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EDITED TRANSCRIPT

GNW - Q2 2012 Genworth Financial, Inc. Earnings Conference Call

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GNW reported 2Q12 results.

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Genworth Financial's second-quarter 2012 earnings conference call. My name is Karen and I will be your coordinator today.

At this time all participants are in a listen-only mode. We will facilitate a question-and-answer session towards the end of this conference call. As a reminder, the conference is being recorded for replay purposes. (Operator Instructions)

I would like to turn this presentation over to Georgette Nicholas, Senior Vice President of Investor Relations. Ms. Nicholas, you may proceed.

Georgette Nicholas - *Genworth Financial, Inc. - SVP, IR*

Thank you, operator. Good morning and thank you for joining us for Genworth's second-quarter earnings call. Our press release and financial supplement were released last evening and earlier this morning additional information regarding our long-term care, US mortgage insurance, and Australia mortgage insurance segments was posted to our website. We will refer to the long-term care section of these materials during the prepared remarks.

Today you will hear from two of our business leaders starting with Marty Klein, our Acting Chief Executive Officer and Chief Financial Officer, followed by Pat Kelleher, President and CEO of our Insurance and Wealth Management division.

Following our prepared comments we will open the call up for a question-and-answer period. In addition to our speakers, Kevin Schneider, President and CEO of our Global Mortgage Insurance Division; Jerome Upton, Chief Financial Officer of our Global Mortgage Insurance Division; Dan Sheehan, Chief Investment Officer; and Buck Stinson, President, Insurance Products for our US Life Insurance segment will be available to take questions.

With regard to forward-looking statements and the use of non-GAAP financial information, during the call this morning we may make various forward-looking statements. Our actual results may differ materially from such statements. We advise you to read the cautionary note regarding

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forward-looking statements in our earnings release and the risk factors section of our most recent annual report on Form 10-K and quarterly report on Form 10-Q each filed with the SEC.

This morning's discussion also includes non-GAAP financial measures that we believe may be meaningful to investors. In our financial supplement and earnings release, non-GAAP measures have been reconciled to GAAP where required in accordance with SEC rules.

And finally, when we talk about international protection and international mortgage insurance results, please note that all percentage changes exclude the impact of foreign exchange.

And, now let me turn the call over to Marty Klein.

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

Thanks, Georgette. Good morning. We have a lot of ground to cover this morning so our prepared remarks will run about 45 minutes and we may run a bit past 10 a.m. to allow time for questions.

Today we will comment on second-quarter results, give an update on our ratings situation, provide some detail on long-term care reserving, and highlight recent product and rate actions. First, I think it is important to discuss the strategic review our management team has taken in conjunction with our board.

As a backdrop, our current share price and bond spreads are simply unacceptable. We understand the concerns of investors and bondholders. We launched our comprehensive strategic review to develop specific plans that would address these concerns and set a course for turning around Genworth and rebuilding our financial strength, flexibility, and performance.

We want to give our constituents as much clarity as possible about our direction. The review of the strategy is complete. We are moving ahead to implement near-term action plans and are far along in the development of longer-term steps.

This morning I want to frame the objectives, issues, and constraints we are addressing to provide you better insights into our process. As I know you understand, in order to optimize our ability to execute and to avoid creating undue market expectations and distractions, we will not discuss specific transactions until the appropriate times.

We are focused on three primary issues consistent with the feedback from our investors and bondholders. First, operating business performance must improve significantly. Quite simply, many of our businesses have been generating relatively low returns on our capital and results must improve, regardless of strategy.

Second, financial flexibility should be increased to execute our strategic plans. And, finally, we need to address the complexity of our business portfolio so it is simpler for investors to understand and more attractive for them to invest their capital.

To address these issues we have the following objectives in our review. We identified businesses which are strategic from those which are better characterized as financial investments. In this regard we have considered several factors including the competitive landscape and business environment for each business, including assessments of where we have clear advantages; the ability of a business to generate returns in excess of its specific cost of capital; the ability to alter a product's design, underwriting characteristics, or pricing; the potential of a business to generate capital for strategic flexibility; and, finally, the expected timing for achievement of specific business goals.

Prior to this review we had not distinguished between strategic businesses and business which should be effectively viewed and managed as financial investments. For businesses that are strategic, we are developing plans for them to improve performance and be financially sound. To be successful, businesses will need to deliver operating results that will support their full infrastructure costs, generate cash that covers their share of debt service, and produce returns above their specific cost of capital. This will provide the discipline and focus for these businesses to stand on their own.

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This discipline reduces their reliance on other businesses or on the holding company. This, in turn, should improve financial results and create both strategic and financial flexibility.

In the past products were priced and managed to support overall leverage targets and cost of capital, which did not reflect their profit and risk profile of the particular product, and cash generation was not a specific or consistent objective. In addition, some functional and overhead costs were not always fully allocated or covered by product pricing margins. This interdependency and subsidization across products hurt the performance of the businesses and financial flexibility at the holding company.

Businesses which are financial investments will be used to generate capital and provide strategic flexibility through, for example, their ultimate sale. We will announce such actions at the appropriate times for the reasons that I noted before.

As we have determined appropriate actions, we will move quickly as possible to execute them. Certain constraints require sequential execution of some actions over time. Such constraints include the following factors.

First, major business segments, such as US Life Insurance and US MI, are not currently able to pay regular ordinary dividends to the holding company. This consideration plays a major part in repositioning our business portfolio as well as in allocating and managing capital.

A second constraint is our current debt load. While we believe that operating with leverage between 24% and 26% is appropriate for our current diversified business mix, leverage would need to be meaningfully reduced for each business to be able to support its own capital and debt load. For example, we believe well performing mortgage insurance platforms generally can maintain leverage in the 12% to 18% range. Life insurance platforms generally maintain leverage between 22% to 25%.

For each of their respective divisions to carry an appropriate debt load for its specific business mix, leverage in aggregate for the Company would need to drop to about 18% to 20%, or a decline of approximately $1.5 billion in overall debt. Excluding cash flow and coverage requirements which requires further debt reduction.

Another obvious consideration is the need to work constructively with regulators in order to execute our product, capital, and dividend plans. Like other insurers, we will not act unilaterally.

And finally, we need to keep our promises to our customers and to our bondholders by paying appropriate claims, servicing our debt, and meeting the commitments that we have made. As we develop and execute our action plans I want to be clear that the Board, the management team, and our employees understand our challenges, our opportunities, and the urgency needed as we take action. We provide valuable products and services to our customers and remain in competitive positions in many of the markets we serve. We want to build on those strengths, but recognize we must also rebuild value for shareholders.

We have a committed task force of employees working on a daily basis in conjunction with the outside advisors and members of our senior management team. This group has been regularly discussing with our Board directions and actions that should be taken. All of us recognize that the status quo is unacceptable and results need to be demonstrated promptly.

As we move forward it is important for our investors to understand that the initiatives that we have discussed earlier this year are important steps in achieving the plan. In particular, returning regular ordinary dividend capacity to our US life insurance companies in 2013 remains a critical objective. We continue to manage our business to optimize statutory results to realize this goal.

Executing the partial sale of our Australia MI platform remains a key goal in reducing our exposure to mortgage insurance risk, as well as generating capital. While the delay in the IPO earlier this year was very disappointing, we remain committed to this partial sale as soon as possible with a target of early next year. Finally, managing dividends to the holding company while maintaining appropriate capital levels in the businesses remains an important objective.

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Let me turn now to one important outcome of our review, a series of major steps we are taking to improve the performance of our long-term care business. A few months ago we began a detailed review of the business, including pricing and profitability, reserving, and risk factors.

The long-term-care businesses had low returns on equity in aggregate. Losses in the block of older issued policies drag down returns significantly; however, our review also demonstrated that not all of the block of newer issued policies, although profitable, was performing up to their pricing standards.

Finally, while their new business has returns in the mid-teens, we also observed that its risk profile had an associated cost of capital which was relatively high and could be lower. The results of this review led us to make several important decisions consistent with the objectives and considerations I laid out earlier.

First, we will implement significant additional rate increases in our block of older issued policies to help manage the losses on those policies. Second, we will take early intervention on the newer issued policies which are performing below pricing requirements to attempt to restore pricing margins through rate increases. Finally, we intend to further derisk the product to lower its specific cost of capital so that its returns are better able to cover those costs and increase value to shareholders.

Long-term care products serve an important customer need and the demand will only grow. However, these products need to provide value, not only for customers but also for shareholders. We are positioning Genworth to meet customer needs on terms which are attractive, not only for them but for our shareholders as well. Pat Kelleher will discuss these actions and changes in more detail shortly.

Finally, I would like to note that development of our strategic direction and plans is not dependent on, nor waiting for, the naming of a permanent CEO. While the Board has been working with the management team to determine our direction, it has also retained Russell Reynolds to assist in the CEO search.

As I now transition from strategy to ratings, I would note that the direction provided from the strategic review is an integral step towards enhancing the holding company's financial strength and flexibility and improving its long-term ratings profile. With that said, let me provide an update and some perspectives regarding Moody's recent announcement of their review of the holding company for possible downgrade.

While being split rated certainly would be manageable, it is obviously not what we want and we take our ratings and the review very seriously. This announcement came despite the progress we have made in respect to the specific factors highlighted in Moody's March affirmation of our company's ratings which could lead to a downgrade. While the strategic actions we are taking and planning should build financial strength in the future, we, of course, must deal with where we are now.

In light of the Moody's review and investor inquiries, let me note that simply delinking US Mortgage Insurance may not necessarily be the most cost effective or most beneficial option for investors or bondholders. Depending on how a delinking is executing, it could have its own potential negative implications to holding company ratings.

To elaborate, in light of our current plans to not contribute capital to this business, we have been evaluating options to address Moody's concerns. These options include amending the bond indentures, putting the business into runoff or spinning off the business, and attracting outside capital for the business. Along with ratings, key consideration for options include minimizing capital required in the short and medium term; maintaining liquidity and protecting value, reputation, ratings, and regulatory relationships in other businesses; and, ultimately, maximizing medium- to long-term shareholder value.

Let me now comment on some of these options.

While amendment of our bond indentures is possible, the cost of gaining sufficient approvals from bondholders could be significant. We continue to review this option, but seeking such approvals may not be a solution to preserve the rating. In our view, management sponsored regulatory approved run-off would not trigger events of default provisions in our bond indentures and credit agreements. However, placing the business in run-off does not delink us from the legacy books and we do not believe this is a solution to preserve the rating.

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In conjunction with our advisors, we have also evaluated a potential spinoff or sale. These options would have the benefit of truly walling off US MI exposures from the Company. These options may not be viable at this time due to potential capital required to execute the transaction. However, we are continuing to consider potential solutions and will provide updates as appropriate.

Before I discuss the quarter, I am pleased to report that we received approval for the extension of the North Carolina waiver for an 18-month period through July 31, 2014. This extension should enable us to continue writing new business consistent with our current plan.

Now let's turn to second-quarter results beginning with Global Mortgage Insurance. We saw good progress in the division with reported net operating income of $51 million compared to a loss of $36 million in the prior quarter. There was stable performance in Canada, significantly better results in Australia after our reserve strengthening in the first quarter, and continuing improvement in US Mortgage Insurance.

In Australia, operating earnings were $44 million versus a loss of $21 million in the prior quarter. Unemployment was stable and home prices were down slightly with some continued regional variation. The loss ratio for the quarter was 54%.

Overall delinquencies were down with new delinquencies flat and [periods] improving across the portfolio. Paid claims remain elevated compared to 2011. The prior quarter reserve strengthening held up and is in line with the trends we were anticipating around an increase in paid claims. The segments which drove the reserve strengthening in the first quarter -- 2007 to 2008 book years, small business or self-employed borrowers, and Coastal Queensland borrowers -- are still pressured but delinquencies rates are stable.

Turning to Canada, operating earnings were $41 million for the quarter, up from $37 million in the prior quarter. Unemployment decreased modestly and home prices were stable sequentially. The loss ratio decreased 6 points sequentially to 32% as overall delinquencies were down from the prior quarter.

Improvement in the Alberta region continues. Our capital positions in Australia and in Canada remain sound. The operating loss in other countries in the international mortgage segment was flat sequentially at $9 million driven by the stressed European economic environment, primarily in Ireland.

Moving now to US MI, results improved in the quarter to a net operating loss of $25 million from a net operating loss of $43 million in the prior quarter. A decrease in new delinquency development, modest changes in aging of the existing delinquencies, and effective loss mitigation programs were partially offset by lower cure activity particularly in self-cures. During the quarter we terminated an external reinsurance contract that benefited our results by $12 million.

Our total flow delinquencies fell by 15% from the prior year with new delinquencies down both year over year and sequentially, reflecting the continued burn-through in 2005 through 2008 books, and in line with our expectations that we laid out in February.

Our risk to capital in GEMICO was relatively stable, up about 0.9 points to 34.3 to 1 in the quarter. In Genworth Residential Mortgage Assurance Corporation, or GRMAC, which is a subsidiary of GEMICO, capital increased modestly to about $80 million, with a risk to capital ratio of about 3.3 to 1. With the extension of the waivers, we anticipate continuing to write new business with risk to capital ratios above 25 to 1 in GEMICO.

Moving to the Insurance and Wealth Management division, results were down with disappointing earnings in long-term care and in international protection. Reported operating earnings were $79 million, down from $138 million in the prior year, and $81 million in the prior quarter, or $121 million when adjusted for that quarter's Life block sale transaction.

Life insurance earnings were $30 million for the quarter. We saw higher mortality in the quarter, although still in line with pricing. Overall sales were up $4 million versus the prior quarter and $3 million versus the prior year.

In the quarter we suspended sales of both the 15-year and the 30-year term universal life product as we managed sales volume and improved statutory performance. We expect that these product suspensions will materially decrease sales in the second half of this year.

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Long-term care earnings were down for the quarter at $14 million. Higher severity and lower claim terminations from fewer recoveries and lower mortality drove the reported loss ratio up 8 points over the prior quarter and 4 points over the prior year. Our previously announced premium rate increase on the majority of the older issue policies continues to take effect.

We still expect about $50 million in additional premiums in 2012, of which $11 million was reflected in the second quarter and about $60 million in 2013 when fully implemented. As I mentioned before, we are taking significant remedial steps in this business.

Fixed annuity earnings were $20 million and sales in this line were flat to the first quarter as we continue to maintain spreads. International protection earnings were $3 million, down from both the prior year and the prior quarter, driven by both lower premiums in a tough consumer lending environment and relatively worse performance in products with lower profit sharing.

New claim registrations in Europe decreased 8% versus the prior quarter and were flat to the prior year. In light of the continued slow consumer lending environment in Europe, we continue to take expense actions to mitigate these impacts.

Wealth Management earnings were $12 million for the quarter, up from the prior quarter and the prior year after adjusting for GFIS, which was sold at the beginning of April and which accounted for approximately $2 million in earnings in the prior quarter and the prior year. Margins as a percent of assets under management increased 7% from the prior year and in July we announced an expanded investment platform to respond to the market environment and investor needs.

Turning now to capital, the US Life company's risk-based capital ratio is estimated to be about 405%, down from the first quarter due to three main factors. First, the extraordinary $100 million dividend paid to the holding company in April from the Medicare supplement sale. Second, pressured variable annuity results given lower equity markets and declining interest rates. And third, the unfavorable impact from the timing of unauthorized reinsurance.

In July we filed for approval of additional collateral to address the impact of unauthorized reinsurance retroactive to June 30. This improved the RBC ratio by 10 points and added about $90 million to our unassigned surplus, which is estimated to be approximately $40 million. We still expect to achieve the 2012 unassigned surplus and statutory earnings targets that we laid out in February.

We will manage statutory performance through lower sales in life and long-term care, hedging of the variable annuity business to better protect statutory capital from equity market moves, and additional life block transactions. These goals are a high priority as they work to reestablish the regular ordinary dividend capacity of our life companies next year.

Finally, in the Corporate and Runoff division, results in our Runoff segment were lower from the prior quarter and the prior year from variable annuity results driven by unfavorable market conditions and lower tax benefits.

Shifting to investments, the global portfolio is performing well. Core yields were up slightly during the quarter to 4.7% as we redeployed cash and saw improvements in the performance of limited partnerships.

Turning next to the holding company, we continue to maintain significant liquidity. At the end of the second quarter the holding company held cash and liquid securities of approximately $1.2 billion.

As a reminder, the cash and liquid securities balance at the end of the quarter still reflects about $230 million of temporary tax benefits related to tax sharing agreements with our operating companies that we expect to pay to the operating companies later this year. After adjusting for those temporary tax benefits, the holding company has about $950 million of cash and liquid securities. That balance is currently designated for our target of 2 times debt service coverage, which is about $600 million, as well as an additional buffer of approximately $350 million for stress scenarios that might impact the dividend sources to the holding company over the next 18 months.

As of the end of the quarter, our leverage ratio was approximately 25% which is in line with our long-term leverage target.

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I would like to now provide an update on our dividend goals for the year. Insurance and Wealth Management is on track and has paid $120 million through the end of the quarter with an interim dividend of $45 million approved to be paid in August at the holding company. This represents $165 million, over half of our $300 million goal for the year in the division.

Regarding Global Mortgage Insurance, the challenging global economic environment and the concern by us and our regulators of the potential contagion risk if economic conditions worsen, is impacting views on the level of capital hold above our regulatory minimum requirements. We now expect dividends from the international mortgage platforms in the range of $50 million to $110 million for 2012. That is compared to our earlier target of $160 million.

We will continue to manage capital and performance, look to execute additional reinsurance treaties, and monitor our market conditions. We do still expect to maintain a buffer at the holding company of $350 million over our 2 times debt service target throughout the rest of this year.

Given the interest in long-term care on the part of many investors and analysts, I thought it would be useful to provide a brief overview of our reserving process. First, let me break out my actuarial hat and give some background for those who aren't actuaries or accountants.

We hold two main types of reserves, active life reserves and disabled life reserves. Active life reserves represent the excess of the present value of expected future benefits over the present value of the portion of premiums determined at issue required to fund expected benefits. The difference between the policy premium and this valuation premium funds both expected profits and expenses.

The assumptions underlying these reserves are slightly different for GAAP and statutory reporting rules, but are generally a combination of best estimate and prescribed conservatism, respectively. Disabled life reserves are held for policies on claims and are established using best estimates for factors such as morbidity, mortality, recovery, and continuance. Disabled life reserves are released as claims are paid or in the event the claimant dies.

We recently completed a comprehensive claims analysis which covered 160,000 long-term care claims dating all the way back to 1976. Our analysis tracked claim development by age, gender, and underwriting generation, which were all key factors in determining claim costs. The analysis includes an evaluation of all components of a claim's lifecycle, including length of claim, utilization of contractually available benefits, and the transition of claimants from one state of care to another, such as when they move from home care to a nursing home.

We gained several useful insights on trends and performance of our in force business as a result of this study. In addition, this evaluation gave us an updated view into the performance of policies with lifetime benefits versus those without them. We will integrate experience from this analysis into our claim reserving methodology in the third quarter and expect only a minor impact on total claim reserve levels. This analysis is also instructive with respect to future product pricing and design.

Finally, reserve adequacy is reviewed at least annually on both a GAAP and statutory reserving basis, not only by management but also by several independent third parties. The Board's audit committee receives and reviews reports on reserves as well.

Tests based on recent experience combined with input from third-party reviews lead us to believe that given what we know today, current reserves in aggregate are adequate at this time. We will continue to closely monitor emerging experience and trends.

Let me wrap up. I am very excited about our plans and the upside that we have at Genworth. We are moving forward to build our financial strength and our strategic flexibility for our shareholders.

At the same time, the mixed operating results this quarter illustrate and confirm the importance of the changes that we are making to improve business performance. With our dedicated and talented employees we are leaning hard into the work ahead to turn Genworth around.

Now let me turn it over to Pat to dig a bit deeper into the long-term care and life businesses.

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Pat Kelleher *- Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

Thanks, Marty. Today I will provide some additional perspective on our life insurance business and give some additional color on our long-term care business performance, along with recent and planned product and pricing changes.

In our life insurance business, term life insurance mortality is a key earnings driver. Focusing on the past 10 quarters, we have seen favorable actual to expected mortality levels compared with our pricing assumptions. Those levels have been 93% for all of 2010, 90% for all of 2011 with quarterly variation between 83% to 96%, and most recently 98% and 100% in the first two quarters of 2012.

As a result, our second-quarter earnings in the life insurance business were lower from increased term life insurance mortality experience when compared to the prior year. Although historical mortality experience is generally, favorable to pricing, the second quarter results demonstrate that after three consecutive quarters of relatively low levels of mortality we have now had two consecutive quarters at higher levels. Our analysis indicates that this experience is normal volatility in a range that can be expected and consistent with pricing.

Next I will provide a short update regarding the NAIC's recently exposed Actuarial Guideline 38 proposals to change the statutory valuation for universal life insurance policies with secondary guarantees. Separate rules are being proposed for new and for in force business. The proposed effective date for addressing any impact on in force reserves is December 31, 2012, while the proposed effective date for new business is January 1, 2013.

For new business, the expected outcome associated with proposed changes will be material increases to statutory reserves over time, not unlike the changes previously made to the traditional term product valuations in 1999. We realize that any such changes to AG 38 will require that all companies, including Genworth, review and potentially revise product offerings, pricing, and utilization of reinsurance while rebalancing the value proposition for consumers and for shareholders. We have already begun this work and anticipate changes in our product portfolio with new product solutions expected to be in place as these new regulations become effective in the market.

Now turning to our long-term care business, current quarter financial results were lower sequentially, primarily reflecting lower claim terminations and higher claim severity. Claim terminations are comprised of mortality, claim recovery, and benefit exhaustion components. While exhaustion tends to be more stable, the impact of mortality and claim recoveries can be more volatile from quarter to quarter.

In the past few quarters, we have seen these quarterly variations contribute to variability and results. As an example, a 0.5% change in the quarterly claim termination rate can impact earnings in a single quarter by approximately $9 million. On an annual basis our claim termination rates have shown more stability.

Looking past the quarterly results, we have spent considerable time over the past few months focused on the composition of our long-term care portfolio and the performance of various segments of this portfolio over time. I will share key aspects of our analysis to provide context for both our revised strategy and approach for re-rating the in force business, and for the new business pricing and product changes we are implementing. We posted on our website a document to provide additional information on our portfolio.

Going to slide three, this slide gives some perspective on differences between our old generation and new generation products. As you can see, our approach to pricing and underwriting criteria has evolved over time. We have monitored our extensive claims experience and made adjustments to our product offerings to enhance our risk and return profile by updating the underlying morbidity, lapse, and interest rate pricing assumptions as new product offerings were introduced.

Our old generation blocks of business were marketed through roughly 2003 and have historically produced GAAP basis loss ratios around 90% to 104% annually over the last four years with some quarterly variation. This compares to the priced-for lifetime loss ratios of 60% to 65%.

Our new generation blocks a business generally have been performing much better as a result of these changes and have generated returns in the mid-teens with annual loss ratios of approximately 50% in aggregate over the last four years, again, with some quarterly variation. This compares with priced-for lifetime loss ratios of 60% to 65%. We would anticipate that the loss ratios on these blocks would increase moderately overtime as the blocks age.

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On slide four, we provide profiles of the product series that comprise our old generation and new generation blocks of business. From our most recent comprehensive claims analysis, we have observed that product design has also played an important role in the development and performance of these blocks.

While the old generation blocks experienced significant losses primarily due to priced for lapse assumptions much higher than the actual lapse experienced, it should also be noted that policies with lifetime benefits are projected to perform worse than policies with non-lifetime benefits. Over time we have seen a decrease in the percentage of policies issued with lifetime benefits from the pricing actions we've taken to reduce the percentage of business sold with this benefit structure.

Moving to slide five, with this in mind I would like to discuss a change in our strategy and approach to re-rating in force business and our plans to implement further rate increases beginning over the next several quarters, focusing first on the performance of our older issued policies. In 2007 and 2010 we initiated premium rate increases of approximately 10% and 18%, respectively, on the majority of our older series of policies. Later this month, we will begin filing a new round of premium rate increases with several goals in mind.

On the older issued policies that have been rated before, we intend to achieve average premium increases in excess of 50% over the next five years. Previously, we had asked for more frequent lower increases but we will pursue fewer larger increases going forward. We will work with individual states to determine the timing of these increases and give policyholders transparency into the plans of the Company over time.

Similar to the premium rate increases on our old generation block, we will be seeking approval for premium rate increases for the majority of policyholders in the earliest series of our new generation policy. This block of policies has generated positive operating earnings but is falling short of the original priced-for returns due to lower interest rates, higher claims due to an unfavorable business mix, and lower lapse rates than expected. I should note that we had used a 2% ultimate lapse rate in pricing this product series.

We want to stay ahead of this block of business with our in force premium rating strategy and will, therefore, request an average premiere rate increase in excess of 25% over the next five years. We believe that early intervention on the newer block is important to managing the long-term performance of this business. Subject to regulatory approvals, we anticipate these premium rate increases in total will generate approximately $200 million to $300 million of additional annual premium when fully implemented.

For new business, on July 30 we implemented several changes to our current Privileged Choice Flex product, which accounts for approximately 70% of our new sales, to increase margins and reduce risk. In order to mitigate morbidity and investment risks, we suspended sales of policies with unlimited benefits. In response to the low interest rate environment, we also suspended sales of limited pay contracts.

The current product has been priced with a 4.5% investment yield assumption and the current rate environment presents heightened risk for limited pay contracts.

In addition, we announced price increases through the reduction of our couples discount and the elimination of our preferred health discount. These changes effectively raised premium levels by approximately 20%. Finally, we further tightened our underwriting requirements, including the requirement to obtain family history during underwriting, and new underwriting criteria which result in classifying applicants with a family history of schizophrenia as uninsurable.

Shifting to slide six and our new business strategy, the product changes we just covered were made as an interim step to introducing a new product series in the first half of 2013. The 2013 product, which will replace Privileged Choice Flex, will include certain transformative concepts that have been long accepted in life insurance pricing and underwriting but which are new to long-term care.

Specifically, we will begin requiring blood and lab underwriting requirements to better assess certain health conditions, such as diabetes, that can impact the morbidity of an applicant in future years. Also, the pricing will include premium rates that will be differentiated based on gender to reflect the different claims experience of male and female policyholders. In addition to these changes, the new product will have updated pricing including an investment yield assumption more in line with today's environment. Finally, we will no longer provide lifetime benefits. The filing process for this new product is well underway with approvals from several states already received. We are committed to improving the financial

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performance of our long-term care portfolio and revising our new business product offerings to create a favorable risk/reward profile, while effectively addressing marketplace needs.

We have embarked on a major strategic shift in our approach to in force management, shifting from our previous incremental rate increase philosophy to a more aggressive and focused strategy of multi-year rate increases to improve our risk and return profile in the old generation block and to get ahead of any issues in the performance of the newer generation block.

Now I will open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Steven Schwartz, Raymond James.

Steven Schwartz - *Raymond James - Analyst*

That was too fast. Good morning, everybody. A couple if I may and then I will get back in line as I really think about this all.

Marty, you had a discussion at the beginning about debt to capital levels, how you thought that the target might be lower than the 25% or so that you are at. I think you suggested that would be about a $1.5 billion decrease in leverage. I am wondering if that is a signal that reducing that is more important than share repurchase. I'm also trying to figure out how that fits in with your statement that the current debt leverage ratio is in line with long-term targets.

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

Steven, it is Marty. Thanks for your question. As we think about debt we wanted to kind of point out, just so everybody kind of has a common understanding, of leverage and kind of talk about it, because in aggregate we certainly felt it is appropriate for the mix of businesses we have. But as a certain investors think about separation or other business actions we might take, we wanted to point out that leverage targets are obviously different for different types of businesses. So part of it was really to educate folks.

We do want to not only increase and improve our business performance, but we want to increase our financial flexibility. And so as we work and develop in our strategic businesses we are going to hopefully be improving significantly over time their earnings profile, particularly on a risk-adjusted basis. But we also, as we think of managing financial investments, companies that we or businesses, I should say, that we view as financial investments, we will be managing them and using them as a way to generate capital.

As we generate capital I would say there is different things we could do and we will assess that at the appropriate time. Certainly delevering is one possibility and that would give us more flexibility. If a split seemed to make sense at that point in time, we could go down that path a bit more.

But obviously share repurchase is something that has been on the mind of investors, and we will look at that. There is also -- we want to make sure that our balance sheets in our businesses are strong and our strategic businesses are able to perform. So those are all things that will be thinking about as we generate capital and we will assess how to use the proceeds at that point in time.

We will obviously be thinking about it well in advance of that, but we will make that final call as we get closer. I would say over time we do expect to probably bring down leverage a bit, but we will talk about more specific plans about that down the road.

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Steven Schwartz - *Raymond James - Analyst*

Okay. Then if I may, switching gears a little bit. The termination of the term UL product, what was the reasoning behind that and does that somehow fit with the AG 38 discussion that you gave us?

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

This is Pat. The changes in terms of pulling back or withdrawing, suspending sales of our 30-year and 15-year term UL product were part of our plans to reduce sales of life insurance and long-term care products in the back half of the year, while improving the profitability of the portfolio. We have been engaged in a series of price increases. We talked a lot about the long-term care price increases in the earlier prepared remarks, but we have also been increasing price and rebalancing the value proposition between consumers and shareholders and life insurance.

We do expect that given where we are midyear that figuring prominently in our planned results for the second half of the year is an overall reduction in insurance, life insurance and long-term care sales in the second half of the year, combined with other actions we are taking including planned life block transactions which are underway. We are, I think, more or less in line with the targets that we had outlined for unassigned surplus and capital positions and the life companies toward the end of the year.

Steven Schwartz - *Raymond James - Analyst*

I guess that's all part of that. And then just one more on the AG 38, I believe you're going to have to do cash flow testing just of the older block of business, and that could lead by itself without looking at excess reserves and maybe other lines of business a possible hit to statutory reserves. Do you have any thought on that, Pat?

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

Yes, I feel pretty good with where we are with respect to that. Behind the scenes we have done extensive cash flow testing on the book of business, both in 2010 and 2011. We have completed a target exam on our business and we have satisfied, even with some margins for conservatism, regulatory requirements in these exams to demonstrate adequacy of the reserve. So we will look at the new proposal as they come in, but I feel pretty good about where we are.

Steven Schwartz - *Raymond James - Analyst*

Okay, thank you very much.

Operator

Thomas Gallagher, Credit Suisse.

Thomas Gallagher - *Credit Suisse - Analyst*

Good morning. Marty, just to follow up on your comment about the deleveraging plan of $1.5 billion, can you comment at all as to whether or not you would first need to do that before any buybacks or any equity-related, shareholder-friendly type initiatives? And what kind of timeline, when you think about $1.5 billion in deleveraging, how should we think about trying to frame out timing over which that might occur?

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Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

Tom, first of all, just want to make sure that we are clear that when we were talking about leverage debt we weren't necessarily saying that we have a $1.5 billion deleveraging plan. We were merely trying to point out with our current business mix, if we wanted the flexibility to separate the companies now, it would take $1.5 billion, actually probably north of that given cash flow and coverage considerations. Just so investors understand that.

I do think over time we will probably want to look to delever as we can. But, again, as we generate proceeds from generating capital we are going to look at it and assess it at that point in time. It could be that share buybacks make sense.

Certainly given where our stock price has been trading we realize it is extremely low relative to book and that could be very accretive to shareholders so we look very, very closely at that. If the share price is up significantly, which would be a nice thing, we may have a different view and maybe look to delever or do something else from a business standpoint.

So we are not really talking about how we are going to prioritize that right now. We have to get to the spot where we are generating capital, and then assess kind of where the marketplace is and where our stock and bond spreads are and other business considerations at the time.

Thomas Gallagher - *Credit Suisse - Analyst*

That is helpful clarification. So really the $1.5 billion would only be in the event of a broader corporate restructuring where you were to separate some of your major businesses. How about in the event that none of that occurs that you kind of move forward as is without shedding or separating substantial operations? Would there still be a plan to reduce financial leverage, and if you could quantify that?

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

I think that we will talk about that more as we play through and as we are able to announced actions that we are taking around financial investments. I think we can provide more clarity on what we want to do with leverage at that point in time, because obviously we will have to adapt our debt as we make changes to our business portfolio. So I think we will talk about it in more detail at that future time.

Thomas Gallagher - *Credit Suisse - Analyst*

Got it. Then just a follow-up on two other things. How should we be thinking about the Aussie MI business, just from a capital standpoint, now that you have unwound that captive re-deal? From the standpoint of do you need to build capital in that operation or are you fine where you are? I guess you have less cushion, but you are still above regulatory minimums right now.

Kevin Schneider - *Genworth Financial, Inc. - EVP & President and CEO, Global Mortgage Insurance Division*

This is Kevin. As we end the quarter, we end up at about 160 in terms of our MCR level. The reduction in the affiliate coverage will take that down a bit as we transition into the third quarter.

Performance of that business is expected to continue to build up and provide additional cushion and flexibility to our capital requirements. But you should expect us to continue to try and build those a little bit, make sure we stay above the limit, and provide the flexibility we need to execute our capital plans down there. I do think we will continue to look at opportunities for additional external reinsurance opportunities.

If you think about Marty's earlier comments around improving business performance and having individual business lines and platforms that are able to stand on their own and have less reliance on other affiliates or on the holding company, this is very consistent with that strategy. We want to continue to reduce affiliate reinsurance coverage. And we also want to continue to support the development of a stable and active mortgage

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insurance reinsurance market, which is something we have had considerable benefit from throughout the first half of this year as we have added other external reinsurance.

So I think that really provides us some additional flexibility, but you will see us build that backup from the low point that is associated with the reduction in the affiliate reinsurance that we discussed.

Thomas Gallagher - *Credit Suisse - Analyst*

Got it. Last one for Pat. Just in terms of -- I hear what you are saying on the cash flow testing on long-term care. How should we be thinking -- and ultimately that is the more important thing, but there is still the issue of GAAP financials and how do we think about long-term care because you haven't taken any charges there.

As we think about rolling into the end of the year on a GAAP basis asking for sizable re-rates, how does that affect your GAAP financials and what kind of margin of safety do you have on GAAP, both when you think about reserve adequacy and DAC related to long-term care?

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

Thanks, Tom. When you look at the adequacy testing from a GAAP perspective, I believe it's called default loss recognition testing, what you do is you take into account management's best expectations as to future experience which would include the effect, expected effect of changes in premium rates. It would also include the expected effect of the trends that we are seeing and loss experience.

So we feel that the way that we are managing the portfolio improves reserve adequacy from the perspective of the GAAP testing that needs to get done. Does that help?

Thomas Gallagher - *Credit Suisse - Analyst*

It does. Is there any way to flesh out how much cushion you have on a GAAP basis? Maybe the last time you looked at it.

The reason I ask, I know the GAAP accounting is a bit more of a kind of all-or-nothing in terms of the FAS 60 testing that occurs, both on the DAC and the reserve adequacy. I don't know if you can give any sensitivity in terms of margin of safety, margin of cushion related to that block.

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

With the caveat that there is separate testing for the purchase blocks of business versus the business we have underwritten ourselves, the way that I would look at it is when I look at the loss ratios, while we know they are elevated on the old block and they are relatively favorable on the new block, if you look at over, say, the past couple of years and the pretax operating margins on the business, they tend to fluctuate between about 5% and 10% of premium. And that is taking into account historical premiums and changes in rate.

So if you look at that the challenge here is the margins are low in aggregate because of the fact that the old block is performing at a loss. When we look forward we feel like low margins should improve with the effect of the future rate actions, so overall we feel pretty good about where we are from that perspective.

Thomas Gallagher - *Credit Suisse - Analyst*

Okay, thanks.

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Operator

Geoffrey Dunn, Dowling Partners.

Geoffrey Dunn - *Dowling & Partners - Analyst*

Thanks, good morning. On the domestic MI side and the NC's decision to extend the waiver, were you privy to their analysis or any details you can share with us in terms of the conclusions they reached?

Kevin Schneider - *Genworth Financial, Inc. - EVP & President and CEO, Global Mortgage Insurance Division*

Geoff, this is Kevin. Most important they reached the conclusion to extend the waivers and we feel pretty good about that. Their analysis is -- benefits from a lot of the transparency that we provide them around our financial performance.

I mean they continue to evaluate our own internal actuarial results. They continue to watch how our performance expectations and our financial results have tracked against our estimates, and really this goes back to the end of second quarter last year.

So I think they have been watching our profitability and the development. They have been watching our new business development, and they have been doing and working with their own set of tools and stress tests around what could be some downside risk in all this.

So it is third-party work, it is our work, it is their work. You sort of triangulate it all together and I think they got a pretty clinical assessment of what is going on with our financials. Very importantly, they also continue to see the decrease in new delinquencies going forward that we pointed to in February. As we said, this has really been a key driver of our loss of performance in the first half of the year.

So the profitable I think is a big thing, but we really feel good about -- I think it is a strong example of the working relationship we have built with a regulator over time by being transparent. They see everything that the GSEs see, that our auditors see, and that we see. When you bake that all into together we came to an outcome that we are very pleased with.

Geoffrey Dunn - *Dowling & Partners - Analyst*

In Australia was it the reinsurance termination that affected your dividend expectations for international MI?

Kevin Schneider - *Genworth Financial, Inc. - EVP & President and CEO, Global Mortgage Insurance Division*

First, when you think about international MI, these businesses have really solid capital positions. They generate capital through both their stat earnings and as well as the seasoning of those lot larger blocks of business and will continue. The reason we made some adjustment on this quarter to our expectation and to provide a lower range, frankly, than we had hoped for was you got a lot of other things going on in these markets.

Both we and our regulators are looking at what is going on with sort of the global capital markets. There is concern with European contagion to some of these markets or broader global contagion. And so as we work and talk with our regulators we felt it was prudent at this point to ratchet that back a little bit and to provide that range of $50 million to $110 million. I would not say it is largely driven by the reduction of that affiliate reinsurance, not at all.

And we are going to continue to work on, as I said, other capital plans such as some additional things around reinsurance to continue to try and improve that outcome and land in a higher range on that. But we thought it was important to put that out in front of our investors at this point.

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Geoffrey Dunn - *Dowling & Partners - Analyst*

Okay. Then last question; it has to do with your claim inventory in Australia. We saw the delinquency inventory come down, we saw the loss ratio come down this quarter kind of indicating that it was a one-timer in the first quarter, but there is a big discrepancy in terms of the claim amounts you are paying out now versus the implied reserve per loan in your inventory. I think it is $90-odd-thousand versus $41,000.

Can you talk a little bit about the inventory mix, and particularly your pending claim mix, and how to reconcile that big delta?

Jerome Upton - *Genworth Financial, Inc. - Global Mortgage Insurance CFO & COO*

Geoff, good morning. It is Jerome Upton. When we went through the first quarter I think we shared with our investors that we were going to see those larger claims come through. And as you think about your claim inventory, they have high frequency factors relative to your overall delinquency inventory which has a mix to it of younger delinquencies, some of the later stage delinquencies, and some of the foreclosures or mortgages in possession.

So as you think about that you have got to think about your mix and you've got to also evaluate the fact that in the second quarter we actually saw our delinquency aging improve a little bit. So as we had those later-stage arrears move through to claim, our delinquency mix shifted a little bit towards the earlier stage delinquencies.

What I would do is take you all the way back to the fact that as we paid claims in the second quarter our reserve provisioning held up very, very well. There was very, very tight alignment there, and you are going to see -- we are going to continue to see those larger claims come through in the third and fourth quarter. We want to see that reserve adequacy carry through and hold up.

Remember we have done a delinquency by delinquency inventory and established those reserves. But we feel good about where we are and need to see the third and the fourth quarter play out on reserves.

Kevin Schneider - *Genworth Financial, Inc. - EVP & President and CEO, Global Mortgage Insurance Division*

Geoff, just let me add on to that. This is Kevin. I think another way to answer your question is the loans -- a lot of the provisioning we took in the first quarter was related to the severity of those claims. And so we have more accurately, we believe, aligned our loss reserves on, in particular, those mortgages in possession. They are, in fact, coming in at the level of the claims, the actual claim payments that we have made.

So we feel comfortable with it. That is what drove a lot of the provisioning and it is lining up with our results as we actually pay those claims.

Geoffrey Dunn - *Dowling & Partners - Analyst*

Okay, thank you.

Operator

Jeff Schuman, KBW.

Jeff Schuman - *KBW - Analyst*

Thanks, good morning. I was wondering if we could come back a little bit on just the long-term care. So it sounds like in your cash flow testing that there was anticipation of rate increases. I am wondering what you assume though I guess in terms of success in getting approvals and implementation.

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And I am also wondering if you can give us some updated thoughts about anti-selection. I think historically it hasn't been a problem. You have had rate increases, customers have recognized higher new business prices, and you have had a decent take-up rate. But obviously another 50% increase is pretty significant; I am wondering how you are expecting that will be taken by customers.

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

This is Pat. I will take the question on cash flow testing. Cash flow testing strictly is a statutory requirement and that only takes into account rate increases that we already specifically have approval for. And that is different from the loss recognition testing on GAAP. So just wanted to clarify that. We do not take into account anticipated rate increases on our cash flow testing. I would like to turn it over to Buck Stinson to handle the question that you have with respect to our planned rate increases and the performance of the book.

Buck Stinson - *Genworth Financial, Inc. - President, Insurance Products, Insurance and Wealth Management Division*

Jeff, your question around anti-selection I guess a couple of thoughts. One is our proposal here is to provide as much transparency as we can for the policyholders and this is over a five-year horizon. So one of the things that we are trying to accomplish is working with the states to give the policyholders as much information as we can about what to expect over an extended period of time.

We think that is going to help the policyholder make decisions. Again, remember we offer a variety of options to the policyholder in lieu of paying a higher premium, so they do have the option of selecting different benefit structures that would keep their premiums roughly the same over that period of time. So given the options that we are going to be offering the policyholders and that transparency, again, we do not expect a significant amount of anti-selection.

Jeff Schuman - *KBW - Analyst*

Okay, that is helpful. And thanks, Pat, for the clarification on the testing. Just to follow up, so do I understand it correctly that your recent analysis would suggest that your statutory reserves are adequate ex the anticipated future rate increases, is that correct?

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

That is correct.

Jeff Schuman - *KBW - Analyst*

Okay, that is good to know. And what are the current amounts of long-term care GAAP and stat total reserves and long-term care DAC?

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

We have that on the statements. If it is okay with you, we will confirm the numbers and follow up with you immediately after the call.

Jeff Schuman - *KBW - Analyst*

Okay. Thank you very much.

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Operator

Mark Palmer, BTIG.

Mark Palmer - *BTIG - Analyst*

Good morning. Moody's in its review announcement said it could confirm the holding company's investment grade rating if it determined that a downside scenario would only have a modest impact on the group. Has Moody's shared with you how it intends to make that determination and how it would define a modest impact?

Also, did Moody's provide you with a timetable for completing its review?

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

Mark, it is Marty. I don't think we should be commenting on any conversations we have specifically with the agencies. I would say that we are obviously very actively working on this issue to try to identify solutions that would work to save the rating, but would also -- it makes sense to the Company and, ultimately, for shareholders and bondholders. So we are trying to weave all those things together.

Mark Palmer - *BTIG - Analyst*

Okay. With regard to the Australian MI unit, are you comfortable that any issues with internal controls that may have caused the surprise loss in the first quarter have been addressed?

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

We had a fairly sizable group of the Company go down or over to Australia for a few weeks to take a really deep dive. It was representatives from audit, legal, controllership, risk, and actuarial. They did a pretty deep review; they have really just finalized it.

And we really feel like as we look through this that there will be a number of process improvements we can make that will help identify environmental trends, identify earlier certain business trends, and I think we will be also be making some improvements on our actuarial and loss reserving processes going forward as part of the review.

Mark Palmer - *BTIG - Analyst*

Thank you very much.

Operator

Suneet Kamath, UBS.

Suneet Kamath - *UBS - Analyst*

Thanks and good morning. I wanted to start with the long-term care again, just so I understand. I apologize if we are being a little bit repetitive here.

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But you are saying you are adequately reserved on a stat basis and you are not adequately reserved on a GAAP basis as evidenced by the significant price increases that you are implementing. And so, just to clarify, I mean the delta between those two calculations is that essentially your best estimates that you used for GAAP proved too aggressive? Is that basically what you're saying?

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

It is Marty, Suneet. Let me kick off and then I will turn it over to Pat.

Actually, no that is not what we are saying. I think that the big reason for the rate increases was really related to the strategic review and a desire to really dramatically improve business performance. As we, frankly, look at the older block and see the losses and we see where we are in the profitability of that particular part of the business we felt the need to take more, much more significant action.

So really it was about -- a big driver was really the economics and the drive to improve business performance. It wasn't really triggered by a GAAP reserving issue.

Now that said, for GAAP reserving purposes as you make plans for rate increases you can incorporate those future plans into your GAAP reserving process. You cannot do that for stat, as Pat pointed out, until you have got the approvals to do so. But it was really driven by our strategy and our desire to improve the performance of that business as opposed to a GAAP reserving issue. Pat?

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

I would say just for clarity, both our GAAP and our stat reserves are adequate or more than adequate. The way I think about it is in my earlier prepared remarks I reviewed the current performance in terms of loss ratios of the older book of business and as well the emerging performance of the newer book of business.

I really believe that because we have premiums which are re-ratable and subject to adjustment to the extent that experience in each rating class varies significantly from the expectations that we need to recognize those changes in experience. And step in a responsible and sometimes aggressive way to make adjustments to the rating for each class of policies that are appropriate.

So that overall the business performances in a way that is consistent with our pricing expectations, produces good returns, contributes to the financial strength of the life insurance companies, which is a good result for shareholders and it is a very good result for policyholders as well in the long-term.

I hope that helps.

Suneet Kamath - *UBS - Analyst*

Got it. So it is more of a return improvement lever as opposed to a reserve building, or that is what you are --?

Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

Yes.

Suneet Kamath - *UBS - Analyst*

Okay. And then in response to Jeff Schuman's questions, I think he had asked for GAAP reserves and DAC for LTC. Could you give us that for the older vintage stuff and then the newer generation so we can see that split?

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Pat Kelleher - *Genworth Financial, Inc. - EVP & President and CEO, Insurance and Wealth Management*

We will look into the supplements and we will provide confirmation of the amounts that we prepare on a regular basis for all investors. To the extent that that doesn't give you what you think you need, then we will consider changes to future disclosures given your comments.

Suneet Kamath - *UBS - Analyst*

Okay, great. Then just my last question is for Marty. On this strategic review, clearly you said at the beginning that you are done, but we are not getting a peek into what you have decided to do with the changes you are going to make.

And so as we think about -- other than the long-term care price increases, which I get. So as we think about investor messaging kind of over the next several quarters, how are we going to understand or how are we going to see the results of the implementation of what you have concluded from your strategic review?

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

Suneet, I would have to say that I want to be careful about making announcements about announcements. But I would say that, as we are in a position to provide more clarity on perhaps going forward with our transaction on our financial investment or announcing actions of that nature, we will try if we can to take the opportunity to provide a little bit more clarity on what that means for the rest of the Company, what that would mean for leverage. And maybe as we get along in that transaction to give a better sense for what we do -- the use of proceeds at that time.

So I think as we make those announcements we will try to also put that in the context of our longer-term plan to try at that point to say as much as we want. I would say, again, we want to try to say as much as we can. We try to give you, analysts and investors, a lens into how we are thinking about it, the issues we are trying to address, and what our longer-term goals are. But the specifics of financial businesses that are financial investment versus which are strategic, it is just a little premature to kind of proclaim or declare what those are right now.

We know what they are in our minds, but we need to kind of work that through in the marketplace at the right time with transactions for the reasons I stated in my remarks.

Suneet Kamath - *UBS - Analyst*

Okay. I think anything from a timing perspective would be helpful. Are we going to be here in 12 months from now still sort of waiting for the results to come through? I get it that it is hard. It is just a little frustrating to have the results and not know what they mean.

Marty Klein - *Genworth Financial, Inc. - Acting President & CEO and SVP & CFO*

Absolutely understand that and that is part of the challenge of being a public company that has these earnings calls every quarter, so we are trying to navigate that as best we could. I would say -- to give you a sense on timing as best I can in this kind of forum, I would say that the plan is basically done and we are now reviewing or moving towards action steps.

We have a tremendous, high degree of urgency. This is stuff I work on every single day. The people around the table with me work on this every single day. We talk with the Board extremely frequently, so there is a tremendous sense of urgency we have and we are moving towards execution.

So, as you can imagine, that doesn't mean it is a medium- or longer-term timeframe as far as a little bit more information on it will be forthcoming. I hope that helps and that is, unfortunately, about as much as I can say right now.

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Suneet Kamath - *UBS - Analyst*

Understood, thanks.

Operator

Ladies and gentlemen, this concludes Genworth Financial's second-quarter earnings conference call. Thank you for your participation. At this time the call will end.

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