

GENWORTH FINANCIAL INC  
Form 424B1  
May 25, 2004

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Filed Pursuant to  
Rule 424(b)1  
Registration No. 333-115018

**PROSPECTUS**

**2,000,000 Shares**

**5.25% Series A Cumulative Preferred Stock**  
**(Liquidation Preference \$50 Per Share)**

GE Financial Assurance Holdings, Inc., the selling stockholder and an indirect subsidiary of General Electric Company, is offering all the 2,000,000 shares of Series A Preferred Stock to be sold in this offering. Shares of Series A Preferred Stock will not be obligations of, and will not be guaranteed by, GE, the selling stockholder or our other affiliates. The Series A Preferred Stock will be mandatorily redeemable on June 1, 2011 at \$50 per share plus accumulated dividends. Dividends will be cumulative from the date of issuance and are payable quarterly, starting September 1, 2004.

Concurrently with this offering, the selling stockholder is offering, by means of a separate prospectus, 145.0 million shares of our Class A Common Stock. Concurrently with this offering, the selling stockholder also is offering, by means of a separate prospectus, \$600 million of our 6.00% Equity Units. Each Equity Unit will have a stated amount of \$25 and will initially consist of a contract to purchase shares of our Class A Common Stock and an interest in a 3.84% senior note due 2009 issued by us. This offering of Series A Preferred Stock is contingent upon the completion of the offerings of our Class A Common Stock and Equity Units.

We will not receive any proceeds from the sale by the selling stockholder of Series A Preferred Stock in this offering or the Class A Common Stock or Equity Units in the concurrent offerings.

**Investing in our Series A Preferred Stock involves risks. See "Risk Factors" beginning on page 15.**

**PRICE \$50 A SHARE**

	Per Share	Total
Price to public	\$ 50.00	\$ 100,000,000
Underwriting discounts and commissions	\$ 0.50	\$ 1,000,000
Proceeds to seller	\$ 49.50	\$ 99,000,000

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Series A Preferred Stock to purchasers on May 28, 2004.

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**Morgan Stanley**

May 24, 2004

**Goldman, Sachs & Co.**

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## Prospectus Summary

*This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the information set forth in "Risk Factors," before making an investment decision.*

We are a leading insurance company in the U.S., with an expanding international presence, serving the life and lifestyle protection, retirement income, investment and mortgage insurance needs of more than 15 million customers. We have leadership positions in key products that we expect will benefit from a number of significant demographic, governmental and market trends. We distribute our products and services through an extensive and diversified distribution network that includes financial intermediaries, independent producers and dedicated sales specialists. We conduct operations in 20 countries and have approximately 5,850 employees.

We have the following three operating segments:

**Protection.** We offer U.S. customers life insurance, long-term care insurance and, for companies with fewer than 1,000 employees, group life and health insurance. In Europe, we offer payment protection insurance, which helps consumers meet their payment obligations in the event of illness, involuntary unemployment, disability or death. In 2003, we were the leading provider of individual long-term care insurance and the sixth-largest provider of term life insurance in the U.S., according to LIMRA International (in each case based upon gross written premiums). We believe we are a leading provider of term life insurance through brokerage general agencies in the U.S. and that this channel is the largest and fastest-growing distribution channel for term life insurance. Our leadership in long-term care insurance is based upon almost 30 years of product underwriting and claims experience. For the year ended December 31, 2003 and the three months ended March 31, 2004, our Protection segment had pro forma segment net earnings of \$481 million and \$123 million, respectively.

**Retirement Income and Investments.** We offer U.S. customers fixed, variable and income annuities, variable life insurance, asset management, and specialized products, including guaranteed investment contracts, funding agreements and structured settlements. We are an established provider of these products and, in 2003, we were the leading provider of income annuities in the U.S., according to LIMRA International (based upon total premiums and deposits). For the year ended December 31, 2003 and the three months ended March 31, 2004, our Retirement Income and Investments segment had pro forma segment net earnings of \$93 million and \$32 million, respectively.

**Mortgage Insurance.** In the U.S., Canada, Australia and Europe, we offer mortgage insurance products that facilitate homeownership by enabling borrowers to buy homes with low-down-payment mortgages. According to *Inside Mortgage Finance*, we were the fourth-largest provider in 2003 of mortgage insurance in the U.S. and the fifth-largest provider in the first quarter of 2004 (based upon new insurance written). We also believe we are the largest provider of private mortgage insurance outside the U.S. The net premiums written in our international mortgage insurance business have increased by a compound annual growth rate of 46% for the three years ended December 31, 2003. For the year ended December 31, 2003 and the three months ended March 31, 2004, our Mortgage Insurance segment had pro forma segment net earnings of \$369 million and \$103 million, respectively.

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We also have a Corporate and Other segment, which consists primarily of net realized investment gains (losses), most of our interest and other financing expenses, unallocated corporate income and expenses, and the results of several small, non-core businesses that are managed outside our operating segments. For the year ended December 31, 2003 and the three months ended March 31, 2004, our Corporate and Other segment had a pro forma segment net loss of \$4 million and pro forma segment net earnings of \$9 million, respectively.

We had \$12.2 billion of total stockholder's interest and \$100.2 billion of total assets as of March 31, 2004, on a pro forma basis. For the year ended December 31, 2003 and the three months ended March 31, 2004, on a pro forma basis, our revenues were \$9.8 billion and \$2.6 billion, respectively, and our net earnings from continuing operations were \$939 million and \$267 million, respectively. Upon the completion of this offering, we expect our principal life insurance companies to have financial strength ratings of "AA-" (Very Strong) from S&P, "Aa3" (Excellent) from Moody's, "A+" (Superior) from A.M. Best and "AA-" (Very Strong) from Fitch, and we expect our rated mortgage insurance companies to have financial strength ratings of "AA" (Very Strong) from S&P, "Aa2" (Excellent) from Moody's and "AA" (Very Strong) from Fitch. The "AA" and "AA-" ratings are the third- and fourth-highest of S&P's 21 ratings categories, respectively. The "Aa2" and "Aa3" ratings are the third- and fourth-highest of Moody's 21 ratings categories, respectively. The "A+" rating is the second-highest of A.M. Best's 15 ratings categories. The "AA" and "AA-" ratings are the third- and fourth-highest of Fitch's 24 ratings categories, respectively.

### Market Environment and Opportunities

We believe we are well positioned to benefit from a number of significant demographic, governmental and market trends, including the following:

***Aging U.S. population with growing retirement income needs***, resulting from large numbers of baby boomers approaching retirement and significant increases in life expectancy that heighten the risk that individuals will outlive their retirement savings.

***Growing lifestyle protection gap***, with individuals lacking sufficient financial resources, including insurance coverage, to maintain their desired lifestyle due to declining individual savings rates, rising healthcare and nursing home costs and a shifting of the burden for funding protection needs from governments and employers to individuals.

***Increasing opportunities for mortgage insurance in the U.S. and other countries***, resulting from increasing homeownership levels, expansion of low-down-payment mortgage loan offerings, favorable legislative and regulatory policies, and expansion of secondary mortgage markets that require credit enhancements.

### Competitive Strengths

We believe the following competitive strengths will enable us to capitalize on opportunities in our targeted markets:

***Leading positions in diversified targeted markets***. We believe our leading positions in our targeted markets, including term life and individual long-term care insurance, retirement income and mortgage insurance, provide us with the scale necessary to compete effectively in these markets as they continue to grow. We also believe our strong presence in multiple markets provides balance to our business, reduces our exposure to adverse economic trends affecting any one market and provides stable cash flow to fund growth opportunities.

***Product innovation and smart breadth***. We offer a breadth of products that meet the needs of consumers throughout the various stages of their lives, thereby positioning us to benefit from the current trend among distributors to reduce the number of insurers with whom they maintain

relationships. We refer to our approach to product diversity as "smart" breadth because we are selective in the products we offer and strive to maintain appropriate return and risk thresholds when we expand the scope of our product offerings.

***Extensive, multi-channel distribution network.*** We have extensive distribution reach and offer consumers access to our products through a broad network of financial intermediaries, independent producers and dedicated sales specialists. In addition, we maintain strong relationships with leading distributors by providing a high level of specialized and differentiated distribution support and by pursuing joint business improvement efforts.

***Technology-enhanced, scalable, low-cost operating platform.*** We have pursued an aggressive approach to cost-management and continuous process improvement. We also have developed sophisticated technological tools that enhance performance by automating key processes and reducing response times and process variations. In addition, we have centralized our operations and have established scalable, low-cost operating centers in Virginia, North Carolina, India and Ireland.

***Disciplined risk management with strong compliance practices.*** Risk management and regulatory compliance are critical parts of our business, and we are recognized in the insurance industry for our excellence in these areas. We employ comprehensive risk management processes in virtually every aspect of our operations, including product development, underwriting, investment management, asset-liability management and technology development programs. We have 130 dedicated risk management professionals supporting these efforts and approximately 200 additional professionals dedicated to legal and regulatory compliance.

***Strong balance sheet and high-quality investment portfolio.*** We believe our size, ratings and capital strength provide us with a significant competitive advantage. We have a diversified, high-quality investment portfolio with \$61.7 billion of invested assets, as of March 31, 2004, on a pro forma basis. More than 93% of our fixed maturities had ratings equivalent to investment-grade, and less than 1% of our total investment portfolio consisted of equity securities, as of March 31, 2004, on a pro forma basis.

***Experienced and deep management team.*** Our senior management team has an average of approximately 17 years of experience in the financial services industry. We have adopted GE's recognized practices for successfully developing managerial talent at all levels of our organization and have instilled a performance- and execution-oriented corporate culture that we will continue to foster as an independent company.

## Growth Strategies

Our objective is to increase operating earnings and enhance returns on equity. We intend to pursue this objective by focusing on the following strategies:

***Capitalize on attractive growth trends in three key markets.*** We have positioned our product portfolio and distribution relationships to capitalize on the attractive growth prospects in three key markets:

***Retirement income,*** where we believe growth will be driven by a variety of favorable demographic trends and the approximately \$4.4 trillion of invested financial assets in the U.S. that are held by people within 10 years of retirement. Our products are designed to enable the growing retired population to convert their invested assets into reliable retirement income.

***Protection,*** particularly long-term care insurance, where we believe growth will be driven by the increasing protection needs of the expanding aging population and a shifting of the burden for funding these needs to individuals from governments and employers. For example, it is

estimated that approximately 70% of individuals in the U.S. aged 65 and older will require long-term care at some time in their lives, but in 2001, only 7% of individuals in the U.S. aged 55 and older had long-term care insurance.

*International mortgage insurance*, where we continue to see attractive growth opportunities with the expansion of homeownership and low-down-payment loans. The net premiums written in our international mortgage insurance business have increased by a compound annual growth rate of 46% for the three years ended December 31, 2003.

***Further strengthen and extend our distribution channels.*** We intend to further strengthen and extend our distribution channels by continuing to differentiate ourselves in areas where we believe we have distinct competitive advantages. These areas include:

*Product and service innovations*, as illustrated by new product introductions, such as the introduction in 2002 of our GE Retirement Answer®, our introduction of innovative private mortgage insurance products in the European market, and our service innovations, which include programs such as our policyholder wellness initiatives in our long-term care insurance business and our AU Central® Internet platform in our mortgage insurance business.

*Collaborative approach to key distributors*, which includes a joint business improvement program (originally developed by GE), called "At the Customer, For the Customer," or ACFC, and our platinum customer service desks, which have benefited our distributors and helped strengthen our relationships with them.

*Technology initiatives*, such as our GENIUS® underwriting system, which makes it easier for distributors to do business with us, improves our term life and long-term care insurance underwriting speed and accuracy, and lowers our operating costs.

***Enhance returns on capital and increase margins.*** We believe we will be able to enhance our returns on capital and increase our margins through the following:

*Rigorous product pricing and return discipline.* We intend to maintain strict product pricing disciplines that are designed to achieve our target returns on capital. Over the past two years, we introduced restructured pricing on newly issued policies in each of our operating segments and exited products that were not achieving our target returns. We expect our returns on capital to improve as the benefits of these actions emerge and as we continue our focus on maintaining target returns.

*Capital efficiency enhancements.* We continually seek opportunities to use our capital more efficiently to support our business, while maintaining our ratings and strong capital position. For example, in 2003, we took actions to reduce the statutory capital required to support most of our new term and universal life insurance policies and to reduce excess capital at our mortgage insurance subsidiaries by operating at an "AA/Aa2" rating level.

*Investment income enhancements.* As part of GE, the yield on our investment portfolio has been affected by the practice in recent years of realizing investment gains through the sale of appreciated securities and other assets during a period of historically low interest rates. This strategy was pursued to offset impairments and losses in our investment portfolio, fund consolidations and restructurings in our business and provide current income. As we transition to being an independent public company, our investment strategy will be to optimize investment income without relying on realized investment gains. We will seek to improve our investment yield by continuously evaluating our asset class mix and pursuing additional investment classes.

*Ongoing operating cost reductions and efficiencies.* We will continually focus on reducing our cost base while maintaining strong service levels for our customers. We expect to accomplish

this in each of our operating units through a wide range of cost management disciplines, including consolidating operations, using low-cost operating locations, reducing supplier costs, leveraging Six Sigma and other process improvement efforts, forming dedicated teams to identify opportunities for cost reductions and investing in new technology, particularly for web-based, digital end-to-end processes.

***Pursue acquisitions opportunistically.*** We intend to continue to complement our core growth strategy through selective acquisitions designed to enhance our earnings and returns, the breadth of our product portfolio, or our distribution reach. We have successfully completed the acquisition and integration of 13 key businesses since 1993. As a public company, we will have direct access to capital markets, which we believe will enable us to raise external capital in an efficient manner to facilitate selective acquisitions.

### **Formation of Genworth Financial, Inc.**

We were incorporated in Delaware on October 23, 2003 in preparation for our corporate reorganization and this offering.

Prior to the completion of this offering and the concurrent offerings, we will acquire substantially all of the assets and liabilities of GE Financial Assurance Holdings, Inc., or GEFAHI. GEFAHI is an indirect subsidiary of GE and a holding company for a group of companies that provide life insurance, long-term care insurance, group life and health insurance, annuities and other investment products and U.S. mortgage insurance. We also will acquire certain other insurance businesses currently owned by other GE subsidiaries but managed by members of the Genworth management team. These businesses include international mortgage insurance, European payment protection insurance, a Bermuda reinsurer and mortgage contract underwriting.

In consideration for the assets that we will acquire and the liabilities that we will assume in connection with our corporate reorganization, we will issue to GEFAHI the following securities:

489.5 million shares of our Class B Common Stock. GEFAHI is offering 145.0 million shares of Class A Common Stock for sale in a concurrent offering, plus up to an additional 21.75 million shares that may be sold pursuant to an over-allotment option (all of which shares will be converted from an equal number of shares of Class B Common Stock in connection with that offering). For a description of the terms of our common stock, see "Description of Capital Stock Common Stock."

\$600 million of our 6.00% Equity Units, which we refer to in this prospectus as the Equity Units. For a description of the terms of our Equity Units, see "Description of Equity Units." GEFAHI is offering the Equity Units for sale in a concurrent offering.

\$100 million of our Series A Cumulative Preferred Stock. The Series A Preferred Stock is mandatorily redeemable on June 1, 2011. For a description of the terms of our Series A Preferred Stock, see "Description of Series A Preferred Stock." GEFAHI is offering the Series A Preferred Stock for sale in this offering.

A \$2.4 billion short-term note, which we refer to in this prospectus as the Short-term Intercompany Note. We intend to repay this note with proceeds from the borrowings under a \$2.4 billion short-term credit facility that we intend to establish with a syndicate of banks concurrently with the completion of this offering. We intend to repay the borrowings under this short-term credit facility with proceeds from the issuance of approximately \$1.9 billion in senior notes and approximately \$500 million in commercial paper, both of which we intend to complete shortly after the completion of this offering. For a description of the terms of the Short-term Intercompany Note, the credit facility, the senior notes and the commercial paper, see "Description of Certain Indebtedness."

A \$550 million contingent non-interest-bearing note that matures on the first anniversary of the completion of this offering. We refer to this note in this prospectus as the Contingent Note. This note will be repaid solely to the extent that statutory contingency reserves from our U.S. mortgage insurance business in excess of \$150 million are released and paid to us as a dividend. The release of these statutory reserves and payment of the dividend by our U.S. mortgage insurance business to us are subject to statutory limitations, regulatory approval and the absence of any impact on our financial ratings. If regulatory approval has been obtained by the first anniversary date but our financial ratings have not been affirmed, the term of this note will be extended for a period of up to twelve months to obtain affirmation of our financial ratings. Any portion of the Contingent Note that is not repaid by the first anniversary of the completion of this offering or by the extended term, if applicable, will be canceled. We will record any portion of the Contingent Note that is canceled as a capital contribution. For a description of the terms of this note see "Description of Certain Indebtedness Contingent Note."

The liabilities we will assume from GEFAHI include ¥60 billion aggregate principal amount of 1.6% notes due 2011 issued by GEFAHI, ¥3 billion of which GEFAHI currently owns and will transfer to us. We refer to these notes in this prospectus as the Yen Notes. We have entered into arrangements to swap our obligations under these notes to a U.S. dollar obligation with a principal amount of \$491 million and bearing interest at a rate of 4.84% per annum.

Prior to the completion of this offering and the concurrent offerings, GEFAHI will own 100% of our outstanding common stock, which will consist solely of Class B Common Stock. Shares of Class B Common Stock convert automatically into shares of Class A Common Stock when they are held by any person other than GE or an affiliate of GE or when GE no longer beneficially owns at least 10% of our outstanding common stock. As a result, all the shares of common stock offered in the concurrent offering consist of Class A Common Stock. Upon the completion of this offering and the concurrent offerings, GE will beneficially own approximately 70% of our outstanding common stock, assuming the underwriters' over-allotment option in the concurrent offering of Class A Common Stock is not exercised, and 66%, if it is exercised in full. GE has informed us that, after completion of this offering, it intends, subject to market conditions, to divest its remaining interest in us as soon as practicable. GE has also informed us that, in any event, it expects to reduce its interest to below 50% within two years of the completion of this offering. GE currently expects to reduce its interest through one or more additional public offerings of our common stock, but it is not obligated to divest our shares in this or any other manner.

Prior to the completion of this offering, we will enter into a number of arrangements with GE governing our separation from GE and a variety of transition and other matters, including our relationship with GE while GE remains a significant stockholder in our company. These arrangements include several significant reinsurance transactions with Union Fidelity Life Insurance Company, or UFLIC, an indirect subsidiary of GE. As part of these transactions, we will cede to UFLIC, effective as of January 1, 2004, all of our in-force structured settlement contracts, substantially all of our in-force variable annuity contracts, and a block of long-term care insurance policies that we reinsured in 2000 from The Travelers Insurance Company, a subsidiary of Citigroup, Inc., which we refer to in this prospectus as Travelers. In the aggregate, these blocks of business do not meet our target return thresholds, and although we remain liable under these contracts and policies as the ceding insurer, the reinsurance transactions will have the effect of transferring the financial results of the reinsured blocks to UFLIC. We are continuing new sales of structured settlement, variable annuity and long-term care insurance products, and we expect to achieve our targeted returns on these new sales. In addition, we will continue to service these blocks of business, which will preserve our operating scale and enable us to service and grow our new sales of these products. See "Arrangements Between GE and Our Company."

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The diagram below shows the relationships among GE, GEFAHI and Genworth prior to the completion of our corporate reorganization. The dotted lines indicate the businesses that will be transferred to Genworth in connection with our corporate reorganization.

\* The Partnership Marketing Group offers life and health insurance, auto club memberships and other financial products and services directly to consumers through affinity marketing arrangements with a variety of organizations. The Partnership Marketing Group historically included UFLIC, a subsidiary that offered the life and health insurance for these arrangements.

The diagram below shows the relationships among GE, GEFAHI and Genworth after the completion of our corporate reorganization and this offering.

In this prospectus, unless the context otherwise requires, "Genworth," "we," "us," and "our" refer to Genworth Financial, Inc. and its combined subsidiaries and include the operations of the businesses acquired from GEFAHI and other GE subsidiaries in connection with our corporate reorganization.



## Risks Relating to Our Company

As part of your evaluation of our company, you should consider the risks associated with our business, our separation from GE and this offering. These risks include:

*Risks relating to our businesses*, including interest rate fluctuations, downturns and volatility in equity markets, defaults in portfolio securities, downgrades in our financial strength and credit ratings, insufficiency of reserves, legal constraints on dividend distributions by subsidiaries, illiquid investments, competition, inability to attract or retain independent sales intermediaries and dedicated sales specialists, defaults by counterparties, foreign exchange rate fluctuations, regulatory restrictions on our operations and changes in applicable laws and regulations, legal or regulatory actions, political or economic instability and the threat of terrorism;

*Risks relating to our Protection and Retirement Income and Investments segments*, including unexpected changes in mortality and morbidity rates, accelerated amortization of deferred acquisition costs and present value of future profits, medical advances such as genetic mapping research, unexpected changes in persistency rates, increases in statutory reserve requirements and changes in tax and securities laws;

*Risks relating to our Mortgage Insurance segment*, including the influence of large mortgage lenders and investors, decreases in the volume of high loan-to-value mortgage originations, increases in mortgage insurance cancellations, increases in the use of simultaneous second mortgages and other alternatives to private mortgage insurance, unexpected increases in mortgage insurance default rates, deterioration in economic conditions, increases in the use of captive reinsurance in the mortgage insurance market, changes in the demand for mortgage insurance that could arise as a result of efforts of large mortgage investors and legal actions under the Real Estate Settlement Practices Act and the Federal Fair Credit Reporting Act;

*Risks relating to our separation from GE*, including the loss of benefits associated with GE's brand and reputation, our need to establish our new Genworth brand identity quickly and effectively, our inability to present financial information in this prospectus that accurately represents the results we would have achieved as a stand-alone company, the possibility that we will not be able to replace services previously provided by GE on comparable terms, uncertainty of amounts and timing of payments that we have agreed to make to GE under our tax matters agreement and other matters relating to that agreement, potential conflicts of interest with GE and GE's engaging in the same type of business as we do in the future; and

*Risks relating to the Series A Preferred Stock*, including the absence of a prior market, our ability to issue preferred stock in the future that could adversely affect the rights of holders of Series A Preferred Stock, structural subordination of the Series A Preferred Stock to the debt or other liabilities of our subsidiaries and fluctuations in the price of the Series A Preferred Stock.

For a further discussion of these and other risks, see "Risk Factors."

## Additional Information

Our corporate headquarters and principal executive offices are located at 6620 West Broad Street, Richmond, Virginia 23230. Our telephone number at that address is (804) 281-6000. We maintain a variety of websites to communicate with our distributors and customers and to provide information about various insurance and investment products to the general public. None of the information on our websites is part of this prospectus.

**The Offering**

Issuer	Genworth Financial, Inc.
Series A Preferred Stock offered by the selling stockholder	2,000,000 shares
Preferred stock to be outstanding immediately after this offering	2,000,000 shares
Liquidation preference	The liquidation preference for each share of the Series A Preferred Stock is the sum of \$50 plus an amount equal to accrued and unpaid dividends on such share. See "Description of Series A Preferred Stock Liquidation Rights."
Mandatory redemption	We are required to redeem the Series A Preferred Stock on June 1, 2011 in whole at a price of \$50 per share, plus unpaid dividends accrued to the date of redemption. There is no provision for early redemption of the Series A Preferred Stock.
Dividends	We will pay quarterly cash dividends on our Series A Preferred Stock, out of funds legally available for the payment thereof, at an annual rate equal to 5.25% of the sum of \$50 per share plus the amount of the accumulated dividends, if any, accrued with respect to each share, commencing September 1, 2004. Dividends for each full dividend period will be calculated by dividing the annual dividend rate by four. For any other dividend period including the initial dividend period, dividends will be calculated on the basis of a year of twelve 30-day months. See "Description of Series A Preferred Stock Dividends." Dividends accrued on the Series A Preferred Stock to but excluding May 28, 2004 will be paid to the selling stockholder and not to the purchasers in this offering.
DRD protection	If, prior to eighteen (18) months after the date of issuance of the shares of Series A Preferred Stock, one or more amendments to the Internal Revenue Code are enacted that reduce the "dividends-received deduction," or DRD, percentage (currently 70%), we will make certain payments in respect of the dividends on the Series A Preferred Stock and retroactive payments, except that no adjustments will be made with respect to any reduction of the dividends-received-percentage below 50%. See "Description of Series A Preferred Stock Payments in Respect of Certain Legislation Affecting the DRD."
Voting rights	No voting rights, except as otherwise required by applicable law and the right to elect two additional directors during a default period, commencing when accumulated dividends have not been paid for six quarters, whether or not consecutive, or if we fail to discharge our mandatory redemption obligation. See "Description of Series A Preferred Stock Voting Rights."
Form and denominations	The Series A Preferred Stock will be issued in the form of global securities held in book-entry form, in denominations of \$50 of stated liquidation preference. Except as described in "Description of Series A Preferred Stock Book-Entry System," Series A Preferred Stock in certificated form will not be issued in exchange for the global security.
Ranking	The Series A Preferred Stock will be effectively subordinated to all of our existing and future debt and other liabilities. As of March 31, 2004,

on a pro forma basis, Genworth Financial, Inc. had outstanding \$5,901 million of total liabilities at the holding company level, including \$3,616 million of debt. See "Description of Certain Indebtedness." The Series A Preferred Stock also will be structurally subordinated to all debt and other liabilities of our subsidiaries (including liabilities to policyholders and contractholders), which means that creditors of our subsidiaries will be paid from their assets before holders of the Series A Preferred Stock would have any claims to those assets. As of March 31, 2004, on a pro forma basis, our subsidiaries had outstanding \$82,057 million of total liabilities, including \$1,573 million of debt (excluding, in each case, intercompany liabilities). See "Risk Factors Risks Relating to Our Businesses As a holding company, we depend on the ability of our subsidiaries to transfer funds to us to pay dividends and to meet our obligations" and "Description of Series A Preferred Stock."

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Use of proceeds	We will not receive any proceeds from the sale by the selling stockholder of Series A Preferred Stock in this offering or of the Class A Common Stock or the Equity Units in the concurrent offerings.
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Listing	We do not intend to apply for listing of the Series A Preferred Stock on any securities exchange or for quotation of the Series A Preferred Stock in any automated dealer quotation system. The underwriters have advised us that they currently intend to make a market in the Series A Preferred Stock. However, the underwriters are not obligated to do so, and any market-making with respect to the Series A Preferred Stock may be discontinued at any time without notice.
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Concurrent offerings	Concurrently with this offering, the selling stockholder is publicly offering, by separate prospectuses:
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Class A Common Stock	145.0 million shares of our Class A Common Stock, plus up to an additional 21.75 million shares that may be sold pursuant to an over-allotment option.
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Equity Units	\$600 million of our 6.00% Equity Units.
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Conditions	The offerings of the Class A Common Stock and Equity Units are conditioned upon the completion of this offering. This offering is conditioned upon the completion of the offerings of the Class A Common Stock and the Equity Units.
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Unless otherwise indicated, all information in this prospectus:

reflects the consummation of our corporate reorganization, whereby we will acquire substantially all of the assets and liabilities of GEFAHI and acquire certain other GE insurance businesses, in exchange for 489.5 million shares of our Class B Common Stock, \$600 million of our Equity Units, \$100 million of our Series A Preferred Stock, the \$2.4 billion Short-term Intercompany Note and the \$550 million Contingent Note, all as described under "Corporate Reorganization;"

reflects the initial public offering price of our Class A Common Stock of \$19.50 per share;

assumes the over-allotment option in the concurrent offering of Class A Common Stock has not been exercised;

excludes up to 6.0 million shares of Class A Common Stock issuable upon the exercise of 6.0 million unvested stock appreciation rights to be granted prior to the completion of this offering, at an exercise price equal to the initial public offering price in the concurrent offering of Class A Common Stock;

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excludes 10.0 million shares of Class A Common Stock issuable upon the exercise of unvested employee stock options to be granted prior to the completion of this offering, at an exercise price equal to the initial public offering price in the concurrent offering of Class A Common Stock;

excludes 4.6 million shares of Class A Common Stock issuable upon the exercise of unvested employee stock options that will be issued prior to the completion of this offering in exchange for unvested GE stock options held by our employees, at a weighted average exercise price of \$22.77 per share, and 1.1 million shares of Class A Common Stock issuable upon the exercise of vested employee stock options that will be issued prior to the completion of this offering in exchange for vested GE stock options held by our Chairman, President and Chief Executive Officer, at a weighted average exercise price of \$15.08 per share;

excludes up to 0.3 million shares of Class A Common Stock issuable upon the exercise of 0.3 million stock appreciation rights that will be issued prior to the completion of this offering in exchange for unvested GE stock appreciation rights;

excludes 1.5 million shares of Class A Common Stock issuable upon the lapse of restrictions on restricted stock units that will be issued prior to the completion of this offering in exchange for GE restricted stock units;

excludes up to 38.0 million shares of Class A Common Stock available for future issuance under our Genworth Omnibus Incentive Plan, less the number of shares of Class A Common Stock issuable in connection with the stock appreciation rights, stock options and restricted stock units described above; and

excludes up to 30.8 million shares of Class A Common Stock that we will be required to issue to settle the purchase contracts included in our Equity Units.

### Summary Historical and Pro Forma Financial Information

The following table sets forth summary historical combined and pro forma financial information. You should read this information in conjunction with the information under "Selected Historical and Pro Forma Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined financial statements and the related notes included elsewhere in this prospectus.

Prior to the completion of this offering, we will acquire substantially all of the assets and liabilities of GEFAHI. We also will acquire certain other insurance businesses currently owned by other GE subsidiaries but managed by members of the Genworth management team. These businesses include international mortgage insurance, European payment protection insurance, a Bermuda reinsurer and mortgage contract underwriting. In consideration for the assets that we will acquire and the liabilities that we will assume in connection with our corporate reorganization, we will issue to GEFAHI 489.5 million shares of our Class B Common Stock, \$600 million of our Equity Units, \$100 million of our Series A Preferred Stock, the \$2.4 billion Short-term Intercompany Note and the \$550 million Contingent Note.

We have prepared our combined financial statements as if Genworth had been in existence throughout all relevant periods. Our historical combined financial information and statements include all businesses that were owned by GEFAHI including those that will not be transferred to us, as well as the other insurance businesses that we will acquire from other GE subsidiaries, each in connection with our corporate reorganization.

The unaudited pro forma information set forth below reflects our historical combined financial information, as adjusted to give effect to the transactions described under "Selected Historical and Pro Forma Financial Information" as if each had occurred as of January 1, 2003, in the case of earnings information, and March 31, 2004, in the case of financial position information. The following transactions are reflected in the pro forma financial information:

the removal of certain businesses of GEFAHI that will not be transferred to us in connection with our corporate reorganization, including the Partnership Marketing Group business, an institutional asset management business and several other small businesses;

the removal of certain liabilities that we will not assume, including an aggregate of \$1.696 billion of commercial paper issued by GEFAHI and short-term borrowings from General Electric Capital Corporation of \$800 million that were outstanding as of March 31, 2004;

the reinsurance transactions with UFLIC, including a capital contribution of \$1.836 billion that we will make to UFLIC;

the issuance of equity and debt securities that we will issue to GEFAHI in exchange for the assets that we will acquire and the liabilities that we will assume in connection with our corporate reorganization; and

the other adjustments described in the notes to the unaudited pro forma financial statements under "Selected Historical and Pro Forma Financial Information."

The unaudited pro forma information below is based upon available information and assumptions that we believe are reasonable. The unaudited pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the transactions described above occurred on the dates indicated. The unaudited pro forma information also should not be considered representative of our future financial condition or results of operations.

In addition to the pro forma adjustments to our historical combined financial statements, various other factors will have an effect on our financial condition and results of operations after the completion of this offering, including those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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	Historical							Pro forma		
	Three months ended March 31,		Years ended December 31,					Three months ended March 31,	Year ended December 31,	
	2004	2003	2003(1)	2002	2001	2000(2)	1999	2004	2003	2003
<b>Combined Statement of Earnings Information</b>										
Revenues:										
Premiums	\$ 1,722	\$ 1,587	\$ 6,703	\$ 6,107	\$ 6,012	\$ 5,233	\$ 4,534	\$ 1,619	\$ 1,478	\$ 6,252
Net investment income	1,020	992	4,015	3,979	3,895	3,678	3,440	755	721	2,928
Net realized investment gains	16	21	10	204	201	262	280	15	20	38
Policy fees and other income	263	231	943	939	993	1,053	751	166	135	557
<b>Total revenues</b>	<b>3,021</b>	<b>2,831</b>	<b>11,671</b>	<b>11,229</b>	<b>11,101</b>	<b>10,226</b>	<b>9,005</b>	<b>2,555</b>	<b>2,354</b>	<b>9,775</b>
Benefits and expenses:										
Benefits and other changes in policy reserves	1,348	1,253	5,232	4,640	4,474	3,586	3,286	1,086	996	4,191
Interest credited	396	409	1,624	1,645	1,620	1,456	1,290	330	343	1,358
Underwriting, acquisition, and insurance expenses, net of deferrals	508	488	1,942	1,808	1,823	1,813	1,626	414	404	1,614
Amortization of deferred acquisition costs and intangibles(3)	345	300	1,351	1,221	1,237	1,394	1,136	286	251	1,144
Interest expense	47	27	140	124	126	126	78	43	25	133
<b>Total benefits and expenses</b>	<b>2,644</b>	<b>2,477</b>	<b>10,289</b>	<b>9,438</b>	<b>9,280</b>	<b>8,375</b>	<b>7,416</b>	<b>2,159</b>	<b>2,019</b>	<b>8,440</b>
Earnings from continuing operations										
before income taxes	377	354	1,382	1,791	1,821	1,851	1,589	396	335	1,335
Provision for income taxes	117	100	413	411	590	576	455	129	95	396
<b>Net earnings from continuing operations</b>	<b>\$ 260</b>	<b>\$ 254</b>	<b>\$ 969</b>	<b>\$ 1,380</b>	<b>\$ 1,231</b>	<b>\$ 1,275</b>	<b>\$ 1,134</b>	<b>\$ 267</b>	<b>\$ 240</b>	<b>\$ 939</b>
Pro forma earnings from continuing operations per share:										
Basic	\$ 0.53	\$ 0.52	\$ 1.98					\$ 0.55	\$ 0.49	\$ 1.92
Diluted	\$ 0.53	\$ 0.52	\$ 1.98					\$ 0.54	\$ 0.49	\$ 1.92
Pro forma shares outstanding:										
Basic	489.5	489.5	489.5					489.5	489.5	489.5
Diluted	490.0	490.0	490.0					490.0	490.0	490.0

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Historical

Pro forma

**Selected Segment Information**

Total revenues:

Protection	\$ 1,566	\$ 1,472	\$ 6,153	\$ 5,605	\$ 5,443	\$ 4,917	\$ 1,489	\$ 1,393	\$ 5,839
Retirement Income and Investments	976	958	3,781	3,756	3,721	3,137	725	689	2,707
Mortgage Insurance	263	227	982	946	965	895	263	227	982
Affinity(4)	139	137	566	588	687	817			
Corporate and Other	77	37	189	334	285	460	78	45	247
Total	\$ 3,021	\$ 2,831	\$ 11,671	\$ 11,229	\$ 11,101	\$ 10,226	\$ 2,555	\$ 2,354	\$ 9,775

Net earnings (loss) from continuing operations:

Protection	\$ 124	\$ 131	\$ 487	\$ 554	\$ 538	\$ 492	\$ 123	\$ 124	\$ 481
Retirement Income and Investments	31	42	151	186	215	250	32	26	93
Mortgage Insurance	103	85	369	451	428	414	103	85	369
Affinity(4)	(2)		16	(3)	24	(13)			
Corporate and Other	4	(4)	(54)	192	26	132	9	5	(4)
Total	\$ 260	\$ 254	\$ 969	\$ 1,380	\$ 1,231	\$ 1,275	\$ 267	\$ 240	\$ 939

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(Dollar amounts in millions)	Historical						Pro forma
	March 31,		December 31,				March 31,
	2004	2003(1)	2002	2001	2000(2)	1999	2004
<b>Combined Statement of Financial Position Information</b>							
Total investments	\$ 81,466	\$ 78,693	\$ 72,080	\$ 62,977	\$ 54,978	\$ 48,341	\$ 61,749
All other assets	25,070	24,738	45,277	41,021	44,598	27,758	38,457
Total assets	\$ 106,536	\$ 103,431	\$ 117,357	\$ 103,998	\$ 99,576	\$ 76,099	\$ 100,206
Policyholder liabilities	\$ 67,346	\$ 66,545	\$ 63,195	\$ 55,900	\$ 48,291	\$ 45,042	\$ 66,841
Non-recourse funding obligations(5)	600	600					600
Short-term borrowings	2,496	2,239	1,850	1,752	2,258	990	2,400
Long-term borrowings	516	529	472	622	175	175	516
All other liabilities	18,153	17,718	35,088	31,559	35,865	18,646	17,601
Total liabilities	\$ 89,111	\$ 87,631	\$ 100,605	\$ 89,833	\$ 86,589	\$ 64,853	\$ 87,958
Accumulated nonowner changes in stockholder's interest	\$ 2,976	\$ 1,672	\$ 835	\$ (664)	\$ (424)	\$ (862)	\$ 1,987
Total stockholder's interest	17,425	15,800	16,752	14,165	12,987	11,246	12,248
<b>U.S. Statutory Information</b>							
Statutory capital and surplus(6)	7,129	7,021	7,207	7,940	7,119	6,140	
Asset valuation reserve	453	413	390	477	497	500	

(1) On August 29, 2003, we sold our Japanese life insurance and domestic auto and homeowners' insurance businesses for aggregate cash proceeds of approximately \$2.1 billion, consisting of \$1.6 billion paid to us and \$0.5 billion paid to other GE affiliates, plus pre-closing dividends. See note 4 to our combined financial statements, included elsewhere in this prospectus.

(2) During 2000, we consummated three significant business combinations:

In July 2000, we reinsured 90% of Travelers' long-term care insurance portfolio and acquired certain related assets for \$411 million;

In April 2000, we acquired Phoenix American Life Insurance Company for \$284 million; and

Effective March 2000, we acquired the insurance policies and related assets of Toho Mutual Life Insurance Company. Our Japanese life insurance business assumed \$21.6 billion of policyholder liabilities and \$0.3 billion of accounts payable and accrued expenses and acquired \$20.3 billion in cash, investments and other tangible assets through this transaction. We sold this business on August 29, 2003, and its results have been presented as discontinued operations.

(3)

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As of January 1, 2002, we adopted Statement of Financial Accounting Standards 142, *Goodwill and Other Intangible Assets*, and, in accordance with its provisions, discontinued amortization of goodwill. Goodwill amortization was \$84 million, \$70 million and \$53 million for the years ended December 31, 2001, 2000 and 1999, respectively, excluding goodwill amortization included in discontinued operations.

- (4) Reflects the results of businesses that are owned by GEFAHI but will not be transferred to us in connection with our corporate reorganization, including (a) the Partnership Marketing Group business, (b) an institutional asset management business, and (c) several other small businesses that are not part of our core ongoing business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Our historical and pro forma financial information."
- (5) Reflects non-recourse funding obligations. These obligations are represented by notes that bear a floating rate of interest and mature in 2033. The floating rate notes were issued by a wholly-owned captive reinsurance subsidiary of our company to fund certain statutory reserves. The floating rate notes have been deposited into a series of trusts that have issued money market securities. Both principal and interest payments on the money market securities are guaranteed by a third-party insurance company.
- (6) Includes statutory capital and surplus and statutorily required contingency reserves held by our U.S. mortgage insurance subsidiaries.

## Risk Factors

*You should carefully consider the following risks before investing in our Series A Preferred Stock. These risks could materially affect our business, results of operations or financial condition and cause the trading price of our Series A Preferred Stock to decline. You could lose part or all of your investment.*

### Risks Relating to Our Businesses

#### **Interest rate fluctuations could 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 will reduce our "spread," 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 policyholders and contractholders. Because we may reduce the interest rates we credit on most of these products only at limited, pre-established intervals, and because some of them have guaranteed minimum crediting rates, declines in interest rates may adversely affect the profitability of those products. For example, interest rates declined to unusually low levels from 2001 to 2003. During this period, our net earnings from spread-based products, such as fixed and income annuities and guaranteed investment contracts, declined from \$207 million for the year ended December 31, 2001 to \$138 million for the year ended December 31, 2003.

During periods of increasing market interest rates, we must offer higher crediting rates on interest-sensitive products, such as universal life insurance and fixed annuities, and we must increase crediting rates on in-force products to keep these products competitive. In addition, increases in market interest rates may cause increased policy surrenders, withdrawals from life insurance policies and annuity contracts and requests for policy loans, as policyholders and contractholders seek to shift assets to products with perceived higher returns. Increases in crediting rates, as well as surrenders and withdrawals, could have an adverse effect on our financial condition and results of operations. An increase in policy surrenders and withdrawals also may require us to accelerate amortization of deferred acquisition costs or other intangibles or cause an impairment of goodwill, which would reduce our net earnings.

Our long-term care insurance products 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, long-term care insurance products generally produce positive cash flows as customers pay periodic premiums, which we invest as we receive them. Declining interest rates may reduce our ability to achieve our targeted investment margins and may adversely affect the profitability of our long-term care insurance products.

In our mortgage insurance business, rising interest rates generally reduce the volume of new mortgages, resulting in a decrease in the volume of new insurance written. Rising interest rates also can increase the monthly mortgage payments for insured homeowners with adjustable rate mortgages, or ARMs, which could have the effect of increasing default rates on ARM loans and thereby increasing our exposure on our mortgage insurance policies. This is particularly relevant in our non-U.S. mortgage insurance business, where ARMs are the predominant mortgage product. Declining interest rates increase the rate at which insured borrowers refinance their existing mortgages, thereby resulting in cancellations of the mortgage insurance covering the refinanced loans. Declining interest rates also generally are associated with home price appreciation, which may provide insured borrowers the option of canceling their mortgage insurance coverage earlier than we anticipated in pricing that coverage. These cancellations could have an adverse effect on our results from our mortgage insurance business.

Interest rate fluctuations also could have an adverse effect on the results of our investment portfolio. During periods of declining market interest rates, the interest we receive on variable interest rate investments decreases. In addition, during those periods, we are forced 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 also may decide to prepay their obligations in order to borrow at lower market rates, which exacerbates the risk

that we may have to invest the cash proceeds of these securities in lower-yielding or lower-credit instruments. Declining interest rates from 2001 to 2003 contributed to a decrease in our weighted average investment yield from 6.5% for the year ended December 31, 2001 to 5.2% for the year ended December 31, 2003. For additional information regarding our investment portfolio, see "Business Investments." For additional information regarding the sensitivity of the fixed maturities in our investment portfolio to interest rate fluctuations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Sensitivity analysis."

**Downturns and volatility in equity markets could adversely affect our business and profitability.**

Significant downturns and volatility in equity markets could have an adverse effect on our financial condition and results of operations in three principal ways. First, market downturns and volatility may cause potential new purchasers of our products to refrain from purchasing products, such as variable annuities and variable life insurance, that have returns linked to the performance of the equity markets and may cause current policyholders and contractholders to withdraw cash values from those products. The sharp declines in the equity markets during 2001 and 2002 have had adverse impacts on our sales of variable annuities and other products linked to equity markets. For example, our deposits for variable annuities decreased by 28% from \$2,309 million for the year ended December 31, 2001 to \$1,667 million for the year ended December 31, 2002.

Second, downturns and volatility in equity markets can have an adverse effect on the revenues and returns from our separate account and private asset management products and services. Because these products depend on fees related primarily to the value of assets under management, declines in the equity markets have reduced our revenues by reducing the value of the investment assets we manage. For example, the recent equity market downturn caused a reduction in the value of the separate account assets underlying our variable life insurance policies, variable annuities and assets under management. As a result, our policy fees and other income in our Retirement Income and Investments segment decreased by 7% from \$243 million for the year ended December 31, 2002 to \$225 million for the year ended December 31, 2003. In addition, some of our variable annuity products contain guaranteed minimum death benefits and guaranteed minimum income payments tied to the investment performance of the assets held within the variable annuity. A significant market decline could result in declines in account values which could increase our payments under the guaranteed minimum death benefits and certain income payments in connection with variable annuities, which could have an adverse effect on our financial condition and results of operations.

Third, we are exposed to equity risk on our holdings of common stock and other equities. An economic downturn, corporate malfeasance or a variety of other factors could cause declines in the value of our equity portfolio and cause our net earnings to decline. For additional information regarding the sensitivity of the equity securities in our investment portfolio to equity market fluctuations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Sensitivity analysis."

**Defaults in our fixed-income securities portfolio may reduce our earnings.**

Issuers of the fixed-income securities that we own may default on principal and interest payments. As of each of March 31, 2004 and December 31, 2003 and 2002, 93% of our fixed maturities had ratings equivalent to investment-grade. Nevertheless, as a result of the economic downturn and recent corporate malfeasance, the number of companies defaulting on their debt obligations increased dramatically in 2001 and 2002. As of March 31, 2004 and December 31, 2003 and 2002, we had fixed maturities in or near default (where the issuer has missed payment of principal or interest or entered bankruptcy) with a fair value of \$177 million, \$190 million and \$181 million, respectively. An economic downturn, further events of corporate malfeasance or a variety of other factors could cause declines in the value of our fixed maturities portfolio and cause our net earnings to decline.

We recognized gross capital gains of \$27 million, \$181 million, \$473 million, \$790 million and \$814 million for the three months ended March 31, 2004 and 2003 and the years ended December 31, 2003, 2002 and 2001, respectively. We realized these capital gains in part to offset default-related losses during those periods. However, capital gains may not be available in the future, and if they are, we may elect not to recognize capital gains to offset losses.

**A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and adversely affect our financial condition and results of operations.**

Financial strength ratings, which various ratings organizations 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. A downgrade in our financial strength ratings, or the announced potential for a downgrade, could have a significant adverse effect on our financial condition and results of operations in many ways, including:

reducing new sales of insurance products, annuities and other investment products;

adversely affecting our relationships with independent sales intermediaries and our dedicated sales specialists;

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

requiring us to reduce prices for many of our products and services to remain competitive; and

adversely affecting our ability to obtain reinsurance or obtain reasonable pricing on reinsurance.

In connection with our initial public offering and separation from GE, our principal life insurance companies were downgraded from financial strength ratings of "AA" (Very Strong) by S&P and "Aa2" (Excellent) by Moody's, to "AA-" (Very Strong) and "Aa3" (Excellent), respectively. In addition, as a result of our 2003 decision to reduce excess capital at our mortgage insurance subsidiaries, our mortgage insurance companies were downgraded from financial strength ratings of "AAA" (Extremely Strong) by S&P and Fitch and "Aaa" (Exceptional) by Moody's to "AA" (Very Strong) by S&P and Fitch and "Aa2" (Excellent) by Moody's. Although we do not believe that these downgrades have negatively affected our business overall in any material respect, we cannot assure you that they will not have an adverse effect over time or that our ratings will not be further downgraded in the future. The "AA" and "AA-" ratings are the third- and fourth-highest of S&P's 21 ratings categories, respectively. The "Aa2" and "Aa3" ratings are the third- and fourth-highest of Moody's 21 ratings categories, respectively. The "AA" rating is the third-highest of Fitch's 24 ratings categories.

The charters of the Federal National Mortgage Corporation, or Fannie Mae, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, only permit them to buy high loan-to-value mortgages that are insured by a "qualified insurer," as determined by each of them. Their current rules effectively provide that they will accept mortgage insurance only from private mortgage insurers with financial strength ratings of at least "AA-" by S&P and "Aa3" by Moody's. If our mortgage insurance companies' financial strength ratings decrease below the thresholds established by Fannie Mae and Freddie Mac, we would not be able to insure mortgages purchased by Fannie Mae or Freddie Mac. Approximately 69% and 68% of the loans we insured in the U.S. during the three months ended March 31, 2004 and the year ended December 31, 2003, respectively, were sold to either Fannie Mae or Freddie Mac. An inability to insure mortgage loans sold to Fannie Mae or Freddie Mac, or their transfer of our existing policies to an alternative mortgage insurer, would have an adverse effect on our financial condition and results of operations.

In 2003, the U.S. Office of Federal Housing Enterprise Oversight announced a risk-based capital rule that treats credit enhancements issued by private mortgage insurers with financial strength ratings of "AAA" more favorably than those issued by "AA" rated insurers. Neither Fannie Mae nor Freddie Mac has adopted policies that distinguish between "AA" rated and "AAA" rated mortgage insurers.

However, if Fannie Mae or Freddie Mac adopts policies that treat "AAA" rated insurers more favorably than "AA" rated insurers, our competitive position may suffer.

Our mortgage insurance subsidiaries in Canada and Australia are also subject to local regulations that require them to maintain specified financial strength ratings to continue their operations.

In addition to the financial strength ratings of our insurance subsidiaries, ratings agencies also publish credit ratings for our company. The credit ratings have an impact on the interest rates we pay on the money we borrow. Therefore, a downgrade in our credit ratings could increase our cost of borrowing and have an adverse effect on our financial condition and results of operations.

**The ratings of our insurance subsidiaries are not evaluations directed to the protection of investors in our common stock.**

The ratings of our insurance subsidiaries described under "Business Financial Strength Ratings" reflect each rating agency's current opinion of each subsidiary's financial strength, operating performance and ability to meet obligations to policyholders and contractholders. These factors are of concern to policyholders, contractholders, agents, sales intermediaries and lenders. Ratings are not evaluations directed to the protection of investors in our common stock. They are not ratings of our common stock and should not be relied upon when making a decision to buy, hold or sell our shares of common stock or any other security. In addition, the standards used by rating agencies in determining financial strength are different from capital requirements set by state insurance regulators. We may need to take actions in response to changing standards set by any of the ratings agencies, as well as statutory capital requirements, which could cause our business and operations to suffer.

**If our reserves for future policy benefits and claims are inadequate, we may be required to increase our reserve liabilities, which could adversely affect our results of operations and financial condition.**

We establish reserve liabilities to provide for future obligations under our insurance policies, annuities and other investment products, and mortgage insurance contract underwriting arrangements. Reserves do not represent an exact calculation of liability, but rather are estimates of expected net policy and contract benefits and claims payments over time. Our reserving assumptions and estimates require significant judgments and, therefore, are inherently uncertain. We cannot determine with precision the ultimate amounts that we will pay for actual benefit and claim payments, the timing of those payments, or whether the assets supporting our policy and contract liabilities will increase to the levels we estimate before payment of benefits or claims. We continually monitor our reserves. If we conclude that our reserves are insufficient to cover actual or expected policy and contract benefits and claims payments, we would be required to increase our reserves and incur income statement charges for the period in which we make the determination, which could adversely affect our results of operations and financial condition. For more information on how we set our reserves, see "Business Reserves."

**As a holding company, we depend on the ability of our subsidiaries to transfer funds to us to pay dividends and to meet our obligations.**

We will act as a holding company for our insurance subsidiaries and will not have any significant operations of our own. Dividends from our subsidiaries and permitted payments to us under our tax sharing arrangements with our subsidiaries will be our principal sources of cash to pay stockholder dividends and to meet our obligations. These obligations will include our operating expenses, interest and principal on debt and contract adjustment payments on our Equity Units. These obligations also include amounts we will owe to GE under the tax matters agreement that we and GE will enter into prior to the completion of this offering. If the cash we receive from our subsidiaries pursuant to dividend payment and tax sharing arrangements is insufficient for us to fund any of these obligations, we may be required to raise cash through the incurrence of debt, the issuance of additional equity or the sale of assets.

The payment of dividends and other distributions to us by our insurance subsidiaries is regulated by insurance laws and regulations. In general, dividends in excess of prescribed limits are deemed "extraordinary" and require insurance regulatory approval. See "Regulation." During the years ended December 31, 2003, 2002 and 2001, we received dividends from our insurance subsidiaries of \$1,472 million (\$1,400 million of which were deemed "extraordinary"), \$840 million (\$375 million of which were deemed "extraordinary") and \$410 million (none of which were deemed "extraordinary"), respectively. In addition, during the years ended December 31, 2003, 2002 and 2001, we received dividends from insurance subsidiaries related to discontinued operations of \$495 million, \$62 million and \$0, respectively. Based on statutory results as of December 31, 2003, our subsidiaries could pay dividends of \$1,121 million to us in 2004 without obtaining regulatory approval. However, as a result of the dividends we will pay in connection with our corporate reorganization, most of our insurance subsidiaries will not be able to pay us any additional dividends for the twelve months following this offering without prior regulatory approval. As part of our corporate reorganization, we will retain cash at the holding company level which we believe will be adequate to fund our dividend payments, debt service, obligations under the tax matters agreement and other obligations until our subsidiaries can resume paying dividends to us. In addition, the ability of our insurance subsidiaries to pay dividends to us, and our ability to pay dividends to our stockholders, are subject to various conditions imposed by the rating agencies for us to maintain our ratings.

**Some of our investments are relatively illiquid.**

Our investments in privately placed fixed maturities, mortgage loans, policy loans, limited partnership interests, real estate and restricted investments held by securitization entities are relatively illiquid. These asset classes represented approximately 30% of the carrying value of our total cash and invested assets as of March 31, 2004, on a pro forma basis. If we require significant amounts of cash on short notice in excess of our normal cash requirements, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both. For example, our floating rate funding agreements generally contain "put" provisions through which a contractholder may terminate the funding agreement for any reason after giving notice within the contract's specified notice period, which is generally 90 days but can be less than 30 days. As of March 31, 2004, the aggregate amount of our outstanding funding agreements with put option features was approximately \$2.4 billion, and the aggregate amount of funding agreements with put option notice periods of 30 days or less was \$450 million. If an unexpected number of contractholders exercise this right and we are unable to access other liquidity sources, we may have to liquidate assets quickly. Our inability to quickly dispose of illiquid investments could have an adverse effect on our financial condition and results of operations.

**Intense competition 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, price, commission structure, marketing and distribution arrangements, brand, reputation, financial strength ratings and service.

Many other companies actively compete for sales in our protection and retirement income and investments markets, including other major insurers, banks, other financial institutions and specialty providers. The principal direct and indirect competitors for our mortgage insurance business include other private mortgage insurers, as well as federal and state governmental and quasi-governmental agencies in the U.S., including the Federal Housing Administration, or FHA, and to a lesser degree, the Veterans Administration, or VA, Fannie Mae and Freddie Mac, as well as local and state housing finance agencies. We also compete in our mortgage insurance business with structured transactions in the capital markets and with other financial instruments designed to manage credit risk, such as credit default swaps and credit linked notes, with lenders who forego mortgage insurance, or self-insure, on loans held in their portfolios, and with lenders that provide mortgage reinsurance through captive

mortgage reinsurance programs. In Canada and some European countries, our mortgage insurance business competes directly with government entities, which provide comparable mortgage insurance. Government entities with which we compete typically do not have the same capital requirements and do not have the same profit objectives as we do. Although private companies, such as our company, establish pricing terms for their products to achieve targeted returns, these government entities may offer products on terms designed to accomplish social or political objectives or reflect other non-economic goals.

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. Many competitors offer similar products and use similar distribution channels. The substantial expansion of banks' and insurance companies' distribution capacities and expansion of product features in recent years have intensified pressure on margins and production levels and have increased the level of competition in many of our business lines.

**We may be unable to attract and retain independent sales intermediaries and dedicated sales specialists.**

We distribute our products through financial intermediaries, independent producers and dedicated sales specialists. We compete with other financial institutions to attract and retain commercial relationships in each of these channels, and our success in competing for sales through these sales intermediaries depends upon factors such as the amount of sales commissions and fees we pay, the breadth of our product offerings, the strength of our brand, our perceived stability and our financial strength ratings, the marketing and services we provide to them and the strength of the relationships we maintain with individuals at those firms. From time to time, due to competitive forces, we have experienced unusually high attrition in particular sales channels for specific products. Our inability to continue to recruit productive independent sales intermediaries and dedicated sales specialists, or our inability to retain strong relationships with the individual agents at our independent sales intermediaries, could have an adverse effect on our financial condition and results of operations.

**If the counterparties to our reinsurance arrangements or to the derivative instruments we use to hedge our business risks default, we may be exposed to risks we had sought to mitigate, which could adversely affect our financial condition and results of operations.**

We use reinsurance and derivative instruments to mitigate our risks in various circumstances. 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 assure you 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 or inability or unwillingness to make payments under the terms of its reinsurance agreement with us could have an adverse effect on our financial condition and results of operations.

Prior to the completion of this offering, we will cede to UFLIC, effective as of January 1, 2004, policy obligations under our structured settlement contracts, which had reserves of \$12.0 billion, and our variable annuity contracts, which had general account reserves of \$2.8 billion and separate account reserves of \$7.9 billion, in each case as of December 31, 2003. These contracts represent substantially all of our contracts that were in force as of December 31, 2003 for these products. In addition, effective as of January 1, 2004, we will cede to UFLIC policy obligations under a block of long-term care insurance policies that we reinsured from Travelers, which had reserves of \$1.5 billion as of December 31, 2003. UFLIC has agreed to establish trust accounts for our benefit to secure its obligations under the reinsurance arrangements, and General Electric Capital Corporation, an indirect subsidiary of GE, or GE Capital, has agreed to maintain UFLIC's risk-based capital above a specified minimum level. If UFLIC becomes insolvent notwithstanding this agreement, and the amounts in the trust accounts are insufficient to pay UFLIC's obligations to us, our financial condition and results of

operations could be materially adversely affected. See "Arrangements between GE and our Company Reinsurance Transactions."

In addition, we use derivative instruments to hedge various business risks. We enter into a variety of derivative instruments, including options, forwards, interest rate and currency swaps and options to enter into interest rate and currency swaps with a number of counterparties. If our counterparties fail to honor their obligations under the derivative instruments, our hedges of the related risk will be ineffective. That failure could have an adverse effect on our financial condition and results of operations.

**Fluctuations in foreign currency exchange rates and international securities markets could negatively affect our profitability.**

Our international operations generate revenues denominated in local currencies. For the three months ended March 31, 2004 and 2003, and the years ended December 31, 2003, 2002 and 2001, respectively, 20%, 16%, 18%, 14% and 14% of our revenues, and 32%, 23%, 26%, 12% and 11% of our net earnings from continuing operations were generated by our international operations. We generally invest cash generated by our international operations in securities denominated in local currencies. As of each of March 31, 2004 and December 31, 2003 and 2002, approximately 5% 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 foreign operations into our combined financial statements. We currently do not hedge this exposure, and as a result, period-to-period comparability of our results of operations is affected by fluctuations in exchange rates. For example, our net earnings for the three months ended March 31, 2004 and the year ended December 31, 2003, included approximately \$12 million and \$25 million, respectively, due to the favorable impact of changes in foreign exchange rates. In addition, because we derive a significant portion of our earnings from non-U.S.-denominated revenue, our results of operations could be adversely affected to the extent the dollar value of non-U.S.-denominated revenue is reduced due to a strengthening U.S. dollar.

In addition, 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 U.S. For additional information regarding the sensitivity of our net earnings to foreign currency exchange rate fluctuations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Sensitivity analysis."

**Our insurance businesses are heavily 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. 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 non-U.S. insurance operations are regulated principally by insurance regulatory authorities in the jurisdictions in which they are domiciled.

State laws in the U.S. grant insurance regulatory authorities broad administrative powers with respect to, among other things:

licensing companies and agents to transact business;

calculating the value of assets to determine compliance with statutory requirements;

mandating certain insurance benefits;

regulating certain premium rates;

reviewing and approving policy forms;

regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;

establishing 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 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 National Association of Insurance Commissioners, or NAIC, regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations are often made for the benefit of the consumer at the expense of the insurer and thus could have an adverse effect on our financial condition and results of operations.

Our mortgage insurance business is subject to additional laws and regulations. For a discussion of the risks associated with those laws and regulations, see "Risks Relating to Our Mortgage Insurance Business" Changes in regulations that affect the mortgage insurance business could affect our operations significantly and could reduce the demand for mortgage insurance."

Currently, the U.S. federal government does not regulate directly the business of insurance. However, federal legislation and administrative policies in several areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. In addition, legislation has been introduced in the U.S. Senate, which, if enacted, would establish comprehensive and exclusive federal regulation over all "interstate insurers." This legislation would repeal the McCarran-Ferguson antitrust exemption for the business of insurance. It would also establish a Federal Insurance Regulatory Commission within the Department of Commerce that would have exclusive regulatory jurisdiction over life and property and casualty insurers that do business in more than one U.S. jurisdiction. The legislation would establish comprehensive federal regulatory oversight over such insurers, including licensing, solvency supervision, accounting and auditing practices, form and rate approval, and market conduct examination. In particular, the legislation would provide for price regulation of life insurance products, which is not now a feature of state regulation of life insurance and could affect the profitability of this business. The legislation also would establish a National Insurance Guaranty Fund which may be empowered to collect pre-funded assessments that are different from, and potentially greater than, current state guaranty fund assessment levels.

The Federal Trade Commission and the Federal Communications Commission have promulgated regulations governing telemarketing practices, including the implementation of a national Do-Not-Call Registry. These regulations require telemarketers under the jurisdiction of either agency to consult the Do-Not-Call Registry periodically and to remove from telemarketing lists any telephone numbers on that registry before making telemarketing calls. Under the McCarran-Ferguson Act, insurers are not subject to these regulations to the extent that their telemarketing activities constitute the "business of insurance" regulated by state law. Nevertheless, we believe it is not clear whether either agency will attempt to assert jurisdiction over any insurer that engages in telemarketing activities. We believe these regulations already have had an adverse effect, and may have a further adverse effect, on our sales of insurance products, such as long-term care insurance, that we market partly through telemarketing calls.

Our international operations are subject to regulation in the relevant jurisdictions in which they operate, which in many ways is similar to that of the state regulation outlined above. See "Regulation International Regulation."

Many of our 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. Accordingly, these changes could have an adverse effect on our financial condition and results of operation.

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 an adverse effect on our financial condition and results of operations. For a further discussion of the regulatory framework in which we operate, see "Regulation."

**Legal and regulatory investigations and actions are common in the insurance business and may result in financial losses and harm our reputation.**

We face significant risks of litigation and regulatory investigations and actions in connection with our activities as an insurer, financial services provider, employer, investment adviser, securities issuer, investor and taxpayer. These lawsuits and regulatory actions may be difficult to assess or quantify and may seek recovery of very large or indeterminate amounts, including punitive and treble damages, which may remain unknown for substantial periods of time. A substantial legal liability or a significant regulatory action against us could have an 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, which could have an adverse effect on our business.

Life insurance companies historically have been subject to substantial litigation resulting from policy disputes and other matters. Most recently, they have faced extensive claims, including class-action lawsuits, alleging improper life insurance sales practices. Judgments or negotiated settlements of such claims have had an adverse impact on the financial condition and results of operations of other insurance companies. We recently agreed to settle one such case and have established what we believe are adequate reserves to bring the matter to a conclusion. Substantial legal liability in any of these or future legal or regulatory actions could have an adverse financial effect or cause significant reputational harm. For further details regarding the litigation in which we are involved, see "Business Legal Proceedings."

**We have significant operations in India that could be adversely affected by changes in the political or economic stability of India or government policies in India, the U.S. or Europe.**

Through an arrangement with an affiliate of GE, we have a substantial team of professionals in India who provide a variety of services to our insurance operations, including customer service, transaction processing, and functional support including finance, investment research, actuarial, risk and marketing. See "Arrangements Between GE and Our Company Relationship with GE Arrangements Regarding Our Operations in India." The development of our operations center in India has been facilitated partly by the liberalization policies pursued by the Indian government over the past decade. The current government of India, formed in October 1999, has announced policies and taken initiatives that support the continued economic liberalization policies that have been pursued by previous governments. However, we cannot assure you that these liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting our business could change as well. A significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

The political climate in the U.S. also could change so that it would not be practical for us to use international operations centers, such as call centers. This could adversely affect our ability to maintain or create low-cost operations outside the U.S. For example, a bill recently introduced in the U.S. Senate, entitled "The Call Center Consumer's Right To Know Act," would, if enacted, require employees of call centers used by a U.S. company to disclose their physical location at the beginning of each telephone call. An identical bill recently was introduced in the U.S. House of Representatives.

Similar legislation also is pending in several states in which we operate. We believe the intent of this legislation is to alert consumers to the use of call centers that are located outside the U.S. If enacted, this legislation could result in consumer pressure to curtail our use of low-cost operations outside the U.S., which could reduce the cost benefits we currently realize from using them.

Similarly, the political or regulatory climate in Europe could change in ways which would inhibit our ability to use international operations centers. For example, changes in European privacy regulations, or more stringent interpretation or enforcement of these regulations, could require us to curtail our use of low-cost operations in India to service our European businesses, which could reduce the cost benefits we currently realize from using these operations.

**The continued threat of terrorism, the occurrence of terrorist acts and ongoing military actions could adversely affect our financial condition and results of operations.**

The continued threat of terrorism and ongoing military actions, as well as heightened security measures in response to these threats and actions, may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. These consequences could have an adverse effect on the value of the assets in our investment portfolio. We cannot predict whether, and the extent to which, companies in which we maintain investments may suffer losses as a result of financial, commercial or economic disruptions, or how any such disruptions might affect the ability of those companies to pay interest or principal on their securities. The continued threat of terrorism also could result in increased reinsurance prices 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, the occurrence of terrorist actions could result in higher claims under our insurance policies than we had anticipated. For example, we incurred approximately \$25 million in losses related to the terrorist events of September 11, 2001.

**Risks Relating to Our Protection and Retirement Income and Investments Segments**

**We may face losses if morbidity rates, mortality rates or unemployment rates differ significantly from our pricing expectations.**

We set prices for our life insurance, long-term care insurance, European payment protection insurance and some annuity products based upon expected claims and payment patterns, using assumptions for morbidity rates, or likelihood of sickness, and mortality rates, or likelihood of death, of our policyholders and contractholders. The long-term profitability of these products depends upon how our actual experience compares with our pricing assumptions. For example, if morbidity rates are higher, or mortality rates are lower, than our pricing assumptions, we could be required to make greater payments under long-term care insurance policies and annuity contracts than we had projected. Conversely, if mortality rates are higher than our pricing assumptions, we could be required to make greater payments under our life insurance and European payment protection policies and annuity contracts with guaranteed minimum death benefits than we had projected.

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 after pricing assumptions have been established. Moreover, as a relatively new product in the market, long-term care insurance does not have the extensive claims experience history of life insurance, and as a result, our ability to forecast future claim rates for long-term care insurance is more limited than for life insurance.

We use assumptions regarding unemployment levels in pricing our European payment protection insurance. If those unemployment levels are higher than our pricing assumptions, the claims frequency could be higher for our European payment protection insurance business than we had projected.

**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.**

Deferred acquisition costs, or DAC, represent costs which vary with and are primarily related to the sale and issuance of our insurance policies and investment contracts that are deferred and amortized over the estimated life of the related insurance policies. These costs include commissions in excess of ultimate renewal commissions, direct mail and printing costs, sales material and some support costs, such as underwriting and policy and contract issuance expenses. Under U.S. GAAP, DAC is deferred and recognized over the expected life of the policy or contract in relation to either the premiums or gross profits from that policy or contract. 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 existing insurance and investment contracts and policies. This intangible asset, called the present value of future profits, or 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 anticipated profits from investments, surrender and other policy and contract charges and mortality and maintenance expense margins. Unfavorable experience with regard to expected expenses, investment returns, mortality, morbidity or withdrawals or lapses may cause us to accelerate the amortization of DAC or PVFP, or both, or to record a charge to increase benefit reserves.

We regularly review DAC and PVFP to determine if they are recoverable from future income. If these costs are not recoverable, they are charged to 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 a current-period expense. In recent years, the portion of estimated product margins required to amortize DAC and PVFP has increased in most of our lines of business, with the most significant impact on investment products, primarily as the result of lower investment returns. We also regularly review the recoverability of PVFP for impairment. As of March 31, 2004 and December 31, 2003 and 2002, respectively, we had \$5.5 billion, \$5.8 billion and \$5.3 billion of DAC, and \$1.1 billion, \$1.2 billion and \$1.3 billion of PVFP. We amortized \$352 million, \$293 million, \$1.3 billion, \$1.2 billion and \$1.2 billion of DAC and PVFP as a current-period expense for the three months ended March 31, 2004 and 2003, and for the years ended December 31, 2003, 2002 and 2001, respectively.

**We may be required to recognize impairment in the value of our goodwill, which would increase our expenses and reduce our profitability.**

Goodwill represents the excess of the amount we paid to acquire our subsidiaries and other businesses over the fair value of their net assets at the date of the acquisition. Under U.S. GAAP, we test the carrying value of goodwill for impairment at least annually at the "reporting unit" level, which is either an operating segment or a business one level below the operating segment. Goodwill is impaired if the fair value of the reporting unit as a whole is less than the fair value of the identifiable assets and liabilities of the reporting unit, plus the carrying value of goodwill, at the date of the test. For example, goodwill may become impaired if the fair value of a reporting unit as a whole were to decline by an amount greater than the decline in the value of its individual identifiable assets and liabilities. This may occur for various reasons, including changes in actual or expected earnings or cash flows of a reporting unit, generation of earnings by a reporting unit at a lower rate of return than similar businesses or declines in market prices for publicly traded businesses similar to our reporting units. If any portion of our goodwill becomes impaired, we would be required to recognize the amount of the impairment as a current-period expense. When we adopted Statement of Financial Accounting Standards 142 with respect to recognizing impairment of goodwill, effective January 1, 2002, we

recognized a \$376 million impairment, net of tax, relating to our domestic auto and homeowners' insurance business (included in discontinued operations), primarily as a result of heightened price competition in the auto insurance industry.

**Our reputation in the long-term care insurance market may be adversely affected if we were to raise premiums on our in-force long-term care insurance products.**

Unlike several of our competitors, we have never increased premiums on any in-force long-term care policies that we have issued. Although the terms of all our long-term care insurance policies permit us to increase premiums during the premium-paying period, any implementation of a premium increase could have an adverse effect on our reputation, our ability to market and sell new long-term care insurance products and our ability to retain existing policyholders.

**Genetic mapping research and other medical advances could adversely affect the financial performance of our life insurance, long-term care insurance and annuities businesses.**

Genetic mapping research includes procedures focused on identifying key genes that render an individual predisposed to specific diseases, such as cancer or Alzheimer's disease. Other medical advances, such as diagnostic imaging technologies, also may be used to detect the early onset of diseases such as cancer and heart disease. We believe that if individuals learn through genetic testing or other medical advances that they are predisposed to particular conditions that may reduce life longevity or require long-term care, they will be more likely to purchase our life and long-term care insurance policies or not to permit existing policies to lapse. In contrast, if individuals learn that they are genetically unlikely to develop the conditions that reduce longevity or require long-term care, they will be less likely to purchase our life and long-term care insurance products, but more likely to purchase certain annuity products. In addition, such individuals that are existing policyholders will be more likely to permit their policies to lapse.

If we were to gain access to the same genetic or other medical information as our prospective policyholders and contractholders, then we would be able to take this information into account in pricing our life and long-term care insurance policies and annuity contracts. However, there are a number of regulatory proposals that would make genetic and other medical information confidential and unavailable to insurance companies. For example, the U.S. Senate recently passed and sent to the U.S. House of Representatives a bill that would prohibit group health plans, health insurers and employers from making enrollment decisions or adjusting premiums on the basis of genetic testing information. Health plans and health insurers also would be prohibited from requiring genetic testing. The Bush Administration has expressed support for the legislation. However, the House has not taken action on the legislation, and it is not clear whether the bill will be enacted or whether life or long-term care insurance underwriting also would be affected by the final legislation. Legislators in certain states have recently introduced similar legislation. If these regulatory proposals were enacted, prospective policyholders and contractholders would only disclose this information if they chose to do so voluntarily. These factors could lead us to reduce sales of products affected by these regulatory proposals and could result in a deterioration of the risk profile of our portfolio, which could lead to payments to our policyholders and contractholders that are higher than we anticipated.

**We may face losses if there are significant deviations from our assumptions regarding the future persistency of our insurance policies and annuity contracts.**

The prices and expected future profitability of our life insurance, long-term care insurance, group life and health insurance and deferred annuity products are based in part upon expected patterns of premiums, expenses and benefits, using a number of assumptions, including those related to persistency, which is the probability that a policy or contract will remain in-force from one period to the next. The effect of persistency on profitability varies for different products. For most of our life insurance, group life and health insurance, and deferred annuity products, actual persistency that is lower than our persistency assumptions could have an adverse impact on profitability, especially in the early years of a

policy or contract 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 the years ended December 31, 2003, 2002 and 2001, persistency in our life insurance and fixed annuity businesses has been slightly higher than assumed, while persistency in our variable annuity and group life and health insurance businesses has been slightly lower than we had assumed.

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 for long-term care insurance is more limited than for many other products. Some of our long-term care insurance policies have experienced higher persistency than we had assumed, which has resulted in adverse claims experience.

Because our assumptions regarding persistency experience are inherently uncertain, reserves for future policy benefits and claims may prove to be inadequate if actual persistency experience is different from those assumptions. 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. Moreover, many of our products 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 regarding persistency could have an adverse effect on the profitability of our products.

**Regulation XXX may have an adverse effect on our financial condition and results of operations by requiring us to increase our statutory reserves for term life and universal life insurance or incur higher operating costs.**

The Model Regulation entitled "Valuation of Life Insurance Policies," commonly known as "Regulation XXX," was promulgated by the NAIC and adopted by nearly all states as of January 1, 2001. It requires insurers to establish additional statutory reserves for term and universal life insurance policies with long-term premium guarantees. Virtually all our newly issued term and universal life insurance business is now affected by Regulation XXX.

In response to this regulation, we have increased term and universal life insurance statutory reserves and changed our premium rates for term life insurance products. We also have implemented reinsurance and capital management actions to mitigate the impact of Regulation XXX. However, we cannot assure you that there will not be regulatory or other challenges to the actions we have taken to date. The result of those challenges could require us to increase statutory reserves or incur higher operating costs.

We also cannot assure you that we will be able to continue to implement actions to mitigate the impact of Regulation XXX on future sales of term and universal life insurance products. If we are unable to continue to implement those actions, we may be required to increase statutory reserves or incur higher operating costs than we currently anticipate. We also may have to implement measures that may be disruptive to our business. For example, because term and universal life insurance are particularly price-sensitive products, any increase in premiums charged on these products in order to compensate us for the increased statutory reserve requirements or higher costs of reinsurance may result in a significant loss of volume and adversely affect our life insurance operations.

**Changes in tax laws could make some of our products less attractive to consumers.**

Changes in tax laws could make some of our products less attractive to consumers. For example, in September 2001, the U.S. Congress enacted the Economic Growth and Taxpayer Relief Reconciliation Act of 2001. This act contains provisions that have significantly lowered individual income tax rates.

These reductions effectively reduce the benefits of federal income tax deferral on the build-up of value of life insurance and annuity products. The act also includes provisions that repeal the federal estate tax over a ten-year period. Some of these changes could reduce our sales of life insurance and annuity products and result in the increased surrender of these products.

In May 2003, U.S. President George Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003, which reduced the federal income tax that investors are required to pay on long-term capital gains and on some dividends paid on stock. This reduction may provide an incentive for some of our customers and potential customers to shift assets into mutual funds and away from products, including annuities, designed to defer taxes payable on investment returns. Because the income taxes payable on long-term capital gains and some dividends paid on stock have been reduced, investors may decide that the tax-deferral benefits of annuity contracts are less advantageous than the potential after-tax income benefits of mutual funds or other investment products that provide dividends and long-term capital gains. A shift away from annuity contracts and other tax-deferred products would reduce our income from sales of these products, as well as the assets upon which we earn investment income.

We cannot predict whether any other legislation will be enacted, what the specific terms of any such legislation will be or how, if at all, this legislation or any other legislation could have an adverse effect on our financial condition and results of operations.

**Changes in U.S. federal and state securities laws may affect our operations and our profitability.**

U.S. federal and state securities laws apply to investment products that are also "securities," including variable annuities and variable life insurance policies. As a result, some of our subsidiaries and the policies and contracts they offer are subject to regulation under these federal and state securities laws. Our insurance subsidiaries' separate accounts are registered as investment companies under the Investment Company Act of 1940. Some variable annuity contracts and variable life insurance policies issued by our insurance subsidiaries also are registered under the Securities Act of 1933. Other subsidiaries are registered as broker-dealers under the Securities Exchange Act of 1934 and are members of, and subject to, regulation by the National Association of Securities Dealers, Inc. In addition, some of our subsidiaries also are registered as investment advisers under the Investment Advisers Act of 1940.

Securities laws and regulations are primarily intended to ensure the integrity of the financial markets and to protect investors in the securities markets or investment advisory or brokerage clients. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with those laws and regulations. Changes to these laws or regulations that restrict the conduct of our business could have an adverse effect on our financial condition and results of operations.

**Risks Relating to Our Mortgage Insurance Segment**

**Fannie Mae, Freddie Mac and a small number of large mortgage lenders exert significant influence over the U.S. mortgage insurance market.**

Our 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. The largest purchasers of mortgage loans in the U.S. are Fannie Mae and Freddie Mac, which were created by Congressional charter to ensure that mortgage lenders have sufficient funds to continue to finance home purchases. In 2003, Fannie Mae purchased approximately 38% of all the mortgage loans originated in the U.S., and Freddie Mac purchased approximately 22%, according to statistics published by *Inside the GSEs*. 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. As a result, high loan-to-value mortgages purchased by Fannie Mae or Freddie Mac generally are insured with private mortgage insurance. These provisions in Fannie Mae's and Freddie Mac's charters create much of the demand for private mortgage insurance in the U.S. For the three months ended March 31, 2004 and the year ended December 31, 2003, Fannie Mae and Freddie Mac purchased approximately 69% and 68%, respectively, of the mortgage loans that we insured. As a result, a change in these provisions could have an adverse effect on our financial condition and results of operations.

In addition, increasing consolidation among mortgage lenders in recent years has resulted in significant customer concentration for mortgage insurers. Ten mortgage lenders accounted for approximately 48% of our flow new insurance written for the year ended December 31, 2003, compared to approximately 40% for the year ended December 31, 1998, and flow insurance premiums received from these lenders represented approximately 46% of the flow insurance premiums we received for the year ended December 31, 2003, compared to 36% for the year ended December 31, 1998.

As a result of the significant concentration in mortgage originators and purchasers, 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 from any of our key customers, could have an adverse effect on our financial condition and results of operations.

Our mortgage insurance business is one of the members of the Mortgage Insurance Companies of America, or MICA. In 1999, several large mortgage lenders and a coalition of financial services and housing-related trade associations, including MICA, formed FM Watch, now known as FM Policy Focus, a lobbying organization that supports expanded federal oversight and legislation relating to the role of Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac have criticized and lobbied against the positions taken by FM Policy Focus. These lobbying activities could, among other things, polarize Fannie Mae, Freddie Mac and members of FM Policy Focus. As a result of this possible polarization, our relationships with Fannie Mae and Freddie Mac may limit our opportunities to do business with some mortgage lenders, and our relationships with mortgage lenders who are members of FM Policy Focus may limit our ability to do business with Fannie Mae and Freddie Mac, as well as with mortgage lenders who are not members of FM Policy Focus and are opposed to these efforts. Any of these outcomes could have an adverse effect on our financial condition and results of operations.

**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.**

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:

a change in the level of home mortgage interest rates;

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;

declines in the price of homes;

adverse population trends, including lower homeownership rates;

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

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

A decline in the volume of high loan-to-value mortgage originations would reduce the demand for mortgage insurance and, therefore, could have an 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 95% and 70% of our gross premiums written for the three months ended March 31, 2004 and the year ended December 31, 2003, respectively, 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 U.S. generally permit a homeowner to ask his loan servicer to cancel his 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.

These factors contributed to an increase in our policy cancellation rates from 43% for the year ended December 31, 2002 to 54% for the year ended December 31, 2003. Although policy cancellation rates declined to 32% for the three months ended March 31, 2004, a further increase in the volume of mortgage insurance cancellations in the U.S. generally would reduce the amount of our insurance in force and have an adverse effect on our financial condition and results of operations. These factors are less significant in our international mortgage insurance operations because we generally receive a single payment for mortgage insurance at the time a loan closes, and this premium typically is not refundable if the policy is canceled.

**Continued increases in the volume of "simultaneous second" mortgages could have an adverse effect on the U.S. market for mortgage insurance.**

High loan-to-value mortgages can 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%. Simultaneous second loans are often known as "80-10-10 loans" because they frequently consist of a first mortgage with an 80% loan-to-value ratio, a second mortgage with a 10% loan-to-value ratio and the remaining 10% paid in cash by the buyer, rather than a single mortgage with a 90% loan-to-value ratio.

Over the past several years, the volume of simultaneous seconds as an alternative to loans requiring mortgage insurance has increased substantially. We believe this recent increase in simultaneous second loans reflects the following factors:

the lower monthly cost of simultaneous second loans compared to the cost of mortgage insurance, as a result of the current low-interest-rate environment and the emerging popularity of 15- and 30-year amortizing simultaneous seconds;

the tax deductibility in most cases of interest on a second mortgage, in contrast to the non-deductibility of mortgage insurance payments; and

negative consumer, broker and realtor perceptions about mortgage insurance.

Further increases in the volume of simultaneous seconds may cause corresponding decreases in the use of mortgage insurance for high loan-to-value mortgages, which could have an adverse effect on our financial condition and results of operations.

**The amount of mortgage insurance we write could decline significantly if mortgage lenders and investors select other alternatives to private mortgage insurance to protect against default risk or if lenders select lower coverage levels of mortgage insurance.**

Lenders may seek to mitigate their mortgage default risks through a variety of alternatives to private mortgage insurance other than simultaneous second mortgages. These alternatives include:

using government mortgage insurance programs, including those of the FHA, the VA and Canada Mortgage and Housing Corporation, or CMHC;

holding mortgages in their own loan portfolios and self-insuring;

using programs, such as those offered by Fannie Mae and Freddie Mac, 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 size of the mortgage insurance market and could have an adverse effect on our financial condition and results of operations.

**Our claims expenses would increase and our results of operations would suffer if the rate of defaults on mortgages covered by our mortgage insurance increases or the severity of such defaults exceeds our expectations.**

Our premium rates vary depending upon the perceived risk of a claim on the insured loan and take 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 and the borrower's credit history. We establish renewal premium rates for the life 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. 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 life of that policy.

The long-term profitability of our mortgage insurance business depends upon the accuracy of our pricing assumptions. If defaults on mortgages increase because of an economic downturn or for reasons we failed to take into account adequately, we would be required to make greater claim payments than we planned when we priced our policies. Future claims on our mortgage insurance policies may not match the assumptions made in our pricing. An increase in the amount or frequency of claims beyond the levels contemplated by our pricing assumptions could have an adverse effect on our financial condition and results of operations. In recent years, our results of operations have benefited from historically low loss ratios because of significant home price appreciation and low levels of defaults. Increases from these recent historic lows could have an adverse effect on our financial condition and results of operations.

As of March 31, 2004, approximately 81% of our risk in force had not yet reached its anticipated highest claim frequency years, which are generally between the third and seventh year of the loan. As a result, we expect our loss experience on these loans will 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 adversely affected.

**A deterioration in economic conditions may adversely affect our loss experience in mortgage insurance.**

Losses in our mortgage insurance business generally result from events, such as unemployment, divorce or illness, that reduce a borrower's 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 substantial economic downturn across the entire U.S. could have a significant adverse effect on our financial condition and results of operations. We also may be particularly affected by economic downturns in states where a large portion of our business is concentrated. As of March 31, 2004, approximately 51% of our risk in force was concentrated in 10 states, with 8% in Florida, 7% in California and 7% in Texas. Similarly, our mortgage insurance operations in Canada, Australia and the U.K. are concentrated in the largest cities in those countries. Continued and prolonged adverse economic conditions in these states or cities could result in high levels of claims and losses, which could have an adverse effect on our financial condition and results of operations.

**A significant portion of our risk in force consists of loans with high loan-to-value ratios, which generally result in more and larger claims than loans with lower loan-to-value ratios.**

Mortgage loans with higher loan-to-value ratios typically have claim incidence rates substantially higher than mortgage loans with lower loan-to-value ratios. In our U.S. mortgage insurance business as of March 31, 2004:

14% of our risk in force consisted of mortgage loans with original loan-to-value ratios greater than 95%;

41% of our risk in force consisted of mortgage loans with original loan-to-value ratios greater than 90% but less than or equal to 95%;

42% of our risk in force consisted of mortgage loans with original loan-to-value ratios greater than 80% but less than or equal to 90%; and

3% of our risk in force consisted of mortgage loans with original loan-to-value ratios less than or equal to 80%.

In Canada, Australia and New Zealand, the risks of having a portfolio with a significant portion of high loan-to-value mortgages are greater than in the U.S. and Europe because we generally agree to cover 100% of the losses associated with mortgage defaults in those markets, compared to percentages in the U.S. and Europe that are typically 12% to 35% of the loan amount. In our non-U.S. mortgage insurance business as of March 31, 2004:

less than 1% of our risk in force consisted of mortgage loans with original loan-to-value ratios greater than 95%;

26% of our risk in force consisted of mortgage loans with original loan-to-value ratios greater than 90% but less than or equal to 95%;

36% of our risk in force consisted of mortgage loans with original loan-to-value ratios greater than 80% but less than or equal to 90%; and

37% of our risk in force consisted of mortgage loans with original loan-to-value ratios less than or equal to 80%.

Although mortgage insurance premiums for higher loan-to-value ratio loans generally are higher than for loans with lower loan-to-value ratios, the difference in premium rates may not be sufficient to compensate us for the enhanced risks associated with mortgage loans bearing higher loan-to-value ratios.



**We cede a portion of our U.S. mortgage insurance business to mortgage reinsurance companies affiliated with our mortgage lending customers, and this reduces our profitability; recent changes in our ceding policies are likely to result in a reduction in business from some lenders.**

We, like other mortgage insurers, offer opportunities to our mortgage lending customers that are designed to allow them to participate in the risks and rewards of the mortgage insurance business. Many of the major mortgage lenders with which we do business have established captive mortgage reinsurance subsidiaries. These reinsurance subsidiaries assume a portion of the risks associated with the lender's insured mortgage loans in exchange for a percentage of the premiums. In most cases, our reinsurance coverage is an "excess of loss" arrangement with a limited band of exposure for the reinsurer. This means that we are required to pay the first layer of losses arising from defaults in the covered mortgages, the reinsurer indemnifies us for the next layer of losses, and we pay any losses in excess of the reinsurer's obligations. The effect of these arrangements historically has been a reduction in the profitability and return on capital of this business to us. Approximately 77% of our primary new risk written as of March 31, 2004 was subject to captive mortgage reinsurance, compared to approximately 75% as of December 31, 2003 and 77% as of December 31, 2002. Premiums ceded to these reinsurers were approximately \$37 million for the three months ended March 31, 2004 and \$139 million and \$113 million for the years ended December 31, 2003 and 2002, respectively.

Most large mortgage lenders have developed reinsurance operations that obtain net premium cessions from mortgage insurers of 25% to 40%. To increase our return on capital, we announced in August 2003 that, effective January 1, 2004, we generally would not renew, on their existing terms, our existing excess-of-loss risk sharing arrangements with net premium cessions in excess of 25%. We expect that these actions will result in a significant reduction in business from these lenders.

**If efforts by Fannie Mae and Freddie Mac to reduce the need for mortgage insurance are successful, they could adversely affect the results of our U.S. mortgage insurance business.**

Freddie Mac has sought changes to the provisions of its Congressional charter that requires private mortgage insurance for low-down-payment mortgages and has lobbied the U.S. Congress for amendments that would permit Fannie Mae and Freddie Mac to use alternative forms of default loss protection or otherwise forego the use of private mortgage insurance. In October 1998, the U.S. Congress passed legislation to amend Freddie Mac's charter to give it flexibility to use alternative structures to protect against mortgage default. Although this charter amendment was quickly repealed, we cannot predict whether similar legislation may be proposed or enacted in the future.

Fannie Mae and Freddie Mac have the ability to implement new eligibility requirements for mortgage insurers. They also have the authority to increase or reduce required mortgage insurance coverage percentages and to alter or liberalize underwriting standards on low-down-payment mortgages they purchase. We cannot predict the extent to which any new requirements may be enacted or how they may affect the operations of our mortgage insurance business, our capital requirements and our products.

In light of recent events concerning Freddie Mac's accounting disclosures and other matters, we believe regulatory changes governing the operations of Freddie Mac, Fannie Mae and other government-sponsored enterprises could occur. We cannot predict what the nature of these changes will be or what effect they may have on our business.

**Changes in the policies of the Federal Home Loan Banks could reduce the demand for U.S. mortgage insurance.**

The Federal Home Loan Banks, or FHLBs, purchase single-family conforming mortgage loans originated by participating member institutions. Although the FHLBs are not required to purchase insurance for mortgage loans, they currently use mortgage insurance on substantially all mortgage loans with a loan-to-value ratio above 80% and have become a source of new business for us. If the FHLBs were to purchase uninsured mortgage loans or increase the loan-to-value ratio threshold above which

they require mortgage insurance, the market for mortgage insurance could decrease, and our mortgage insurance business could be adversely affected.

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

Our mortgage insurance business competes with many different government-owned and government-sponsored entities in the U.S., Canada and some European countries. In the U.S., these entities include principally the FHA and, to a lesser degree, the VA, Fannie Mae and Freddie Mac, as well as local and state housing finance agencies. In Canada, we compete with the CMHC, a Crown corporation owned by the Canadian government. In Europe, these entities include public mortgage guarantee facilities in The Netherlands, Sweden, Finland and Italy.

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 entities 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 some respects. 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 an adverse effect on our financial condition and results of operations.

We compete in Canada with the CMHC, which is owned by the Canadian government and, as a sovereign entity, provides mortgage lenders with 100% capital relief from applicable bank regulatory requirements on loans that it insures. In contrast, lenders receive only 90% capital relief on loans we insure. CMHC also operates the Canadian Mortgage Bond Program, which provides lenders the ability to efficiently guaranty and securitize their mortgage loan portfolios. If we are unable to effectively distinguish ourselves competitively with our Canadian mortgage lender customers, we may be unable to compete effectively with the CMHC as a result of the more favorable capital relief it can provide or the other products and incentives that it offers to lenders.

**Changes in regulations that affect the mortgage insurance business could affect our operations significantly and could reduce the demand for mortgage insurance.**

In addition to the general regulatory risks that are described above under " Our insurance businesses are heavily regulated, and changes in regulation may reduce our profitability and limit our growth," we are also affected by various additional regulations relating particularly to our mortgage insurance operations.

U.S. federal and state regulations affect the scope of our competitors' operations, which has an effect on the size of the mortgage insurance market and the intensity of the competition in our 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 to a lesser degree, 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. The FHA has also streamlined its down-payment formula and made FHA insurance more competitive with private mortgage insurance in areas with higher home prices. These and other legislative and regulatory changes could cause demand for private mortgage insurance to decrease.

Our U.S. mortgage insurance business, as a credit enhancement provider in the residential mortgage lending industry, also is subject to compliance with various federal and state consumer protection laws, including the Real Estate Settlement Procedures Act, the Equal Credit Opportunity

Act, the Fair Housing Act, the Homeowners Protection Act, the Federal Fair Credit Reporting Act, the Fair Debt Collection Practices Act and others. Among other things, these laws prohibit payments for referrals of settlement service business, 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 could adversely affect the operations and profitability of our mortgage insurance business. For example, the Department of Housing and Urban Development is considering a rule that would exempt certain mortgages that provide a single price for a package of settlement services from the prohibition in the Real Estate Settlement Procedures Act, or RESPA, against payments for referrals of settlement service business. If mortgage insurance were included among the settlement services that, when offered as a package, would be exempt from this prohibition, then mortgage lenders would have greater leverage in obtaining business concessions from mortgage insurers.

The Office of Thrift Supervision recently amended its capital regulations to increase from 80% to 90% the loan-to-value threshold in the definition of a "qualifying mortgage loan." The capital regulations assign a lower risk weight to qualifying mortgage loans than to non-qualifying loans. As a result, these new regulations no longer penalize mortgage lenders for retaining loans that have loan-to-value ratios between 80% and 90% without credit enhancements. Other regulators, including the U.S. Federal Deposit Insurance Corporation, also have raised corresponding loan-to-value thresholds for qualifying mortgage loans from 80% to 90%.

Mortgage lenders may compete with mortgage insurers as a result of legislation that removed restrictions on affiliations between banks and mortgage insurers. The Graham-Leach-Bliley Act of 1999 permits the combination of banks, insurers, including mortgage insurers, and securities firms under one holding company. This legislation may increase competition by increasing the number, size and financial strength of potential competitors. In addition, mortgage lenders that establish captive reinsurance businesses or affiliate with competing mortgage insurers may reduce their purchases of our products.

Lenders and loan aggregators also have faced new liabilities and compliance risks posed by state and local laws which have been enacted in recent years to combat "predatory lending" practices. In February 2003 and March 2004, the Ney-Lucas Responsible Lending Act of 2003 and the Prohibit Predatory Lending Act of 2004, respectively, were introduced in the U.S. House of Representatives. These bills, if enacted, would, among other things, prohibit certain lending practices on high-cost mortgages and limit the liability of persons who comply with the law. It is unclear in what form, if any, either of these bills will be enacted or what impact they would have on our business and the mortgage lending, securitization, and insurance industries generally.

We have an agreement with the Canadian government under which it 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. This guarantee provides that the government has the right to review the terms of the guarantee in certain circumstances, including if GE's ownership of our Canadian mortgage insurance company decreases below 50%. GE has informed us that it expects to reduce its equity ownership of us to below 50% within two years of the completion of this offering. That disposition would permit the Canadian government to review the terms of its guarantee and could lead to a termination of the guarantee for any new insurance written after the termination. Although we believe the Canadian government will preserve the guarantee to maintain competition in the Canadian mortgage insurance industry, any adverse change in the guarantee's terms and conditions or termination of the guarantee could have an adverse effect on our ability to continue offering mortgage insurance products in Canada.

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The Australian Prudential Regulatory Authority, or APRA, regulates all financial institutions in Australia, including general, life and mortgage insurance companies. APRA's license conditions require Australian mortgage insurance companies, including ours, to be mono-line insurers, which are insurance companies that offer just one type of insurance product. However, in November 2003, APRA announced that it is considering, and has sought comment on, a proposal to eliminate the requirement that mortgage insurance companies be mono-line insurers, which APRA believes could facilitate the entry of new competitors.

APRA currently is studying the adequacy of the capital requirements that govern lenders and mortgage insurers in Australia, particularly in the event of a severe recession accompanied by a significant decline in housing values. If APRA concludes that the capital requirements that currently govern mortgage insurers are not sufficient and decides to increase the amount of capital required for mortgage insurers, we may, depending on the amount of such increase, be required to increase the capital in our Australian mortgage insurance business. This would reduce our returns on capital from those operations.

### **Our U.S. mortgage insurance business could be adversely affected by legal actions under RESPA.**

RESPA prohibits paying lenders for the referral of settlement services, including mortgage insurance. This 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. A number of lawsuits, including some that were class actions, have challenged the actions of private mortgage insurers, including our company, under RESPA, alleging that the insurers have provided products or services at improperly reduced prices in return for the referral of mortgage insurance. We and several other mortgage insurers, without admitting any wrongdoing, reached a settlement in these cases, which includes an injunction that prohibited certain specified practices and details the basis on which mortgage insurers may provide agency pool insurance, captive mortgage reinsurance, contract underwriting and other products and services and be deemed to be in compliance with RESPA. The injunction expired on December 31, 2003, and it is not clear whether the expiration of the injunction will result in new litigation against private mortgage insurers, including us, to extend the injunction or to seek damages under RESPA. We also cannot predict whether our competitors will change their pricing structure or business practices after the expiration of the injunction, which could require us to alter our pricing structure or business practices in response to their actions or suffer a competitive disadvantage, or whether any services we or they provide to mortgage lenders could be found to violate RESPA, the current injunction or any future injunction that might be issued. In addition, U.S. federal and state officials are authorized to enforce RESPA and to seek civil and criminal penalties, and we cannot predict whether these proceedings might be brought against us or other mortgage insurers. Any such proceedings could have an adverse effect on our financial condition and results of operations.

### **Our U.S. mortgage insurance business could be adversely affected by legal actions under the Federal Fair Credit Reporting Act.**

Two actions recently have been filed against us in Illinois, each seeking certification of a nationwide class of consumers who allegedly were required to pay for our private mortgage insurance at a rate higher than our "best available rate," based upon credit information we obtained. Each action alleges that the Federal Fair Credit Reporting Act, or the FCRA, requires notice to such borrowers and that we violated the FCRA by failing to give such notice. The plaintiffs in one action allege in the complaint that they are entitled to "actual damages" and "damages within the Court's discretion of not more than \$1,000 for each separate violation" of the FCRA. The plaintiffs in the other action allege that they are entitled to "appropriate actual, punitive and statutory damages" and "such other or further relief as the Court deems proper." Similar cases are pending against six other mortgage insurers. We intend to vigorously defend against these actions, but we cannot predict their outcome.

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

We offer contract underwriting services to many of our mortgage lenders in the U.S., pursuant to which our employees and contractors work directly with the lender to determine whether a particular mortgage applicant's loan application complies with the lender's loan underwriting guidelines or the investor's loan purchase requirements. We also assist in compiling and submitting this data to the automated underwriting systems of Fannie Mae and Freddie Mac, which then independently analyze the data.

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. As a result, we assume credit and interest rate risk in connection with our contract underwriting services. Worsening economic conditions, a deterioration in the quality of our underwriting services or other factors could cause our contract underwriting liabilities to increase and have an adverse effect on our financial condition and results of operations. Although we have established reserves to provide for potential claims in connection with our contract underwriting services, we have limited historical experience that we can use to establish reserves for these potential liabilities, and these reserves may not be adequate to cover liabilities that may arise.

**If the European mortgage insurance market does not grow as we expect, we will not be able to execute our strategy to expand our business into this market.**

We have devoted resources to marketing our mortgage insurance products in Europe, and we plan to continue these efforts. Our growth strategy depends partly upon the development of favorable legislative and regulatory policies throughout Europe that support increased homeownership and provide capital relief for institutions that insure their mortgage loan portfolios with private mortgage insurance. In furtherance of these policies, we have collaborated with government agencies to develop bank regulatory capital requirements that provide incentives to lenders to implement risk transfer strategies such as mortgage insurance, as well as governmental policies that encourage homeownership as a wealth accumulation strategy for borrowers with limited resources to make large down payments. We have invested, and we will continue to invest, significant resources to advocate such a regulatory environment at the national and pan-European levels. However, if European legislative and regulatory agencies fail to adopt these policies, then the European markets for high loan-to-value lending and mortgage insurance may not expand as we currently anticipate, and our growth strategy in those markets may not be successful.

**Risks Relating to Our Separation from GE**

**Our separation from GE could adversely affect our business and profitability due to GE's strong brand and reputation.**

As a subsidiary of GE, our businesses have marketed many of their products using the "GE" brand name and logo, and we believe the association with GE has provided many benefits, including:

a world-class brand associated with trust, integrity and longevity;

perception of high-quality products and services;

preferred status among our customers, independent sales intermediaries and employees;

strong capital base and financial strength; and

established relationships with U.S. federal and state and non-U.S. regulators.

Following this offering, our separation from GE could adversely affect our ability to attract and retain highly qualified independent sales intermediaries and dedicated sales specialists for our products. We may be required to lower the prices of our products, increase our sales commissions and fees, change

long-term selling and marketing agreements and take other action to maintain our relationship with our independent sales intermediaries and our dedicated sales specialists, all of which could have an adverse effect on our financial condition and results of operations.

After our separation from GE, some of our existing policyholders, contractholders and other customers may choose to stop doing business with us, and this could increase our rate of surrenders and withdrawals in our policies and contracts. In addition, other potential policyholders and contractholders may decide not to purchase our products because we no longer will be a part of GE.

We cannot accurately predict the effect that our separation from GE will have on our sales intermediaries, customers or employees. The risks relating to our separation from GE could materialize at various times, including:

immediately upon the completion of this offering and the concurrent offerings, when GE's beneficial ownership in our common stock will decrease to 70% (66% if the underwriters' over-allotment option in the concurrent offering of Class A Common Stock is exercised in full);

when GE reduces its ownership in our common stock to a level below 50%; and

when we cease using the GE name and logo in our sales and marketing materials, particularly when we deliver notices to our distributors and customers that the names of some of our insurance subsidiaries will change.

**We will only have the right to use the GE brand name and logo for a limited period of time. If we fail to establish in a timely manner a new, independently recognized brand name with a strong reputation, our revenue and profitability could decline.**

Upon completion of this offering, our corporate name will be "Genworth Financial, Inc.," although we and our insurance and other subsidiaries may use the GE brand name and logo in marketing our products and services. Pursuant to a transitional trademark license agreement, GE will grant us the right to use the "GE" mark and the "GE" monogram for up to five years in connection with our products and services. GE also will grant us the right to use "GE," "General Electric" and "GE Capital" in the corporate names of our subsidiaries until the earlier of twelve months after the date on which GE owns less than 20% of our outstanding common stock and five years from the date of the trademark license agreement. When our right to use the GE brand name and logo expires, we may not be able to maintain or enjoy comparable name recognition or status under our new brand. In addition, insurance regulators in the U.S. and the other countries where we do business could require us to accelerate the transition to our independent brand. If we are unable to successfully manage the transition of our business to our new brand, our reputation among our independent sales intermediaries, customers and employees could be adversely affected.

**Our historical combined and pro forma financial information is not necessarily representative of the results we would have achieved as a stand-alone company and may not be a reliable indicator of our future results.**

The historical combined and pro forma financial information included in this prospectus does not reflect the financial condition, results of operations or cash flows we would have achieved as a stand-alone company during the periods presented or those we will achieve in the future. This is primarily a result of the following factors:

Our historical combined financial information reflects certain businesses that will not be included in our company following the completion of this offering. For a description of the components of our historical combined financial information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Our historical and pro forma financial information" and our combined financial statements included elsewhere in this prospectus;

Our historical combined and pro forma financial results reflect allocations of corporate expenses from GE. Those allocations may be different from the comparable expenses we would have incurred had we operated as a stand-alone company;

Our working capital requirements historically have been satisfied as part of GE's corporate-wide cash management policies. After our separation from GE, we may not be able to obtain financing on terms as favorable as could be obtained from or by GE. In this case, our cost of debt could be higher and our capitalization might be different from that reflected in our historical combined financial statements;

Significant changes may occur in our cost structure, management, financing and business operations as a result of our separation from GE. These changes could result in increased costs associated with reduced economies of scale; stand-alone costs for services currently provided by GE; marketing and legal entity transition expenses related to building a company brand identity separate from GE; the need for additional personnel to perform services currently provided by GE; and the legal, accounting, compliance and other costs associated with being a public company with listed equity. See " The terms of our arrangements with GE may be more favorable than we will be able to obtain from an unaffiliated third party. We may be unable to replace the services GE provides us in a timely manner or on comparable terms;"

Our separation from GE and the adoption of our new brand may have an adverse effect on our relationships with distributors, customers, employees and regulators and government officials, which could result in reduced sales, increased policyholder terminations and withdrawals, increased regulatory scrutiny and disruption to our business operations;

Under some of our agreements, our separation from GE will allow the other party to the agreement to terminate the agreement pursuant to a change of control provision, which may be triggered when GE's ownership of our company decreases to less than 50%. If the other party to any of these agreements does not wish to continue the agreement, then we may be required to terminate or modify our existing agreement or seek alternative arrangements, which could result in reduced sales, increased costs or other disruptions to our business; and

The pro forma financial information presented in this prospectus gives effect to several significant transactions that we will implement prior to the completion of this offering, including the reinsurance transactions with UFLIC, as if those transactions were already consummated. The unaudited pro forma information gives effect to the transactions as if each had occurred as of January 1, 2003, in the case of earnings information, and March 31, 2004, in the case of financial position information. This pro forma financial information is based upon available information and assumptions that we believe are reasonable. However, this pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had those transactions occurred as of those dates, nor what they may be in the future.

**The terms of our arrangements with GE may be more favorable than we will be able to obtain from an unaffiliated third party. We may be unable to replace the services GE provides us in a timely manner or on comparable terms.**

We and GE will enter into a transition services agreement and other agreements prior to the completion of this offering. Pursuant to the transition services agreement, GE and its affiliates will agree to provide us with transitional services after this offering, including treasury, payroll and other financial services, human resources and employee benefit services, legal services, information systems and network services, and procurement and sourcing support.

We negotiated these arrangements with GE in the context of a parent-subsidiary relationship. Although GE is contractually obligated to provide us with services during the term of the transition services agreement, we cannot assure you that these services will be sustained at the same level after

the expiration of that agreement, or that we will be able to replace these services in a timely manner or on comparable terms. Other agreements with GE also will govern the relationship between us and GE after this offering and will provide for the allocation of employee benefit, tax and other liabilities and obligations attributable or related to periods or events prior to the separation. They also contain terms and provisions that may be more favorable than terms and provisions we might have obtained in arm's-length negotiations with unaffiliated third parties. When GE ceases to provide services pursuant to those arrangements, our costs of procuring those services from third parties may increase. See "Arrangements Between GE and Our Company Relationship with GE."

**We have agreed to make payments to GE based on the projected amounts of certain tax benefits, and these payments will remain fixed even if, because of insufficient taxable income or as a result of reduced tax rates, our actual tax benefits are less than projected.**

We will enter into a tax matters agreement with GE prior to the completion of this offering. We refer to this agreement in this prospectus as the Tax Matters Agreement. Under the Tax Matters Agreement, we will have an obligation to pay to GE a fixed amount over 15 to 25 years. This fixed obligation will equal 80% of the tax savings we are projected to realize (subject to a maximum amount) as a result of the tax elections to be made in connection with our separation from GE. Based upon current estimates, and assuming that certain elections are made by GE, the present value of our fixed obligations would be approximately \$386 million. These estimates will change, however, as a result of a number of factors, including a final determination of the value of our company and its individual assets, and the present value of our obligations to GE may be larger as a result. However, we have agreed with GE that except for specified contingent benefits and excluding interest on payments we defer, our total payments to GE will not exceed \$640 million. The Tax Matters Agreement generally provides for increases or reductions to our payment obligations if the current estimates underlying the projected tax benefits prove inaccurate, but it does not provide for reductions in our obligations if we fail to generate sufficient income to realize the projected tax savings or if our actual tax savings are reduced as a result of reduced tax rates. In these circumstances, we will remain obligated to pay to GE the fixed obligation, as initially projected or subsequently adjusted, even though it exceeds 80%, or even 100%, of the tax benefits we actually realize. If the amounts we are obligated to pay to GE remain fixed while the tax benefits we actually realize decline, there could be a material adverse effect on our financial condition and results of operations. See "Arrangements Between GE and Our Company Relationship with GE Tax Matters Agreement."

**In the event of a change in control of our company, our obligations under the Tax Matters Agreement could accelerate, and we cannot be sure that we will have sufficient funds to meet these obligations.**

In some circumstances, such as a change in control over the management and policies of our company (other than through a sale of our stock by GE), the amounts we will owe under the Tax Matters Agreement could accelerate, and the amounts then due and payable could be substantial. 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 see that these approvals are granted. In the event these approvals are granted and the acceleration of payments does occur, we cannot assure you that we will have sufficient funds available to meet these accelerated obligations when due. If we do not have sufficient funds available, we may seek to fund these obligations from dividends or other payments from our subsidiaries, but we cannot be certain that they will have sufficient funds available or be permitted to transfer them to us. See "As a holding company, we depend on the ability of our subsidiaries to transfer funds to us to pay dividends and to meet our obligations." We also may seek to fund these obligations from the proceeds of the issuance of debt or equity securities or the sale of assets, but we cannot assure you that we will be able to successfully issue any securities or consummate an asset sale.

**Under the Tax Matters Agreement, GE will control certain tax returns and audits that can result in tax liability for us.**

Under the Tax Matters Agreement, GE has retained control over the preparation and filing, as well as the contests, audits and amendments or other changes of certain pre-separation federal income tax returns with respect to which we remain liable for taxes. In addition, determinations regarding the allocation to us of responsibility to pay taxes for pre-separation periods will be made by GE in its reasonable discretion. Although the Tax Matters Agreement provides that we will not be liable for taxes resulting from returns filed or matters settled by GE without our consent if the return or settlement position is found to be unreasonable, taking into account both the liability that we incur and any non-Genworth tax benefit, it is possible that we will pay more taxes than we would have paid if we were permitted to control such matters.

**GE has significant control over us and may not always exercise its control in a way that benefits our public stockholders.**

Upon the completion of this offering and the concurrent offerings, GE will beneficially own approximately 70% of our outstanding common stock (66% if the underwriters' over-allotment option in the concurrent offering of Class A Common Stock is exercised in full). GE has informed us that, following completion of this offering, it intends, subject to market conditions, to divest its remaining interest in us as soon as practicable. GE has also informed us that, in any event, it expects to reduce its interest to below 50% within two years of the completion of this offering. GE has adopted a formal Plan of Divestiture embodying this expectation to reduce its interest below 50% and has represented to the Internal Revenue Service, or IRS, that it will accomplish the divestiture. The adverse financial consequences to GE from a failure to effect the divestiture below 50% are significant. However, so long as GE continues to beneficially own more than 50% of our outstanding voting stock, GE generally will be able to determine the outcome of many corporate actions requiring stockholder approval. GE, in its capacity as the beneficial holder of all outstanding shares of our Class B Common Stock, also will have the right to elect a majority of the members of our board of directors so long as it continues to beneficially own more than 50% of our outstanding common stock and will have the right to elect a decreasing percentage of the members of our board of directors as its beneficial ownership of our common stock decreases. In addition, until the first date on which GE owns less than 20% of our outstanding common stock, the prior affirmative vote or written consent of GE is required for the following actions (subject in each case to certain agreed exceptions):

a merger involving us or any of our subsidiaries (other than mergers involving our subsidiaries to effect acquisitions for a price less than or equal to \$700 million);

acquisitions by us or our subsidiaries of the stock or assets of another business for a price (including assumed debt) in excess of \$700 million;

dispositions by us or our subsidiaries of assets in a single transaction or a series of related transactions for a price (including assumed debt) in excess of \$700 million;

incurrence or guarantee of debt by us or our subsidiaries in excess of \$700 million outstanding at any one time or that would reasonably be expected to result in a negative change in any of our credit ratings, excluding, the debt described in this prospectus that we intend to incur concurrently with, and shortly after, the completion of this offering, intercompany debt (within Genworth) and liabilities under certain agreed excluded transactions (provided that any debt (other than debt incurred under our five-year and 364-day revolving credit facilities to fund liabilities under funding agreements or guaranteed investment contracts issued by our subsidiaries that are regulated life insurance companies, or cash payments in connection with insurance policy surrenders and withdrawals) in excess of \$500 million outstanding at any one time incurred under those credit facilities or our commercial paper program will be subject to the \$700 million limitation described above);

issuance by us or our subsidiaries of capital stock or other securities convertible into capital stock;

dissolution, liquidation or winding up of our company; and

alteration, amendment, termination or repeal, or adoption of any provision inconsistent with, certain provisions of our certificate of incorporation or our bylaws.

Because GE's interests may differ from your interests, actions GE takes with respect to us, as our controlling stockholder, and with respect to those corporate actions requiring its prior affirmative written consent described above, may not be favorable to you.

**We derive a significant portion of the premiums in our European payment protection insurance business from transactions with GE.**

For the three months ended March 31, 2004 and 2003 and the years ended December 31, 2003 and 2002, GE's consumer finance division and other related GE entities accounted for 54%, 16%, 19% and 14% of the gross written premiums in our European payment protection insurance business, respectively. We recently entered into a five-year agreement that extends our relationship with GE's consumer finance division and provides us with the right to be the exclusive provider of payment protection insurance in Europe for GE's consumer finance operations in jurisdictions where we offer these products. However, if GE determines not to offer payment protection insurance, we may not be able to replace those revenues on a timely basis, and our financial condition and results of operations could suffer. See "Business Protection Products European payment protection insurance."

**If GE engages in the same type of business we conduct, our ability to successfully operate and expand our business may be hampered.**

Our certificate of incorporation provides that, subject to any contractual provision to the contrary, GE will have no obligation to refrain from:

engaging in the same or similar business activities or lines of business as us; or

doing business with, or in competition with, any of our clients, customers or vendors.

GE is a diversified technology and services company with significant financial services businesses, including consumer finance, asset management and insurance activities. Following this offering, GE will continue to be engaged in the marketing of supplemental life insurance, including accidental death and dismemberment coverage. GE will also continue to market and underwrite dental and vision insurance, medical stop-loss insurance and primary property and casualty insurance. In addition, GE will continue to operate a significant reinsurance business, including life reinsurance, a life insurance business in the U.K. and a savings and pension business in France. Because of GE's significant financial resources, GE could have a significant competitive advantage over us should it decide to engage in businesses that compete with any of the businesses we conduct.

GE has generally agreed for five years after this offering not to use the "GE" mark or the "GE" monogram or the name "General Electric" in connection with the marketing or underwriting on a primary basis of life insurance, long-term care insurance, annuities, or group life and health insurance in the U.S., or of auto insurance products in Mexico, and the underwriting or issuing of mortgage insurance products anywhere in the world. GE's agreement to restrict the use of its brand will terminate earlier upon the occurrence of certain events, including termination of our transitional trademark license agreement with GE and our discontinuation of the use of the "GE" mark or the "GE" monogram. In addition, GE Consumer Finance, the consumer finance division of GE, has generally agreed to distribute on an exclusive basis our payment protection insurance products in certain European countries for five years, unless earlier terminated. See "Business Protection Products European payment protection insurance."

**Conflicts of interest may arise between us and GE that could be resolved in a manner unfavorable to us.**

Questions relating to conflicts of interest may arise between us and GE in a number of areas relating to our past and ongoing relationships. Five of our directors were designated to our board of directors by GE. One of these directors is both an officer and director of GE, and the other four of these directors are also officers of GE. These directors and a number of our officers own substantial amounts of GE stock and options to purchase GE stock, and all of them participate in GE pension plans. Ownership interests of our directors or officers in GE shares, or service as a director or officer of both our company and GE, could give rise to potential conflicts of interest when a director or officer is faced with a decision that could have different implications for the two companies. These potential conflicts could arise, for example, over matters such as the desirability of an acquisition opportunity, employee retention or recruiting, or our dividend policy.

The corporate opportunity policy set forth in our certificate of incorporation addresses potential conflicts of interest between our company, on the one hand, and GE and its officers and directors who are directors of our company, on the other hand. By becoming a stockholder in our company, you will be deemed to have notice of and have consented to these provisions of our certificate of incorporation. Although these provisions are designed to resolve conflicts between us and GE fairly, we cannot assure you that any conflicts will be so resolved. The principles for resolving such potential conflicts of interest are described under "Description of Capital Stock Provisions of Our Certificate of Incorporation Relating to Related-Party Transactions and Corporate Opportunities."

**Risks Relating to the Series A Preferred Stock**

**Holders of our Series A Preferred Stock must look solely to our earnings and assets for payment on their investment.**

The Series A Preferred Stock represents a preferred equity interest in us. The shares of Series A Preferred Stock are not obligations of, and are not guaranteed by, GE, the selling stockholder or our other affiliates. Holders of the shares of Series A Preferred Stock must look solely to our earnings and assets for payment of dividends, the redemption price or amounts upon dissolution, liquidation or winding up of us. If amounts received from our earnings and assets are insufficient to pay stated dividends on or the redemption price or the liquidation preference of the Series A Preferred Stock, no other assets will be available for such payments.

**Our Series A Preferred Stock has no prior public market, and an active trading market may not develop.**

Prior to this offering, there has not been a market for our Series A Preferred Stock. We do not intend to apply for listing of the Series A Preferred Stock on any securities exchange or for quotation of the Series A Preferred Stock in any automated dealer quotation system. We cannot provide you with any assurance regarding whether a trading market for our Series A Preferred Stock will develop, the ability of holders of shares of Series A Preferred Stock to sell their shares or the price at which holders may be able to sell their shares of Series A Preferred Stock. The underwriters have advised us that they currently intend to make a market in the Series A Preferred Stock. However, the underwriters are not obligated to do so, and any market-making with respect to the Series A Preferred Stock may be discontinued at any time without notice. If no active trading market develops, you may not be able to resell your Series A Preferred Stock at their fair market value or at all.

**Our ability to issue preferred stock in the future could adversely affect the rights of holders of Series A Preferred Stock.**

We are authorized to issue additional preferred stock in one or more series on terms that may be determined at the time of issuance by our board of directors. In some instances, a series of preferred stock could include voting rights, preferences as to dividends and liquidation, conversion and redemption rights that will rank senior to the preferred stock, and in all instances, senior to our

common stock. The future issuance of preferred stock could effectively diminish or supersede the dividend and liquidation preferences of the Series A Preferred Stock.

**The Series A Preferred Stock will not be guaranteed by any of our subsidiaries and will be structurally subordinated to the debt and other liabilities of our subsidiaries, which means that creditors of our subsidiaries will be paid from their assets before holders of the Series A Preferred Stock would have any claims to those assets.**

We are a holding company and conduct substantially all of our operations through subsidiaries. However, the Series A Preferred Stock will be obligations exclusively of Genworth Financial, Inc. and will not be guaranteed by any of our subsidiaries. As a result, our obligations under the Series A Preferred Stock, including our dividend and redemption payment obligations, will be structurally subordinated to all debt and other liabilities of our subsidiaries (including liabilities to policyholders and contractholders), which means that creditors of our subsidiaries will be paid from their assets before holders of the Series A Preferred Stock would have any claims to those assets. As of March 31, 2004, on a pro forma basis, our subsidiaries had outstanding \$82,057 million of total liabilities, including \$1,573 million of debt (excluding, in each case, intercompany liabilities).

**The price of our Series A Preferred Stock may be volatile and may be affected by market conditions beyond our control.**

Our share price is likely to fluctuate in the future because of the volatility of the stock market in general and a variety of factors, many of which are beyond our control, including:

quarterly variations in actual or anticipated results of our operations (including individual products);

changes in financial estimates by securities analysts;

actions or announcements by our competitors;

regulatory actions;

changes in the market outlook for the insurance industry;

departure of our key personnel; and

future sales of our preferred stock.

The stock market has recently experienced extreme price and volume fluctuations. The market prices of securities of insurance and financial services companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of these companies. These market fluctuations could result in extreme volatility in the price of shares of our preferred stock, which could cause a decline in the value of your investment. You should also be aware that price volatility may be greater if the public float and trading volume of shares of our preferred stock is low.

### **Forward-Looking Statements**

Some of the statements under "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere in this prospectus include forward-looking statements that are based upon our current expectations but are subject to uncertainty and changes in circumstances. These statements include forward-looking statements both with respect to us specifically and the insurance industry generally. Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "will," and similar statements of a future or forward-looking nature identify forward-looking statements.

These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global political, economic, business, competitive, market and regulatory factors, many of which are beyond our control. We believe that these factors include, but are not limited to, those described under "Risk Factors" and elsewhere in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

### **Use of Proceeds**

We will not receive any proceeds from the sale by the selling stockholder of Series A Preferred Stock in this offering or of the Class A Common Stock or Equity Units in the concurrent offerings.

### **Dividend Policy**

We intend to pay quarterly cash dividends on our common stock at an initial rate of \$0.065 per share. The first such dividend will be declared in the third quarter of 2004 and paid in the fourth quarter. 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 upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, legal requirements, regulatory constraints and other factors that the board of directors deems relevant.

We are a holding company and have no direct operations. 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 "Regulation."

### Capitalization

Set forth below is our capitalization as of March 31, 2004, on an historical and a pro forma basis, which reflects the adjustments described in more detail in the notes to the unaudited pro forma financial information under "Selected Historical and Pro Forma Financial Information." You should read this information in conjunction with those notes, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined financial statements and the related notes included elsewhere in this prospectus.

(Dollar amounts in millions, except per share amounts)	Historical	Pro forma adjustments- excluded assets and liabilities(1)	Pro forma adjustments- reinsurance transactions(2)	Pro forma adjustments- capital structure and other	Pro forma
Cash and cash equivalents	\$ 2,252	\$ (82)	\$ (516)	\$ (24)	\$ 1,630
Borrowings and other obligations:					
Short-term borrowings	\$ 2,496	\$ (2,496)	\$	\$ 2,400(3)	\$ 2,400
Long-term borrowings	516(4)				516
Total borrowings	3,012	(2,496)		2,400	2,916
Contingent note payable to GEFAHI				550(5)	550
Non-recourse funding obligations	600(6)				600
Borrowings related to securitization entities	973(7)				973
3.84% senior notes due 2009 underlying Equity Units				600(8)	600
Series A Preferred Stock, mandatorily redeemable, liquidation preference \$50 per share				100(9)	100
Total borrowings and other obligations	4,585	(2,496)		3,650	5,739
Stockholder's interest:					
Class A Common Stock, \$0.001 par value; 1.5 billion shares authorized; 145.0 million shares issued and outstanding					
Class B Common Stock, \$0.001 par value; 700 million shares authorized; 344.5 million shares issued and outstanding(10)					
Additional paid-in capital	8,426	866	414	288(11)	9,994
Total paid-in capital	8,426	866	414	288	9,994
Accumulated nonowner changes in stockholder's interest	2,976	52	(1,041)		1,987
Retained earnings	6,023	(181)	(1,836)	(3,739)(12)	267
Total stockholder's interest	17,425	737	(2,463)	(3,451)	12,248
Total capitalization	\$ 22,010	\$ (1,759)	\$ (2,463)	\$ 199	\$ 17,987

- (1) Reflects adjustments to exclude amounts included in our historical combined financial statements relating to certain assets and liabilities that will not be transferred to us. For more information regarding the adjustments related to the excluded assets and liabilities, see notes (a), (b), (c) and (d) to the unaudited pro forma financial information under "Selected Historical and Pro Forma Financial Information."
- (2) Reflects adjustments to record the effects of the reinsurance transactions we will enter into with UFLIC in connection with this offering as described under "Arrangements Between GE and Our

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Company Reinsurance Transactions." For more information regarding the adjustments related to the reinsurance transactions, see notes (f) and (g) to the unaudited pro forma financial information under "Selected Historical and Pro Forma Financial Information."

- (3) Reflects the \$2.4 billion Short-term Intercompany Note that we will issue to GEFAHI in connection with our corporate reorganization. We will repay this note with proceeds from the borrowings under a \$2.4 billion short-term credit facility that we will establish with a syndicate of banks concurrently with the completion of this offering. We intend to repay the borrowings under this short-term credit facility with proceeds from the issuance of approximately \$1.9 billion in senior notes (which would be included in long-term borrowings) and approximately \$500 million in commercial paper (which would be included in short-term borrowings), both of which we intend to complete shortly after the completion of this offering. For a description of the terms of the Short-term Intercompany Note, the credit facility, the senior notes and the commercial paper, see "Description of Certain Indebtedness Short-term Intercompany Note" and "Description of Certain Indebtedness New Senior Notes."
- (4) Reflects the Yen Notes. We have entered into arrangements to swap our obligations under these notes to a U.S. dollar obligation with a principal amount of \$491 million and bearing interest at a rate of 4.84% per annum. For a description of the terms of these notes, see "Description of Certain Indebtedness Yen Notes."
- (5) Reflects the \$550 million Contingent Note that we will issue to GEFAHI in connection with our corporate reorganization. This note is non-interest-bearing, matures on the first anniversary of the completion of this offering and will be repaid solely to the extent that statutory contingency reserves from our U.S. mortgage insurance business in excess of \$150 million are released and paid to us as a dividend. The release of these statutory reserves and payment of the dividend by our U.S. mortgage insurance business to us are subject to statutory limitations, regulatory approval and the absence of any impact on our financial ratings. If regulatory approval has been obtained by the first anniversary date, but our financial ratings have not been affirmed, the term of this note will be extended for a period up to twelve months to obtain affirmation of our financial ratings. Any portion of the Contingent Note that is not repaid by the first anniversary of the completion of this offering or by the extended term, if applicable, will be canceled. We will record any portion of the Contingent Note that is canceled as a capital contribution. For a description of the terms of this note, see "Description of Certain Indebtedness Contingent Note."
- (6) Reflects non-recourse funding obligations. These obligations are represented by notes that bear a floating rate of interest and mature in 2033. The floating rate notes were issued by River Lake Insurance Company, a wholly-owned captive reinsurance subsidiary of our company, to fund additional statutory reserves required by Regulation XXX. The floating rate notes have been deposited into a series of trusts that have issued money market securities. Both principal and interest payments on the money market securities are guaranteed by a third-party insurance company. The noteholders cannot require repayment from us or any of our subsidiaries, other than River Lake Insurance Company, the direct issuer of the floating rate notes.
- (7) Reflects borrowings associated with certain securitization entities that we were required to include in our financial statements upon adoption of FASB Interpretation 46, *Consolidation of Variable Interest Entities*. Upon its adoption, GE Capital, of which we are an indirect subsidiary, was required to consolidate the funding conduit it sponsored. As a result, assets and liabilities of certain previously off-balance sheet securitization entities were required to be included in our financial statements because the funding conduit no longer qualified as a third party. For more information regarding these arrangements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Off-balance Sheet Transactions."

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- (8) Represents notes forming part of the Equity Units. For a description of the terms of our Equity Units, see "Description of Equity Units." GEFAHI is offering the Equity Units for sale in a concurrent offering.
- (9) For a description of the terms of our Series A Preferred Stock, see "Description of Series A Preferred Stock." GEFAHI is offering the Series A Preferred Stock for sale in this offering.
- (10) Shares of Class B Common Stock convert automatically into shares of Class A Common Stock when they are held by any person other than GE or an affiliate of GE or when GE no longer beneficially owns at least 10% of our outstanding common stock. GEFAHI is offering 145.0 million shares of Class A Common Stock for sale in a concurrent offering, plus up to an additional 21.75 million shares that may be sold pursuant to an over-allotment option (all of which shares will be converted from an equal number of shares of Class B Common Stock in connection with that offering).
- (11) Reflects adjustments to our paid-in capital, as described in notes (i), (j), (k) and (l) to the unaudited pro forma financial information under "Selected Historical and Pro Forma Financial Information."
- (12) Reflects adjustments to our retained earnings, as described in notes (h), (i), (j) and (l) to the unaudited pro forma financial information under "Selected Historical and Pro Forma Financial Information."

The foregoing table:

excludes up to 6.0 million shares of Class A Common Stock issuable upon the exercise of 6.0 million unvested stock appreciation rights to be granted prior to the completion of this offering, at an exercise price equal to the initial public offering price in the concurrent offering of Class A Common Stock;

excludes 10.0 million shares of Class A Common Stock issuable upon the exercise of unvested employee stock options to be granted prior to the completion of this offering, at an exercise price equal to the initial public offering price in the concurrent offering of Class A Common Stock;

excludes 4.6 million shares of Class A Common Stock issuable upon the exercise of unvested employee stock options that will be issued prior to the completion of this offering in exchange for unvested GE stock options held by our employees, at a weighted average exercise price of \$22.77 per share, and 1.1 million shares of Class A Common Stock issuable upon the exercise of vested employee stock options that will be issued prior to the completion of this offering in exchange for vested GE stock options held by our Chairman, President and Chief Executive Officer, at a weighted average exercise price of \$15.08 per share;

excludes up to 0.3 million shares of Class A Common Stock issuable upon the exercise of 0.3 million stock appreciation rights that will be issued prior to the completion of this offering in exchange for unvested GE stock appreciation rights;

excludes 1.5 million shares of Class A Common Stock issuable upon the lapse of restrictions on restricted stock units that will be issued prior to the completion of this offering in exchange for GE restricted stock units;

excludes up to 38.0 million shares of Class A Common Stock available for future issuance under our Genworth Omnibus Incentive Plan, less the number of shares of Class A Common Stock issuable in connection with the stock appreciation rights, stock options and restricted stock units described above; and

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excludes up to 30.8 million shares of Class A Common Stock that we will be required to issue to settle the purchase contracts included in our Equity Units.

Our total pro forma capitalization also does not include our liability to GE under the Tax Matters Agreement. As a consequence of our separation from GE, and the election we will make with GE to treat that separation as an asset sale under section 338 of the Internal Revenue Code, we expect to realize future tax savings that we otherwise would not realize. We are obligated, pursuant to the Tax Matters Agreement with GE, to pay to GE over a period from 15 to 25 years 80% of the projected future tax savings, subject to a maximum amount. Based on a number of assumptions, we estimate these projected payments to have a present value of \$386 million. See "Arrangements Between GE and Our Company Relationship with GE Tax Matters Agreement" and note (k) to our pro forma financial statements under "Selected Historical and Pro Forma Financial Information."

### Ratio of Earnings to Fixed Charges

The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

For purposes of determining the historical ratio of earnings to fixed charges, "earnings" consist of earnings from continuing operations before taxes and accounting changes plus fixed charges from continuing and discontinued operations. "Fixed charges" consist of (1) interest expense on short-term and long-term borrowings, (2) interest credited to policyholders on annuities and financial products and (3) the portion of operating leases that are representative of the interest factor.

For purposes of determining the ratio of pro forma earnings to pro forma fixed charges, pro forma earnings consist of pro forma earnings from continuing operations before taxes plus pro forma fixed charges from continuing operations and fixed charges from discontinued operations. Pro forma fixed charges consist of (1) pro forma interest expense on short-term and long-term borrowings, including dividends on our Series A Preferred Stock and contract adjustment payments on Equity Units, (2) pro forma interest credited to policyholders on annuities and financial products, and (3) the portion of operating leases that are representative of the interest factor.

	Historical						Pro forma	
	Three months ended March 31,	Year ended December 31,					Three months ended March 31,	Year ended December 31,
	2004	2003	2002	2001	2000	1999	2004	2003
Ratio of earnings to fixed charges	1.84	1.74	1.94	1.99	2.10	2.12	2.05	1.83

### Selected Historical and Pro Forma Financial Information

The following table sets forth selected historical combined and pro forma financial information. The selected historical financial information as of December 31, 2003 and 2002, and for the years ended December 31, 2003, 2002 and 2001 has been derived from our combined financial statements, which have been audited by KPMG LLP and are included elsewhere in this prospectus. The selected historical financial information as of March 31, 2004 and for the three months ended March 31, 2004 and 2003 has been derived from our unaudited combined financial statements, which are included elsewhere in this prospectus. The selected pro forma financial information for the year ended December 31, 2003 and as of and for the three months ended March 31, 2004 and 2003 is unaudited and has been derived from our combined financial statements. You should read this information in conjunction with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations," our combined financial statements, the related notes and the accompanying independent registered public accounting firm's report (which refers to a change in accounting for variable interest entities in 2003, goodwill and other intangibles in 2002, and derivative instruments and hedging activities in 2001), which are included elsewhere in this prospectus.

Prior to the completion of this offering, we will acquire substantially all of the assets and liabilities of GEFAHI. We also will acquire certain other insurance businesses currently owned by other GE subsidiaries but managed by members of the Genworth management team. These businesses include international mortgage insurance, European payment protection insurance, a Bermuda reinsurer and mortgage contract underwriting.

In consideration for the assets that we will acquire and the liabilities that we will assume in connection with our corporate reorganization, we will issue to GEFAHI the following securities:

489.5 million shares of our Class B Common Stock;

\$600 million of our Equity Units;

\$100 million of our Series A Preferred Stock;

\$2.4 billion Short-term Intercompany Note; and

\$550 million Contingent Note.

The liabilities we will assume from GEFAHI include the Yen Notes.

We have prepared our combined financial statements as if Genworth had been in existence throughout all relevant periods. Our historical combined financial information and statements include all businesses that were owned by GEFAHI, including those that will not be transferred to us, as well as the other insurance businesses that we will acquire from other GE subsidiaries, each in connection with our corporate reorganization.

Prior to the completion of this offering, we will enter into several significant reinsurance transactions with UFLIC, an indirect, wholly-owned subsidiary of GE. As part of these transactions, we will cede to UFLIC, effective as of January 1, 2004, policy obligations under our structured settlement contracts, which had reserves of \$12.0 billion, and our variable annuity contracts, which had general account reserves of \$2.8 billion and separate account reserves of \$7.9 billion, each as of December 31, 2003. These contracts represent substantially all of our contracts that were in force as of December 31, 2003 for these products. In addition, effective as of January 1, 2004, we will cede to UFLIC policy obligations under a block of long-term care insurance policies that we reinsured from Travelers, which had reserves of \$1.5 billion, as of December 31, 2003. In the aggregate, these blocks of business do not meet our target return thresholds, and although we remain liable under these contracts and policies as the ceding insurer, the reinsurance transactions will have the effect of transferring the financial results of the reinsured blocks to UFLIC. In addition, as part of the reinsurance transactions, UFLIC will cede

to us substantially all of its in-force blocks of Medicare supplement insurance. As of December 31, 2003, these blocks of business had aggregate reserves of \$19 million.

The unaudited pro forma information set forth below reflects our historical combined financial information, as adjusted to give effect to the transactions described below as if each had occurred as of January 1, 2003, in the case of earnings information, and March 31, 2004, in the case of financial position information. The following transactions are reflected in the pro forma financial information:

the removal of certain businesses of GEFAHI that will not be transferred to us in connection with our corporate reorganization, including the Partnership Marketing Group business, an institutional asset management business and several other small businesses;

the removal of certain liabilities that we will not assume, including an aggregate of \$1.696 billion of commercial paper issued by GEFAHI and short-term borrowings from GE Capital of \$800 million that were outstanding as of March 31, 2004;

the reinsurance transactions with UFLIC, including a capital contribution of \$1.836 billion that we will make to UFLIC;

the issuance of equity and debt securities to GEFAHI in exchange for the assets that we will acquire and the liabilities that we will assume in connection with our corporate reorganization; and

the other adjustments described below in the notes to the unaudited pro forma financial information.

The unaudited pro forma information below is based upon available information and assumptions that we believe are reasonable. The unaudited pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the transactions described above occurred on the dates indicated. The unaudited pro forma information also should not be considered representative of our future financial condition or results of operations.

In addition to the pro forma adjustments to our historical combined financial statements, various other factors will have an effect on our financial condition and results of operations after the completion of this offering, including those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

For information with respect to certain items that are not reflected in the pro forma financial information, see note (o) below.

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	Historical							Pro forma		
	Three months ended March 31,		Years ended December 31,					Three months ended March 31,		Year ended December 31,
(Amounts in millions, except per share amounts)	2004	2003	2003(1)	2002	2001	2000(2)	1999	2004	2003	2003
Combined Statement of Earnings Information										
Revenues:										
Premiums	\$ 1,722	\$ 1,587	\$ 6,703	\$ 6,107	\$ 6,012	\$ 5,233	\$ 4,534	\$ 1,619	\$ 1,478	\$ 6,252
Net investment income	1,020	992	4,015	3,979	3,895	3,678	3,440	755	721	2,928
Net realized investment gains	16	21	10	204	201	262	280	15	20	38
Policy fees and other income	263	231	943	939	993	1,053	751	166	135	557
Total revenues	3,021	2,831	11,671	11,229	11,101	10,226	9,005	2,555	2,354	9,775
Benefits and expenses:										
Benefits and other changes in policy reserves	1,348	1,253	5,232	4,640	4,474	3,586	3,286	1,086	996	4,191
Interest credited	396	409	1,624	1,645	1,620	1,456	1,290	330	343	1,358
Underwriting, acquisition, and insurance expenses, net of deferrals	508	488	1,942	1,808	1,823	1,813	1,626	414	404	1,614
Amortization of deferred acquisition costs and intangibles(3)	345	300	1,351	1,221	1,237	1,394	1,136	286	251	1,144
Interest expense	47	27	140	124	126	126	78	43	25	133
Total benefits and expenses	2,644	2,477	10,289	9,438	9,280	8,375	7,416	2,159	2,019	8,440
Earnings from continuing operations before income taxes										
Provision for income taxes	377	354	1,382	1,791	1,821	1,851	1,589	396	335	1,335
	117	100	413	411	590	576	455	129	95	396
Net earnings from continuing operations										
	\$ 260	\$ 254	\$ 969	\$ 1,380	\$ 1,231	\$ 1,275	\$ 1,134	\$ 267	\$ 240	\$ 939
Pro forma earnings from continuing operations per share:										
Basic	\$ 0.53	\$ 0.52	\$ 1.98					\$ 0.55	\$ 0.49	\$ 1.92
Diluted	\$ 0.53	\$ 0.52	\$ 1.98					\$ 0.54	\$ 0.49	\$ 1.92
Pro forma shares outstanding:										
Basic	489.5	489.5	489.5					489.5	489.5	489.5
Diluted	490.0	490.0	490.0					490.0	490.0	490.0

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	Historical						Pro forma											
Selected Segment Information																		
Total revenues:																		
Protection	\$	1,566	\$	1,472	\$	6,153	\$	5,605	\$	5,443	\$	4,917	\$	1,489	\$	1,393	\$	5,839
Retirement Income and Investments		976		958		3,781		3,756		3,721		3,137		725		689		2,707
Mortgage Insurance		263		227		982		946		965		895		263		227		982
Affinity(4)		139		137		566		588		687		817						
Corporate and Other		77		37		189		334		285		460		78		45		247
Total	\$	3,021	\$	2,831	\$	11,671	\$	11,229	\$	11,101	\$	10,226	\$	2,555	\$	2,354	\$	9,775
Net earnings (loss) from continuing operations:																		
Protection	\$	124	\$	131	\$	487	\$	554	\$	538	\$	492	\$	123	\$	124	\$	481
Retirement Income and Investments		31		42		151		186		215		250		32		26		93
Mortgage Insurance		103		85		369		451		428		414		103		85		369
Affinity(4)		(2)				16		(3)		24		(13)						
Corporate and Other		4		(4)		(54)		192		26		132		9		5		(4)
Total	\$	260	\$	254	\$	969	\$	1,380	\$	1,231	\$	1,275	\$	267	\$	240	\$	939

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(Dollar amounts in millions)	Historical						Pro forma
	March 31,		December 31,				March 31,
	2004	2003(1)	2002	2001	2000(2)	1999	2004
<b>Combined Statement of Financial Position Information</b>							
Total investments	\$ 81,466	\$ 78,693	\$ 72,080	\$ 62,977	\$ 54,978	\$ 48,341	\$ 61,749
All other assets	25,070	24,738	45,277	41,021	44,598	27,758	38,457
Total assets	\$ 106,536	\$ 103,431	\$ 117,357	\$ 103,998	\$ 99,576	\$ 76,099	\$ 100,206
Policyholder liabilities	\$ 67,346	\$ 66,545	\$ 63,195	\$ 55,900	\$ 48,291	\$ 45,042	\$ 66,841
Non-recourse funding obligation(5)	600	600					600
Short-term borrowings	2,496	2,239	1,850	1,752	2,258	990	2,400
Long-term borrowings	516	529	472	622	175	175	516
All other liabilities	18,153	17,718	35,088	31,559	35,865	18,646	17,601
Total liabilities	\$ 89,111	\$ 87,631	\$ 100,605	\$ 89,833	\$ 86,589	\$ 64,853	\$ 87,958
Accumulated nonowner changes in stockholder's interest	\$ 2,976	\$ 1,672	\$ 835	\$ (664)	\$ (424)	\$ (862)	\$ 1,987
Total stockholder's interest	17,425	15,800	16,752	14,165	12,987	11,246	12,248
<b>U.S. Statutory Information(6)</b>							
Statutory capital and surplus	7,129	7,021	7,207	7,940	7,119	6,140	
Asset valuation reserve	453	413	390	477	497	500	
<b>Other Information</b>							
Ratio of earnings to fixed charges(7)	1.84	1.74	1.94	1.99	2.10	2.12	2.05

(1) On August 29, 2003, we sold our Japanese life insurance and domestic auto and homeowners' insurance businesses for aggregate cash proceeds of approximately \$2.1 billion, consisting of \$1.6 billion paid to us and \$0.5 billion paid to other GE affiliates, plus pre-closing dividends. See note 4 to our combined financial statements, included elsewhere in this prospectus.

(2) During 2000, we consummated three significant business combinations:

In July 2000, we reinsured 90% of Travelers' long-term care insurance portfolio and acquired certain related assets for \$411 million;

In April 2000, we acquired Phoenix American Life Insurance Company for \$284 million; and

Effective March 2000, we acquired the insurance policies and related assets of Toho Mutual Life Insurance Company. Our Japanese life insurance business assumed \$21.6 billion of policyholder liabilities and \$0.3 billion of accounts payable and accrued expenses and acquired \$20.3 billion in cash, investments and other tangible assets through this transaction. We sold this business on August 29, 2003, and its results have been presented as

discontinued operations.

- (3) As of January 1, 2002, we adopted Statement of Financial Accounting Standards 142, *Goodwill and Other Intangible Assets*, and, in accordance with its provisions, discontinued amortization of goodwill. Goodwill amortization was \$84 million, \$70 million and \$53 million for the years ended December 31, 2001, 2000 and 1999, respectively, excluding goodwill amortization included in discontinued operations.
- (4) Reflects the results of businesses that are owned by GEFAHI but will not be transferred to us in connection with our corporate reorganization, including (a) the Partnership Marketing Group business, (b) an institutional asset management business, and (c) several other small businesses that are not part of our core ongoing business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Our historical and pro forma financial information."
- (5) Reflects non-recourse funding obligations. These obligations are represented by notes that bear a floating rate of interest and mature in 2033. The floating rate notes were issued by a wholly-owned captive reinsurance subsidiary of our company to fund certain statutory reserves. The floating rate notes have been deposited into a series of trusts that have issued money market securities. Both principal and interest payments on the money market securities are guaranteed by a third-party insurance company.
- (6) Includes statutory capital and surplus and statutorily required contingency reserves held by our U.S. mortgage insurance subsidiaries.
- (7) For purposes of determining the historical ratio of earnings to fixed charges, "earnings" consist of earnings from continuing operations before taxes and accounting changes plus fixed charges from continuing and discontinued operations. "Fixed charges" consist of (a) interest expense on short-term and long-term borrowings, (b) interest credited to policyholders on annuities and financial products and (c) the portion of operating leases that are representative of the interest factor. For purposes of determining the ratio of pro forma earnings to pro forma fixed charges, pro forma earnings consist of pro forma earnings from continuing operations before taxes plus pro forma fixed charges from continuing operations and fixed charges from discontinued operations. Pro forma fixed charges consist of (a) pro forma interest expense on short-term and long-term borrowings, including dividends on Series A Preferred Stock and contract adjustment payments on Equity Units, (b) pro forma interest credited to policyholders on annuities and financial products, and (c) the portion of operating leases that are representative of the interest factor.

## Pro Forma Financial Information

Three months ended March 31, 2004

	Historical	Pro forma adjustments excluded assets and liabilities	Pro forma adjustments reinsurance transactions	Pro forma adjustments capital structure and other	Pro forma(o)
(Amounts in millions, except per share amounts)					
Revenues:					
Premiums	\$ 1,722	\$ (54)(a)	\$ (49)(f)	\$	1,619
Net investment income	1,020	(18)(a)	(222)(f)		755
			(25)(g)		
Net realized investment gains	16	(1)(e)			15
Policy fees and other income	263	(67)(a)	(30)(f)		166
Total revenues	3,021	(140)	(326)		2,555
Benefits and expenses:					
Benefits and other changes in policy reserves	1,348	(49)(a)	(213)(f)		1,086
Interest credited	396		(66)(f)		330
Underwriting, acquisition, and insurance expenses, net of deferrals	508	(73)(a)	(21)(f)		414
Amortization of deferred acquisition costs and intangibles	345	(29)(a)	(30)(f)		286
Interest expense	47			(22)(b)	43
	&				