to sell life insurance block. On September 30, 2015, GLAIC, our indirect wholly-owned subsidiary, entered into a Master Agreement (the Master Agreement) for a life block transaction with Protective Life Insurance Company (Protective Life). Pursuant to the Master Agreement, GLAIC and Protective Life agreed to enter into a reinsurance agreement, under the terms of which Protective Life would coinsure certain term life insurance business of GLAIC (the GLAIC Block), net of third-party reinsurance. The transaction closed in January 2016. See note 6 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

Partial sale of Genworth Australia. In May 2014, we completed an IPO of Genworth Australia, in which we sold a 33.8% interest in this business. In May 2015, we sold an additional 14.2% of our interest in Genworth Australia. After completion of the offering, we beneficially own 52.0% of Genworth Australia. See note 23 in our consolidated financial statements under Part II Item 8 Financial Statements and Supplementary Data for additional information.

U.S. Mortgage Insurance

PMIERs compliance. As of December 31, 2015, our U.S. mortgage insurance business was compliant with the PMIERs capital requirements, with a prudent buffer. Our U.S. mortgage insurance business generated a total of approximately $535 million in PMIERs capital credit in 2015 from three GSE approved reinsurance transactions covering our 2009 through 2015 book years as well as the intercompany sale of its ownership of affiliated preferred securities for approximately $200 million and an internal restructuring of legal entities. For additional information related to PMIERs, see Part I Item 1 Business Regulation Mortgage Insurance Regulation Other U.S. regulation.

Completion of new reinsurance transactions. Our U.S. mortgage insurance business has entered into three separate reinsurance transactions for the primary purpose of obtaining capital credit under PMIERs in order to meet the PMIERs financial requirements. The reinsurance coverage is provided by a panel of reinsurance partners each currently rated A or better by S&P or A.M Best. The reinsurance transactions cover our 2009 through 2015 book years and are structured as excess of loss coverage where both the attachment and detachment points of the ceded risk tier are within the PMIERs capital requirements at inception. The reinsurance transactions provided an aggregate of approximately $535 million of PMIERs capital credit as of December 31, 2015, representing approximately 43% of the gross aggregate PMIER Required Assets on the performing 2009 through 2015 book years. The 2015 treaty currently includes eligible mortgage insurance certificates issued through the third quarter of 2015 but will include eligible certificates issued in the fourth quarter of 2015 beginning January 1,

2016. The treaties for our 2009 through 2013 and 2014 book years were closed block transactions. Each reinsurance treaty has a term of 10 years and each grant Genworth a unilateral right to commute after year three subject to certain performance triggers.

U.S. Life Insurance

Announced initiative to restructure our U.S. life insurance businesses. On February 4, 2016, we announced our initiative to restructure our U.S. life insurance businesses by repatriating our existing business from BLAIC to our U.S. life insurance subsidiaries, and then separating and potentially isolating our long-term care insurance business. Once all business is repatriated from BLAIC, we intend through a series of reinsurance and restructuring transactions to separate our long-term care insurance business into GLIC and GLICNY and then potentially isolate this business from Genworth Holdings. These actions are expected to be part of a multi-phased process and will require regulatory approval from several different regulatory jurisdictions, and may require other third-party approvals. We would aim to complete these actions over the next 12 to 18 months. As part of this restructuring plan, we have committed to contribute $200 million of holding company cash (from the anticipated tax benefit related to a life block transaction that closed in January 2016 and is expected to be paid to the holding company in the third quarter of 2016) to GLIC.

Suspension of sales of our traditional life insurance and fixed annuity products. As part of our initiative announced on February 4, 2016 to restructure our U.S. life insurance businesses, we decided to suspend sales of our traditional life insurance and fixed annuity products after the first quarter of 2016 given the continued impact of ratings and recent sales levels of these products. This action is expected to reduce cash expenses by approximately $50 million pre-tax annually and we expect to record a restructuring charge of approximately $15 million pre-tax in the first quarter of 2016 related to this decision.

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 on the older generation blocks of business that were written before 2002. We are also requesting premium rate increases on newer blocks of business, as needed. For all of these rate action filings, we received 35 filing approvals from 24 states in 2015, representing a weighted-average increase of 29% on $739 million in annualized in-force premiums. We also submitted 79 new filings in 28 states in 2015, representing $546 million in in-force premiums.

Long-term care insurance margins. In the fourth quarter of 2015, we completed our annual assumption review for our long-term care insurance business and our U.S. GAAP margins remain positive at levels slightly above our prior year margins. For additional information on reserves, see Critical Accounting Estimates Insurance liabilities and reserves.

Completion of life insurance assumption review. In the fourth quarter of 2015, we completed our annual review of assumptions, which resulted in $194 million of charges, which included $36 million of corrections related to reinsurance inputs, in our universal and term universal life insurance products. The updated assumptions reflected changes to persistency, long-term interest rates, mortality and other refinements.

RBC ratio. The consolidated RBC ratio of our U.S. domiciled life insurance subsidiaries was approximately 393% and 435% of the company action level as of December 31, 2015 and 2014, respectively. The RBC ratio for the year ended December 31, 2015 was impacted by $198 million of additional statutory reserves primarily reflecting assumption updates in our universal and term universal life insurance products in the fourth quarter of 2015. In addition, based on our annual statutory cash flow testing of our long-term care insurance business, our New York insurance subsidiary recorded $89 million of additional statutory reserves in the fourth quarter of 2015.

*Suspension of distribution by certain distributors. S*everal distributors suspended distribution related to our U.S. life insurance products following the adverse rating actions after the announcement of our results for the third and fourth quarters of 2014. Those distributors represented, in aggregate, approximately 18%, 16% and 9%, respectively, of 2014 sales of our linked-benefits, annuities and long-term care insurance products.

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Following the adverse rating actions after the announcement of our results for the fourth quarter of 2015, additional distributors, representing in excess of 20% of our 2015 individual long-term care insurance sales, suspended distribution of our long-term care insurance products.

Liquidity and Capital Resources

Redemption of 2016 notes. In January 2016, Genworth Holdings redeemed $298 million of its 8.625% senior notes due 2016 issued in December 2009 (the 2016 Notes) and paid accrued and unpaid interest and a make-whole premium of approximately $23 million pre-tax using cash proceeds received from the sale of our lifestyle protection insurance business.

Business trends and conditions

Our business is, and we expect will continue to be, influenced by a number of industry-wide and product-specific trends and conditions. We have described certain materials trends and conditions in the relevant consolidated and segment discussions below.

Critical Accounting Estimates

The accounting estimates (including sensitivities) discussed in this section are those that we consider to be particularly critical to an understanding of our consolidated financial statements because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on our financial results. The sensitivities included in this section involve matters that are also inherently uncertain and involve the exercise of significant judgment in selecting the factors and amounts used in the sensitivities. Small changes in the amounts used in the sensitivities or the use of different factors could result in materially different outcomes from those reflected in the sensitivities. For all of these accounting estimates, we caution that future events seldom develop exactly as estimated and management s best estimates may require adjustment.

Valuation of fixed maturity securities. Our portfolio of fixed maturity securities comprises primarily investment grade securities, which are carried at fair value.

Estimates of fair values for fixed maturity securities are obtained primarily from industry-standard pricing methodologies utilizing market observable inputs. For our less liquid securities, such as our privately placed securities, we utilize independent market data to employ alternative valuation methods commonly used in the financial services industry to estimate fair value. Based on the market observability of the inputs used in estimating the fair value, the pricing level is assigned.

The following tables summarize the primary sources of data considered when determining fair value of each class of fixed maturity securities as of December 31:

	2015			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Fixed maturity securities:				
Pricing services	$ 52,141	$	$ 52,141	$
Broker quotes	1,646			1,646

Internal models	4,410		876	3,534
Total fixed maturity securities	$ 58,197	$	$ 53,017	$ 5,180

	2014			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Fixed maturity securities:				
Pricing services	$ 54,641	$	$ 54,641	$
Broker quotes	1,829			1,829
Internal models	4,607		682	3,925
Total fixed maturity securities	$ 61,077	$	$ 55,323	$ 5,754

See notes 2, 4 and 16 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to the valuation of fixed maturity securities and a description of the fair value measurement estimates and level assignments.

Other-than-temporary impairments on available-for-sale securities. As of each balance sheet date, we evaluate securities in an unrealized loss position for other-than-temporary impairments. For debt securities, we consider all available information relevant to the collectability of the security, including information about past events, current conditions, and reasonable and supportable forecasts, when developing the estimate of cash flows expected to be collected. For equity securities, we recognize an impairment charge in the period in which we determine that the security will not recover to book value within a reasonable period.

See notes 2 and 4 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to other-than-temporary impairments on available-for-sale securities.

Derivatives. We enter into freestanding derivative transactions primarily to manage the risk associated with variability in cash flows or changes in fair values related to our financial assets and liabilities. We also use derivative instruments to hedge certain currency exposures. Additionally, we purchase investment securities, issue certain insurance policies and engage in certain reinsurance contracts that have embedded derivatives. The associated financial statement risk is the volatility in net income which can result from among other things: (i) changes in the fair value of derivatives not qualifying as accounting hedges; (ii) changes in the fair value of embedded derivatives required to be bifurcated from the related host contract; (iii) ineffectiveness of designated hedges; and (iv) counterparty default. Accounting for derivatives is complex, as evidenced by significant authoritative interpretations of the primary accounting standards which continue to evolve. See notes 2, 5 and 16 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for an additional description of derivative instruments and fair value measurements of derivative instruments.

Deferred acquisition costs. DAC represents costs that are directly related to the successful acquisition of new and renewal insurance policies and investment contracts which are deferred and amortized over the estimated life of the related insurance policies. These costs primarily include commissions in excess of ultimate renewal commissions and underwriting and contract and policy issuance expenses for policies successfully acquired. DAC is subsequently amortized to expense in relation to the anticipated recognition of premiums or gross profits.

The amortization of DAC for traditional long-duration insurance products (including term life insurance, life-contingent structured settlements and immediate annuities and long-term care insurance) is determined as a level proportion of premium based on accepted actuarial methods and reasonable assumptions including related to investment returns, health care experience (including type of care and cost of care), policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured mortality (i.e., life expectancy or longevity), insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates) and expenses, established when the contract or policy is issued. U.S. GAAP requires that assumptions for these types of products not be modified (or unlocked) unless recoverability testing, also known as loss recognition testing, deems them to be inadequate. Amortization is adjusted each period to reflect actual lapses or terminations. Accordingly, we could experience accelerated amortization of DAC if policies lapse or terminate earlier than originally assumed, or if we fail recoverability testing.

Amortization of DAC for deferred annuity and universal life insurance contracts is based on expected gross profits. Expected gross profits are adjusted quarterly to reflect actual experience to date or for the unlocking of underlying key assumptions including interest rates, policyholder persistency or lapses, insured mortality and expenses. The estimation of expected gross profits is subject to change given the inherent uncertainty as to the underlying key assumptions employed and the long duration of our policy or contract liabilities. Changes in expected gross profits reflecting the unlocking of underlying key assumptions could result in a material increase or decrease in the amortization of DAC depending on the magnitude of the change in underlying assumptions. Significant factors that could result in a material increase or decrease in DAC amortization for these products include material changes in withdrawal or lapse rates, investment spreads or mortality assumptions. For the years ended December 31, 2015, 2014 and 2013, key assumptions were unlocked in our U.S. Life Insurance and Runoff segments to reflect our current expectation of future investment spreads, lapse rates and mortality.

The amortization of DAC for mortgage insurance is based on expected gross margins. Expected gross margins, defined as premiums less losses, are set based on assumptions for future persistency and loss development of the business. These assumptions are updated for actual experience to date or as our expectations of future experience are revised based on experience studies. Due to the inherent uncertainties in making assumptions about future events, materially different experience from expected results in persistency or loss development could result in a material increase or decrease to DAC amortization. For the years ended December 31, 2015, 2014 and 2013, assumptions were unlocked in our mortgage insurance businesses to reflect our current expectation of future persistency and loss projections.

The following table sets forth the increase (decrease) in amortization of DAC related to unlocking of underlying key assumptions by segment for the years ended December 31:

(Amounts in millions)	**2015**	**2014**	**2013**
U.S. Life Insurance	$ 97	$ 4	$ 21
Canada Mortgage Insurance			1
Australia Mortgage Insurance	1		
U.S. Mortgage Insurance	1		
Runoff	(5)	(9)	1
Total	$ 94	$ (5)	$ 23

The DAC amortization methodology for our variable products (variable annuities and variable universal life insurance) includes a long-term average appreciation assumption of 7.5% to 8.0%. When actual returns vary from the expected 7.5% to 8.0%, we assume a reversion to the expected return over a three-year period.

We review DAC for recoverability at least annually. For deferred annuity and universal life insurance contracts, if the present value of estimated future gross profits is less than the unamortized DAC for a line of business, a charge to income is recorded for additional DAC amortization. For traditional long-duration and short-duration contracts, if the benefit reserves plus anticipated future premiums and interest income for a line of business are less than the current estimate of future benefits and expenses (including any unamortized DAC), a charge to income is recorded for additional DAC amortization or for increased benefit reserves. The evaluation of DAC recoverability is subject to inherent uncertainty and requires significant judgment and estimates to determine the present values of future premiums, estimated gross profits and expected losses and expenses of our businesses.

In the fourth quarter of 2015, as part of our annual review of assumptions, we increased DAC amortization by $109 million in our universal life insurance products, reflecting updated assumptions for persistency, long-term interest rates, mortality and other refinements as well as corrections related to reinsurance inputs. The review of assumptions also contributed significantly to the 2015 impact on universal and term universal life policyholder account balances. Select sensitivities for persistency, long-term interest rates and mortality are more fully discussed under Insurance liabilities and reserves Policyholder account balances below.

As part of a life block transaction in 2015, we recorded $455 million of additional DAC amortization to reflect loss recognition on certain term life insurance policies. For the years ended December 31, 2014 and 2015, there were no other charges to income as a result of our DAC loss recognition testing. As of December 31, 2015, we believe all of our other businesses have sufficient future income where the related DAC is recoverable based on our best estimate assumptions. See notes 2 and 6 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to DAC.

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Continued low interest rates have impacted the margins on our fixed immediate annuity products. As of December 31, 2015 and 2014, we had margin of approximately $19 million and $31 million, respectively, on $5,849 million and $6,204 million, respectively, of net U.S. GAAP liability related to our fixed immediate annuity products. The risks we face include adverse variations in interest rates and/or mortality. As of December 31, 2015 and 2014, we had DAC of $17 million and $22 million, respectively, related to our immediate annuity products. Adverse experience in one or both of these risks could result in the DAC associated with our immediate annuity products being no longer fully recoverable as well as the establishment of additional benefit reserves. As of December 31, 2015, for our immediate annuity products, 50 basis points lower interest rates and 2% lower mortality, changes that we consider to be reasonably possible given historical changes in market conditions and experience on these products, would result in margin reduction of approximately $27 million and $24 million, respectively. Margin reduction below zero results in a charge to current period earnings. Any favorable variation would result in additional margin in our DAC loss recognition analysis and would result in higher income recognition over the remaining duration of the in-force block. As of December 31, 2015, we believe all of our other businesses have sufficient future income where the related DAC would be recoverable under selected adverse variations in our assumptions. For a discussion of our long-term care insurance margins, see Insurance liabilities and reserves Future policy benefits below.

Present value of future profits. In conjunction with the acquisition of a block of insurance policies or investment contracts, a portion of the purchase price is assigned to the right to receive future gross profits arising from these insurance and investment contracts. This intangible asset, called PVFP, represents the actuarially estimated present value of future cash flows from the acquired policies. PVFP is amortized, net of accreted interest, in a manner similar to the amortization of DAC.

We regularly review our assumptions and periodically test PVFP for recoverability in a manner similar to our treatment of DAC. In the fourth quarter of 2015, as part of our annual review of assumptions, we increased PVFP amortization by $14 million for our universal life insurance products, reflecting updated assumptions for persistency, long-term interest rates, mortality and other refinements. During the fourth quarter of 2014, the loss recognition testing for our acquired block of long-term care insurance business resulted in a premium deficiency as described in Insurance liabilities and reserves Future policy benefits below. As a result, we wrote off the entire PVFP balance for our long-term care insurance business of $6 million through amortization with a corresponding change to net unrealized investment gains (losses). The results of the test were primarily driven by changes in our expectations for future severity of claims, including higher utilization of available benefits and lower rates at which claims terminate. As of December 31, 2015 and 2014, we believe all of our other businesses have sufficient future income where the related PVFP is recoverable based on our best estimate assumptions. For the year ended December 31, 2013, there were no charges to income as a result of our PVFP recoverability testing. See notes 2 and 7 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to PVFP.

Insurance liabilities and reserves. We calculate and maintain reserves for the estimated future payment of claims to our policyholders and contractholders based on actuarial assumptions and in accordance with U.S. GAAP and industry practice. Many factors can affect these reserves, including, but not limited to: interest rates; investment returns and volatility; economic and social conditions, such as inflation, unemployment, home price appreciation or depreciation, and health care experience (including type of care and cost of care); policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next); insured mortality (i.e., life expectancy or longevity); insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates); future premium increases; expenses; and doctrines of legal liability and damage awards in litigation. 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. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past had, material impacts on our reserve levels, results of operations and financial condition.

Insurance reserves differ for long- and short-duration insurance policies. Measurement of reserves for long-duration insurance contracts (such as life insurance, annuity and long-term care insurance products) is based on approved actuarial methods, and includes assumptions about mortality, morbidity, lapses, interest rates and other factors. Short-duration contracts are accounted for based on actuarial estimates of the amount of loss inherent in that period s claims, including losses incurred for which claims have not been reported. Short-duration contract loss estimates rely on actuarial observations of ultimate loss experience for similar historical events.

Future policy benefits

The liability for future policy benefits is equal to the present value of future benefits and expenses, less the present value of expected future net premiums based on assumptions including investment returns, health care experience (including type of care and cost of care), policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured mortality (i.e., life expectancy or longevity), insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates) and expenses. In our long-term care insurance business, our assumptions also include anticipated future premium increases from future in-force rate actions (including anticipated actions that have not yet received regulatory approval). The liability for future policy benefits is reviewed at least annually as a part of our loss recognition testing using current assumptions based on the manner of acquiring, servicing and measuring the profitability of the insurance contracts. Loss recognition testing is generally performed at the line of business level, with acquired blocks and certain reinsured blocks tested separately. Changes in how we manage certain polices could require separate loss recognition testing and could result in future charges to income.

Long-term care insurance block, excluding our acquired block

We perform loss recognition testing for the liability for future policy benefits for our long-term care insurance products in the aggregate, excluding our acquired block of long-term care insurance, which is tested separately. In 2014, the results of our loss recognition testing on our long-term care insurance block, excluding the acquired block, indicated that our DAC was recoverable and reserves were sufficient, with a margin of approximately $2.3 billion as of December 31, 2014. The results of our 2014 loss recognition test were driven by changes to assumptions and methodologies primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates. Claim termination rates refer to the expected rates at which claims end. Benefit utilization rates estimate how much of the available policy benefits are expected to be used. Changes to our claim termination rates and benefit utilization rates in our long-term care insurance business decreased our margin by approximately $5.4 billion in 2014. We also included an assumption for future anticipated rate actions which increased our margin by approximately $4.9 billion in 2014. In the fourth quarter of 2014, we began including future rate actions in our loss recognition testing in addition to those rate actions that had already been filed and approved or awaiting regulatory approval. Our assumption for future anticipated rate actions is based on our best estimate of the rate increases we expect given our claims cost expectations and uses our historical experience from rate increase approvals. In addition, we reviewed other assumptions, particularly related to claim frequency, lapse rates, morbidity, mortality improvement and expenses, and updated these assumptions as appropriate, which had a modestly favorable impact on our margin in the aggregate.

In 2015, the results of our loss recognition testing on our long-term care insurance block, excluding the acquired block, indicated that our DAC was recoverable and reserves were sufficient, with a margin of approximately $2.5 billion to $3.0 billion as of December 31, 2015. Our loss recognition testing margin increased in 2015 mainly due to the updated assumptions and methodologies implemented during 2014 and from higher anticipated premiums driven mostly by our anticipated future in-force rate actions. The assumption for future anticipated rate actions increased our margin by approximately $6.0 billion, an increase of approximately $1.1 billion from 2014.

We assume a static discount rate that is in line with our current portfolio yield. Our discount rate assumption for our long-term care insurance block, excluding the acquired block, was 5.24% in 2015 and 5.23% in 2014. This rate represents our expected investment returns based on the portfolio of assets supporting the net U.S. GAAP liability as of the calculation date and, therefore, excluded the benefits of qualifying hedge gains that are not currently amortizing. As of December 31, 2015 and 2014, the liability for future policy benefits associated with our long-term care insurance block, excluding the acquired block, was $18.0 billion and $16.5 billion, respectively.

The impact on our 2015 long-term care insurance loss recognition testing margin for select sensitivities were as follows:

(Amounts in millions)	Other Block (Excluding the Acquired Block)
Sensitivities on 2015 loss recognition testing:	
5% relative increase in future claim costs	$ (2,000)
Discount rate decrease of 25 basis points	(1,000)
10% reduction in benefit of future in-force rate actions	(600)

The margin impacts in the table above are each discrete and do not reflect the impact one factor may have on another. For example, the increases in claims costs do not include any offsetting impacts from potential future rate actions. Any such offset from rate actions would primarily impact our long-term care insurance block, excluding the acquired block.

Any future adverse changes in our assumptions could result in both the DAC associated with our long-term care insurance products being no longer fully recoverable as well as the establishment of additional future policy benefit reserves. Any favorable changes would result in additional margin in our loss recognition test and higher income over the remaining duration of the in-force block. Our positive margin for our long-term care insurance business, excluding the acquired block, is dependent on our assumptions regarding our ability to successfully implement our in-force management strategy involving premium increases or reduced benefits. For our long-term care insurance block, excluding the acquired block, any adverse changes in assumptions would only be reflected in net income (loss) to the extent the margin was reduced below zero.

Profits followed by losses

With respect to our long-term care insurance block, excluding the acquired block, while loss recognition testing supports that in the aggregate our reserves are sufficient, our future projections indicate we have projected profits in earlier periods followed by projected losses in later periods. As a result of this pattern of projected profits followed by projected losses, we will ratably accrue additional future policy benefit reserves over the profitable periods, currently expected to be through approximately 2034, by the amounts necessary to offset estimated losses during the periods that follow. Such additional reserves are updated each period and calculated based on our estimate of the amount necessary to offset the losses in future periods utilizing expected income and current best estimate assumptions based on actual and anticipated experience, consistent with our loss recognition testing. We adjust the accrual rate prospectively, going forward over the remaining profit periods, without any catch-up adjustment. During the year ended December 31, 2015, we increased our long-term care insurance future policy benefit reserves by $13 million to accrue for profits followed by losses. The present value of expected losses was approximately $500 million as of December 31, 2015. We currently estimate approximately 15% of future expected profits on our long-term care insurance block, excluding the acquired block, will be accrued in the future to offset estimated future losses during later periods.

Acquired block of long-term care insurance

In 2014, for our acquired block of long-term care insurance, we performed our loss recognition testing and determined that we had negative margin of $716 million. As a result, we wrote off the remaining PVFP balance of $6 million and increased our future policy benefit reserves by $710 million. The results of the test were driven by changes to assumptions and methodologies primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates. The updated assumptions from 2014 remain locked-in until such time as another premium deficiency exists. Due to the premium deficiency that existed in 2014, we monitor our acquired block frequently.

In 2015, our acquired block of long-term care insurance had positive margin of approximately $10 million. Our discount rate assumption decreased from 7.13% in 2014 to 7.02% in 2015, mainly due to the additional lower-yielding assets needed to fund the increase in reserves during the year. As of December 31, 2015 and 2014, the liability for future policy benefits associated with our acquired block of long-term care insurance was $2.6 billion and $2.8 billion, respectively.

The impact on our 2015 long-term care insurance loss recognition testing margin for select sensitivities were as follows:

(Amounts in millions)	Acquired Block
Sensitivities on 2015 loss recognition testing:	
5% relative increase in future claim costs	$ (185)
Discount rate decrease of 25 basis points	(55)
10% reduction in benefit of future in-force rate actions	(15)

The margin impacts in the table above are each discrete and do not reflect the impact one factor may have on another. For example, the increases in claims costs do not include any offsetting impacts from potential future rate actions. Our acquired block would not benefit significantly from additional rate actions as it is older, and therefore, there is a higher likelihood that adverse changes could result in additional losses on that block.

Any future adverse changes in our assumptions could result in the establishment of additional future policy benefit reserves. Any favorable changes would result in additional margin in our loss recognition test and higher income over the remaining duration of the in-force block. For our acquired block of long-term care insurance, the impacts of adverse changes in assumptions would be immediately reflected in net income (loss) if our margin for this block is reduced below zero.

Policyholder Account Balances

The liability for policyholder account balances represents the contract value that has accrued to the benefit of the policyholder as of the balance sheet date for investment-type and universal life insurance contracts. We are also required to establish additional benefit reserves for guarantees or product features in addition to the contract value where the additional benefit reserves are calculated by applying a benefit ratio to accumulated contractholder assessments, and then deducting accumulated paid claims. The benefit ratio is equal to the ratio of benefits to assessments, accumulated with interest and considering both past and anticipated future experience.

In the fourth quarter of 2015, as part of our annual review of assumptions, we increased the liability for policyholder account balances by $175 million for our universal and term universal life insurance products, reflecting updated assumptions for persistency, long-term interest rates, mortality and other refinements. As of December 31, 2015 and 2014, we had DAC of $898 million and $975 million, respectively, and total policyholder account balances including reserves in excess of the contract value of $7,490 million and $7,173 million, respectively, related to our universal and term universal life insurance products. Adverse experience in persistency, long-term interest rates and mortality could result in the DAC amortization associated with these products being accelerated as well as the establishment of higher additional benefit reserves. As of December 31, 2015, for our universal and term universal life insurance products, a persistency change to 95% shock lapse at the end of level premium period, 25 basis points lower interest rates and 2% higher mortality would result in a charge to earnings of approximately $100 million, $40 million and $50 million, respectively. These are adverse changes that we consider to be reasonably possible given historical changes in market conditions and experience of these products. Any favorable changes in these assumptions would result in lower DAC amortization as well as a reduction in the liability for policyholder account balances.

Liability for policy and contract claims

The liability for policy and contract claims represents the amount needed to provide for the estimated ultimate cost of settling claims relating to insured events that have occurred on or before the end of the respective reporting period. The estimated liability includes requirements for future payments of: (a) claims that have been reported to the insurer; (b) claims related to insured events that have occurred but that have not been reported to the insurer as of the date the liability is estimated; and (c) claim adjustment expenses. Claim adjustment expenses include costs incurred in the claim settlement process such as legal fees and costs to record, process and adjust claims.

Our liability for policy and contract claims is reviewed regularly, with changes in our estimates of future claims recorded through net income (loss).

The following table sets forth our recorded liability for policy and contract claims by business as of December 31:

(Amounts in millions)	2015	2014
Long-term care insurance	$ 6,749	$ 6,216
U.S. mortgage insurance	849	1,180
Life insurance	202	197
Australia mortgage insurance	165	152
Canada mortgage insurance	87	91
Fixed annuities	18	21
Runoff	18	15
Other mortgage insurance	7	9
Total liability for policy and contract claims	$ 8,095	$ 7,881

Long-term care insurance

The liability for policy and contract claims, also known as claim reserves, for our long-term care insurance products represents the present value of the amount needed to provide for the estimated ultimate cost of settling claims relating to insured events that have occurred on or before the end of the respective reporting period. Key assumptions include investment returns, health care experience (including type of care and cost of care), policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured mortality (i.e., life expectancy or longevity), insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates) and expenses. Our discount rate assumption assumes a static discount rate in-line with our current portfolio yield.

During the third quarter of 2014, we completed a comprehensive review of our long-term care insurance claim reserves. This review was commenced as a result of adverse claims experience during the second quarter of 2014 and in connection with our regular review of our claim reserve assumptions during the third quarter of each year. As a result of this review, we made changes to our assumptions and methodologies relating to our long-term care insurance claim reserves primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates, reflecting that claims are not terminating as quickly and claimants are utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. As a result of these changes, we increased our long-term care insurance claim reserves by $604 million, before reinsurance, during the third quarter of 2014. The changes in our assumptions relating to our long-term care insurance claim reserves also informed the review of and changes to assumptions and methodologies used in our fourth quarter of 2014 loss recognition testing, as discussed above. In 2015, we reviewed our assumptions and based on experience, no adjustment was required.

Mortgage insurance

Estimates of mortgage insurance reserves for losses and loss adjustment expenses are based on notices of mortgage loan defaults and estimates of defaults that have been incurred but have not been reported by loan servicers, using assumptions developed based on past experience and our expectation of future development. These assumptions include claim rates for loans in default, the average amount paid for loans that result in a claim and an estimate of the number of loans in our delinquency inventory that will be rescinded or modified (collectively referred to as loss mitigation actions) based on the effects that such loss mitigation actions have had on our historical claim frequency rates, including an estimate for reinstatement of previously rescinded coverage. Each of these assumptions is established by management based on historical and expected experience. We have established processes, as well as contractual rights, to ensure we receive timely information from loan servicers to aid us in the establishment of our estimates. In addition, when we have obtained sufficient facts and circumstances through our investigative process, we have the unilateral right under our master policies and at law to rescind coverage *ab initio* on the underlying loan certificate as if coverage never existed. As is common accounting practice in the mortgage insurance industry and in accordance with U.S. GAAP, loss reserves are not established for future claims on insured loans that are not currently in default.

Management reviews quarterly the loss reserves for adequacy, and if indicated, updates the assumptions used for estimating and calculating such reserves based on actual experience and our historical frequency of claim and severity of loss rates that are applied to the current population of delinquencies. Factors considered in establishing loss reserves include claim frequency patterns (reflecting the loss mitigation actions on such claim patterns), the aged category of the delinquency (i.e., age and progression of delinquency to claim) and loan coverage percentage. The establishment of our mortgage insurance loss reserves is subject to inherent uncertainty and requires judgment. The actual amount of the claim payments may vary significantly from the loss reserve estimates. Our estimates could be adversely affected by several factors, including, but not limited to, a deterioration of regional or national economic conditions leading to a reduction in borrowers income and thus their ability to make mortgage payments, a drop in housing values that could expose us to greater loss on resale of properties obtained through foreclosure proceedings and an adverse change in the effectiveness of loss mitigation actions that could result in an increase in the frequency of expected claim rates. Our estimates are also affected by the extent of fraud and misrepresentation that we uncover in the loans that we have insured and the coverage upon which we have consequently rescinded or may rescind going forward. Our loss reserving methodology includes estimates of the number of loans in our delinquency inventory that will be rescinded or modified, as well as estimates of the number of loans for which coverage may be reinstated under certain conditions following a rescission action.

In considering the potential sensitivity of the factors underlying management s best estimate of our mortgage insurance reserves for losses, it is possible that even a relatively small change in estimated delinquency-to-claim rate (frequency) or a relatively small percentage change in estimated claim amount (severity) could have a significant impact on reserves and, correspondingly, on results of operations. Based on our actual experience during the three-year period ended December 31, 2015 in our U.S. mortgage insurance business, a quarterly change of, for example, 3% in the average frequency reserve factor would change the gross reserve amount for such quarter by approximately $53 million for our U.S. mortgage insurance business. Based on our actual experience during 2015, a quarterly change of, for example, $1,000 in the average severity reserve factor combined with a 1% change in the average frequency reserve factor would change the gross reserve amount by approximately $3 million and $7 million for our mortgage insurance businesses in Canada and Australia, respectively, based on current exchange rates.

Unearned premiums. In our mortgage insurance businesses in Canada and Australia, the majority of our insurance contracts are single premium. For single premium insurance contracts, we recognize premiums over the policy life in accordance with the expected pattern of risk emergence. We recognize a portion of the revenue in premiums earned in the current period, while the remaining portion is deferred as unearned premiums and earned over time in accordance with the expected pattern of risk emergence. If single premium policies are cancelled and the premium is non-refundable, then the remaining unearned premium related to each cancelled policy is recognized as earned premiums upon notification of the cancellation, if not included in our expected earnings pattern. The expected pattern of risk emergence on which we base premium recognition is inherently judgmental and is based on actuarial analysis of historical and expected experience. Changes in market conditions could cause a decline in mortgage originations, mortgage insurance penetration rates or our market share, all of which could impact new insurance written. For example, a decline in flow new insurance written of $1.0 billion in Canada and Australia would result in a reduction in earned premiums of approximately $6 million and $3 million, respectively, in the first full year following the decline in flow new insurance written based on current pricing and expected pattern of risk emergence. However, this decline would be partially offset by the recognition of earned premiums from established unearned premium reserves primarily from the last three years of business.

As of December 31, 2015 and 2014, we had $3.3 billion and $3.5 billion, respectively, of unearned premiums, of which $1.5 billion for each period related to our mortgage insurance business in Canada and $1.0 billion and $1.1 billion, respectively, related to our mortgage insurance business in Australia. In our mortgage insurance businesses, we recognize unearned premiums over a period of up to 20 years, most of which are recognized between three and seven years from issue date. The recognition of earned premiums for our mortgage insurance businesses in Canada and Australia involves significant estimates and assumptions as to future loss development and policy cancellations. These assumptions are based on our historical experience and our expectations of future performance, which are highly dependent on assumptions as to long-term macroeconomic conditions including interest rates, home price appreciation and the rate of unemployment. We regularly review our expected pattern of risk emergence and make adjustments based on actual experience and changes in our expectation of future performance with any adjustments reflected in current period income. For the years ended December 31, 2015, 2014 and 2013, increases to earned premiums in our mortgage insurance businesses in Canada and Australia as a result of adjustments made to our expected pattern of risk emergence and policy cancellation assumptions were $8 million, $6 million and $12 million, respectively.

Our expected pattern of risk emergence for our mortgage insurance businesses in Canada and Australia is subject to change given the inherent uncertainty as to the underlying loss development and policy cancellation assumptions and the long duration of our international mortgage insurance policy contracts. Actual experience that is different than expected for loss development or policy cancellations could result in a material increase or decrease in the recognition of earned premiums depending on the magnitude of the difference between actual and expected experience. Loss development emergence and policy cancellation variations could result in an increase or decrease in after-tax operating results depending on the magnitude of variation experienced (assuming other assumptions held constant).

In our U.S. mortgage insurance business, the majority of our insurance contracts have recurring premiums. We recognize recurring premiums over the terms of the related insurance policy on a pro-rata basis (i.e., monthly). Changes in market conditions could cause a decline in mortgage originations, mortgage insurance penetration rates and our market share, all of which could impact new insurance written. For example, a decline in flow new insurance written of $1.0 billion would result in a reduction in earned premiums of approximately $4 million in the first full year. Likewise, if flow persistency declined on our existing insurance in-force by 10%, earned premiums would decline by approximately $61 million during the first full year, potentially offset by lower reserves due to policies no longer being in force.

The remaining portion of our unearned premiums primarily relates to our long-term care insurance business where the underlying assumptions related to premium recognition are not subject to significant uncertainty. Accordingly, changes in underlying assumptions as to premium recognition we consider being reasonably possible for this business would not result in a material impact on our results of operations.

Valuation of deferred tax assets. Deferred tax assets represent the tax benefit of future deductible temporary differences and operating loss and tax credit carryforwards. Deferred tax assets are measured using the enacted tax rates expected to be in effect when such benefits are realized if there is no change in tax law. Under U.S. GAAP, we test the value of deferred tax assets for impairment on a quarterly basis at our taxpaying component level within each tax jurisdiction, consistent with our filed tax returns. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. In determining the need for a valuation allowance, we consider carryback capacity, reversal of existing temporary differences, future taxable income and tax planning strategies. Tax planning strategies are actions that are prudent and feasible, that an entity ordinarily might not take, but would take to prevent an operating loss or tax credit carryforward from expiring unused. The determination of the valuation allowance for our deferred tax assets requires management to make certain judgments and assumptions regarding future operations that are based on our historical experience and our expectations of future performance. Our judgments and assumptions are subject to change given the inherent uncertainty in predicting future performance, which is impacted by, but not limited to, policyholder behavior, competitor pricing, new product introductions, and specific industry and market conditions. Based on our analysis, we believe it is more likely than not that the results of future operations will generate sufficient taxable income to enable us to realize the deferred tax assets for which we have not established valuation allowances.

As of December 31, 2015, we had a net deferred tax asset of $131 million. We had a consolidated gross deferred tax asset of $1,727 million related to NOL carryforwards of $4,972 million as of December 31, 2015, which, if unused, will expire beginning in 2021. Foreign tax credit carryforwards amounted to $787 million as of December 31, 2015, which, if unused, will begin to expire in 2019. The amount of carryforward set to expire in 2019 is $11 million. As of December 31, 2015, we had a $353 million valuation allowance related to state deferred tax assets, foreign net operating losses, capital losses, a specific federal separate tax return net operating loss deferred tax asset and foreign tax credits.

As a result of the losses incurred in 2015, we are in a three-year cumulative pre-tax loss position in our U.S. jurisdiction as of December 31, 2015. A cumulative loss position is considered significant negative evidence in assessing the realizability of our deferred tax assets. Our ability to realize our net U.S. deferred tax asset of $137 million, which includes deferred tax assets of $2,514 million related to net operating loss and foreign tax credit carryforwards, is primarily dependent upon generating sufficient taxable income in future years. Management has concluded that there is sufficient positive evidence to overcome this negative evidence. This positive evidence includes the fact that: (i) our three-year cumulative pre-tax loss position includes significant charges that are not expected to recur in the future, including goodwill impairments, long-term care acquired block loss recognition testing in our U.S. Life Insurance segment in 2014 that did not recur in 2015, a loss on the sale of our lifestyle protection insurance business in 2015 and an estimated loss recorded in 2015 related to the planned sale of our mortgage insurance business in Europe; (ii) our profitable U.S. operating forecasts, exclusive of tax planning strategies, result in full utilization of the net deferred tax assets within the U.S. federal carryforward periods based on our current projections, including already obtained and expected in-force premium rate actions in our long-term care insurance business and the lack of future sales for our traditional life insurance and fixed annuity products given our suspension of new sales included in these forecasts; and (iii) overall domestic losses that we have incurred are allowed to be reclassified as foreign source income to the extent of 50% of domestic source income produced in subsequent years, and such resulting foreign source income is sufficient to cover the foreign tax credits being carried forward. If our actual results do not validate the current projections of pre-tax income, we may be required to record a valuation allowance that could have a material impact on our consolidated financial statements in future periods.

Deferred taxes on permanently reinvested foreign income. We do not record U.S. deferred taxes on foreign income that we do not expect to remit or repatriate to U.S. corporations within our consolidated group. Under U.S. GAAP, we are generally required to record U.S. deferred taxes on the anticipated repatriation of foreign income as the income is recognized for financial reporting purposes. An exception under certain accounting guidance permits us to not record a U.S. deferred tax liability for foreign income that we expect to reinvest in our foreign operations and for which remittance will be postponed indefinitely. If it becomes apparent that we cannot positively assert that some or all undistributed income will be reinvested indefinitely, the related deferred taxes are recorded in that period. In determining indefinite reinvestment, we regularly evaluate the capital needs of our domestic and foreign operations considering all available information, including operating and capital plans, regulatory capital requirements, parent company financing and cash flow needs, as well as the applicable tax laws to which our domestic and foreign subsidiaries are subject. Our estimates are based on our historical experience and our expectation of future performance. Our judgments and assumptions are subject to change given the inherent uncertainty in predicting future capital needs, which are impacted by such things as regulatory requirements, policyholder behavior, competitor pricing, new product introductions, and specific industry and market conditions. As of December 31, 2015, U.S. deferred income taxes were not provided on approximately $1,712 million of unremitted foreign income related to our Canadian mortgage insurance business that we considered permanently reinvested. Our Canadian mortgage insurance business held cash and short-term investments of $178 million related to the unremitted earnings of foreign operations considered to be permanently reinvested as of December 31, 2015.

Contingent liabilities. A liability is contingent if the amount is not presently known, but may become known in the future as a result of the occurrence of some uncertain future event. We estimate our contingent liabilities based on management s estimates about the probability of outcomes and their ability to estimate the range of exposure. Accounting standards require that a liability be recorded if management determines that it is probable that a loss has occurred and the loss can be reasonably estimated. In addition, it must be probable that the loss will be confirmed by some future event. As part of the estimation process, management is required to make assumptions about matters that are by their nature highly uncertain.

The assessment of contingent liabilities, including legal and income tax contingencies, involves the use of estimates, assumptions and judgments. Management s estimates are based on their belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. However, there can be no assurance that future events, such as court decisions or IRS positions, will not differ from management s assessments. Whenever practicable, management consults with third-party experts (including attorneys, accountants and claims administrators) to assist with the gathering and evaluation of information related to contingent liabilities. Based on internally and/or externally prepared evaluations, management makes a determination whether the potential exposure requires accrual in the consolidated financial statements.

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. During 2015, the U.S. and several international financial markets have been impacted by concerns regarding global economies and the rate and strength of recovery, particularly given recent political and geographical events in Eastern Europe and the Middle East and slow growth in China, as well as continued decreases in oil and commodity prices.

Slow or varied levels of economic growth, coupled with uncertain financial markets and economic outlooks, changes in government policy, regulatory 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 adjust 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 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, anticipated tax policy changes and the impact of global financial regulation reform will continue to affect economic and business outlooks and consumer behaviors moving forward.

The U.S. and international governments, the Federal Reserve, other central banks and other legislative and regulatory bodies have taken certain actions 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. In aggregate,

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these actions had a positive effect in the short term on these countries and their markets; however, there can be no assurance as to the future impact these types of actions may have on the economic and financial markets, including levels of volatility. A delayed economic recovery period, a U.S. or global recession or regional or global financial crisis could 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.

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

	Years ended December 31,			Increase (decrease) and percentage change			
(Amounts in millions)	**2015**	**2014**	**2013**	**2015 vs. 2014**		**2014 vs. 2013**	
Revenues:							
Premiums	$ 4,579	$ 4,700	$ 4,516	$ (121)	(3)%	$ 184	4%
Net investment income	3,138	3,142	3,155	(4)	%	(13)	%
Net investment gains (losses)	(75)	(22)	(64)	(53)	NM(1)	42	66%
Policy fees and other income	906	909	1,018	(3)	%	(109)	(11)%
Total revenues	8,548	8,729	8,625	(181)	(2)%	104	1%
Benefits and expenses:							
Benefits and other changes in policy reserves	5,149	6,418	4,737	(1,269)	(20)%	1,681	35%
Interest credited	720	737	738	(17)	(2)%	(1)	%
Acquisition and operating expenses, net of deferrals	1,309	1,138	1,244	171	15%	(106)	(9)%
Amortization of deferred acquisition costs and intangibles	966	453	463	513	113%	(10)	(2)%
Goodwill impairment		849		(849)	(100)%	849	NM(1)
Interest expense	419	433	450	(14)	(3)%	(17)	(4)%
Total benefits and expenses	8,563	10,028	7,632	(1,465)	(15)%	2,396	31%
Income (loss) from continuing operations before income taxes	(15)	(1,299)	993	1,284	99%	(2,292)	NM(1)
Provision (benefit) for income taxes	(9)	(94)	313	85	90%	(407)	(130)%
Income (loss) from continuing operations	(6)	(1,205)	680	1,199	100%	(1,885)	NM(1)
Income (loss) from discontinued operations, net of taxes	(407)	157	34	(564)	NM(1)	123	NM(1)
Net income (loss)	(413)	(1,048)	714	635	61%	(1,762)	NM(1)

Less: net income attributable to noncontrolling interests	202	196	154	6	3%	42	27%
Net income (loss) available to Genworth Financial, Inc. s common stockholders	$ (615)	$ (1,244)	$ 560	$ 629	51%	$ (1,804)	NM[1]

[1] We define NM as not meaningful for increases or decreases greater than 200%.

2015 compared to 2014

Premiums. Premiums consist primarily of premiums 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 Canada Mortgage Insurance segment decreased $49 million driven by a $69 million decrease attributable to changes in foreign exchange rates in 2015. Excluding the effects of foreign exchange, our Canada Mortgage Insurance segment increased primarily from the seasoning of our larger in-force blocks of business in 2015.

Our Australia Mortgage Insurance segment decreased $49 million driven by a $71 million decrease attributable to changes in foreign exchange rates in 2015. Excluding the effects of foreign exchange, our Australia Mortgage Insurance segment increased primarily as a result of the seasoning of our in-force blocks of business, an adjustment of $8 million in the third quarter of 2015 relating to refinements to premium recognition factors and higher premiums resulting from policy cancellations and refunds in 2015. These increases were partially offset by a decrease in premiums from lower flow volume and higher ceded reinsurance premiums in 2015.

Our U.S. Life Insurance segment decreased $41 million. Our fixed annuities business decreased $90 million principally from lower sales of our life-contingent products in 2015. Our life insurance business decreased $52 million primarily related to higher ceded reinsurance, lapse experience and lower production in 2015. Our long-term care insurance business increased $101 million largely from $96 million of higher premiums in 2015 from in-force rate actions approved and implemented.

Our U.S. Mortgage Insurance segment increased $24 million mainly attributable to higher average flow mortgage insurance in-force, partially offset by higher ceded reinsurance premiums and an accrual for premium refunds related to policy cancellations in 2015.

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 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 Runoff segment decreased $20 million mainly attributable to lower average account values in our variable annuity products in 2015.

Corporate and Other activities decreased $11 million mainly as a result of losses in 2015 from non-functional currency transactions attributable to changes in foreign exchange rates related to intercompany transactions.

Our U.S. Life Insurance segment increased $14 million predominantly from our life insurance business related to our universal life insurance products driven by a $12 million favorable impact associated with the completion of our annual review of assumptions in the fourth quarter of 2015, which included $5 million of corrections related to reinsurance inputs. The increase was also attributable to higher income from certain older universal life insurance in-force policies and a $4 million unfavorable correction in 2014 that did not recur. These increases were partially offset by lower production, a decrease in our term universal and universal life insurance in-force blocks and higher terminations in our term universal life insurance product in 2015.

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Our Australia Mortgage Insurance segment increased $13 million primarily due to higher losses in 2014 on non-functional currency transactions attributable to changes in foreign exchange rates on remeasurement and partial payments of intercompany loans in 2014 that did not recur.

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

Our U.S. Life Insurance segment decreased $1,128 million. Our long-term care insurance business decreased $1,089 million largely related to our annual loss recognition testing in the fourth quarter of 2014 that resulted in an increase of $729 million of reserves and the completion of a comprehensive review of our claim reserves in the third quarter of 2014 that resulted in an increase in claim reserves of $531 million, net of reinsurance. During the third quarter of 2014, we also recorded a $54 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option. During the fourth quarter of 2014, we recorded a $67 million unfavorable correction, net of reinsurance, related to claims in course of settlement arising in connection with the implementation of our updated assumptions and methodologies as part of our comprehensive claims review completed in the third quarter of 2014, partially offset by a $43 million favorable refinement, net of reinsurance, of assumptions for claim termination rates. The decrease was also attributable to reduced benefits of $18 million in 2015 related to in-force rate actions approved and implemented. These decreases were partially offset by aging and growth of the in-force block, higher severity and frequency on new claims and incremental reserves of $13 million recorded in connection with an accrual for profits followed by losses in 2015. Our fixed annuities business decreased $103 million predominantly attributable to lower sales of our life-contingent products and lower interest credited in 2015. Our life insurance business increased $64 million primarily related to our universal and term universal life insurance products largely from the completion of our annual review of assumptions in the fourth quarter of 2015 that resulted in an increase in reserves of $187 million. The increase was also attributable to unfavorable mortality in our term universal life insurance product and a favorable unlocking of $23 million in our term universal and universal life insurance products in 2014. These increases were partially offset by our term life insurance products principally from a $49 million unfavorable correction related to reserves on a reinsurance transaction recorded in the fourth quarter of 2014 and the recapture of a reinsurance agreement in 2014 and favorable mortality and higher ceded reinsurance in 2015.

Our U.S. Mortgage Insurance segment decreased $135 million driven by an aggregate increase in our claim reserves of $53 million in 2014 in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities as well as a net reserve strengthening of $17 million that did not recur. The decrease was also related to a continued decline in new delinquencies in 2015 primarily in our 2005 through 2008 book years. These decreases were partially offset by a lower net benefit from cures and aging of existing delinquencies in 2015.

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

Our U.S. Life Insurance segment decreased $22 million mainly related to our fixed annuities business driven by lower crediting rates and a decrease in average account values in 2015.

Our Runoff segment increased $5 million largely related to higher loan cash values in our corporate-owned life insurance products in 2015.

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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.

Corporate and Other activities increased $161 million mainly from an estimated loss on sale related to our mortgage insurance business in Europe of $140 million recorded in the fourth quarter of 2015 and higher legal accruals and expenses of $30 million in 2015. These increases were partially offset by lower net expenses after allocations to our operating segments in 2015.

Our U.S. Life Insurance segment increased $26 million. Our long-term care insurance business increased $16 million primarily from an unfavorable correction of $12 million related to premium taxes, growth of our in-force block and a restructuring charge, partially offset by lower marketing costs in 2015. Our life insurance business increased $9 million largely from higher net commissions due to lower deferrals on older in-force blocks and higher variable compensation costs, partially offset by lower production in 2015.

Our U.S. Mortgage Insurance segment increased $15 million primarily from higher employee compensation expense that resulted from growth in sales, higher premium taxes mainly attributable to higher insurance in-force and a write-off of software in 2015.

Our Canada Mortgage Insurance segment decreased $24 million mainly driven by lower stock-based compensation expense in 2015. The decrease was also attributable to an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada s senior notes that were scheduled to mature in 2015 that did not recur. The year ended December 31, 2015 also included a decrease of $7 million attributable to changes in foreign exchange rates.

Our Runoff segment decreased $8 million largely related to lower commissions in 2015 as a result of the runoff of our variable annuity products.

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 increased $527 million. Our life insurance business increased $560 million largely from a DAC impairment of $455 million as a result of loss recognition testing of certain term life insurance policies in 2015 as part of a life block transaction. In the fourth quarter of 2015, as part of our annual review of assumptions, we recorded an unfavorable unlocking in our universal life insurance products of $123 million, which included $63 million of corrections related to reinsurance inputs. In 2014, we recorded an unfavorable unlocking of $12 million in our term universal and universal life insurance products. Our fixed annuities business decreased $20 million largely attributable to higher net investment losses and a decrease in account values in 2015. Our long-term care insurance business decreased $13 million largely related to the write-off of PVFP in connection with our annual loss recognition testing completed in the fourth quarter of 2014 which also resulted in lower amortization in 2015.

Our Runoff segment decreased $10 million related to our variable annuity products principally attributable to lower account values and higher net investment losses, partially offset by less favorable unlockings of $4 million in 2015.

Goodwill impairment. Charges for impairment of goodwill are as a result of declines in the fair value of the reporting units. The goodwill impairment charges in 2014 were $354 million in our long-term care insurance business and $495 million in our life insurance business.

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 $16 million mainly driven by the repayment of $485 million of senior notes in June 2014.

Our U.S. Life Insurance segment increased $5 million driven by our life insurance business principally from the impact of credit rating downgrades of our life insurance subsidiaries which increased the cost of financing term life insurance reserves, partially offset by a refinancing transaction executed in 2015.

Provision (benefit) for income taxes. The effective tax rate increased to 58.0% for the year ended December 31, 2015 from 7.2% for the year ended December 31, 2014. The increase in the effective tax rate was primarily attributable to tax benefits on lower taxed foreign income, changes in uncertain tax positions and tax favored investments in relation to pre-tax results in 2015 as well as non-deductible goodwill impairments in 2014. These increases were partially offset by a valuation allowance established on a specific capital loss, tax expense related to our agreement to sell our European mortgage insurance business and stock-based compensation expense in 2015. The year ended December 31, 2015 included a decrease of $30 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests represents the portion of equity in a subsidiary attributable to third parties. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, and the sale of additional shares in May 2015, which further reduced our ownership percentage to 52.0% in 2015. The year ended December 31, 2015 included a decrease of $34 million attributable to changes in foreign exchange rates.

2014 compared to 2013

Premiums

Our U.S. Life Insurance segment increased $212 million. Our long-term care insurance business increased $127 million largely from $90 million of increased premiums from in-force rate actions, growth of our in-force block from new sales in 2014 and unfavorable adjustments of $14 million in 2013 that did not recur. Our life insurance business increased $38 million primarily related to our term life insurance products due to the recapture of a reinsurance agreement and higher sales in 2014. Our fixed annuities business increased $47 million principally driven by higher sales of our life-contingent products in 2014.

Our U.S. Mortgage Insurance segment increased $24 million mainly attributable to higher average flow mortgage insurance in-force and lower ceded reinsurance premiums in 2014.

Our Australia Mortgage Insurance segment increased $8 million primarily as a result of the seasoning of our in-force block of business as larger, newer books reach their peak earnings period. The increase was also attributable to higher premiums resulting from higher policy cancellations and new insurance written, partially offset by a decrease of $31 million attributable to changes in foreign exchange rates and higher ceded reinsurance premiums in 2014.

Our Canada Mortgage Insurance segment decreased $45 million primarily driven by a decrease of $37 million attributable to changes in foreign exchange rates and the smaller in-force blocks of business.

Corporate and Other activities decreased $13 million mainly related to our mortgage insurance business in Europe as a result of lower premiums attributable to lender settlements in 2013 and higher ceded reinsurance premiums in 2014.

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

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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

Corporate and Other activities decreased $45 million largely as a result of the sale of our reverse mortgage business on April 1, 2013.

Our U.S. Life Insurance segment decreased $43 million predominantly from our life insurance business related to mortality experience in our universal life insurance products, a less favorable unlocking of $7 million related to interest assumptions and a $4 million unfavorable correction in 2014.

Our Australia Mortgage Insurance segment decreased $16 million primarily due to non-functional currency transactions attributable to changes in foreign exchange rates on remeasurement and partial payments of intercompany loans in 2014.

Our Runoff segment decreased $7 million mainly attributable to lower average account values in our variable annuity products in 2014.

Benefits and other changes in policy reserves

Our U.S. Life Insurance segment increased $1,845 million. Our long-term care insurance business increased $1,606 million primarily from the completion of our annual loss recognition testing in the fourth quarter of 2014 which resulted in an increase of $729 million of reserves, net of reinsurance, driven by changes to assumptions and methodologies primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates. In the third quarter of 2014, we completed a comprehensive review of our claim reserves, which increased claim reserves by $531 million, net of reinsurance. As a result of this review, we made changes to our assumptions and methodologies relating to our long-term care insurance claim reserves primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates, reflecting that claims are not terminating as quickly and claimants are utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. During the third quarter of 2014, we also recorded a $54 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option. During the fourth quarter of 2014, we also recorded a $67 million unfavorable correction, net of reinsurance, related to claims in course of settlement arising in connection with the implementation of our updated assumptions and methodologies as part of our comprehensive claims review completed in the third quarter of 2014, partially offset by a $43 million favorable refinement, net of reinsurance, of assumptions for claim termination rates. The increase was also attributable to $15 million of net favorable adjustments in 2013 that did not recur, aging and growth of the in-force block, higher severity and frequency on new claims and higher benefits paid on existing claims. These increases were partially offset by reduced benefits of $75 million from in-force rate actions in 2014. Our life insurance business increased $201 million primarily related to unfavorable mortality in 2014 and an unfavorable correction of $49 million in our term life insurance products related to reserves on a reinsurance transaction recorded in the fourth quarter of 2014 compared to a $28 million favorable reserve correction in our term universal life insurance product in 2013. The increase was also attributable to a less favorable unlocking of $47 million in our term universal and universal life insurance products related to mortality and interest assumptions and the recapture of a reinsurance agreement related to our term life insurance products in 2014. These increases were partially offset by slower reserve growth related to our term universal life insurance reserves and higher lapses of our older term life insurance products in 2014. Our fixed annuities business increased $38 million predominantly attributable to higher sales of our life-contingent products and unfavorable mortality, partially offset by lower interest credited on reserves in 2014.

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Our Australia Mortgage Insurance segment decreased $56 million primarily driven by improved aging on our existing delinquencies from higher home price appreciation and a lower volume of existing delinquencies converting to mortgages in possession, as well as a lower number of new delinquencies in 2014. Paid claims were also lower as a result of a decrease in both the number of claims and the average claim payment. The year ended December 31, 2014 also included a decrease of $6 million attributable to changes in foreign exchange rates.

Our U.S. Mortgage Insurance segment decreased $55 million driven by a decline in new delinquencies, as well as lower reserves on new delinquencies in 2014. These decreases were partially offset by an aggregate increase in our claim reserves in 2014 of $53 million in connection with the settlement agreement with Bank of America, N.A. and the resolution of a second matter involving a dispute with another servicer over loss mitigation activities. In addition, we recorded a net reserve strengthening of $17 million in the first quarter of 2014 to reflect the expectation in future periods of increased claim severity primarily for late-stage delinquencies, partially offset by lower claim rates for early-stage delinquencies. Overall delinquencies continued to decline from fewer new delinquencies from factors such as lower foreclosure starts and ongoing loss mitigation efforts.

Our Canada Mortgage Insurance segment decreased $37 million primarily from lower new delinquencies as a result of improved performance of our smaller in-force blocks of business and a stable economic environment. The year ended December 31, 2014 also included a decrease of $7 million attributable to changes in foreign exchange rates.

Corporate and Other activities decreased $21 million primarily related to our mortgage insurance business in Europe driven by lender settlements in 2013 and a lower number of new delinquencies, net of cures, in 2014.

Acquisition and operating expenses, net of deferrals

Corporate and Other activities decreased $89 million primarily as a result of a decrease of $46 million associated with our reverse mortgage business which was sold on April 1, 2013, make-whole expenses of $30 million paid related to the debt redemption in 2013 that did not recur and lower net expenses after allocations to our operating segments in 2014.

Our Australia Mortgage Insurance segment decreased $13 million primarily from a decrease of $7 million attributable to changes in foreign exchange rates and lower operating expenses related to contract fees in 2014.

Our U.S. Mortgage Insurance segment decreased $4 million primarily from a settlement of approximately $4 million with the CFPB to end its review of industry captive reinsurance arrangements in 2013 that did not recur.

Our Canada Mortgage Insurance segment decreased $3 million mainly driven by a $5 million decrease attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, our Canada Mortgage Insurance segment increased from an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada s senior notes that were scheduled to mature in 2015, partially offset by lower stock-based compensation expense in 2014.

Amortization of deferred acquisition costs and intangibles

Our U.S. Life Insurance segment decreased $39 million mainly related to a decrease of $52 million in our life insurance business largely from a less unfavorable unlocking of $47 million in our term universal and universal life insurance products related to mortality and interest assumptions and from mortality experience in our universal life insurance products, partially offset by higher lapses in our term life insurance products in 2014. Our long-term care insurance business increased $5 million largely related to the write-off of $6 million of PVFP in connection with our annual loss recognition testing completed in the fourth quarter of 2014. Our fixed annuities business increased $8 million largely from growth of our fixed indexed annuities account values in 2014.

Corporate and Other activities decreased $5 million mainly related to higher software allocations to our operating segments in 2014.

Our Runoff segment increased $33 million from higher net investment gains and less favorable equity market performance, partially offset by higher net investment losses on embedded derivatives associated with our variable annuity products with GMWBs and $9 million in favorable unlockings in 2014 compared to $1 million in unfavorable unlockings in 2013.

Goodwill impairment. The goodwill impairment charges in 2014 were $354 million in our long-term care insurance business and $495 million in our life insurance business.

Interest expense

Our U.S. Life Insurance segment decreased $10 million driven by our life insurance business principally from lower fees related to refinancing the funding of a portion of our life insurance reserves.

Corporate and Other activities decreased $4 million mainly driven by the repayment of $485 million of senior notes in June 2014 and the repurchase of $350 million of senior notes in August 2013, partially offset by debt issuances in August and December of 2013.

Provision (benefit) for income taxes. The effective tax rate decreased to 7.2% for the year ended December 31, 2014 from 31.5% for the year ended December 31, 2013. The decrease in the effective tax rate was primarily attributable to non-deductible goodwill impairments in 2014, a charge of $174 million in the fourth quarter of 2014 associated with our Australian mortgage insurance business as we can no longer assert our intent to permanently reinvest earnings in that business and a $31 million charge in 2014 in connection with our plans to sell our lifestyle protection insurance business from a change to the permanent reinvestment assertion on one of its legal entities. The year ended December 31, 2014 included a decrease of $15 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, resulting in lower net income of $56 million in 2014. The year ended December 31, 2014 included a decrease of $12 million attributable to changes in foreign exchange rates.

Reconciliation of net income (loss) to net operating income (loss)

We had net operating income of $255 million for the year ended December 31, 2015 compared to a net operating loss of $398 million for the year ended December 31, 2014 and net operating income of $585 million for the year ended December 31, 2013. We define net operating income (loss) 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 net operating income (loss) because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from net operating income (loss) 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 net operating income (loss), and measures that are derived from or incorporate net operating income (loss), 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 net operating income (loss) 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 net operating income (loss) have occurred in the past and could, and in some cases will, recur in the future. Net operating income (loss) 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 net operating income (loss) may differ from the definitions used by other companies.

The following table includes a reconciliation of net income (loss) available to Genworth Financial, Inc. s common stockholders to net operating income (loss) for the years ended December 31:

(Amounts in millions)	**2015**	**2014**	**2013**
Net income (loss) available to Genworth Financial, Inc. s common stockholders	$ (615)	$ (1,244)	$ 560
Net income attributable to noncontrolling interests	202	196	154
Net income (loss)	(413)	(1,048)	714
Income (loss) from discontinued operations, net of taxes	(407)	157	34
Income (loss) from continuing operations	(6)	(1,205)	680
Less: net income attributable to noncontrolling interests	202	196	154
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	(208)	(1,401)	526
Adjustments to income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders:			
Net investment (gains) losses, net	19	5	29
Goodwill impairment, net		791	
(Gains) losses from sale of businesses, net	141		
(Gains) losses on early extinguishment of debt, net	2	2	20
(Gains) losses from life block transactions, net	296		
Expenses related to restructuring, net	5		10
Tax impact from potential business portfolio changes		205	
Net operating income (loss)	$ 255	$ (398)	$ 585

In the first quarter of 2015, we modified our definition to explicitly state that restructuring costs, which were previously included in the infrequent and unusual category, are excluded from net operating income (loss). In 2015, we recorded an after-tax expense of $5 million related to restructuring costs as part of an expense reduction plan as the company evaluates and appropriately sizes its organizational needs and expenses. Also, in the second quarter of 2013, we recorded a $10 million after-tax expense related to restructuring costs.

In 2014, we recorded goodwill impairments of $296 million, net of taxes, in our long-term care insurance business and $495 million, net of taxes, in our life insurance business.

In 2015, we recorded an estimated loss of $141 million, net of taxes, related to the planned sale of our mortgage insurance business in Europe.

In the third quarter of 2015, we paid an early redemption payment of approximately $1 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Financial

Mortgage Insurance Pty Limited s notes that were scheduled to mature in 2021. In the third quarter of 2015, we also repurchased approximately $50 million principal amount of Genworth Holdings notes with various maturity dates for a loss of $1 million, net of taxes. In the second quarter of 2014, we paid an early redemption payment of approximately $2 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Canada s notes that were scheduled to mature in 2015. In the third quarter of 2013, we paid a make-whole expense of approximately $20 million, net of taxes, related to the early redemption of Genworth Holdings 4.95% senior notes that were scheduled to mature in 2015. These transactions were excluded from net operating income (loss) for the periods presented as they related to the loss on the early extinguishment of debt.

In the third quarter of 2015, we recorded a DAC impairment of $296 million, net of taxes, on certain term life insurance policies in connection with entering into an agreement with Protective Life to complete a life block transaction.

There were no infrequent or unusual items excluded from net operating income (loss) during the periods presented other than the following items. There was a $205 million net tax impact in the fourth quarter of 2014 from potential business portfolio changes. We recognized a tax charge of $174 million in the fourth quarter of 2014 associated with our Australian mortgage insurance business as we could no longer assert our intent to permanently reinvest earnings in that business. In addition, in connection with our plans to sell our lifestyle protection insurance business, we made a change to the permanent reinvestment assertion on one of its legal entities recognizing tax expense of $31 million in the fourth quarter of 2014.

Adjustments to reconcile net income (loss) attributable to Genworth Financial, Inc. s common stockholders and net operating income (loss) assume a 35% tax rate and are net of the portion attributable to noncontrolling interests. Net investment gains (losses) are also adjusted for DAC and other intangible amortization and certain benefit reserves.

Earnings (loss) per share

The following table provides basic and diluted earnings (loss) per common share for the years ended December 31:

(Amounts in millions, except per share amounts)	2015	2014	2013
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders per common share:			
Basic	$ (0.42)	$ (2.82)	$ 1.07
Diluted	$ (0.42)	$ (2.82)	$ 1.05
Net income (loss) available to Genworth Financial, Inc. s common stockholders per common share:			
Basic	$ (1.24)	$ (2.51)	$ 1.13
Diluted	$ (1.24)	$ (2.51)	$ 1.12
Net operating income (loss) per common share:			
Basic	$ 0.51	$ (0.80)	$ 1.19
Diluted	$ 0.51	$ (0.80)	$ 1.17
Weighted-average common shares outstanding:			
Basic	497.4	496.4	493.6
Diluted [(1)]	497.4	496.4	498.7

(1) Under applicable accounting guidance, companies in a loss position are required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share. Therefore, as a result of our loss from continuing operations available to Genworth Financial, Inc. s common stockholders, net loss available to Genworth Financial, Inc. s common stockholders for the years ended December 31, 2015 and 2014 and net operating loss for the year ended December 31, 2014, we were required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share for the years ended December 31, 2015 and 2014, as the inclusion of shares for stock options, RSUs and SARs of 1.6 million and 5.6 million, respectively, would have been antidilutive to the calculation. If we had not incurred a loss from continuing operations available to Genworth Financial, Inc. s common stockholders and net loss available to Genworth Financial, Inc. s common stockholders for the year ended December 31, 2015, dilutive potential weighted-average common shares outstanding would have been 499.0 million. Since we had net operating income for the year ended December 31, 2015, we used 499.0 million diluted weighted-average common shares outstanding in the calculation of diluted net operating income per common share. If we had not incurred a loss from continuing operations available to Genworth Financial, Inc. s common stockholders, net loss available to Genworth Financial, Inc. s common stockholders and net operating loss for the year ended December 31, 2014, dilutive potential weighted-average common shares outstanding would have been 502.0 million.

Diluted weighted-average shares outstanding reflect the effects of potentially dilutive securities including stock options, RSUs 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 net operating income (loss). See note 19 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for a reconciliation of net operating income (loss) of our segments and Corporate and Other activities to net income (loss) available to Genworth Financial, Inc. s common stockholders.

Management s discussion and analysis by segment contains selected operating performance measures including sales and insurance in-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: (1) new insurance written for mortgage insurance; (2) annualized first-year premiums for long-term care and term life insurance products; (3) annualized first-year deposits plus 5% of excess deposits for universal and term universal life insurance products; (4) 10% of premium deposits for linked-benefits products; and (5) new and additional premiums/deposits for fixed annuities. Sales do not include renewal premiums on policies or contracts written during prior periods. We consider new insurance written, annualized first-year premiums/deposits, premium equivalents and new premiums/deposits to be a measure of our operating performance because they represent 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 and life insurance businesses is a measure of the aggregate face value of outstanding insurance policies as of the respective reporting date. For risk in-force in our mortgage insurance businesses, 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. Risk in-force for our U.S. mortgage insurance business is our obligation that is limited under contractual terms to the amounts less than 100% of the mortgage loan value. Effective risk in-force has been calculated by applying to insurance in-force a factor of 35% that represents our highest expected average per-claim payment for any one underwriting year over the life of our 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 incurred losses and loss adjustment expenses 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.

An assumed tax rate of 35% is utilized in certain adjustments to net operating income (loss) and in the explanation of specific variances of operating performance.

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, and mortgage origination volume mix and practices; the levels and aging of mortgage delinquencies, which may be affected by seasonal variations; the inventory of unsold homes; lender modification and other servicing efforts; and resolution of pending or any future litigation, among other items. The impact of prior years weakness and uncertainty in the domestic economy, related levels of unemployment and underemployment and resulting increase in foreclosures, the number of borrowers seeking loan modifications

and the level of housing inventories with the related impact on home values, all contributed adversely to the performance of our insured portfolio relating to our 2005 through 2008 book years. Our results are subject to the continued recovery 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 industry market penetration and eventual market size is affected by actions taken by the GSEs, the FHA, the FHFA, the U.S. Congress or the U.S. government 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 and loan limits as well as low-down-payment programs available through the FHA or GSEs. Specifically, these actions include Fannie Mae and Freddie Mac decisions to resume purchases of certain loans with down payments as low as 3%. This has resulted in a modest increase in loans purchased by the GSEs with private mortgage insurance relative to overall originations. Also, the FHA reduced the annual mortgage insurance premium it charges but the FHA premium reduction has not had to date a material adverse effect on private mortgage insurers ability to sustain market share. Further, there has been a modest reduction in the amount of certain loan-level price adjustment fees charged by the GSEs but we do not believe this fee change has had a material impact on mortgage originations or the competitiveness of private mortgage insurance versus that of FHA insurance.

Overall mortgage originations were down in the fourth quarter of 2015 as a result of lower purchase mortgage loan origination volume, driven by seasonal origination trends and possibly by disruptions in the mortgage finance markets related to the implementation by loan originators of the TILA RESPA Integrated Documentation rule promulgated by the CFPB (known as TRID). Mortgage interest rates moved slightly lower during the fourth quarter of 2015, despite the 25 basis points increase in the Federal Reserve overnight rate. As a result, refinance originations were in line with the prior quarter and this yielded a lower mix of purchase mortgage loan origination in the fourth quarter of 2015. If mortgage interest rates increase, refinancing activities typically decrease as a percentage of overall mortgage originations. If the mix of the mortgage originations market shifts from refinancing activities to purchase originations, originations which are insured with private mortgage insurance will increase relative to total originations which will lead to a larger market for private mortgage insurance over time. Our U.S. mortgage insurance estimated market share increased modestly during the fourth quarter of 2015.

New insurance written increased approximately 30% in 2015 compared to 2014. New insurance written decreased approximately 16% in the fourth quarter of 2015 compared to the third quarter of 2015 consistent with normal seasonal declines in purchase originations. We continue to manage the quality of new business through our underwriting guidelines, which we modify from time to time when circumstances warrant. The percentage of single premium lender paid new insurance written remained stable in the fourth quarter of 2015 reflecting our decision to selectively participate in this market. Based on the tables and factors established under PMIERs to determine minimum required capital for lender-paid single premium mortgage insurance originated from and after January 1, 2016, we have filed for a change in rates for this product. Future volumes of this product will in part vary depending on our evaluation of the risk return profile of these transactions. If the percentage of our business written as single premium lender paid insurance increases compared to our borrower paid insurance, all other things being equal, our weighted-average returns will be lower. Our percentage of borrower paid new insurance written remained stable in the fourth quarter of 2015. We have observed highly competitive pricing with borrower paid mortgage insurance during the second half of 2015. Premiums increased approximately 4% in 2015 compared to 2014. This increase included the impact of ceded premiums in 2015 which increased as a result of reinsurance executed in the second half of the year as part of our PMIERs compliance.

Our loss ratio was 37% for the year ended December 31, 2015 reflecting lower new delinquencies. New delinquencies decreased during 2015 compared to 2014 and decreased during the fourth quarter of 2015 compared to the third quarter of 2015 due to macroeconomic improvements including improvements in unemployment rates and in housing values. The majority of new delinquencies in 2015 continued to come from our 2005 through 2008 book years. We have observed improvement in the ultimate claim expectations from early stage delinquencies through the fourth quarter of 2015. Foreclosure starts and the number of paid claims decreased during 2015 as compared to 2014. In addition, the older delinquencies that remain in our portfolio, particularly those from our 2005 through 2008 book years, continued to age through the fourth quarter of 2015 from the lengthening of the foreclosure process. This aging has resulted in increased claims expenses relative to claims paid during the period prior to the 2008 financial crisis when the industry was experiencing a shorter foreclosure process than at present. Overall, we have seen a reduction in loans that have been subject to a modification or workout in 2015 compared to 2014. We expect our level of loan modifications to continue to decline going forward in line with the expected reduction in delinquent loans and the continuing aging of delinquencies. Depending on our experience going forward, we may need to adjust our reserve frequency or severity assumptions as experience from these programs continues to emerge.

As of December 31, 2015, loans modified through the Home Affordable Refinance Program (HARP) accounted for approximately $17.3 billion of insurance in-force, with $16.2 billion of those loans from our 2005 through 2008 book years. The volume of new HARP modifications continues to decrease as the number of loans that would benefit from a HARP modification decreases. Loans modified through HARP have extended amortization periods and reduced interest rates, which reduce borrower s monthly payments. Over time, we expect these modified loans to result in extended premium streams and a lower incidence of default. The U.S. government has extended HARP through the year ending December 31, 2016. For financial reporting purposes, we report HARP modified loans as a modification of the coverage on existing insurance in-force rather than new insurance written.

The Obama Administration has extended the Home Affordable Modification Program (HAMP) through December 31, 2016 and expanded borrower eligibility by adjusting certain underwriting requirements. While the impact of the these program extensions to date has remained positive in terms of initially avoiding foreclosures, there can be no assurance that the number of loans that are modified under HAMP, including mortgage loans we insure currently, is sustainable over time or that any such modifications will succeed in ultimately avoiding foreclosure, in part based on our historical experience with modified loans which later re-default.

In June 2015, the Wisconsin Department of Insurance sent mortgage insurance companies a letter inquiring about, among other things, their discounted lender paid mortgage insurance practices. In July 2015, we responded to the letter from the Wisconsin Department of Insurance by providing detailed responses to the questions outlined in the inquiry, including a description of certain mortgage insurance pricing practices. If the percentage of our business written as single premium lender paid insurance increases compared to our borrower paid insurance, all other things being equal, our weighted-average returns will be lower.

As of December 31, 2015, GMICO s risk-to-capital ratio under the current regulatory framework as established under North Carolina law and enforced by the NCDOI, GMICO s domestic insurance regulator, was approximately 16.4:1, compared with a risk-to-capital ratio of approximately 14.3:1 as of December 31, 2014, driven in part by the reduction in capital from the elimination of affiliate surplus notes in the fourth quarter of 2015 which reduced our concentration in affiliated assets to 15% of the total statutory assets and which had no effect on our PMIERs capital. 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, the amount of additional capital that is generated within the business or capital support (if any) that we provide and changes in the value of affiliate assets. In the second half of 2015, we recorded a decrease in GMICO s statutory surplus of approximately $95 million related to the anticipated sale of our European mortgage insurance business, which impacted our statutory risk-to-capital ratio by less than one point.

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Segment results of operations

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

	Years ended December 31,			Increase (decrease) and percentage change			
(Amounts in millions)	**2015**	**2014**	**2013**	**2015 vs. 2014**		**2014 vs. 2013**	
Revenues:							
Premiums	$ 602	$ 578	$ 554	$ 24	4%	$ 24	4%
Net investment income	58	59	60	(1)	(2)%	(1)	(2)%
Net investment gains (losses)	1			1	NM[1]		%
Policy fees and other income	4	2	2	2	100%		%
Total revenues	665	639	616	26	4%	23	4%
Benefits and expenses:							
Benefits and other changes in policy reserves	222	357	412	(135)	(38)%	(55)	(13)%
Acquisition and operating expenses, net of deferrals	155	140	144	15	11%	(4)	(3)%
Amortization of deferred acquisition costs and intangibles	10	7	6	3	43%	1	17%
Total benefits and expenses	387	504	562	(117)	(23)%	(58)	(10)%
Income from continuing operations before income taxes	278	135	54	143	106%	81	150%
Provision for income taxes	99	44	17	55	125%	27	159%
Income from continuing operations available to Genworth Financial, Inc. s common stockholders	179	91	37	88	97%	54	146%
Adjustment to income from continuing operations available to Genworth Financial, Inc. s common stockholders:							
Net investment (gains) losses, net					%		%
Net operating income	$ 179	$ 91	$ 37	$ 88	97%	$ 54	146%

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

2015 compared to 2014

Net operating income

Net operating income increased in 2015 mainly attributable to a continued decline in new delinquencies and higher premiums, partially offset a lower benefit from net cures and aging of existing delinquencies in 2015. Net operating income in 2014 also included an aggregate increase in our claim reserves of $34 million in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities as well as a net reserve strengthening of $11 million that did not recur.

Revenues

Premiums increased mainly attributable to higher average flow mortgage insurance in-force, partially offset by higher ceded reinsurance premiums and an accrual for premium refunds related to policy cancellations in 2015.

Net investment income decreased marginally primarily from lower intercompany dividends received of approximately $8 million as a result of the intercompany sale of U.S. mortgage insurance s ownership interest in affiliated preferred securities in July 2015. This decrease was mostly offset by higher reinvestment yields on higher average invested assets in 2015.

Benefits and expenses

Benefits and other changes in policy reserves decreased due to lower net paid claims of $104 million and a decrease in change in reserves of $31 million. The decrease was primarily driven by an aggregate increase in our claim reserves of $53 million in 2014 in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities as well as a net reserve strengthening of $17 million that did not recur. The decrease was also related to a continued decline in new delinquencies in 2015 primarily in our 2005 through 2008 book years. These decreases were partially offset by a lower net benefit from cures and aging of existing delinquencies in 2015.

Acquisition and operating expenses, net of deferrals, increased primarily from higher employee compensation expense that resulted from growth in sales, higher premium taxes mainly attributable to higher insurance in-force and a write-off of software in 2015.

Provision for income taxes. The effective tax rate increased to 35.6% for the year ended December 31, 2015 from 32.6% for the year ended December 31, 2014. The increase in the effective tax rate was primarily attributable to changes in tax favored investment benefits and favorable true ups in 2014, partially offset by changes in state taxes and the loss of foreign tax credits in 2014.

2014 compared to 2013

Net operating income

Net operating income increased in 2014 mainly attributable to the decline in new delinquencies, lower reserves on new delinquencies and higher premiums in 2014. Results in 2014 also included an aggregate increase in our claim reserves of $34 million in connection with the settlement agreement with Bank of America, N.A. and the resolution of a second matter involving a dispute with another servicer over loss mitigation activities as well as a net reserve strengthening of $11 million.

Revenues

Premiums increased driven by higher average flow mortgage insurance in-force and lower ceded reinsurance premiums in 2014.

Benefits and expenses

Benefits and other changes in policy reserves decreased due to lower net paid claims of $265 million, partially offset by an increase in change in reserves of $210 million. The decrease was driven by a decline in new delinquencies, as well as lower reserves on new delinquencies in 2014. These decreases were partially offset by an aggregate increase in our claim reserves in 2014 of $53 million in connection with the settlement agreement with Bank of America, N.A. and the resolution of a second matter involving a dispute with another servicer over loss mitigation activities. In addition, we recorded a net reserve strengthening of $17 million in the first quarter of 2014 to reflect the expectation in future periods of increased claim severity primarily for late-stage delinquencies, partially offset by lower claim rates for early-stage delinquencies. Overall delinquencies continued to decline from fewer new delinquencies from factors such as lower foreclosure starts and ongoing loss mitigation efforts.

Acquisition and operating expenses, net of deferrals, decreased primarily from a settlement of approximately $4 million with the CFPB to end its review of industry captive reinsurance arrangements in 2013 that did not recur.

Provision for income taxes. The effective tax rate increased to 32.6% for the year ended December 31, 2014 from 31.5% for the year ended December 31, 2013. The increase in the effective tax rate was primarily attributable to changes in tax favored investment benefits in relation to pre-tax income and changes in the state tax valuation allowance, partially offset by the non-deductibility of the CFPB settlement in 2013, favorable prior year true ups in 2014 and the loss of foreign tax credits.

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U.S. Mortgage Insurance selected operating performance measures

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

	As of or for the years ended December 31,			Increase (decrease) and percentage change			
(Amounts in millions)	**2015**	**2014**	**2013**	**2015 vs. 2014**		**2014 vs. 2013**	
Primary insurance in-force	$ 122,400	$ 114,400	$ 109,300	$ 8,000	7%	$ 5,100	5%
Risk in-force	31,100	28,700	27,000	2,400	8%	1,700	6%
New insurance written	31,600	24,400	22,300	7,200	30%	2,100	9%
Net premiums written	682	628	567	54	9%	61	11%

2015 compared to 2014

Primary insurance in-force and risk in-force

Primary insurance in-force increased as the result of an increase in flow mortgage insurance in-force, which increased from $110.8 billion as of December 31, 2014 to $119.8 billion as of December 31, 2015 as a result of new insurance written, partially offset by lapses in 2015. This increase was further offset by cancellations and lapses in bulk mortgage insurance in-force, which decreased from $3.6 billion as of December 31, 2014 to $2.6 billion as of December 31, 2015. In addition, risk in-force increased primarily as a result of higher flow new insurance written. Flow persistency was 80% and 82% for the years ended December 31, 2015 and 2014, respectively.

New insurance written

New insurance written increased primarily driven by an increase in the mortgage insurance originations market. Mortgage refinance originations increased as a result of lower interest rates and mortgage purchase originations increased as a result of improved macroeconomic conditions, including interest rates, in 2015. We also had a higher concentration of single premium lender paid business reflecting our decision to selectively participate in the market in 2015.

Net premiums written

Net premiums written increased due to a higher volume of single premium lender paid business in 2015 reflecting our decision to selectively participate in the market. The increase was also from higher flow insurance in-force.

2014 compared to 2013

Primary insurance in-force and risk in-force

Primary insurance in-force increased as the result of an increase in flow mortgage insurance in-force, which increased from $104.8 billion as of December 31, 2013 to $110.8 billion as of December 31, 2014 as a result of new insurance written and higher persistency in 2014. This increase was partially offset by cancellations and lapses in bulk mortgage insurance in-force, which decreased from $4.5 billion as of December 31, 2013 to $3.6 billion as of December 31, 2014. In addition, risk in-force increased primarily as a result of higher flow new insurance written. Flow persistency was 82% and 81% for the years ended December 31, 2014 and 2013, respectively.

New insurance written

New insurance written increased primarily driven by an increase in our market share, partially offset by a decline in the mortgage insurance originations market. While mortgage interest rates flattened in 2014, there was a shift from refinance originations to purchase originations.

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Net premiums written

Net premiums written increased due to higher average flow insurance in-force and lower ceded reinsurance premiums in 2014.

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:

	Years ended December 31,			Increase (decrease)	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
Loss ratio	37%	62%	74%	(25)%	(12)%
Expense ratio	24%	23%	27%	1%	(4)%

The loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. The expense ratio is the ratio of general expenses to net premiums written. In our U.S. mortgage insurance business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of DAC and intangibles.

2015 compared to 2014

The loss ratio decreased primarily driven by an aggregate increase in our claim reserves of $53 million in 2014 in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities as well as a net reserve strengthening of $17 million that did not recur. The decrease was also related to a continued decline in new delinquencies primarily in our 2005 through 2008 book years, in addition to higher net earned premiums attributable to higher average flow mortgage insurance in-force, partially offset by higher ceded reinsurance premiums and an accrual for premium refunds related to policy cancellations in 2015. These decreases were partially offset by a lower net benefit from cures and aging of existing delinquencies in 2015. The charges of $53 million increased the loss ratio by nine percentage points in 2014.

The expense ratio increased from higher employee compensation expense that resulted from growth in sales, higher premium taxes mainly attributable to higher insurance in-force and a write-off of software, partially offset by higher net premiums written in 2015.

2014 compared to 2013

The decrease in the loss ratio was primarily attributable to a decline in new delinquencies, as well as lower reserves on new delinquencies in 2014. These decreases were partially offset by an aggregate increase in our claim reserves in 2014 of $53 million in connection with the settlement agreement with Bank of America, N.A. and the resolution of a second matter involving a dispute with another servicer over loss mitigation activities. In addition, we recorded a net reserve strengthening of $17 million in the first quarter of 2014 to reflect the expectation in future periods of increased claim severity primarily for late-stage delinquencies, partially offset by lower claim rates for early-stage delinquencies. Overall delinquencies continued to decline from fewer new delinquencies from factors such as lower foreclosure starts and ongoing loss mitigation efforts. The decrease in the loss ratio was also related to an increase in net earned premiums from higher average flow mortgage insurance in-force and lower ceded reinsurance premiums in 2014. The charges of $53 million increased the loss ratio by nine percentage points in 2014.

The expense ratio decreased primarily from higher net premiums written in 2014.

U.S. mortgage insurance loan portfolio

The following table sets forth selected financial information regarding our U.S. primary mortgage insurance loan portfolio as of December 31:

(Amounts in millions)	**2015**	**2014**	**2013**
Primary risk in-force lender concentration (by original applicant)	$ 30,942	$ 28,514	$ 26,775
Top 10 lenders	11,536	12,306	12,603
Top 20 lenders	14,201	14,322	14,447
Loan-to-value ratio:			
95.01% and above	$ 6,309	$ 6,763	$ 7,377
90.01% to 95.00%	14,425	12,008	9,966
80.01% to 90.00%	9,900	9,383	9,032
80.00% and below	308	360	400
Total	$ 30,942	$ 28,514	$ 26,775
Loan grade:			
Prime	$ 29,874	$ 27,262	$ 25,320
A minus and sub-prime	1,068	1,252	1,455
Total	$ 30,942	$ 28,514	$ 26,775

Delinquent loans and claims

Our delinquency management process begins with notification by the loan servicer of a delinquency on an insured loan. Delinquency is defined in our master policies as the borrower s failure to pay when due an amount equal to the scheduled monthly mortgage payment under the terms of the mortgage. Generally, the master policies require an insured to notify us of a delinquency no later than 10 days after the borrower has been in default by three monthly payments. We generally consider a loan to be delinquent and establish required reserves if the borrower has failed to make a scheduled mortgage payment. Borrowers default for a variety of reasons, including a reduction of income, unemployment, divorce, illness, inability to manage credit and interest rate levels. Borrowers may cure delinquencies by making all of the delinquent loan payments, agreeing to a loan modification, or by selling the property in full satisfaction of all amounts due under the mortgage. In most cases, delinquencies that are not cured result in a claim under our policy. 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 December 31:

	2015	2014	2013
Primary insurance:			
Insured loans in-force	651,668	630,852	624,236
Delinquent loans	31,663	39,786	51,459
Percentage of delinquent loans (delinquency rate)	4.86%	6.31%	8.24%
Flow loan in-force	627,349	599,206	586,546
Flow delinquent loans	30,416	38,177	49,255
Percentage of flow delinquent loans (delinquency rate)	4.85%	6.37%	8.40%
Bulk loans in-force	24,319	31,646	37,690
Bulk delinquent loans [(1)]	1,247	1,609	2,204
Percentage of bulk delinquent loans (delinquency rate)	5.13%	5.08%	5.85%
A minus and sub-prime loans in-force	28,332	33,529	39,307
A minus and sub-prime loans delinquent loans	6,448	7,851	10,023
Percentage of A minus and sub-prime delinquent loans (delinquency rate)	22.76%	23.42%	25.50%
Pool insurance:			
Insured loans in-force	6,620	8,282	11,354
Delinquent loans	386	521	628
Percentage of delinquent loans (delinquency rate)	5.83%	6.29%	5.53%

(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 889, 1,109 and 1,491 as of December 31, 2015, 2014 and 2013, respectively.

Delinquency and foreclosure levels that developed principally in our 2005 through 2008 book years have declined as the United States has continued to experience improvement in its residential real estate market. We also have seen a further decline in new delinquencies and lower foreclosure starts in 2015.

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 December 31:

	2015			
(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	10,103	$ 52	$ 405	13%
4 - 11 payments	7,366	180	307	59%
12 payments or more	12,947	543	638	85%
Total	30,416	$ 775	$ 1,350	57%

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

	2014			
(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	10,849	$ 76	$ 426	18%
4 - 11 payments	9,368	238	383	62%
12 payments or more	17,960	751	895	84%
Total	38,177	$ 1,065	$ 1,704	63%

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

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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 December 31, 2015	Percent of total reserves as of December 31, 2015 [1]	Delinquency rate as of December 31,		
			2015	2014	2013
By Region:					
Southeast [2]	19%	23%	5.78%	7.89%	11.02%
South Central [3]	16	7	3.81%	4.50%	5.85%
Northeast [4]	14	33	8.91%	10.83%	12.30%
Pacific [5]	13	9	3.01%	4.51%	6.47%
North Central [6]	12	9	3.89%	5.35%	7.39%
Great Lakes [7]	10	6	3.50%	4.48%	6.03%
New England [8]	6	6	4.71%	6.34%	7.74%
Mid-Atlantic [9]	6	5	5.05%	6.32%	8.18%
Plains [10]	4	2	3.70%	4.39%	5.46%
Total	100%	100%	4.86%	6.31%	8.24%

(1) Total reserves were $849 million as of December 31, 2015.
(2) Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee.
(3) Arizona, Colorado, Louisiana, New Mexico, Oklahoma, Texas and Utah.
(4) New Jersey, New York and Pennsylvania.
(5) Alaska, California, Hawaii, Nevada, Oregon and Washington.
(6) Illinois, Minnesota, Missouri and Wisconsin.
(7) Indiana, Kentucky, Michigan and Ohio.
(8) Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
(9) Delaware, Maryland, Virginia, Washington D.C. and West Virginia.
(10) Idaho, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

	Percent of primary risk in-force as of December 31, 2015	Percent of total reserves as of December 31, 2015 [1]	Delinquency rate as of December 31,		
			2015	2014	2013
By State:					
California	7%	3%	2.26%	3.09%	4.27%

Texas	7%	3%	3.90%	4.55%	5.68%
New York	6%	15%	9.07%	10.88%	11.90%
Florida	6%	14%	7.71%	12.61%	19.50%
Illinois	5%	6%	4.70%	6.76%	9.67%
Pennsylvania	4%	4%	6.20%	7.78%	9.73%
New Jersey	4%	13%	12.71%	15.15%	16.76%
Ohio	4%	2%	4.14%	5.06%	6.69%
Michigan	4%	1%	2.56%	3.38%	4.98%
North Carolina	3%	2%	4.75%	5.59%	7.43%

(1) Total reserves were $849 million as of December 31, 2015.

The frequency of delinquencies may not correlate directly with the number of claims received because the rate at which delinquencies are cured is influenced by borrowers financial resources and circumstances and regional economic differences. Whether an uncured delinquency leads to a claim principally depends upon the borrower s equity at the time of delinquency and the borrower s or the insured s ability to sell the home for an amount sufficient to satisfy all amounts due under the mortgage loan. When we receive notice of a delinquency,

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we use a proprietary model to determine whether a delinquent loan is a candidate for workout. When the model identifies such a candidate, our loan workout specialists prioritize cases for loss mitigation based upon the likelihood that the loan will result in a claim. Loss mitigation actions include loan modification, extension of credit to bring a loan current, foreclosure forbearance, pre-foreclosure sale and deed-in-lieu. These loss mitigation efforts often are an effective way to reduce our claim exposure and ultimate payouts.

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 December 31, 2015:

(Amounts in millions)	Average rate [1]	Percent of total reserves [2]	Primary insurance in-force	Percent of total	Primary risk in-force	Percent of total
Policy Year						
2004 and prior	6.06%	11.9%	$ 4,004	3.3%	$ 901	2.9%
2005	5.66%	11.7	3,539	2.9	959	3.1
2006	5.86%	17.5	5,817	4.7	1,511	4.9
2007	5.77%	37.7	14,873	12.1	3,744	12.1
2008	5.30%	16.8	12,744	10.4	3,230	10.4
2009	4.95%	0.6	1,814	1.5	423	1.4
2010	4.69%	0.6	2,291	1.9	575	1.9
2011	4.52%	0.5	3,257	2.7	835	2.7
2012	3.82%	0.6	8,321	6.8	2,163	7.0
2013	4.00%	0.8	14,630	12.0	3,755	12.1
2014	4.40%	1.1	20,219	16.5	5,106	16.5
2015	4.10%	0.2	30,866	25.2	7,740	25.0
Total portfolio	4.77%	100.0%	$ 122,375	100.0%	$ 30,942	100.0%

(1) Average rate represents average annual mortgage interest rate.
(2) Total reserves were $849 million as of December 31, 2015.

Typically, claim activity is not spread evenly throughout the coverage period of a primary insurance book of business. Based upon our experience, the majority of claims on primary U.S. mortgage insurance loans occur in the third through seventh years after loan origination. Historically, few claims were paid during the first two years after loan origination. However, the pattern of claims frequency can be affected by factors such as deteriorating economic conditions that can result in increasing claims which was the case with our 2005 through 2008 book years, but we expect the pattern of claims frequency for our newer books in and after 2009 to return to that of a more traditional claim trend level. Primary insurance written for the period from January 1, 2008 through December 31, 2012 represented 23% of our primary insurance in-force as of December 31, 2015. Historically, traditional primary loans reach their expected peak claim level within a three- to seven-year period. Therefore, the primary loans written during the five-year period ended December 31, 2012, are now within or past their peak claim period. Our A minus and sub-prime loans continue to have earlier incidences of default than our prime loans. Based upon FICO at loan closing, A minus and sub-prime loans represented 4% of our primary risk in-force as of December 31, 2015 and 2014.

Primary mortgage insurance claims paid, including loss adjustment expenses, for the year ended December 31, 2015 were $531 million, compared to $634 million and $899 million for the years ended December 31, 2014 and 2013, respectively. Pool insurance claims paid were $3 million, $5 million and $5 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The ratio of the claim paid to the current risk in-force for a loan is referred to as claim severity. The current risk in-force is equal to the unpaid principal amount multiplied by the coverage percentage. The main determinants of claim severity are the age of the mortgage loan, the value of the underlying property, accrued interest on the loan, expenses advanced by the insured and foreclosure expenses. These amounts depend partly upon the time required to complete foreclosure, which varies depending upon state laws. Pre-foreclosure sales, acquisitions and other early workout and claim administration actions help to reduce overall claim severity. Our average primary flow mortgage insurance claim severity was 114%, 111% and 102% for the years ended December 31, 2015, 2014 and 2013, respectively. The average claim severity for the year ended December 31, 2015 did not include the effects of the agreement on non-performing loans and the non-recurring payments to extinguish the risk on prior paid claims pursuant to a previously disclosed servicer settlement reached in 2014.

Canada Mortgage Insurance segment

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 2015, the U.S. dollar strengthened against the Canadian dollar, 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.

We closely monitor economic conditions due to the impact adverse changes in economic conditions can have on our results. The Canadian gross domestic product is expected to have experienced moderate growth in 2015, although slightly lower than in 2014, as commodity prices, particularly oil, fell and reduced business investment activity. Low commodities prices, particularly oil, may continue to negatively impact economic growth, employment and housing, especially in the provinces of Alberta, Newfoundland and Labrador and Saskatchewan. We continue to monitor oil prices as part of our portfolio risk management strategy.

In 2015, new delinquencies and the average reserve per delinquency increased in our mortgage insurance business in Canada primarily due to ongoing pressure in Quebec and the Atlantic regions and some emerging activity in Alberta. Our loss ratio in Canada was 21% for the year ended December 31, 2015. We would expect the loss ratio in Canada to be higher in 2016 if low oil prices and economic volatility continue to have a negative economic impact.

The overnight interest rate in Canada was reduced by 0.25% in July 2015 to 0.50%. With the possibility of a continued decline in oil prices and economic slowdown, the low interest rate environment is expected to continue into 2016. The housing market in Canada improved in 2015 driven by continued low interest rates that maintained affordability as the national average home price increased by approximately 5%. In 2015, the housing market in Canada reflected strong home price appreciation in Toronto and Vancouver but was pressured in Alberta with home price depreciation in Calgary and Edmonton. The housing market in the rest of Canada was stable or down modestly. Despite steady job creation in 2015, the December 2015 unemployment rate was 7.1% after ending at 6.7% in 2014. Home sales in Canada increased approximately 5% in 2015 compared to 2014, with tight supply continuing to pressure prices in select urban markets with the resale market remaining at or near balanced market conditions. In 2016, national average home price growth is expected to be flat or slightly positive, and resales are expected to decrease marginally. Overall, we expect relatively stable housing markets in Ontario, Quebec and British Columbia to be partially offset by potential weakness in the oil producing provinces. Consequently, we expect a modestly smaller mortgage originations market in 2016, which may result in flat or modestly lower net premiums written from flow mortgage insurance in 2016. However, given the size of our more recent books and recent price increases, we expect earned premiums to be marginally higher in 2016 than 2015 (excluding impacts from foreign exchange movements).

Bulk new insurance written levels were higher in 2015 compared to 2014 from strong customer demand. In Canada, our new insurance written from bulk mortgage insurance varies from period to period based on a number of factors, including the amount of portfolio mortgages lenders seek to insure, the competitiveness of our pricing and our risk appetite for such mortgage insurance. On June 6, 2015, the Canadian government published draft

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regulations to limit bulk mortgage insurance to only those mortgages that will be used in CMHC securitization programs and to prohibit the use of government guaranteed insured mortgages in private securitizations. The regulations will become effective on July 1, 2016. Although it is difficult to determine the full impact from this and other regulatory changes, we believe that the regulations may result in a decrease in demand for bulk mortgage insurance in Canada going forward.

On December 11, 2015, OSFI announced plans to update the regulatory capital framework for loans secured by residential real properties for both federally regulated mortgage insurers and deposit-taking institutions. For mortgage insurers, these changes include a new standardized approach that updates the capital requirements for mortgage guarantee insurance risk and will also require more capital for new business written when home prices are high relative to borrower incomes. For deposit-taking institutions using internal models for mortgage default risk, a risk-sensitive floor may be introduced (for losses in the event of default) that will be tied to increases in local property prices and/or to home prices that are high relative to borrower incomes under these changes. OSFI will consult with federally regulated financial institutions and other stakeholders before making any changes, initially through a directed consultation with the industry in 2016, followed by broader public consultation later in the year. OSFI expects to have final rules in place no later than 2017. The anticipated changes may impact the regulatory capital requirements for our mortgage insurance business in Canada.

Segment results of operations

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

	Years ended December 31,			**Increase (decrease) and percentage change**			
(Amounts in millions)	**2015**	**2014**	**2013**	**2015 vs. 2014**		**2014 vs. 2013**	
Revenues:							
Premiums	$ 466	$ 515	$ 560	$ (49)	(10)%	$ (45)	(8)%
Net investment income	130	155	170	(25)	(16)%	(15)	(9)%
Net investment gains (losses)	(32)	(2)	31	(30)	NM[(1)]	(33)	(106)%
Policy fees and other income		1	(1)	(1)	(100)%	2	200%
Total revenues	564	669	760	(105)	(16)%	(91)	(12)%
Benefits and expenses:							
Benefits and other changes in policy reserves	96	102	139	(6)	(6)%	(37)	(27)%
Acquisition and operating expenses, net of deferrals	66	90	93	(24)	(27)%	(3)	(3)%
Amortization of deferred acquisition costs and intangibles	36	38	37	(2)	(5)%	1	3%
Interest expense	18	21	22	(3)	(14)%	(1)	(5)%
Total benefits and expenses	216	251	291	(35)	(14)%	(40)	(14)%
Income from continuing operations before income taxes	348	418	469	(70)	(17)%	(51)	(11)%

Provision for income taxes	90	111	133	(21)	(19)%	(22)	(17)%
Income from continuing operations	258	307	336	(49)	(16)%	(29)	(9)%
Less: net income attributable to noncontrolling interests	118	140	154	(22)	(16)%	(14)	(9)%
Income from continuing operations available to Genworth							
Financial, Inc. s common stockholders	140	167	182	(27)	(16)%	(15)	(8)%
Adjustments to income from continuing operations available to Genworth Financial, Inc. s common stockholders:							
Net investment (gains) losses, net	12	1	(12)	11	NM[1]	13	108%
(Gains) losses on early extinguishment of debt, net		2		(2)	(100)%	2	NM[1]
Net operating income	$ 152	$ 170	$ 170	$ (18)	(11)%	$	%

[1] We define NM as not meaningful for increases or decreases greater than 200%.

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2015 compared to 2014

Net operating income

Net operating income decreased driven by a $25 million decrease attributable to changes in foreign exchange rates in 2015. Excluding the effects of foreign exchange, net operating income increased attributable to higher premiums and lower operating expenses and taxes, partially offset by higher losses in 2015.

Revenues

Premiums decreased driven by a $69 million decrease attributable to changes in foreign exchange rates in 2015. Excluding the effects of foreign exchange, premiums increased primarily from the seasoning of our larger in-force blocks of business in 2015.

Net investment income decreased primarily from a $20 million decrease attributable to changes in foreign exchange rates and lower reinvestment yields in 2015.

Net investment losses increased driven by higher derivative losses largely from hedging non-functional currency investments, partially offset by net gains from the sale of investments and an increase of $5 million attributable to changes in foreign exchange rates in 2015.

Benefits and expenses

Benefits and other changes in policy reserves decreased due to lower net paid claims of $15 million, partially offset by an increase in change in reserves of $9 million. The decrease included a $14 million decrease attributable to changes in foreign exchange rates in 2015. Excluding the effects of foreign exchange, benefits and other changes in policy reserves increased primarily from a higher average reserve per delinquency related to higher severity in certain regions and an increase in the number of new delinquencies, net of cures, in 2015.

Acquisition and operating expenses, net of deferrals, decreased mainly driven by lower stock-based compensation expense in 2015. The decrease was also attributable to an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada s senior notes that were scheduled to mature in 2015 that did not recur. The year ended December 31, 2015 also included a decrease of $7 million attributable to changes in foreign exchange rates.

Provision for income taxes. The effective tax rate decreased to 26.0% for the year ended December 31, 2015 from 26.6% for the year ended December 31, 2014. The decrease in the effective tax rate was primarily attributable to an increase in tax benefits from lower taxed foreign income. The year ended December 31, 2015 included a decrease of $13 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests was lower primarily driven by an $18 million decrease attributable to changes in foreign exchange rates.

2014 compared to 2013

Net operating income

Net operating income was flat as lower losses and taxes were offset by a $13 million decrease attributable to changes in foreign exchange rates and lower premiums in 2014.

Revenues

Premiums decreased primarily driven by a $37 million decrease attributable to changes in foreign exchange rates and the smaller in-force blocks of business.

Net investment income decreased mainly from an $11 million decrease attributable to changes in foreign exchange rates and lower reinvestment yields in 2014.

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Net investment losses in 2014 were primarily driven by derivative losses largely from hedging non-functional currency transactions, mostly offset by net gains from the sale of investment securities. Net investment gains in 2013 were mainly from net gains from the sale of investment securities.

Benefits and expenses

Benefits and other changes in policy reserves decreased due to lower net paid claims of $64 million, partially offset by an increase in change in reserves of $27 million. The decrease was primarily from lower new delinquencies as a result of improved performance of our smaller in-force blocks of business and a stable economic environment. The year ended December 31, 2014 also included a decrease of $7 million attributable to changes in foreign exchange rates.

Acquisition and operating expenses, net of deferrals, decreased mainly driven by a $5 million decrease attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, operating expenses increased from an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada s senior notes that were scheduled to mature in 2015, partially offset by lower stock-based compensation expense in 2014.

Provision for income taxes. The effective tax rate decreased to 26.6% for the year ended December 31, 2014 from 28.4% for the year ended December 31, 2013. The decrease in the effective tax rate was primarily attributable to an increase in tax benefits from lower taxed foreign income. The year ended December 31, 2014 included a decrease of $8 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests was lower primarily driven by a $10 million decrease attributable to changes in foreign exchange rates.

Canada Mortgage Insurance selected operating performance measures

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

	As of or for the years ended December 31,			Increase (decrease) and percentage change			
(Amounts in millions)	**2015**	**2014**	**2013**	**2015 vs. 2014**		**2014 vs. 2013**	
Primary insurance in-force	$ 292,600	$ 306,600	$ 298,000	$ (14,000)	(5)%	$ 8,600	3%
Risk in-force	$ 102,400	$ 107,300	$ 104,300	$ (4,900)	(5)%	$ 3,000	3%
New insurance written	$ 40,400	$ 38,500	$ 34,100	$ 1,900	5%	$ 4,400	13%
Net premiums written	$ 641	$ 583	$ 499	$ 58	10%	$ 84	17%

2015 compared to 2014

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 years ended December 31, 2015 and 2014, this factor was 35%.

Primary insurance in-force and risk in-force decreased as a result of decreases of $55.9 billion and $19.6 billion, respectively, attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, primary insurance in-force and risk in-force increased primarily as a result of flow new insurance written and bulk mortgage insurance activity.

New insurance written

New insurance written increased driven by higher bulk mortgage insurance activity and higher flow new insurance written from higher market penetration in 2015. The year ended December 31, 2015 included a decrease of $6,000 million attributable to changes in foreign exchange rates.

Net premiums written

Most of 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. As of December 31, 2015, our unearned premium reserves were $1,460 million, including a decrease of $300 million attributable to changes in foreign exchange rates, compared to $1,548 million as of December 31, 2014. Excluding the effects of foreign exchange, unearned premium reserves were higher as a result of premiums from new business volume.

Net premiums written increased primarily from higher flow volume attributable to higher market penetration, as well as higher bulk mortgage insurance activity from increased customer demand in 2015. In addition, the price increases on high loan-to-value premiums effective May 1, 2014 and June 1, 2015 resulted in higher net premiums written. The year ended December 31, 2015 included a decrease of $97 million attributable to changes in foreign exchange rates.

2014 compared to 2013

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 years ended December 31, 2014 and 2013, this factor was 35%.

Primary insurance in-force and risk in-force increased primarily as a result of bulk transactions and flow new insurance written during 2014, partially offset by decreases of $28.6 billion and $10.0 billion, respectively, attributable to changes in foreign exchange rates.

New insurance written

New insurance written increased primarily as a result of bulk mortgage insurance activity and higher flow new insurance written. The increase in flow new insurance written was driven by a larger mortgage originations market in 2014 and increased market penetration. The year ended December 31, 2014 included a decrease of $2,500 million attributable to changes in foreign exchange rates.

Net premiums written

Most of 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. As of December 31, 2014, our unearned premium reserves were $1,548 million, including a decrease of $100 million attributable to changes in foreign exchange rates, compared to $1,622 million as of December 31, 2013. Excluding the effects of foreign exchange, unearned premium reserves were slightly higher as a result of premiums from new business volume.

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Net premiums written increased primarily from higher flow volume attributable to a larger mortgage originations market, bulk activity in 2014 and increased market penetration. In addition, the price increase on high loan-to-value premiums effective May 1, 2014 resulted in higher net premiums written. The year ended December 31, 2014 included a decrease of $39 million 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 dates indicated:

	Years ended December 31,			Increase (decrease)	
	2015	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Loss ratio	21%	20%	25%	1%	(5)%
Expense ratio	16%	22%	26%	(6)%	(4)%

The loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. The expense ratio is the ratio of general expenses to net premiums written. In our Canadian mortgage insurance business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of DAC and intangibles.

2015 compared to 2014

Loss ratio

The loss ratio increased primarily from a higher average reserve per delinquency related to higher severity in certain regions and an increase in the number of new delinquencies, net of cures, mostly offset by higher premiums in 2015.

Expense ratio

The expense ratio decreased primarily attributable to lower stock-based compensation expense in 2015 and an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada s senior notes that were scheduled to mature in 2015 that did not recur.

2014 compared to 2013

Loss ratio

The loss ratio decreased primarily from lower new delinquencies as a result of improved performance of our smaller in-force blocks of business and a stable economic environment. Partially offsetting this decrease was lower premiums primarily driven by the smaller in-force blocks of business.

Expense ratio

The expense ratio decreased as higher net premiums written more than offset the impact of higher operating expenses from an early redemption payment of $6 million in May 2014 related to the redemption of Genworth Canada s senior notes that were scheduled to mature in 2015, partially offset by lower stock-based compensation expense in 2014.

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Canada mortgage insurance loan portfolio

The following table sets forth selected financial information regarding the loan-to-value ratio of effective risk in-force of our Canada mortgage insurance loan portfolio as of December 31:

(Amounts in millions)	**2015**	**2014**	**2013**
95.01% and above	$ 35,570	$ 37,991	$ 37,366
90.01% to 95.00%	22,338	24,836	25,589
80.01% to 90.00%	13,630	15,499	16,256
80.00% and below	30,873	28,999	25,085
Total	$ 102,411	$ 107,325	$ 104,296

Overall risk in-force decreased $19.6 billion attributable to changes in foreign exchange rates in 2015. Excluding the effects of foreign exchange, risk in-force increased primarily as a result of flow new insurance written. Risk in-force in the 80.00% and below category increased primarily as a result of bulk mortgage insurance activity in 2015.

Delinquent loans and claims

The claim process in our Canada Mortgage Insurance segment is similar to the process we follow in our U.S. mortgage insurance business. See U.S. Mortgage Insurance Delinquent loans and claims. 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 December 31:

	2015	**2014**	**2013**
Primary insured loans in-force	1,835,916	1,673,505	1,527,554
Delinquent loans	1,829	1,756	1,830
Percentage of delinquent loans (delinquency rate)	0.10%	0.10%	0.12%
Flow loan in-force	1,331,773	1,255,050	1,187,753
Flow delinquent loans	1,550	1,493	1,591
Percentage of flow delinquent loans (delinquency rate)	0.12%	0.12%	0.13%
Bulk loans in-force	504,143	418,455	339,801
Bulk delinquent loans	279	263	239
Percentage of bulk delinquent loans (delinquency rate)	0.06%	0.06%	0.07%

Flow mortgage loans in-force increased from new policies written and bulk mortgage loans in-force increased from bulk activity. The number of delinquent loans increased compared to 2014 primarily from ongoing pressure in Quebec and building economic pressures in oil producing regions.

As a part of enhanced lender reporting, we receive updated outstanding loans in-force in Canada from most of our customers on a one-quarter lag. Based on the data provided by lenders, the 2015 delinquency rate as of September 30, 2015 was approximately 0.21%, reflecting a lower number of outstanding loans and related policies in-force compared to our reported policies in-force using the original terms of the loan.

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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 December 31, 2015	Delinquency rate as of December 31,		
		2015	2014	2013
By province and territory:				
Ontario	47%	0.05%	0.05%	0.08%
Alberta	17	0.12%	0.10%	0.14%
British Columbia	14	0.08%	0.14%	0.17%
Quebec	13	0.19%	0.19%	0.17%
Saskatchewan	3	0.17%	0.13%	0.08%
Nova Scotia	2	0.18%	0.23%	0.19%
Manitoba	2	0.09%	0.07%	0.09%
New Brunswick	1	0.20%	0.20%	0.24%
All other	1	0.13%	0.12%	0.12%
Total	100%	0.10%	0.10%	0.12%

Delinquency rates were flat compared to 2014 with regional variation, including increases in more commodity dependent regions such as Alberta and Saskatchewan due to economic pressures related to low commodity prices, offset by lower delinquencies in British Columbia.

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 2015, the U.S. dollar strengthened against the Australian dollar, 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.

In Australia, the overall economy continued to expand during 2015, though at a more modest pace than 2014, experiencing modest annual gross domestic product growth in 2015 primarily due to an increase in net exports. At the same time, housing activity improved primarily from sustained low interest rates which were reduced another 0.25% to 2.0% by the Reserve Bank of Australia in May 2015 and remained at 2.0% for the remainder of 2015. The Reserve Bank of Australia expects the interest rate reduction in 2015 to add further support to demand, to foster growth and inflation outcomes consistent with their targets. Job creation was steady in 2015 with the addition of approximately

300,000 jobs. The December 2015 unemployment rate at 5.8% as compared to 6.2% at the end of 2014.

The housing market in Australia continued to improve in 2015, with home values approximately 8% higher than a year ago. The Sydney and Melbourne housing markets continue to be the major driver with annual home price growth in 2015 of approximately 11% in each of these markets, despite modest home price declines in the fourth quarter of 2015. We expect home price appreciation for 2016 will slow compared to 2015.

In 2015, new delinquencies in our mortgage insurance business in Australia increased in certain mining-related areas within Queensland and Western Australia. China s economic slowdown has also impacted mining demand and investments in these areas. In addition, these regions are impacted by changes in commodity prices, which have continued to decline. If these trends continue, the loss ratio in Australia could increase in 2016 from our loss ratio of 23% for the year ended December 31, 2015. Consequently, we will continue to closely monitor these economic conditions and assess their impact on our business.

In Australia, gross written premiums were lower in 2015 partly due to the termination of a customer relationship with respect to new business effective in the second quarter of 2015. The decrease in gross written premiums was also driven by a reduction in high loan-to-value mortgage origination volume resulting from regulatory changes restricting loans originated for investment properties and high loan-to-value lending as APRA continues to focus on lending standards, investment lending and serviceability. Our average premium rate in Australia has also been impacted by the tighter lending standards resulting in a shift of our flow new insurance written to lower loan-to-value products that have a lower premium rate. Consequently, we expect high loan-to-value mortgages in proportion to total originations to be lower in 2016. This will likely result in a decrease in both gross written premiums and earned premiums in 2016 despite the price increase announced in December 2015, which will be effective in March 2016.

Segment results of operations

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

	Years ended December 31,			**Increase (decrease) and percentage change**			
(Amounts in millions)	**2015**	**2014**	**2013**	**2015 vs. 2014**		**2014 vs. 2013**	
Revenues:							
Premiums	$ 357	$ 406	$ 398	$ (49)	(12)%	$ 8	2%
Net investment income	114	144	159	(30)	(21)%	(15)	(9)%
Net investment gains (losses)	6	3	(2)	3	100%	5	NM[(1)]
Policy fees and other income	(3)	(16)		13	81%	(16)	NM[(1)]