GENWORTH FINANCIAL INC
Form S-1/A
June 07, 2004

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As filed with the Securities and Exchange Commission on June 7, 2004

Registration No. 333-116069

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1
to
FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Genworth Financial, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**6311**	**33-1073076**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

6620 West Broad Street
Richmond, Virginia 23230
(804) 281-6000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued June 7, 2004

$1,900,000,000
$ LIBOR Floating Rate Notes due 2007
$ % Notes due 2009
$ % Notes due 2014
$ % Notes due 2034

Interest on the notes due 2007 will be payable quarterly on , , and of each year, beginning on , 2004. Interest on the notes due 2009, 2014 and 2034 will be payable semi-annually on and of each year, beginning on , 2004. The 2007 notes will mature on , 2007, the 2009 notes will mature on , 2009, the 2014 notes will mature on , 2014 and the 2034 notes will mature on , 2034. We may redeem some or all of the notes due 2009, 2014 or 2034 at any time before maturity at the "make-whole" prices discussed under the caption "Description of the Notes Optional Redemption."

The notes will be our senior obligations and will rank equally with all of our other unsecured senior debt.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

	Per 2007 Note	Total	Per 2009 Note	Total	Per 2014 Note	Total	Per 2034 Note	Total
Price to public	%	$	%	$	%	$	%	$
Underwriting discounts and commissions	%	$	%	$	%	$	%	$
Proceeds to Genworth (before expenses)	%	$	%	$	%	$	%	$

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 notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company, Clearstream, Luxembourg and the Euroclear System on or about , 2004. Interest on the notes will accrue from , 2004 to the date of delivery.

Citigroup **Deutsche Bank Securities** **Lehman Brothers**

, 2004

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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.

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 pro forma segment net losses of $50 million and $1 million, respectively (including pro forma adjustments to give effect to the increased interest expense as a result of this offering).

We had $12.3 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 $893 million and $257 million, respectively (including pro forma adjustments to give effect to the increased interest expense as a result of this offering). Our principal life insurance companies 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 our rated mortgage insurance companies 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 initial public offering, or IPO, which was completed on May 28, 2004.

In connection with the IPO, we acquired substantially all of the assets and liabilities of GE Financial Assurance Holdings, Inc., or GEFAHI. GEFAHI is an indirect subsidiary of GE and prior to the IPO was 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 acquired certain other insurance businesses that were 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 acquired and the liabilities that we assumed in connection with our corporate reorganization, we issued to GEFAHI the following securities:

489.5 million shares of our Class B Common Stock. For a description of the terms of our common stock, see "Description of Capital Stock Common Stock." GEFAHI sold 145.0 million shares of our Class A Common Stock (which were converted from an equal number of shares of Class B Common Stock) in the IPO.

$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 sold all the Equity Units in a public offering concurrent with the IPO.

$100 million of our 5.25% Series A Cumulative Preferred Stock, which we refer to in this prospectus as the Series A 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 Capital Stock Preferred Stock Series A Preferred Stock." GEFAHI sold all the Series A Preferred Stock in a public offering concurrent with the IPO.

A $2.4 billion note. We repaid this note with proceeds from the borrowings under a $2.4 billion short-term credit facility with a syndicate of banks concurrently with the completion of the IPO. We intend to repay the borrowings under this short-term credit facility with the proceeds from this offering and from our expected issuance (at about the same time as this offering) of approximately $500 million in commercial paper. For a description of the terms of the notes offered hereby, see "Description of the Notes." For a description of the short-term credit facility and the commercial paper facility, see "Description of Certain Indebtedness Commercial Paper Facility."

A $550 million contingent non-interest-bearing note that matures on May 24, 2005. 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 May 24, 2005 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 May 24, 2005 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 assumed from GEFAHI include ¥60 billion aggregate principal amount of 1.6% notes due 2011 that had been issued by GEFAHI, ¥3 billion of which GEFAHI owned and transferred to us. We refer to these notes in this prospectus as the Yen Notes. We have entered into arrangements to swap our obligations under the Yen 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 the IPO, GEFAHI owned 100% of our outstanding common stock, which consisted 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 IPO consisted of Class A Common Stock. Upon the completion of the IPO, GE beneficially owned (through GEFAHI) approximately 70% of our outstanding common stock. The underwriters in the IPO have an option until June 23, 2004 to purchase additional shares of Class A Common Stock to cover over-allotments, and if they exercise that option in full, GE would beneficially own approximately 66% of our outstanding common stock. On June 4, 2004, the underwriters exercised the option to purchase 1.44 million shares of Class A Common Stock, with settlement of that purchase expected on June 9, 2004. The information in this prospectus does not reflect the expected sales of these shares to the underwriters. GE has informed us that 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 the IPO. 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.

In connection with the IPO, we entered 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 ceded 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 did not meet our target return thresholds, and although we remain liable under these contracts and policies as the ceding insurer, the reinsurance transactions 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 continue to service the blocks of business that we reinsured, which preserves our operating scale and enables us to service and grow our new sales of these products. See "Arrangements Between GE and Our Company."

The diagram below shows the relationships among GE, GEFAHI and Genworth that existed prior to the completion of our corporate reorganization and the IPO. The dotted lines indicate the businesses that were 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 current relationships among GE, GEFAHI and Genworth after the completion of our corporate reorganization and the IPO.

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.

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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 this offering*, including the possibility that an active trading market for the notes will not develop, the adverse effect on the price of the notes that changes in our credit rating or the debt market could have, the absence of financial covenants in the indenture governing the notes and the structural subordination of the notes to the debt and other liabilities of our subsidiaries.

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.
Notes offered	$ aggregate principal amount of LIBOR floating rate notes due 2007
	$ aggregate principal amount of % notes due 2009
	$ aggregate principal amount of % notes due 2014
	$ aggregate principal amount of % notes due 2034
	We refer to the LIBOR floating rate notes due 2007 as the 2007 notes, the % notes due 2009 as the 2009 notes, the % notes due 2014 as the 2014 notes and the % notes due 2034 as the 2034 notes, and we refer to the 2007 notes, 2009 notes, 2014 notes and 2034 notes collectively as the notes.
Interest rate	In the case of the 2007 notes, three-month LIBOR, reset on a quarterly basis, plus % per year
	% per year in the case of the 2009 notes
	% per year in the case of the 2014 notes
	% per year in the case of the 2034 notes
Maturity date	2007 notes will mature on , 2007
	2009 notes will mature on , 2009
	2014 notes will mature on , 2014
	2034 notes will mature on , 2034
Interest payment dates	Interest on the 2007 notes will be payable quarterly on , , and of each year, beginning , 2004. Interest on the 2009 notes, the 2014 notes and the 2034 notes will be payable semi-annually on and of each year, beginning , 2004.
Ranking	The notes will rank equally with all of our other unsecured and unsubordinated obligations. The notes will not be obligations of or guaranteed by any of our subsidiaries. As a result, the notes 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 notes 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 indenture under which the notes will be issued will not limit our ability, or the ability of our subsidiaries, to issue or incur other debt or issue preferred stock. As a holding company, we depend on the ability of our subsidiaries to transfer funds to us to meet our obligations, including our obligations to pay interest on the notes. See "Risk Factors Risk Relating to Our Business 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 the Notes."

Optional Redemption	We may redeem all or a portion of the 2009 notes, the 2014 notes and the 2034 notes at any time, at our option, at "make-whole" redemption prices equal to the greater of (1) 100% of the aggregate principal amount of the notes being redeemed, plus accrued and unpaid interest to, but excluding, the date of redemption and (2) the sum of the present values of the remaining scheduled payments of principal and interest in respect of the notes being redeemed (not including any portion of the payments of interest accrued as of the date of redemption) discounted to the redemption date, on a semi-annual basis, at the treasury rate plus (i) basis points with respect to the 2009 notes, (ii) basis points with respect to the 2014 notes or (iii) basis points with respect to the 2034 notes, plus, in each case, accrued and unpaid interest to, but excluding, the date of redemption. See "Description of the Notes Optional Redemption."
Sinking Fund	None.
Denominations	Each series of the notes will be issued in denominations of $1,000 or integral multiples thereof.
Form of Notes	Each series of the notes will be issued as fully registered notes (to be deposited with the depositary), represented by one or more global notes deposited with The Depository Trust Company, or DTC. Investors may elect to hold interests in the global notes through any of DTC, Clearstream, Luxembourg or the Euroclear System.
Use of Proceeds	The net proceeds from the offering will be approximately $1.9 billion. GE will reimburse us for all underwriting discounts and commissions and substantially all of our other offering expenses, and we estimate that the total offering expenses will be approximately $2 million, not including underwriting discounts and commissions. We intend to apply the net proceeds from this offering, together with the net proceeds of our expected issuance of approximately $500 million in commercial paper, to the repayment of a $2.4 billion 180-day credit facility entered into with a syndicate of banks, including certain affiliates of the underwriters, in connection with our corporate reorganization. See "Underwriting."
Trustee	JPMorgan Chase Bank

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.

In connection with the IPO, we acquired substantially all of the assets and liabilities of GEFAHI. We also acquired certain other insurance businesses that were 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 acquired and the liabilities that we assumed in connection with our corporate reorganization, we issued 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, a $2.4 billion 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 were not transferred to us, as well as the other insurance businesses that we acquired 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 were not 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 did 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 to UFLIC;

- the issuance of equity and debt securities to GEFAHI in exchange for the assets that we acquired and the liabilities that we assumed in connection with our corporate reorganization;

- the issuance and sale of the notes offered hereby and $500 million of commercial paper and the application of the proceeds therefrom as described under "Use of Proceeds;" 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, including those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	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	60	42	203
Total benefits and expenses	2,644	2,477	10,289	9,438	9,280	8,375	7,416	2,176	2,036	8,510
Earnings from continuing operations before income taxes	377	354	1,382	1,791	1,821	1,851	1,589	379	318	1,265
Provision for income taxes	117	100	413	411	590	576	455	122	89	372
Net earnings from continuing operations	$ 260	$ 254	$ 969	$ 1,380	$ 1,231	$ 1,275	$ 1,134	$ 257	$ 229	$ 893
Pro forma earnings from continuing operations per share:										
Basic	$ 0.53	$ 0.52	$ 1.98					$ 0.53	$ 0.47	$ 1.82
Diluted	$ 0.53	$ 0.52	$ 1.98					$ 0.52	$ 0.47	$ 1.82
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

	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	(1)	(6)	(50)
Total	$ 260	$ 254	$ 969	$ 1,380	$ 1,231	$ 1,275	$ 257	$ 229	$ 893

	Historical						Pro forma
	March 31,	December 31,					March 31,
(Dollar amounts in millions)	2004	2003(1)	2002	2001	2000(2)	1999	2004
Combined Statement of Financial Position Information							
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	38,467
Total assets	$ 106,536	$ 103,431	$ 117,357	$ 103,998	$ 99,576	$ 76,099	$ 100,216
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	500
Long-term borrowings	516	529	472	622	175	175	2,416(6)
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	12,258
U.S. Statutory Information							
Statutory capital and surplus(7)	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)

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 were owned by GEFAHI but were not 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 were 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 the Yen Notes and the notes offered hereby.

(7)

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 notes. These risks could materially affect our business, results of operations or financial condition and cause the trading price of our notes 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 porfolio 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 the IPO and our 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 securities.

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 securities, including the notes. They are not ratings of our securities and should not be relied upon when making a decision to buy, hold or sell our securities. 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 act as a holding company for our insurance subsidiaries and do 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 are our principal sources of cash to pay stockholder dividends and to meet our obligations. These obligations include our operating expenses, interest and principal on the notes and other borrowings and contract adjustment payments on our Equity Units. These obligations also include amounts we owe to GE under the tax matters agreement that we and GE entered into in connection with the IPO. 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 paid in connection with our corporate reorganization and the IPO, most of our insurance subsidiaries will not be able to pay us any additional dividends for the twelve months following the completion of the IPO without prior regulatory approval. As part of our corporate reorganization, we retained 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. An inability 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 the IPO, we ceded 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 ceded 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 established 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 polices 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.

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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 the IPO. 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.

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.

Our separation from GE following our corporate reorganization and the IPO 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.

Because of 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 of our separation from 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 as the result of the IPO or at various times in the future, including:

- 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 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.

Since the completion of the IPO, our corporate name has been "Genworth Financial, Inc." We and our insurance and other subsidiaries may use the GE brand name and logo in marketing our products and services for only a limited period of time. Pursuant to a transitional trademark license agreement, GE granted 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 granted 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 May 24, 2009. 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 were not included in our company following the completion of our corporate organization and the IPO. 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. As the result of 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 would 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 allows 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 implemented prior to the completion of the IPO, including the reinsurance transactions with UFLIC, as if those transactions had already been consummated. The unaudited pro forma information gives effect to these 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 would 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 entered into a transition services agreement and other agreements in connection with the IPO. Pursuant to the transition services agreement, GE and its affiliates agreed to provide us with transitional services, 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 govern the relationship between us and GE and provide for the allocation of employee benefit, tax and other liabilities and obligations attributable or related to periods or events prior to the IPO. 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 entered into a tax matters agreement with GE in connection with the IPO. We refer to this agreement in this prospectus as the Tax Matters Agreement. Under the Tax Matters Agreement, we have an obligation to pay to GE a fixed amount over 15 to 25 years. This fixed obligation equals 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 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 controls 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-IPO 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-IPO periods will be made by GE in its reasonable discretion. Although the Tax Matters Agreement provides that we are not 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 exercise its control in a way that benefits our public securityholders.

GE beneficially owns approximately 70% of our outstanding common stock. GE has informed us that 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 the IPO. 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 has 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, which does not apply to the expected $500 million issuance of commercial paper, the notes offered hereby, intercompany debt (within Genworth) or 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. GE is engaged in the marketing of supplemental life insurance, including accidental death and dismemberment coverage and in the marketing and underwriting of dental and vision insurance, medical stop-loss insurance and primary property and casualty insurance. In addition, GE operates 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 not to use the "GE" mark or the "GE" monogram or the name "General Electric" until May 24, 2009 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. 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 This Offering

An active trading market for the notes may not develop.

Each series of notes constitutes a new issue of securities, for which there is no existing market. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes in any automated dealer quotation system. We cannot provide you with any assurance regarding whether a trading market for any series of notes will develop, the ability of holders of the notes to sell their notes or the price at which holders may be able to sell their notes. The underwriters have advised us that they currently intend to make a market in the notes. However, the underwriters are not obligated to do so, and any market-making with respect to the notes may be discontinued at any time without notice. If no active trading market develops, you may be unable to resell your notes at any price or at their fair market value.

Changes in our credit ratings or the debt markets could adversely affect the price of the notes.

The price for the notes depends on many factors, including:

- our credit ratings with major credit rating agencies;
- the prevailing interest rates being paid by other companies similar to us;
- the market price of our common stock;
- our financial condition, financial performance and future prospects; and
- the overall condition of the financial markets.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the notes.

In addition, credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the insurance industry as a whole and may change their credit rating for us based on their overall view of our industry. A negative change in our rating could have an adverse effect on the price of the notes.

There are no financial covenants in the indenture.

Neither we nor any of our subsidiaries are restricted from incurring additional debt or other liabilities, including additional senior debt, under the indenture. If we incur additional debt or liabilities, our ability to pay our obligations on the notes could be adversely affected. We expect that we will from time to time incur additional debt and other liabilities. In addition, we are not restricted from paying dividends or issuing or repurchasing our securities under the indenture.

There are no financial covenants in the indenture. You are not protected under the indenture in the event of a highly leveraged transaction, reorganization, restructuring merger or similar transaction that may adversely affect you, except to the extent described under "Description of the Notes Consolidation, Merger and Conveyance of Assets as an Entirety; No Financial Covenants."

The notes 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 notes would have any claims to those assets.

We are a holding company and conduct substantially all of our operations through subsidiaries. However, the notes will be obligations exclusively of Genworth Financial, Inc. and will not be guaranteed by any of our subsidiaries. As a result, the notes 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 notes 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).

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 intend to apply the net proceeds from this offering of approximately $1.9 billion, together with the proceeds of our expected issuance of approximately $500 million in commercial paper, to the repayment of a $2.4 billion 180-day credit facility with a syndicate of banks, including certain affiliates of the underwriters. We entered into this facility in order to repay the $2.4 billion short-term intercompany note we issued to GEFAHI as consideration for the assets transferred to us in connection with our corporate reorganization. The facility matures on November 28, 2004, and amounts borrowed thereunder bear interest at a floating rate based upon, at our option, (1) the prime rate or (2) the Eurodollar rate plus a margin of 0.30%, which Eurodollar rate will be fixed for interest periods of one week, two weeks or one month as we may select.

GE will reimburse us for the underwriting discounts and commissions and substantially all of our other offering expenses. We estimate that the total offering expenses, not including underwriting discounts and commissions, will be approximately $2 million.

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," including this offering of notes. 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, this offering 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)	$	$ 500(3)	$ 500
Long-term borrowings:					
Yen Notes	516(4)				516
Notes offered hereby				1,900(3)	1,900
Total long-term borrowings	516			1,900	2,416
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	298(11)	10,004
Total paid-in capital	8,426	866	414	298	10,004
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)	(3,441)	12,258

(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, this offering and other	Pro forma
Total capitalization	$ 22,010	$ (1,759)	$ (2,463)	$ 209	$ 17,997

(1) Reflects adjustments to exclude amounts included in our historical combined financial statements relating to certain assets and liabilities that were not 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 entered into with UFLIC as described under "Arrangements Between GE and Our 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 proceeds from the issuance of $1.9 billion of notes in this offering and our expected issuance of approximately $500 million in commercial paper. For a description of the notes and the commercial paper, see "Description of the Notes" and "Description of Certain Indebtedness Commercial Paper Facility," respectively.

(4)

Reflects the Yen Notes. We have entered into arrangements to swap our obligations under the Yen 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 the Yen Notes, see "Description of Certain Indebtedness Yen Notes."

(5)

Reflects the $550 million Contingent Note that we issued to GEFAHI in connection with our corporate reorganization. This note is non-interest-bearing, matures on May 24, 2005 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 May 24, 2005, 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 May 24, 2005 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."

(8)

Represents notes forming part of the Equity Units. For a description of the terms of our Equity Units, see "Description of Equity Units."

(9)

For a description of the terms of our Series A Preferred Stock, see "Description of Capital Stock Preferred Stock Series A Preferred Stock."

(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.

(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 granted prior to completion of the IPO, at an exercise price of $19.50;
- excludes 10.0 million shares of Class A Common Stock issuable upon the exercise of unvested employee stock options granted prior to completion of the IPO, at an exercise price of $19.50;
- excludes 4.6 million shares of Class A Common Stock issuable upon the exercise of unvested employee stock options granted in exchange for unvested GE stock options held by our employees prior to the completion of the IPO, 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 granted in exchange for vested GE stock options held by our Chairman, President and Chief Executive Officer prior to the completion of the IPO, at a weighted average exercise price of $18.37 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 granted in exchange for unvested GE stock appreciation rights held by our employees prior to the completion of the IPO;
- excludes 1.5 million shares of Class A Common Stock issuable upon the lapse of restrictions on restricted stock units granted in exchange for GE restricted stock units held by our employees prior to the completion of the IPO;
- 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.

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 the 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	1.96	1.76

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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.

In connection with the IPO, we acquired substantially all of the assets and liabilities of GEFAHI. We also acquired certain other insurance businesses that were 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 acquired and the liabilities that we assumed in connection with our corporate reorganization, we issued 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;
- a $2.4 billion note; and
- $550 million Contingent Note.

The liabilities we assumed 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 were not transferred to us, as well as the other insurance businesses that we acquired from other GE subsidiaries, each in connection with our corporate reorganization.

Prior to the completion of the IPO, we entered into several significant reinsurance transactions with UFLIC, an indirect, wholly-owned subsidiary of GE. As part of these transactions, we ceded 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 ceded 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 did not meet our target return thresholds, and although we remain liable under these contracts and policies as the ceding insurer, the reinsurance transactions have the effect of transferring the financial results of the reinsured blocks to UFLIC. In addition, as part of the reinsurance transactions, UFLIC ceded 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 were not 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 did 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 to UFLIC;
- the issuance of equity and debt securities to GEFAHI in exchange for the assets that we acquired and the liabilities that we assumed in connection with our corporate reorganization;
- the issuance and sale of the notes offered hereby and $500 million of commercial paper and the application of the proceeds therefrom as described under "Use of Proceeds;" 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, 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 (p) below.

	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	60	42	203
Total benefits and expenses	2,644	2,477	10,289	9,438	9,280	8,375	7,416	2,176	2,036	8,510
Earnings from continuing operations before income taxes	377	354	1,382	1,791	1,821	1,851	1,589	379	318	1,265
Provision for income taxes	117	100	413	411	590	576	455	122	89	372
Net earnings from continuing operations	$ 260	$ 254	$ 969	$ 1,380	$ 1,231	$ 1,275	$ 1,134	$ 257	$ 229	$ 893
Pro forma earnings from continuing operations per share:										
Basic	$ 0.53	$ 0.52	$ 1.98					$ 0.53	$ 0.47	$ 1.82
Diluted	$ 0.53	$ 0.52	$ 1.98					$ 0.52	$ 0.47	$ 1.82
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

	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	(1)	(6)	(50)
Total	$ 260	$ 254	$ 969	$ 1,380	$ 1,231	$ 1,275	$ 257	$ 229	$ 893

	Historical						Pro forma
	March 31,	December 31,					March 31,
(Dollar amounts in millions)	2004	2003(1)	2002	2001	2000(2)	1999	2004
Combined Statement of Financial Position Information							
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	38,467
Total assets	$ 106,536	$ 103,431	$ 117,357	$ 103,998	$ 99,576	$ 76,099	$ 100,216
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	500
Long-term borrowings	516	529	472	622	175	175	2,416(6)
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	12,258
U.S. Statutory Information(7)							
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	

(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 were owned by GEFAHI but were not 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 were 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 the Yen Notes and the notes offered hereby.

(7) Includes statutory capital and surplus and statutorily required contingency reserves held by our U.S. mortgage insurance subsidiaries.

Pro Forma Financial Information

(Amounts in millions, except per share amounts)	Three months ended March 31, 2004 Historical	Pro forma adjustments excluded assets and liabilities	Pro forma adjustments reinsurance transactions	Pro forma adjustments capital structure, this offering and other	Pro forma(p)
Revenues:					
Premiums	$ 1,722	$ (54)(a)	$ (49)(f)	$	$ 1,619
Net investment income	1,020	(18)(a)	(222)(f) (25)(g)		755
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) 7 (i) 5 (k) 23 (m)	60
Total benefits and expenses	2,644	(151)	(330)	13	2,176
Earnings from continuing operations before income taxes	377	11	4	(13)	379
Provision for income taxes	117	10 (a)	10 (f) (10)(g)	(5)(n)	122
Net earnings from continuing operations	$ 260	$ 1	$ 4	$ (8)	$ 257
Pro forma earnings from continuing operations per share: (q)					
Basic	$ 0.53				$ 0.53
Diluted	$ 0.53				$ 0.52

	Three months ended March 31, 2004	
Pro forma number of shares outstanding: (q)		
Basic	489.5	489.5
Diluted	490.0	490.0

Pro Forma Financial Information

(Amounts in millions, except per share amounts)	Three months ended March 31, 2003				
	Historical	Pro forma adjustments excluded assets and liabilities	Pro forma adjustments reinsurance transactions	Pro forma adjustments capital structure, this offering and other	Pro forma(p)
Revenues:					
Premiums	$ 1,587	$ (58)(a)	$ (51)(f)	$	$ 1,478
Net investment income	992	(14)(a) (2)(c)	(231)(f) (24)(g)		721
Net realized investment gains	21		(1)(g)		20
Policy fees and other income	231	(65)(a)	(31)(f)		135
Total revenues	2,831	(139)	(338)		2,354
Benefits and expenses:					
Benefits and other changes in policy reserves	1,253	(51)(a)	(206)(f)		996
Interest credited	409		(66)(f)		343
Underwriting, acquisition, and insurance expenses, net of deferrals	488	(65)(a)	(19)(f)		404
Amortization of deferred acquisition costs and intangibles	300	(26)(a)	(23)(f)		251
Interest expense	27			(20)(b) 7 (i) 5 (k) 23 (m)	42
Total benefits and expenses	2,477	(142)	(314)	15	2,036
Earnings from continuing operations before income taxes	354	3	(24)	(15)	318
Provision for income taxes	100	4 (a) (1)(c)	1 (f) (10)(g)	(5)(n)	89
Net earnings from continuing operations	$ 254	$	$ (15)	$ (10)	$ 229
Pro forma earnings from continuing operations per share: (q)					
Basic	$ 0.52				$ 0.47
Diluted	$ 0.52				$ 0.47

	Three months ended March 31, 2003	
Pro forma number of shares outstanding: (q)		
Basic	489.5	489.5
Diluted	490.0	490.0

Pro Forma Financial Information

(Amounts in millions, except per share amounts)	Year ended December 31, 2003				
	Historical	Pro forma adjustments excluded assets and liabilities	Pro forma adjustments reinsurance transactions	Pro forma adjustments capital structure, this offering and other	Pro forma(p)
Revenues:					
Premiums	$ 6,703	$ (244)(a)	$ (207)(f)	$	$ 6,252
Net investment income	4,015	(62)(a) (8)(c)	(921)(f) (96)(g)		2,928
Net realized investment gains	10	6 (e)	24 (f) (2)(g)		38
Policy fees and other income	943	(260)(a)	(126)(f)		557
Total revenues	11,671	(568)	(1,328)		9,775
Benefits and expenses:					
Benefits and other changes in policy reserves	5,232	(196)(a)	(845)(f)		4,191
Interest credited	1,624		(266)(f)		1,358
Underwriting, acquisition, and insurance expenses, net of deferrals	1,942	(239)(a) (4)(c)	(85)(f)		1,614
Amortization of deferred acquisition costs and intangibles	1,351	(110)(a)	(97)(f)		1,144
Interest expense	140			(83)(b) 30 (i) 20 (k) 96 (m)	203
Total benefits and expenses	10,289	(549)	(1,293)	63	8,510
Earnings from continuing operations before income taxes	1,382	(19)	(35)	(63)	1,265
Provision for income taxes	413	(5)(a) (1)(c) 2 (e)	24 (f) (39)(g)	(22)(n)	372
Net earnings from continuing operations	$ 969	$ (15)	$ (20)	$ (41)	$ 893
Pro forma earnings from continuing operations per share: (q)					
Basic	$ 1.98				$ 1.82
Diluted	$ 1.98				$ 1.82

	Year ended December 31, 2003	
Pro forma number of shares outstanding: (q)		
Basic	489.5	489.5
Diluted	490.0	490.0

Pro Forma Financial Information

	March 31, 2004				
(Dollar amounts in millions)	Historical	Pro forma adjustments excluded assets and liabilities	Pro forma adjustments reinsurance transactions	Pro forma adjustments capital structure, this offering and other	Pro forma(p)
Assets					
Investments:					
Fixed maturities	$ 68,915	$ (1,398)(a)	$ (16,168)(f)	$	$ 50,081
		(1)(d)	(1,267)(g)		
Equity securities	547	(64)(a)	(78)(f)		387
		(18)(d)			
Mortgage loans	6,124	82 (c)	(332)(f)		5,689
			(185)(g)		
Policy loans	1,114	(9)(a)			1,105
Short-term investments	213	(10)(a)			203
Restricted investments held by securitization entities	1,018				1,018
Other invested assets	3,535	(13)(a)	(87)(f)		3,266
		(118)(c)			
		(51)(d)			
Total investments	81,466	(1,600)	(18,117)		61,749
Cash and cash equivalents	2,252	(71)(a)	(102)(f)	(24)(h)	1,630
		(11)(c)	(414)(g)		
Accrued investment income	1,007	(18)(a)	(33)(f)		935
		(4)(d)	(17)(g)		
Deferred acquisition costs	5,455	(193)(a)	(841)(f)		4,421
Intangible assets	1,390	(184)(a)	(278)(f)		927
		(1)(d)			
Goodwill	1,739	(284)(a)			1,455
Reinsurance recoverable	2,375	(45)(a)	16,439 (f)		18,769
Other assets	2,434	(86)(a)	(19)(f)	10 (o)	1,912
		(2)(c)			
		(425)(d)			
Separate account assets	8,418				8,418
Total assets	$ 106,536	$ (2,924)	$ (3,382)	$ (14)	$ 100,216
Liabilities and Stockholder's Interest					
Liabilities:					
Future annuity and contract benefits	$ 59,549	$ (349)(a)	$ 12 (f)	$	$ 59,212
Liability for policy and contract claims	3,458	(155)(a)	6 (f)		3,309
Unearned premiums	3,438	(16)(a)			3,422
Other policyholder liabilities	901	(3)(a)			898
Other liabilities	6,344	(230)(a)	(101)(f)	37 (i)	6,470
		(206)(b)		2,400 (i)	
		(20)(c)		550 (i)	
		(290)(d)		(2,400)(m)	

	March 31, 2004				
				386 (k)	
Non-recourse funding obligations	600				600
Short-term borrowings	2,496	(2,496)(b)		500 (m)	500
Long-term borrowings	516			1,900 (m)	2,416
3.84% senior notes due 2009 underlying Equity Units				600 (i)	600
Series A Preferred Stock, mandatorily redeemable(r)				100 (i)	100
Deferred income taxes	2,418	25 (a)	(820)(f)	(16)(j)	1,040
		74 (b)	(16)(g)	(630)(k)	
		5 (d)			
Borrowings related to securitization entities	973				973
Separate account liabilities	8,418				8,418
Total liabilities	89,111	(3,661)	(919)	3,427	87,958
Stockholder's interest:					
Common stock(i)(s)					
Additional paid-in capital	8,426	(1,407)(a)	414 (f)	(37)(i)	10,004
		2,515 (b)		40 (j)	
		(27)(c)		244 (k)	
		(215)(d)		41 (l)	
				10 (o)	
Accumulated nonowner changes in stockholder's interest					
Net unrealized investment gains	2,721	(61)(a)	(977)(f)		1,652
			(31)(g)		
Derivatives qualifying as hedges	92	113 (b)	(33)(f)		172
Foreign currency translation adjustments	163				163
Total accumulated nonowner changes in stockholder's interest	2,976	52	(1,041)		1,987
Retained earnings	6,023	(179)(a)	(1,836)(g)	(24)(h)	267
		(2)(c)		(3,650)(i)	
				(24)(j)	
				(41)(l)	
Total stockholder's interest	17,425	737	(2,463)	(3,441)	12,258
Total liabilities and stockholder's interest	$ 106,536	$ (2,924)	$ (3,382)	$ (14)	$ 100,216

Notes to unaudited pro forma financial information

(a)

Reflects adjustments to exclude amounts included in our historical combined financial statements relating to the results of operations, assets and liabilities of businesses reported in the Affinity segment, which were not transferred to us. For a description of our Affinity segment, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Our historical and pro forma financial information." The exclusion of these businesses from our historical combined financial statements will be accounted for as a pre-IPO dividend to GEFAHI in the three months ending June 30, 2004.

(b)

Reflects adjustments to exclude the liabilities for commercial paper issued by GEFAHI of $1,696 million, short-term borrowings from GE Capital of $800 million, derivative contracts hedging the commercial paper cash flows of $206 million, deferred tax liability of $(74) million relating to those derivative contracts, nonowner changes in stockholder's interest of $113 million, net of deferred tax, reflecting the effective portion of hedges that have not yet been reclassified to earnings as of March 31, 2004 and interest expense, adjusted for qualified hedge effects, of $22 million, $20 million and $83 million incurred during the three months ended March 31, 2004 and 2003 and the year ended December 31, 2003, respectively, on our commercial paper and other short-term borrowings. The commercial paper, short-term borrowing and derivative contracts liabilities were not transferred to us and their exclusion from our historical combined financial statements will be accounted for as a pre-IPO capital contribution from GEFAHI in the three months ending June 30, 2004.

(c)

Reflects adjustments to exclude amounts included in our historical combined financial statements relating to the results of operations, assets and liabilities of certain investment partnerships that were transferred to us. The exclusion of these partnerships from our historical combined financial statements will be accounted for as a pre-IPO dividend to GEFAHI in the three months ending June 30, 2004.

(d)

Reflects adjustments to exclude payables to, receivables from, and intercompany investments in other GE companies included in our historical combined financial statements, net of deferred taxes, that were not transferred to us. The exclusion from our historical combined financial statements of the net liability for these intercompany balances will be accounted for as a pre-IPO capital contribution from GEFAHI in the three months ending June 30, 2004.

(e)

Reflects adjustments to exclude from results of operations net realized investment (gains) losses, and related income tax benefit, arising from sales of Affinity segment assets. In our historical combined financial statements net realized investment (gains) losses are reflected in the Corporate and Other segment.

(f)

Reflects adjustments to record the effects of the reinsurance transactions we entered into with UFLIC as described under "Arrangements Between GE and Our Company Reinsurance Transactions." As part of these transactions, we ceded 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 from Travelers in 2000. The unaudited pro forma earnings information gives effect to the reinsurance transactions as if each had occurred as of January 1, 2003 and excludes the effects of all reinsured contracts that were issued before January 1, 2003. We have continued to sell variable annuities and structured settlements after completion of the reinsurance transactions and are retaining that business for our own account, subject to third-party reinsurance transactions in the ordinary course of business. As a result, our unaudited pro forma combined statements of earnings reflect premiums and fees from these products issued after January 1, 2003, even though variable annuities and structured settlements issued during 2003 are included in the blocks of policies reinsured with UFLIC. Our net loss for the three months ended March 31, 2004 and 2003 and the year ended December 31, 2003 from variable annuities and structured settlements issued during 2003 were $0 million, $2 million and $5 million, respectively. We did not issue any new policies in 2003 in the block of long-term care insurance policies that we ceded to UFLIC and we will not issue any in the future. As a result, our pro forma combined statements of earnings exclude the impact of that entire block of policies.

The unaudited pro forma financial position information gives effect to the reinsurance transactions as if each had occurred as of March 31, 2004 and reflects adjustments to our statement of financial position to exclude the assets and liabilities related to the investment contracts and insurance policies, in-force as of January 1, 2004, that we will reinsure with UFLIC.

In connection with the reinsurance transactions, we recorded a pro forma reinsurance recoverable asset of $16,439 million, including $12,170 million related to structured settlement contracts, $2,752 million related to variable annuity contracts and $1,510 million related to long-term care insurance policies.

When we entered into the reinsurance transactions, we transferred investment assets to UFLIC in exchange for the reinsurance recoverable asset from UFLIC, and consequently we do not earn investment income on the investment assets transferred. The actual investment assets that were transferred in the reinsurance transactions were identified on an asset-by-asset basis and the pro forma financial position adjustments have been determined based upon the actual assets that were transferred. Because a significant portion of the assets transferred were not owned for the entire period, the pro forma earnings adjustments were based upon a proportional allocation of investment income from the investment assets historically identified as supporting the blocks of business reinsured. Under our existing investment management strategies, multiple product lines with similar characteristics can be supported by a single portfolio of investment securities, known as "multiple product portfolios." Where the reinsurance transactions with UFLIC relate to products supported by multiple product portfolios, the pro forma net investment income and net realized investment gains (losses) attributable to the reinsured liabilities were determined using an allocation approach, applying the ratio of reinsured liabilities to the total liabilities supported by the multiple product portfolio to the portfolio's net investment income and net realized investment gains (losses), respectively.

Under the reinsurance transactions, we receive an expense allowance to reimburse us for costs we incur to service the reinsured blocks. Actual costs and expense allowance amounts will be determined by expense studies to be conducted periodically. The pro forma adjustments have been prepared assuming that actual costs incurred during the pro forma periods, as determined under our historical cost structure and allocation methods, were reimbursed by an expense allowance.

The reinsurance transactions were completed and accounted for at book value. We will report the reinsurance transactions on our tax returns at fair value as determined for tax purposes, giving rise to a net reduction in current and deferred income tax liabilities and resulting in a net tax benefit. The differences between the book value of assets and liabilities transferred and the ceding commission received, and their respective income tax effects, will be recorded as a pre-IPO net capital contribution from GEFAHI in the three months ending June 30, 2004. The actual income tax effects will vary depending upon, among other factors, the fair value of the investment assets at the time of the reinsurance transaction.

The pro forma information does not represent the results we would have achieved had the reinsurance transactions we entered into with UFLIC been consummated at the beginning of the periods presented, and the information presented may not be a reliable indicator of our future results.

(g) Concurrently with the reinsurance transactions described in note (f), we contributed $1.836 billion of capital to UFLIC, which primarily represented excess statutory capital in our insurance subsidiaries, after giving effect to the reinsurance transactions. We have reflected this capital contribution to UFLIC in our unaudited pro forma financial position information as a pre-IPO dividend to GEFAHI and a decrease in fixed maturities, mortgage loans and cash, with related adjustments to accrued investment income, deferred income taxes and other associated items. The actual investment assets that were contributed to UFLIC were identified on an asset-by-asset basis and the pro forma financial position adjustments have been determined based upon the actual assets that were transferred. Because a significant portion of the assets transferred were not owned for the entire period, the pro forma adjustments to reduce net investment income and net realized investment gains related to the transferred assets were based upon a proportional allocation of investment income from the investment assets historically identified as representing surplus of the subsidiaries providing the assets to be contributed to UFLIC.

(h) Reflects adjustments to record a dividend of $24 million paid by one of our combined subsidiaries to GE in April 2004. We will record this dividend in our historical combined financial statements in the three months ending June 30, 2004.

(i) Reflects adjustments to record the equity and debt securities we issued to GEFAHI in connection with our corporate reorganization, as well as related interest expense:

1. We issued 489.5 million shares of our Class B Common Stock to GEFAHI. 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. For a description of the terms of our common stock, see "Description of Capital Stock Common Stock." GEFAHI sold 145.0 million shares of our Class A Common Stock in the IPO.

2. We issued $600 million of our Equity Units to GEFAHI. We will pay holders of Equity Units quarterly contract adjustment payments on each purchase contract forming a part of the Equity Units at a rate of 2.16% per year of the stated amount of $25 per Equity Unit. The estimated present value of the contract adjustment payments on the stock purchase contracts is $37 million, which has been recorded in the pro forma financial information as other liabilities with a decrease in additional paid-in capital. When we make contract adjustment payments, they will be charged to other liabilities and we will accrue interest expense on the unpaid balance at the rate of 3.84% per year. For a description of the terms of our Equity Units, see "Description of Equity Units." GEFAHI sold all the Equity Units in a public offering concurrent with the IPO.

3. We issued $100 million of our Series A Preferred Stock, which is mandatorily redeemable, to GEFAHI. For a description of the terms of our Series A Preferred Stock, see "Description of Capital Stock Preferred Stock Series A Preferred Stock." The dividends on our Series A Preferred Stock will be accounted for as interest expense in our financial statements. GEFAHI sold all the shares of our Series A Preferred Stock in a public offering concurrent with the IPO.

4. We issued a $2.4 billion note to GEFAHI. We repaid this note with proceeds from the $2.4 billion short-term credit facility upon the completion of the IPO. We will repay the borrowings under this facility with proceeds from the borrowings described in note (m) below.

5. We issued the $550 million Contingent Note to GEFAHI. This note is non-interest-bearing, matures on May 24, 2005 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 May 24, 2005 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 May 24, 2005 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 the Contingent Note, see "Description of Certain Indebtedness Contingent Note."

(j)

Reflects adjustments to retained earnings for the first-year cost of our grant of stock options and stock appreciation rights to our management and employees and costs relating to the conversion of certain existing stock-based compensation awards in connection with the IPO, net of a related reduction of deferred income tax liability. In connection with the IPO, we established equity compensation plans pursuant to which we (1) issued stock options to purchase 10.0 million shares of our Class A Common Stock with an exercise price of $19.50, (2) issued stock appreciation rights on 6.0 million shares of our Class A Common Stock with an exercise price of $19.50, and (3) converted all the unvested stock options, restricted stock units and stock appreciation rights that GE previously granted to our employees and the vested GE stock options held by our Chairman, President and Chief Executive Officer into stock options, restricted stock units and stock appreciation rights issued by our company. We recognize compensation expense for share-based compensation awards based upon the fair value of the stock options in accordance with Statement of Financial Accounting Standards 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). Under the measurement principles of SFAS 123, we estimate that we will recognize compensation expense related to (1) the new issuances of stock options and stock appreciation rights of $35 million, $35 million, $21 million, $12 million and $5 million for the five twelve-month periods following the completion of the IPO, and (2) the conversions of existing awards of $5 million and $1 million for the two twelve-month periods following the completion of the IPO. Our estimate of fair value was made using the Black-Scholes model based upon the initial offering price in the IPO of $19.50 per share, volatility of 34.21%, risk free interest rate of 3.5% per year, and average expected life of 6 years. For a description of our stock-based compensation plans see "Management GE 1990 Long-Term Incentive Plan," " Omnibus Incentive Plan" and " Incentive Compensation Program."

(k)

Reflects an adjustment to record certain effects of our Tax Matters Agreement with GE. Under the Tax Matters Agreement, GE will make, and we will join GE in making, tax elections under section 338 of the Internal Revenue Code that will treat (for tax purposes) many of the companies in our group as having sold all their assets in fully taxable sales. Under the Tax Matters Agreement, GE will control the making of these elections and related determinations. GE will be responsible for all current taxes resulting from the making of these tax elections. As a result of the section 338 elections, we will become entitled to certain tax benefits that are expected to be realized by us in the future in the ordinary course of our business and that otherwise would not have been available to us. These benefits are generally attributable to increased tax deductions for amortization of intangibles and to increased tax basis in non-amortizable investment assets. Under the Tax Matters Agreement, we will be required to make payments to GE, equal to 80% of the amount of tax we are projected to save for each tax period as the result of these increased tax benefits, subject to a maximum amount of $640 million. We estimate that these payments will aggregate $566 million, comprising $503 million resulting from temporary differences between financial reporting and tax basis of our assets and liabilities arising from the elections (and recorded as a reduction in net deferred tax liabilities) and $63 million resulting from future interest expense deductions arising under the Tax Matters Agreement. The estimated present value of the projected payments is approximately $386 million. We have recorded this amount as our estimate of our liability to GE and have increased paid-in capital by the $244 million difference between that amount and the total $630 million reduction in net deferred income tax liabilities as a result of the Section 338 elections. The $630 million includes both GE's 80% share of the benefit, or $503 million, and our share of the benefit, or $127 million. We will record interest expense as our obligation under the Tax Matters Agreement accretes over time. Our pro forma adjustment for interest expense related to the Tax Matters Agreement has been prepared based upon an assumed interest rate of 5.08% per year.

Although these pro forma adjustments reflect detailed estimates, the estimates remain subject to certain variables, such as the value of our company and its individual assets, that will not be determined until after the completion of this offering. If these variables depart materially from the expectations underlying our estimates, the amounts set forth in the pro forma adjustments, and particularly the adjustment to our paid-in capital for the difference between the reduction in our net deferred income tax liabilities and the amount of our liability to GE under the Tax Matters Agreement, could increase or decrease substantially. See "Arrangements Between GE and Our Company Tax Matters Agreement" for further description of these tax matters.

(l)

Reflects an adjustment to record additional effects of our Tax Matters Agreement with GE. As described in note (k), GE generally will pay all current taxes arising from the section 338 elections. Certain taxes other than section 338 taxes will be incurred by our subsidiaries in the transaction. Under the Tax Matters Agreement, these taxes also will be paid by GE. These taxes have been estimated at $41 million, using assumptions as to, among other things, the value of our company and its individual assets. We will record these non-recurring taxes as a current tax expense when incurred, and will record GE's payment of the taxes on our behalf as a capital contribution. Because these taxes are non-recurring, we have not reflected this adjustment in the unaudited pro forma earnings information. See "Arrangements Between GE and Our Company Relationship with GE Tax Matters Agreement" for further description of these tax matters.

(m)

Reflects an adjustment to record borrowings and related interest expense pursuant to this offering of notes (which are included in long-term borrowings) and our expected issuance (at about the same time as this offering) of approximately $500 million in commercial paper (which is included in the short-term borrowings). Our pro forma adjustment for interest expense has been prepared assuming effective interest rates of 3.50% per year for $500 million aggregate principal amount of 2007 notes, 4.39% per year for $500 million aggregate principal amount of 2009 notes, 5.39% per year for $600 million aggregate principal amount of 2014 notes, 6.29% per year for $300 million aggregate principal amount of 2034 notes and 1.07% for $500 million aggregate principal amount of commercial paper. These effective interest rates give effect to (1) assumed stated interest rates of 3.86% per year for the 2007 notes, 4.75% per year for the 2009 notes, 5.72% per year for the 2014 notes and 6.59% per year for the 2034 notes, and (2) interest rate swaps that we have entered to hedge the benchmark interest rate on a portion of the notes being offered in this offering. As a result of these hedges, the effective interest rate for $400 million of the 2007 notes is fixed at 3.1875% per year, for $400 million of the 2009 notes is fixed at 4.00% per year, for $480 million of the 2014 notes is fixed at 4.90% per year, and for $300 million of the 2034 notes is fixed at 5.564% per year, plus, in each case, a corresponding credit spread adjustment, which we have assumed for our pro forma interest expense adjustment to be 0.22%, 0.30%, 0.41%, and 0.73%, respectively. Our pro forma interest expense for the three months ended March 31, 2004 and 2003 and the year ended December 31, 2003 was $23 million, $23 million and $96 million, respectively, which is net of adjustments that will be reclassified from accumulated nonowner changes in stockholder's interest for the interest rate swaps, of $2 million, $2 million and $7 million, respectively.

(n)

Reflects an adjustment to record the tax impact on other pro forma earnings adjustments at a rate of 35%.

(o)

Reflects an adjustment to record an additional capital contribution of approximately $10 million relating to GE's agreement to reimburse us for the costs and expenses, including underwriting discounts and commissions, of this offering.

(p)

We have not reflected any adjustments in our unaudited pro forma combined financial information for the following:

1.

In connection with the IPO, we entered into a number of arrangements with GE governing our separation from GE and a variety of transition matters. These include (i) arrangements with respect to certain transition services, management consulting services, administration services for a pool of guaranteed investment contracts, or GICs, and institutional asset management services, pursuant to which we will provide services to GE, (ii) arrangements with respect to certain transition services and asset management services, pursuant to which GE will provide services to us, and (iii) arrangements with GE with respect to which GE will reimburse us for certain other separation costs. Except as described in the notes above, we have not reflected any adjustments for the estimated effects of these arrangements, which are described under "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Separation from GE and related costs" and "Arrangements Between GE and Our Company Relationship with GE."

2.

We have not reflected any adjustments to exclude net investment income or net realized investment gains related to the $2,930 million dividend paid by GEFAHI in December 2003. Approximately $1,630 million of the dividend was funded from proceeds received on the sale of our Japanese life insurance and domestic auto and homeowners' insurance businesses, after deducting expenses and settlements, and the remaining $1,300 million of the dividend was funded from a portion of dividends received from our insurance subsidiaries. If the amount of the dividend funded from dividends received from our insurance subsidiaries had been invested in short-term investments during three months ended March 31, 2004 and 2003 and the year ended December 31, 2003, it would have earned net investment income of approximately $6 million, $6 million, and $30 million, respectively, based on our average short-term investment yields during the periods.

3.

Our payment protection insurance business in the U.K. includes a portfolio of insurance bonds and structured settlements issued to contractholders in the U.K. that had reserves of approximately $75 million as of March 31, 2004, and net earnings of approximately $0 million, $0 million and $1 million for the three months ended March 31, 2004 and 2003 and the year ended December 31, 2003, respectively. We and GE have agreed, subject to receipt of required regulatory and court approvals in the U.K., to transfer ownership of the bond and structured settlement portfolio to GE as soon as practicable following the transfer of the U.K. insurance businesses to us. Pending completion of the transfer of the bond and structured settlement portfolio, we have agreed to use commercially reasonable efforts to enter into indemnity reinsurance arrangements with GE to transfer the economic benefits, obligations and risks of the bond and structured settlement portfolio to GE. We have not reflected any adjustments for the reinsurance transaction and subsequent portfolio transfer. The reinsurance and portfolio transfer transactions will have no material effect on our net earnings or total stockholders' interest. When completed, the reinsurance transaction will reduce cash and investments and increase reinsurance recoverable by the amount of the reserves. The subsequent portfolio transfer will remove the reinsurance recoverable and related reserves from our combined statement of financial position. See "Arrangements Between GE and Our Company European Payment Protection Insurance Business Arrangements."

4.

We expect to incur aggregate pre-tax expenses of approximately $35 million in each of 2004, 2005 and 2006 for marketing, advertising and legal entity transition expenses, reflecting primarily the costs of establishing our new brand throughout our business, including with consumers and sales intermediaries. We have not reflected any adjustments for the estimated effect of these expenses because the majority of these expenses are nonrecurring and we did not incur any material expenses relating to advertising in the periods presented. We will charge these expenses to income in the periods incurred.

5. We have not reflected any adjustments for the transition to our benefit plans under the employee matters agreement we entered into with GE. Effective as of the date that GE ceases to own more than 50% of our outstanding common stock, our applicable U.S. employees will cease to participate in the GE plans and will participate in employee benefit plans established and maintained by us. For at least the one year period following the date that GE ceases to own more than 50% of our outstanding common stock, we will establish plans that will provide our employees with benefits that are at least substantially comparable in the aggregate to the value of those benefits provided by the GE plans. See "Arrangements Between GE and Our Company Employee Matters Agreement" for further description of these matters.

(q) Basic and diluted earnings from continuing operations per share and the weighted average shares outstanding are calculated as set forth below:

	March 31,				December 31,	
	2004		2003		2003	
(Amounts in millions, except per share amounts)	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Pro forma net earnings from continuing operations	$ 257	$ 257	$ 229	$ 229	$ 893	$ 893
Common stock	489.5	489.5	489.5	489.5	489.5	489.5
Restricted stock units and stock appreciation rights(1)		.2		.2		.2
Stock options(1)		.3		.3		.3
Purchase contracts(1)						
Pro forma shares outstanding	489.5	490.0	489.5	490.0	489.5	490.0
Pro forma earnings from continuing operations per share	$ 0.53	$ 0.52	$ 0.47	$ 0.47	$ 1.82	$ 1.82

(1) Pro forma shares outstanding used in our calculation of pro forma diluted earnings from continuing operations per share result from 1.8 million shares of Class A Common Stock available under restricted stock units and stock appreciation rights, 5.7 million shares of Class A Common Stock available under stock options and 30.8 million shares of Class A Common Stock available under purchase contracts forming part of our Equity Units, based on the treasury stock method for the three months ended March 31, 2004 and 2003 and the year ended December 31, 2003.

(r) Reflects liquidation preference and mandatory redemption value of $50 per share.

(s) Reflects par value of $0.001 per share, 1.5 billion shares of Class A Common Stock authorized, 145.0 million shares of Class A Common Stock issued and outstanding. Also reflects par value of $0.001 per share, 700 million shares of Class B Common Stock authorized, and 344.5 million shares of Class B Common Stock issued and outstanding.

**Management's Discussion and Analysis of
Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited and unaudited historical combined financial statements and related notes as well as our unaudited pro forma combined financial statements included elsewhere in this prospectus. The discussion below contains forward-looking statements that are based upon our 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. See "Forward-Looking Statements."

Overview

Our business

We are a leading insurance company in the U.S., with an expanding international presence. We have three operating segments Protection, Retirement Income and Investments, and Mortgage Insurance.

- ***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. 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. 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.*** We offer mortgage insurance products in the U.S., Canada, Australia, and Europe that facilitate homeownership by enabling borrowers to buy homes with low-down-payment mortgages. 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.

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 (including amounts accrued in settlement of class action lawsuits), 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 pro forma segment net losses of $50 million and $1 million, respectively (including pro forma adjustments to give effect to the increased interest expense as a result of this offering).

Our corporate reorganization

We were incorporated in Delaware on October 23, 2003 in preparation for our corporate reorganization and the IPO. In connection with the IPO, we acquired substantially all of the assets and liabilities of GEFAHI. GEFAHI is an indirect subsidiary of GE and prior to the completion of the IPO, was 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 acquired certain other insurance businesses that were 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 acquired and the liabilities that we assumed in connection with our corporate reorganization, we issued 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, a $2.4 billion note and the $550 million Contingent Note. See "Corporate Reorganization."

Our historical and pro forma financial information

The historical combined financial information presented in this prospectus has been derived from our combined financial statements, which have been prepared 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 were not transferred to us in connection with our corporate reorganization, as well as the other insurance businesses that we acquired from other GE subsidiaries in connection with our corporate reorganization. In addition to our three operating segments and our Corporate and Other segment, our historical combined financial statements also include the results of (1) the Partnership Marketing Group business, which 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, (2) an institutional asset management business owned by GEFAHI, and (3) several other small businesses owned by GEFAHI that are not part of our core ongoing business.

The Partnership Marketing Group historically included UFLIC, a subsidiary that offered life and health insurance products through affinity marketing arrangements. In connection with the IPO, GEFAHI transferred UFLIC to General Electric Capital Services, Inc., a direct wholly-owned subsidiary of GE. We did not acquire the Partnership Marketing Group business, the institutional asset management business or these other small businesses from GEFAHI, and their results (including UFLIC's historical results) are presented as a separate operating segment under the caption "Affinity."

Our historical combined financial statements also include our Japanese life insurance and domestic auto and homeowners' insurance businesses, which we sold on August 29, 2003, and which are presented in our historical combined financial statements as discontinued operations.

The unaudited pro forma information presented in this prospectus 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.

Revenues and expenses

Our revenues consist primarily of the following:

Protection. The revenues in our Protection segment consist primarily of:

- net premiums earned on individual life, individual long-term care, group life and health and payment protection insurance policies;
- net investment income on the separate investment portfolio held by our European payment protection insurance business or allocated to this segment's other lines of business; and
- policy fees and other income, including fees for mortality and surrender charges primarily from universal life insurance policies, and other administrative charges.

Retirement Income and Investments. The revenues in our Retirement Income and Investments segment consist primarily of:

- net premiums earned on income annuities and structured settlements with life contingencies;

- net investment income allocated to this segment; and
- policy fees and other income, including surrender charges, mortality and expense charges, investment management fees and commissions.

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

- net premiums earned on mortgage insurance policies;
- net investment income on the segment's separate investment portfolio; and
- policy fees and other income, including fees from contract underwriting services.

Corporate and Other. The revenues in our Corporate and Other segment consist primarily of:

- net premiums, policy fees and other income from the insurance businesses in this segment;
- unallocated net investment income; and
- net realized investment gains (losses).

We allocate net investment income from our Corporate and Other segment to our Protection (except European payment protection insurance) and Retirement Income and Investments segments using an approach based principally upon the investment portfolio established to support each of those segments' products and targeted capital levels. We do not allocate net investment income from our Corporate and Other segment to our Mortgage Insurance segment or to our European payment protection insurance product within the Protection segment because they have their own separate investment portfolios, and the net investment income from those portfolios is reflected in the Mortgage Insurance and Protection segment results. In our historical combined financial statements, we allocated net investment income to our Affinity segment in the same manner that we allocated these items to our Protection and Retirement Income and Investments segments.

All net realized investment gains (losses) are reflected in the Corporate and Other segment and are not reflected in the results of any of our other segments.

Our expenses consist primarily of the following:

- benefits provided to policyholders and contractholders and changes in reserves;
- interest credited on general account balances;
- underwriting, acquisition and insurance expenses, including commissions, marketing expenses, policy and contract servicing costs, overhead and other general expenses that are not capitalized (shown net of deferrals);
- amortization of deferred policy acquisition costs and other intangible assets;
- interest and other financing expenses; and

income taxes.

We allocate corporate expenses to each of our operating segments based on our relative equity investment in that segment.

Business trends and conditions

In recent years, our business has been, and we expect will continue to be, influenced by a number of macroeconomic, industry-wide and product-specific trends and conditions.

Market and economic environment

Macroeconomic conditions. During the last several years, the sales and financial results of our business were adversely affected by very slow economic growth, low interest rates and depressed equity markets. During 2001 and 2002, U.S. real GDP growth declined to 0.5% and 2.2%, respectively, after averaging compound annual growth of 4.1% from 1995 to 2000. Interest rates, as measured by the 10-year U.S. Treasury, reached historical 45-year lows in June 2003, declining from 6.8% in January 2000 to 3.1% in June 2003. In addition, the U.S. equity markets were marked by a severe downturn, with the S&P 500 Index declining by 51% from 1,553 at its peak in March 2000 to 768 in October 2002. These economic conditions were exacerbated by several high-profile corporate scandals and bankruptcies. During this period, our business also faced a challenging credit cycle, with the Moody's Default Index reaching 2.05% in 2002 after averaging 0.45% from 1999 to 2001. Similar economic trends and challenges prevailed outside the U.S. as well during this period.

Aging U.S. population with growing retirement income needs. According to the U.S. Social Security Administration, from 1945 to 2001, U.S. life expectancy at birth increased from 62.9 years to 73.8 years for men and from 68.4 years to 79.4 years for women, respectively, and life expectancy is expected to increase further. In addition, increasing numbers of baby boomers are approaching retirement age. The U.S. Census Bureau projects that the percentage of the U.S. population aged 55 or older will increase from approximately 21% (61 million) in 2002 to more than 29% (95 million) in 2020. These increases in life expectancy and the average age of the U.S. population heighten the risk that individuals will outlive their retirement savings. In addition, approximately $4.4 trillion of invested financial assets (25% of all U.S. invested financial assets) are held by people within 10 years of retirement and are expected to be converted to income as those people retire, according to a survey conducted by SRI Consulting Business Intelligence in 2002. We believe these trends will lead to growing demand for retirement income and investment products, such as our annuities and other investment products, that help consumers accumulate assets and provide reliable retirement income.

Growing lifestyle protection gap. The aging U.S. population and a number of other factors are creating a significant lifestyle protection gap for a growing number of individuals. This gap is the result of individuals not having sufficient financial resources, including insurance coverage, to ensure that their future assets and income will be adequate to support their desired future lifestyle. Other factors contributing to this gap include 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. Recent reductions in employer-paid benefits by many companies, coupled with uncertainty over the future of government benefit programs underscore the potential for long-term benefit reductions from these traditional sources and the potential need for individuals to identify alternative sources of these benefits. At the same time, according to the U.S. Bureau of Economic Analysis, personal savings rates decreased from 10.9% in 1982 to 3.7% in 2002. Consumers are exposed to the rising costs of healthcare and nursing care during their retirement years, and some experts believe that many consumers are underinsured with respect to their protection needs. We expect these trends to result in increased demand for our life, long-term care and small group life and health insurance products.

Increasing opportunities for mortgage insurance in the U.S. and other countries. We believe a number of factors have contributed and will contribute to the growth of mortgage insurance in the U.S., Canada and Australia, where we have significant mortgage insurance operations. These factors include increasing homeownership levels (spurred in part by government housing policies that favor homeownership); expansion of low-down-payment mortgage loan offerings; legislative and regulatory policies that provide capital incentives for lenders to transfer the risks of low-down-payment mortgages to mortgage insurers; and expansion of secondary mortgage markets that require credit enhancements, such as mortgage insurance. We believe a number of these factors also are becoming evident in some European and Asian markets, where lenders increasingly are using mortgage insurance to manage the risks of their loan portfolios and to expand low-down-payment lending.

General conditions and trends affecting our businesses

Interest rate fluctuations. Fluctuations in market interest rates have a significant effect on our sales of insurance and investment products and our margins on these products. In our Protection and Retirement Income and Investments segments, declining interest rates in a low-interest-rate environment have reduced the spreads between the amounts we have paid or credited to policyholders and contractholders and the yield we earned on the investments that supported our obligations under these products. In response to the recent decline in market interest rates, in late 2002 and throughout 2003 we have reduced the guaranteed minimum crediting rates we offered on newly issued fixed annuity contracts in order to mitigate the adverse impact of declining interest rates on our spreads and profitability on these contracts. However, this reduction in minimum guaranteed crediting rates has had an adverse effect on our sales of these products because some of our competitors have continued to offer higher minimum rates. For example, our fixed annuity deposits declined by 60% from $2,663 million for the year ended December 31, 2002 to $1,069 million for the year ended December 31, 2003 and by 11% from $350 million for the three months ended March 31, 2003 to $311 million for the three months ended March 31, 2004. In addition, as a result of a lower interest rate environment, our income annuity premiums and deposits declined by 27% from $979 million for the year ended December 31, 2002 to $717 million for the year ended December 31, 2003. Declining interest rates also have resulted in increased persistency in our fixed annuity and universal life insurance products because investors generally have been unable to shift assets into higher-yielding investments. Our net earnings from spread-based retail and institutional products in our Retirement Income and Investments segment declined by 17% from $166 million for the year ended December 31, 2002 to $138 million for the year ended December 31, 2003 as a result of reduced spreads, offset in part by increased persistency. Interest rates have stabilized in 2003, and we expect the yield on our investment portfolio also will stabilize, with the potential for increases in a rising interest rate environment.

In our Mortgage Insurance segment, declining interest rates in the U.S. have generated significant mortgage refinancing activity, which, in turn, has led to lower persistency in our U.S. mortgage insurance business, as well as increases in the volume of new mortgage insurance written and increased contract underwriting expenses. For example, our policy cancellation rates increased from 43% for the year ended December 31, 2002 to 54% for the year ended December 31, 2003. In addition, our U.S. new insurance written increased by 44% from $46.9 billion for the year ended December 31, 2002 to $67.4 billion for the year ended December 31, 2003. Refinancing activity decreased at the end of 2003 and the beginning of 2004. As a result, our policy cancellation rates decreased to 32% for the three months ended March 31, 2004, and our U.S. new insurance written decreased by 53% from $14.5 billion for the three months ended March 31, 2003 to $6.8 billion for the three months ended March 31, 2004. We expect that increasing mortgage interest rates will continue to drive increased persistency, but also will reduce the volume of mortgage originations and of new mortgage insurance written.

Volatile equity markets. The equity markets in the U.S. and the other markets in which we invest have experienced extreme volatility and significant downturns in recent years, which has affected our financial condition and results of operations in two principal ways. First, we believe equity market downturns and volatility generally have discouraged potential new purchasers of our products from purchasing separate account products, such as variable annuities, that have returns linked to the performance of the equity markets and have caused our existing customers to withdraw cash values or reduce investments in those products. For example, our variable annuity deposits declined by 28% from $2,309 million for the year ended December 31, 2001 to $1,667 million for the year ended December 31, 2002. However, with the improved equity markets in 2003, variable annuity deposits increased by 26% to $2,102 million for the year ended December 31, 2003. Second, lower equity markets have had an adverse effect on our fee income tied to the value of the equity investments in our separate accounts and have resulted in accelerated amortization of DAC and PVFP, reflecting lower expected profits from our variable products. However, the potential adverse impact of volatile equity markets has been significantly reduced as a result of our reinsurance arrangements with UFLIC, pursuant to which we reinsured, effective as of January 1, 2004, substantially all of our in-force blocks of variable annuities. We are retaining variable annuities sold after January 1, 2004 for our own account, subject to third-party reinsurance transactions in the ordinary course of business, and therefore we will bear the risk of any adverse impact of future equity market fluctuations on those annuities.

Credit default risk. As a result of the recent economic downturn and some high-profile corporate bankruptcies and scandals, the number of companies defaulting on their debt obligations increased dramatically in 2001 and 2002. These defaults and other declines in the value of some of our investments have resulted in impairment charges in recent years. Charges associated with impairments of investments were $5 million, $78 million, $224 million, $343 million and $289 million for the three months ended March 31, 2004 and 2003, and the years ended December 31, 2003, 2002 and 2001, respectively. We expect that continuing economic and market improvements will lead to fewer credit defaults and lower impairment charges in our results of operations.

Investment gains. 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. Our gross realized gains were $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. These gross realized gains, net of gross realized losses, including charges from impairments of investments and realized losses from portfolio restructuring, have resulted in net realized investment gains of $16 million, $21 million, $10 million, $204 million and $201 million for the three months ended March 31, 2004 and 2003 and the years ended December 31, 2003, 2002 and 2001, respectively. This strategy has had an adverse impact on the yield on our investment portfolio and our net investment income as we typically sold higher-yielding securities and reinvested the proceeds in lower-yielding securities during periods of declining or low interest rates. The impact was most significant in the Retirement Income and Investments segment, which has a higher percentage of our fixed maturities allocated to it than to our other segments. As an independent public company, our investment strategy will be to optimize investment income without relying on realized investment gains. As a result of this strategy, we expect the yield on our investment portfolio to stabilize, with the potential for increases in a rising interest rate environment. We also will seek to improve our investment yield by continuously evaluating our asset class mix and pursuing additional investment classes.

Globalization. Historically, we have derived a majority of our revenues and profits from our operations in the U.S. However, in recent years, our international business has grown and has had an increasing impact on our financial condition and results of operations. 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. These increases were largely due to growth in our international mortgage insurance business, and we expect that we will derive an increasing portion of our total revenues and profits from outside the U.S. as our international mortgage insurance business continues to grow. Our European payment protection insurance business also derives revenues in the countries where it offers its products. We are 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. 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, compared to the same period in the prior year. Our four principal foreign currencies are the Canadian dollar, the Australian dollar, the U.K. pound and the euro.

Ongoing operating cost reductions and efficiencies. Our underwriting, acquisition, and insurance expenses, net of deferrals, have decreased to 16.6% of our revenues in 2003 from 18.1% in 1999. 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.

Developments affecting our product lines

Developments in life insurance. Regulation XXX, which was adopted by nearly all states as of January 1, 2001, requires insurers to establish additional statutory reserves for term and universal life insurance policies with long-term premium guarantees. In response to this regulation, we have increased term and universal life insurance statutory reserves, implemented reinsurance and capital management actions and increased our premium rates for term life insurance products in March 2003. This increase has contributed to lower term life insurance sales in 2003 and the first quarter of 2004. Our annualized first-year premiums and deposits for life insurance products decreased by 16% from $195 million for the year ended December 31, 2002 to $163 million for the year ended December 31, 2003 and by 16% from $44 million for the three months ended March 31, 2003 to $37 million for the three months ended March 31, 2004. Our pricing, reinsurance and capital management actions in response to Regulation XXX have enabled us to improve our new business returns on equity. In November 2003, we decreased our premium rates for term life insurance products, and we believe this decrease will lead to an increase in term life insurance sales over time. See "Risk Factors 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."

Developments in long-term care insurance. During 2001, 2002 and 2003, the level of annualized first-year premiums in our long-term care insurance business has remained relatively constant. This sales trend is generally consistent with the overall industry sales trend, according to reports published by LIMRA International. In addition, we have been experiencing lower lapse rates than we originally anticipated on long-term care insurance policies that we issued prior to the mid-1990s. This has adversely affected our overall claims experience on those policies. In the third quarter of 2003, we started selling our newest long-term care insurance products in selected markets. These products were priced to achieve our target returns on capital and to reflect new features and benefits, trends in lapse rates, interest rates, morbidity and adverse claims experience in certain higher risk policyholder classes. Our pricing strategy for these products, along with declines in overall industry sales, have contributed to lower sales in recent periods. For example, our annualized first-year premiums for long-term care insurance products decreased by 7% from $257 million for the year ended December 31, 2002 to $240 million for the year ended December 31, 2003 and by 32% from $62 million for the three months ended March 31, 2003 to $42 million for the three months ended March 31, 2004. We are continuing to seek regulatory approvals to begin selling these products in additional markets, and we expect that their introduction into those markets initially may have a further adverse impact on our sales in the near term. We believe, however, that over time our sales will increase. We also believe that our pricing strategy is appropriate relative to the underlying risk exposure of these products and that it will lead to increased net earnings over time.

Developments in payment protection insurance. The margins of our payment protection business in the U.K. have decreased in recent years as a result of increased pricing pressure and greater competition from captive insurance arrangements by distributors that provide payment protection insurance directly to their customers. Consistent with our focus on disciplined growth and returns on capital, we are continuing to pursue arrangements that will enable us to achieve our target returns while strengthening our client relationships. In the last several years, our payment protection insurance business has expanded as a result of our strategy to enter additional markets in Continental Europe and Ireland and to develop new relationships with distributors in those markets. As a result, our gross written premiums in Continental Europe and Ireland increased by 52% from $97 million for the three months ended March 31, 2003 to $148 million for the three months ended March 31, 2004. On a constant currency basis, this increase would have been 28%. However, we did not renew arrangements with our largest distributor of payment protection insurance (as measured by gross written premiums), a large U.K. bank that accounted for approximately 29% of the gross written premiums in our payment protection insurance business during the year ended December 31, 2003, when these arrangements expired at the end of 2003. As a result, our gross written premiums in the U.K. decreased by 89% from $276 million for the three months ended March 31, 2003 to $31 million for the three months ended March 31, 2004. On a constant currency basis, this decrease would have been 90%. Although we expect our premium revenue to decline significantly over the next few years as existing policies from these less profitable arrangements begin to run off, we believe this will have a favorable effect on our results over the long term as capital is released and redeployed into markets with potential for higher returns.

Developments in retirement income and investments. The results of our Retirement Income and Investments segment are affected primarily by interest rate fluctuations and volatile equity markets, as discussed above under " Overview Business trends and conditions General conditions and trends affecting our businesses." In addition, our competitive position within many of our distribution channels depends significantly upon product features, including our crediting rates on spread-based products relative to our competitors, minimum guaranteed rates, surrender charge periods and agent commissions. We continually evaluate our competitive position based upon each of those features, and we make adjustments as appropriate to meet our target return thresholds. In late 2002 and throughout 2003, in response to declining interest rates, we reduced minimum guaranteed rates on many of our spread-based products. These reductions have had an adverse effect on our competitive position because some of our competitors have retained higher minimum guaranteed rates. In addition, some competitors have offered fixed annuity products with higher commissions and shorter surrender charge periods, and this also has had an adverse effect on our competitive position.

These factors contributed to a decline in our sales of fixed annuities in 2003 and early 2004 and our market position in this product. Our new deposits in fixed annuities decreased by 60% from $2,663 million for the year ended December 31, 2002 to $1,069 million for the year ended December 31, 2003 and by 11% from $350 million for the three months ended March 31, 2003 to $311 million for the three months ended March 31, 2004. In addition, deposits in variable annuities decreased by 24% from $403 million for the three months ended March 31, 2003 to $308 million for the three months ended March 31, 2004, which we believe was attributable to a market shift to variable annuity products with certain guaranteed benefit features that we do not offer.

Since our announcement in November 2003 of our planned separation from GE, we have received fewer requests for bids in our GIC business, which we believe was due to the limited availability to our customers of information about our company prior to the completion of the IPO. As a result, deposits on spread-based institutional products decreased by 36% from $783 million for the three months ended March 31, 2003 to $501 million for the three months ended March 31, 2004.

Developments in mortgage insurance. The net earnings of our U.S. mortgage insurance business have been adversely affected by our ceding a larger portion of our gross premiums to captive mortgage reinsurance subsidiaries established by many of the major mortgage lenders with which we do business. Most large mortgage lenders have developed reinsurance operations that obtain net premium cessions from mortgage insurers of 25% to 40%. In order 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. We recently decided that we may, in selected cases, enter into captive reinsurance arrangements that involve premium cessions in excess of 25% in situations where the terms and conditions, including the level of reinsurance coverage afforded, will enable us to achieve our target returns on capital. In addition, we believe U.S. mortgage insurance growth has been adversely affected by the increased use of simultaneous second mortgages as an alternative to loans requiring private mortgage insurance. The adverse impact of ceding to captive reinsurers and the growth of simultaneous seconds has been offset by the positive impact in recent years of historically low loss ratios due to significant refinancing activity, home price appreciation and low levels of defaults. As a result of this refinancing activity, as of March 31, 2004, approximately 81% of our risk in force had not yet reached its anticipated highest claim frequency years, which is generally between the third and seventh year of the loan. We expect our loss experience on these loans will increase as policies continue to age.

We also continue to expand our international mortgage insurance business. For example, our international new mortgage insurance written increased 73% from $6.3 billion for the three months ended March 31, 2003 to $10.9 billlion for the three months ended March 31, 2004. Of this total increase of $4.6 billion, $2.2 billion was due to the favorable impact of changes in foreign exchange rates.

Separation from GE and related financial arrangements

GE historically has provided a variety of products and services to us, and we have provided various products and services to GE. In connection with the IPO, we entered into a transition services agreement and various other agreements with GE that, together with a number of agreements that were in effect before the IPO, govern the relationship between GE and us. These arrangements are discussed below and described more fully under "Arrangements Between GE and Our Company" and note 18 to our combined financial statements included elsewhere in this prospectus.

Services received from GE

Support services and corporate overhead. GE historically has provided a variety of support services for our businesses, including:

- customer service, transaction processing and a variety of functional support services provided by GE Capital International Services, or GECIS;
- employee benefit processing and payroll administration, including relocation, travel, credit card processing and related services;
- employee training programs, including access to GE training courses;
- insurance coverage under the GE insurance program;
- information systems, network and related services;

leases for vehicles, equipment and facilities; and

other financial advisory services such as tax consulting, capital markets services, research and development activities, and use of trademarks and licenses.

We have reimbursed GE for the costs of providing these services to us. We paid GE a total of $15 million, $17 million, $87 million, $74 million and $52 million for these services for the three months ended March 31, 2004 and 2003 and the years ended December 31, 2003, 2002 and 2001, respectively.

In addition, GE historically has allocated to us a share of its corporate overhead expenses for certain services provided to us, which are not specifically billed to us, including public relations, investor relations, treasury, and internal audit services. Our total expense for this allocation was $10 million, $13 million, $50 million, $49 million and $43 million for the three months ended March 31, 2004 and 2003, and the years ended December 31, 2003, 2002 and 2001, respectively. We have not reimbursed these amounts to GE, and have recorded them as a capital contribution in each year. Following the completion of the IPO, GE will no longer allocate any of its corporate expenses to us.

GE continues to provide us with many of the corporate services described above on a transitional basis following the completion of the IPO, and we are arranging to procure other services pursuant to arrangements with third parties or through our own employees. In the case of support services provided by GECIS, we are continuing to receive these services pursuant to agreements that were amended in connection with the IPO. For a description of our historical, continuing and new arrangements with GE, see "Arrangements Between GE and Our Company Relationship with GE." In the aggregate, we expect that our total costs for procuring corporate services that previously had been provided by GE will not materially exceed the amounts we historically have paid to GE for these services, including GE's allocation to us for its corporate overhead. However, we do expect to incur incremental advertising, marketing and legal entity transition expenses to establish a new brand identity, and we also expect to incur compensation expense with respect to the establishment of our new equity plans. In addition, we have obtained direct access to a variety of third-party products and services, including technology licenses, as a result of GE's relationships with those third parties. Following our separation from GE, we expect to negotiate our own arrangements with third-party providers for these products and services, but we do not believe this will result in materially increased costs in the aggregate.

Investment management services. We have received and will continue to receive investment management services from GE Asset Management Incorporated, or GEAM, a subsidiary of GE, pursuant to agreements that were, with limited exceptions, amended in connection with the IPO. We also entered into new agreements with GE Asset Management Limited, or GEAML, an affiliate of GEAM, for investment management services in the U.K. and Continental Europe. Pursuant to these agreements, the fee charged by GEAM or GEAML, as applicable, is equal to a percentage of the value of the assets under management. This percentage is established annually by agreement between GEAM or GEAML and us and is intended to reflect the cost to GEAM or GEAML of providing its services and, for the agreements with GEAML, a premium of 5%. For the three months ended March 31, 2004 and 2003 and the years ended December 31, 2003, 2002 and 2001, our aggregate costs for investment management and related administration services provided by GEAM were approximately $17 million, $16 million, $61 million, $39 million and $2 million, respectively. We expect our investment management expenses to increase marginally following the IPO as a result of the expenses we will incur related to our new investment department, including the transfer of some employees from GEAM to us to manage certain asset classes that GEAM previously managed. See "Arrangements Between GE and Our Company Relationship with GE Investment Agreements."

Reinsurance transactions. In addition to our arrangements with UFLIC, we have entered into reinsurance transactions with affiliates of GE, principally Employers Reassurance Company and ERC

Life Reinsurance Corporation (formerly an affiliate of GE), which we refer to collectively as ERC, under which we have reinsured some of the risks of our insurance policies on terms comparable to those we could obtain from third parties. We have paid premiums to these affiliates of $12 million, $56 million, $60 million and $58 million for the three months ended March 31, 2004 and the years ended December 31, 2003, 2002 and 2001, respectively. In addition, in 2002 one of our subsidiaries entered into a life reinsurance agreement with an affiliated company, GE Pensions Limited, to reinsure 95% of gross written premiums received under certain life policies. We have paid premiums to this affiliate of $100 million and $94 million for the years ended December 31, 2003 and 2002, respectively. This agreement was terminated as of December 31, 2003. See "Business Reinsurance." The existing reinsurance agreements with GE have remained in force and continue in accordance with their terms.

Employee benefit plans. Historically, we have reimbursed GE for benefits it has provided to our employees under various employee benefit plans, including GE's retirement plan, retiree health and life insurance benefit plans, defined contribution savings plan and life and health insurance benefits through the GE benefit program. We incurred expenses associated with these plans of $30 million, $109 million, $112 million and $103 million for the three months ended March 31, 2004 and the years ended December 31, 2003, 2002 and 2001, respectively. GE will continue to provide these benefits to our employees for so long as GE owns more than 50% of our outstanding common stock. See "Arrangements Between GE and our Company Relationship with GE Employee Matters Agreement" and note 12 to our combined financial statements included elsewhere in this prospectus. In addition to these expenses for which we have reimbursed GE, we have incurred expenses of $0 million, $9 million, $6 million and $4 million for certain GE stock option and restricted stock unit grants for the three months ended March 31, 2004 and the years ended December 31, 2003, 2002 and 2001, respectively. As in the case of the allocation of corporate overhead, we have not reimbursed these amounts with respect to stock options and restricted stock units to GE, and have recorded them as a capital contribution in each year. In connection with the IPO, we established our own equity compensation plans. See " Equity plans" below.

Credit arrangements. Historically, we have had access to funding provided by GE in the form of credit lines, revolving credit agreements and other borrowing arrangements. See "Arrangements between GE and our Company Historical Related-Party Transactions Credit arrangements and other amounts due from or owed to GE." In connection with our separation from GE and the IPO, we have entered into new credit arrangements with unaffiliated third-parties. See " Liquidity and Capital Resources" below.

Services provided to GE

We have provided various products and services to GE on terms comparable to those we provide to third-parties and we expect to continue to provide many of these products and services to GE. See "Arrangements Between GE and Our Company Historical Related-Party Transactions Products and services provided to GE."

In addition, in connection with the IPO, we entered into a series of arrangements with GE pursuant to which we will provide a variety of additional services to GE, including the arrangements discussed below. The following describes the principal impact of those service arrangements on our results of operations:

- *Transition services relating to GE and GEFAHI businesses not acquired by us.* We will provide services to certain of GE's insurance businesses that we did not acquire. These services will include finance, information systems, network services and legal and regulatory support. We will continue to provide these services following the completion of the IPO for a minimum of two years and a maximum of three years in most cases. For the two years following the completion of the IPO, GE generally may not terminate any of the services we provide. GE has agreed to pay us an aggregate of $40 million in eight equal quarterly installments during the first two years following the completion of the IPO for our provision of the transition services to GE. The charges for the transition services generally are intended to allow the providing company to fully recover the allocated direct costs of providing the services, plus all out-of-pocket costs and expenses, generally without profit. See "Arrangements Between GE and Our Company Relationship with GE Transition Services Agreement."

Management consulting services. We will provide management consulting services to GE for a period of five years following the completion of the IPO. These services will include delivering training, providing consultation and strategic advice with respect to actuarial, regulatory and other emerging issues, planning and participating in meetings with rating agencies and regulators, participating in government relations activities and various other activities. In consideration for these services, GE will pay us a fee of $1 million per month during the first four years following the completion of the IPO and $500,000 per month during the fifth year. GE cannot terminate this arrangement before the expiration of the five-year term. See "Arrangements Between GE and Our Company Relationship with GE Transition Services Agreement."

GIC investment administration services. We entered into agreements with affiliates of GE, effective as of January 1, 2004, to manage a pool of municipal guaranteed investment contracts, or GICs, issued by GE affiliates. Pursuant to these agreements, we have agreed to originate GIC liabilities and advise the affiliates regarding the investment, administration and management of their assets that support those liabilities. Under two of those agreements, we will receive an administration fee of 0.165% per annum of the maximum program size for those affiliates, which was an aggregate of $15.0 billion as of March 31, 2004. The agreements also provide for termination fees in the event of early termination at the option of either affiliate. Under a third agreement with another affiliate, we will receive a management fee of 0.10% per annum of the book value of the investment contracts or similar securities issued by this affiliate after January 1, 2003, which was $955 million as of March 31, 2004. The fee we will receive on the contracts issued by that affiliate before January 1, 2003 will be based upon a pricing arrangement that will vary depending upon the maturities of those contracts and that affiliate's cost of capital. The book value of the contracts issued before January 1, 2003 was $1,936 million as of March 31, 2004 and is expected to generate a weighted average fee of approximately 0.35% in 2004. We also will receive reimbursement of our operating expenses under each of the agreements. The initial term of each of the three agreements will expire December 31, 2006, and unless terminated at the option of either party, each agreement automatically will renew on January 1 of each year for successive terms of one year. See "Arrangements Between GE and Our Company Relationship with GE Liability and Portfolio Management Agreements."

Institutional asset management services. Prior to the completion of the IPO, we offered a broad range of institutional asset management services to third parties. GEAM provided the portfolio management services for this business, and we provided marketing, sales and support services. We did not acquire the institutional asset management services business from GEFAHI, but we will continue to provide services to GEAM and GEFAHI related to this asset management business, including client introduction services, asset retention services and compliance support. GEFAHI will pay us a fee of up to $10 million per year for four years following the completion of the IPO to provide these services. The fee will be determined based upon the level of third-party assets under management managed by GEAM over the four-year term. The agreement may not be terminated by GEAM or GEFAHI, except for non-performance or in the event that we commence a similar institutional asset management business. See "Arrangements Between GE and Our Company Relationship with GE Asset Management Services Agreement."

Additional arrangements with GE

In addition to the arrangements described above pursuant to which we and GE will provide services to each other, we also entered into the following additional arrangements with GE:

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. These future tax savings initially will be recorded on our balance sheet as a $630 million reduction in net deferred income tax liabilities. We are obligated, pursuant to the Tax Matters Agreement with GE, to pay to GE 80% of the amount of tax we are projected to save for each tax period as a result of these increased tax benefits. The present value of this obligation to GE is approximately $386 million and this liability will be recorded on our balance sheet as well. These amounts are estimates and will change as the result of a number of factors, including a final determination of the value of our company and its individual assets. However, we have agreed with GE that, with certain exceptions relating to specified contingent benefits and excluding interest on payments we defer, our total payments to GE will not exceed $640 million.

To the extent that we never realize the anticipated tax savings because we have insufficient taxable income of the appropriate character (or because of a reduction in tax rates), we may, at our option, defer payments until 2029. These deferred payments would bear interest over the term of the deferral at an interest rate of 5.08% per annum, from the time that the payments were scheduled to be made. Similarly, to the extent that we do realize the anticipated tax savings, but we realize them later than anticipated, we may, at our option, defer payments of projected but unrealized tax savings until we realize them. These deferred payments would bear interest over the term of the deferral at an interest rate of 5.08% per annum. We may also, at our option, defer payment of any interest on deferred payments until 2029, in which case it will bear interest at the rate of 5.08% per annum.

The $244 million difference between the $630 million benefit we will record as the expected future tax savings and the $386 million liability to GE we will record will be part of our net stockholders' interest. If and to the extent our Section 338 tax benefits exceed the amount of tax benefits we currently project, our additional paid-in capital would increase. As our obligation to make payments under the Tax Matters Agreement accretes over time, we will record interest expense at a rate of 5.08% per annum. Under the Tax Matters Agreement, GE also will pay certain taxes of our legal entities, other than taxes in respect of the section 338 elections described above, resulting from the various transactions implemented in connection with our separation from GE (other than the reinsurance with UFLIC). We will record these non-recurring taxes as a current tax expense when incurred, and will record GE's payment of the taxes on our behalf as an equity contribution. See "Arrangements Between GE and Our Company Relationship with GE Tax Matters Agreement."

UFLIC reinsurance arrangements. Prior to the completion of the IPO, we entered into several significant reinsurance transactions with UFLIC, an indirect subsidiary of GE. Under the terms of the agreements governing these reinsurance transactions, we transferred to UFLIC assets equal to the policyholder liabilities related to the ceded blocks of business and recorded a reinsurance recoverable asset for the amount of the policyholder liabilities reinsured, except with respect to the in-force liabilities for the variable annuity separate accounts, for which there is no asset transfer. We will continue to have a separate account liability in the amount of the policyholder liabilities related to the separate account assets which we did not transfer to UFLIC. We remain liable under these contracts and policies as the ceding insurer and, as a result, will continue to carry insurance reserve liabilities for the reinsured policies on our balance sheet. In connection with the Medicare supplement insurance assumed by us, UFLIC transferred to us cash and other investments, and we recorded a reinsurance liability, equal to the policyholder liabilities related to this assumed block of business. Our total reinsurance recoverable for all of our reinsurance arrangements as of March 31, 2004, on an historical and pro forma basis, was $2.4 billion and $18.8 billion, respectively.

The reinsurance transactions have the effect of transferring the financial results of the reinsured blocks of business (except for Medicare supplement insurance) from us to UFLIC and the Medicare supplement insurance block of business from UFLIC to us. With respect to the long-term care insurance policies reinsured to UFLIC, we retained an interest in the future profitability of the block if it exceeds certain thresholds. We also are continuing to administer all the policies reinsured by UFLIC, and we will receive an expense allowance to reimburse us for the costs we incur to service these policies. See "Arrangements Between GE and Our Company Reinsurance Transactions."

Equity plans

Our key employees currently participate in a number of GE's equity compensation plans. Before 2002, we recorded compensation expense related to our employees' participation in those plans over the vesting period of the awards based upon their intrinsic value at the grant date. For grants issued after January 1, 2002, we have recognized compensation expense for share-based compensation awards over the vesting period of the awards based upon their fair value at the grant date in accordance with SFAS 123, *Accounting for Stock-Based Compensation*. We incurred compensation expense of $6 million and $9 million for the years ended December 31, 2002 and 2003, respectively, and expect to incur expenses of $7 million and $4 million in the years ended December 31, 2004 and 2005, respectively, for 2002 and prior awards to our employees' under these plans.

In connection with the IPO, we established our own equity compensation plans. Under these plans, unvested GE stock options, vested stock options held by our Chairman, President and Chief Executive Officer, GE stock appreciation rights and GE restricted stock units were canceled and converted into awards of our company, and we also granted new stock options in our company in connection with our separation from GE and the IPO. The GE stock options, stock appreciation rights and restricted stock units were converted based upon a ratio equal to the initial offering price of our common stock in the IPO ($19.50), divided by the weighted average stock price of GE common stock for the trading day immediately preceding the pricing date of the IPO ($30.52). The converted securities, if unvested, generally will continue to vest over their original vesting periods. The unvested converted awards had approximately the same fair value at the date of the conversion as the GE awards that were replaced. Consequently, we do not expect to incur any material incremental compensation expense for the unvested converted awards. We will incur additional compensation expense as the result of conversions of vested stock options and issuances of stock options and stock appreciation rights in connection with the IPO. For these stock options and stock appreciation rights, we expect to incur earnings charges of approximately $40 million, $36 million, $21 million, $12 million and $5 million for the five twelve-month periods following the completion of the IPO.

Advertising costs

We expect to incur aggregate expenses of approximately $35 million in each of the years ending December 31, 2004, 2005 and 2006 on marketing, advertising and legal entity transition expenses, reflecting primarily the costs of establishing our new brand throughout our business, including with consumers and sales intermediaries.

Critical accounting policies

The accounting policies discussed in this section are those that we consider to be particularly critical to an understanding of our financial statements because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on our financial results. For all of these policies, we caution that future events rarely develop exactly as forecast, and our management's best estimates may require adjustment.

Reserves. We calculate and maintain reserves for the estimated future payment of claims to our policyholders and contractholders based on actuarial assumptions and in accordance with industry practice and U.S. GAAP. Many factors can affect these reserves, including economic and social conditions, inflation, healthcare costs, changes in doctrines of legal liability and damage awards in litigation. Therefore, the reserves we establish are necessarily based on extensive estimates, assumptions and our analysis of historical experience. Our results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in determining our reserves and pricing our products. Our reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. We cannot determine with precision that the ultimate amounts that we will pay for actual claims or the timing of those payments will be consistent with our reserve assumptions.

Insurance reserves differ for long- and short-duration insurance policies and annuity contracts. Measurement of long-duration insurance reserves (such as guaranteed renewable term life, whole life and long-term care insurance policies) is based on approved actuarial methods, but necessarily includes assumptions about expenses, mortality, morbidity, lapse rates and future yield on related investments. Short-duration contracts (such as payment protection insurance) are accounted for based on actuarial estimates of the amount of loss inherent in that period's claims, including losses incurred for which claims have not been reported. Short-duration contract loss estimates rely on actuarial observations of ultimate loss experience for similar historical events.

Estimates of mortgage insurance reserves for losses and loss adjustment expenses are based on notices of mortgage loan defaults and estimates of defaults that have been incurred but have not been reported by loan servicers, using assumptions of claim rates for loans in default and the average amount paid for loans that result in a claim. As is common accounting practice in the mortgage insurance industry and in accordance with U.S. GAAP, loss reserves are not established for future claims on insured loans that are not currently in default.

Deferred acquisition costs. Deferred acquisition costs, or DAC, represents 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, solicitation and printing costs, sales material and some support costs, such as underwriting and contract and policy issuance expenses. DAC is subsequently amortized to income, over the lives of the underlying contracts, in relation to the anticipated recognition of premiums or gross profits.

The amortization of DAC for traditional long-duration insurance products (including guaranteed renewable term life, life-contingent structured settlements and immediate annuities and long-term care insurance) is determined as a level proportion of premium based on commonly accepted actuarial methods and reasonable assumptions established when the contract or policy is issued about mortality, morbidity, lapse rates, expenses, and future yield on related investments. Amortization for annuity contracts without significant mortality risk and investment and universal life products is based on estimated gross profits and is adjusted as those estimates are revised. The DAC amortization methodology for our variable products (variable annuities and variable universal life insurance) includes a long-term equity market average appreciation assumption of 8.5%. When actual returns vary from the expected 8.5%, we assume a reversion to this mean over a 3- to 12-year period, subject to the imposition of ceilings and floors. The assumed returns over this reversion period are limited to the 85th percentile of historical market performance.

We regularly review all of these assumptions and periodically test DAC for recoverability. For deposit products, if the current present value of estimated future gross profits is less than the unamortized DAC for a line of business, a charge to income is recorded for additional DAC amortization. For other products, if the benefit reserves plus anticipated future premiums and interest earnings for a line of business are less than the current estimate of future benefits and expenses (including any unamortized DAC), a charge to income is recorded for additional DAC amortization or for increased benefit reserves.

Unfavorable experience with regard to expected expenses, investment returns, mortality, morbidity, withdrawals or lapses, may cause us to increase the amortization of DAC or to record a charge to increase benefit reserves. In recent years, the portion of estimated product margins required to amortize DAC and PVFP has increased in most lines of our business, with the most significant impact on investment products, primarily as the result of lower investment returns.

Present value of future profits. In conjunction with the acquisition of a block of life insurance policies or investment contracts, a portion of the purchase price is assigned to the right to receive future gross profits arising from existing insurance and investment contracts. 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. PVFP is amortized, net of accreted interest, in a manner similar to the amortization of DAC. We regularly review our assumptions and periodically test PVFP for recoverability in a manner similar to our treatment of DAC.

Goodwill impairment. Goodwill resulting from acquisitions is tested for impairment at least annually using a fair value approach, which requires the use of estimates and judgment. To the extent the carrying amount of goodwill exceeds its fair value, an impairment charge to income would be recorded.

Valuation of investment securities. We obtain values for actively traded securities from external pricing services. For infrequently traded securities, we obtain quotes from brokers or we estimate values using internally developed pricing models. These models are based upon common valuation techniques and require us to make assumptions regarding credit quality, liquidity and other factors that affect estimated values.

Impairment of investment securities. We regularly review investment securities for impairment in accordance with our impairment policy, which includes both quantitative and qualitative criteria. Our quantitative criteria include length of time and amount that each security position is in an unrealized loss position, and for fixed maturities, whether the issuer is in compliance with terms and covenants of the security. Our qualitative criteria include the financial strength and specific prospects for the issuer as well as our intent to hold the security until recovery. We actively perform comprehensive market research, monitor market conditions and segment our investments by credit risk in order to minimize impairment risks. See " Liquidity and Capital Resources Impairments of investment securities," "Business Risk Management," "Business Investments" and note 5 to our combined financial statements, included elsewhere in this prospectus.

Historical Combined and Pro Forma Results of Operations

The following table sets forth our historical combined and pro forma results of operations. This information should be read in conjunction with the additional information regarding our results of operations by segment set forth under " Historical Combined and Pro Forma Results of Operations by Segments."

The pro forma financial information reflects our historical results of operations as adjusted to reflect the various adjustments described under "Selected Historical and Pro Forma Financial Information." The pro forma financial information principally reflects the exclusion from our results of operations of the structured settlement, variable annuity and long-term care insurance in-force blocks that we ceded to UFLIC in connection with the reinsurance transactions; the exclusion from our results of operations of certain businesses, including the Affinity segment, and other assets and liabilities of GEFAHI that were not transferred to us in connection with our corporate reorganization; and the inclusion in our results of operations of incremental interest expense associated with our revised debt structure following our corporate reorganization and this offering, including $600 million of our Equity Units, $100 million of our Series A Preferred Stock, the $550 million Contingent Note, $500 million of commercial paper and the notes offered hereby. Pro forma revenues and benefits and expenses are lower than our historical revenues and benefits and expenses primarily as a result of the exclusion of revenues and expenses related to the reinsured blocks of business and the Affinity segment.

	Historical					Pro forma		
	Three months ended March 31,		Years ended December 31,			Three months ended March 31,		Year ended December 31,
	2004	2003	2003	2002	2001	2004	2003	2003
(Dollar amounts in millions)								
Revenues:								
Premiums	$ 1,722	$ 1,587	$ 6,703	$ 6,107	$ 6,012	$ 1,619	$ 1,478	$ 6,252
Net investment income	1,020	992	4,015	3,979	3,895	755	721	2,928
Net realized investment gains	16	21	10	204	201	15	20	38
Policy fees and other income	263	231	943	939	993	166	135	557
Total revenues	3,021	2,831	11,671	11,229	11,101	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	1,086	996	4,191
Interest credited	396	409	1,624	1,645	1,620	330	343	1,358
Underwriting, acquisition and insurance expenses, net of deferrals	508	488	1,942	1,808	1,823	414	404	1,614
Amortization of deferred acquisition costs and intangibles	345	300	1,351	1,221	1,237	286	251	1,144
Interest expense	47	27	140	124	126	60	42	203
Total benefits and expenses	2,644	2,477	10,289	9,438	9,280	2,176	2,036	8,510
Earnings from continuing operations before income taxes	377	354	1,382	1,791	1,821	379	318	1,265
Provision for income taxes	117	100	413	411	590	122	89	372
Net earnings from continuing operations	$ 260	$ 254	$ 969	$ 1,380	$ 1,231	$ 257	$ 229	$ 893

Three months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Premiums. Our premiums consist primarily of premiums earned on individual life, long-term care, group life and health and payment protection insurance policies, income annuities and structured settlements with life contingencies and mortgage insurance policies. Premiums increased $135 million, or 9%, to $1,722 million for the three months ended March 31, 2004 from $1,587 million for the three months ended March 31, 2003. This increase was primarily the result of an $88 million increase in our Protection segment, a $30 million increase in our Mortgage Insurance segment, and a $19 million increase in our Retirement Income and Investments segment. The increase in our Protection segment was primarily attributable to increases in payment protection insurance premiums as a result of changes in foreign exchange rates, offset in part by a decrease attributable to the run-off of our in-force block in the U.K. market, where we decided not to renew certain distribution relationships that did not meet our targeted returns on capital. The increase in our Mortgage Insurance segment was primarily attributable to the aging of our international in-force block, which resulted in increased premium recognition from prior-year new insurance written, offset in part by a decrease in U.S. premiums attributable to significant refinancing activity throughout 2003. The increase in our Retirement Income and Investments segment was primarily attributable to increased sales of life-contingent income annuities, offset in part by a decrease in premiums for life-contingent structured settlements, which we have decided to write only when we believe we will be able to achieve our targeted returns.

Net investment income. Net investment income represents the income earned on our investments. Net investment income increased $28 million, or 3%, to $1,020 million for the three months ended March 31, 2004 from $992 million for the three months ended March 31, 2003. This increase in net investment income was primarily the result of a $6,194 million, or 8%, increase in average invested assets. This increase was offset in part by a decrease in weighted average investment yields, primarily attributable to investments in the U.S., to 5.0% for the three months ended March 31, 2004 from 5.3% for the three months ended March 31, 2003.

Net realized investment gains. Net realized investment gains consist of gross realized investment gains and gross realized investment (losses), including charges related to impairments. Net realized investment gains decreased $5 million, or 24%, to $16 million for the three months ended March 31, 2004 from $21 million for the three months ended March 31, 2003. For the three months ended March 31, 2004, gross realized gains and (losses) were $27 million and $(11) million, respectively. The realized gains for the three months ended March 31, 2004 included gains from the sale of fixed maturity investments, including gains from the terminations of the associated derivative contracts and gains from the sale of equity investments, primarily mutual funds ($18 million and $7 million, respectively). Realized losses for the three months ended March 31, 2004 included $5 million of impairments. These impairments were attributable to equity securities and other investments ($4 million and $1 million, respectively). The equity securities impairments related to mutual fund investments. The other investment impairments primarily related to the impairment of limited partnership investments. For the three months ended March 31, 2003, gross realized gains and (losses) were $181 million and $(160) million, respectively. The realized gains for the three months ended March 31, 2003 included gains from the sale of fixed maturity investments, including gains from the terminations of the associated derivative contracts and gains from the sale of equity investments, primarily common stocks ($167 million and $12 million, respectively). Realized losses for the three months ended March 31, 2003 included $78 million of impairments. These impairments were attributable to fixed maturities, equity securities and other investments ($12 million, $60 million and $6 million, respectively). The fixed maturities impairments primarily related to securities issued by companies in the manufacturing, communications and airline industries ($5 million, $3 million and $3 million, respectively). The equity securities impairments related to common stock and mutual fund investments ($33 million and $26 million, respectively). The other investment impairments primarily related to the impairment of limited partnership investments.

Policy fees and other income. Policy fees and other income consist primarily of cost of insurance and surrender charges assessed on universal life insurance policies, fees assessed against policyholder and contractholder account values, and commission income. Policy fees and other income increased $32 million, or 14%, to $263 million for the three months ended March 31, 2004 from $231 million for the three months ended March 31, 2003. This increase was primarily the result of a $21 million increase in our Retirement Income and Investments segment and a $17 million increase in our Corporate and Other segment. The increase in our Retirement Income and Investments segment was primarily attributable to an increase in commission income attributable to increased sales of third-party products and fee income earned pursuant to new arrangements we entered into, effective as of January 1, 2004, to provide investment administrative services related to a pool of municipal GICs issued by affiliates of GE. The increase in our Corporate and Other segment was primarily attributable to interest income from two securitization entities that were consolidated in our financial statements in connection with our adoption of FASB Interpretation 46 ("FIN 46"), *Consolidation of Variable Interest Entities*, on July 1, 2003.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves consist primarily of reserve activity related to current claims and future policy benefits on life, long-term care, group life and health and payment protection insurance policies, structured settlements and income annuities with life contingencies and claim costs incurred related to mortgage insurance products. Benefits and other changes in policy reserves increased $95 million, or 8%, to $1,348 million for the three months ended March 31, 2004 from $1,253 million for the three months ended March 31, 2003. This increase was primarily the result of a $57 million increase in our Protection segment and a $35 million increase in our Retirement Income and Investments segment. The increase in our Protection segment was primarily attributable to increases in our long-term care and life insurance businesses resulting from increased benefit payments and reserves due to the growth of the respective in-force blocks. The increase in our Retirement Income and Investments segment was primarily attributable to an increase in benefits and changes in policy reserves for life-contingent income annuities attributable to higher sales of this product, offset in part by a decrease for structured settlements primarily attributable to lower sales of this product.

Interest credited. Interest credited represents interest credited on behalf of policyholder and contractholder general account balances. Interest credited decreased $13 million, or 3%, to $396 million for the three months ended March 31, 2004 from $409 million for the three months ended March 31, 2003. This decrease was primarily the result of a $12 million decrease in our Retirement Income and Investments segment that was primarily attributable to lower credited rates on fixed annuities, GICs and funding agreements attributable to the lower interest rate environment, offset in part by an increase in interest credited attributable to more variable annuity policyholders selecting the fixed account option on their contracts, on which we credit interest. This resulted in a reduction in our weighted average crediting rates to 3.1% for the three months ended March 31, 2004 from 3.3% for the three months ended March 31, 2003.

Underwriting, acquisition and insurance expenses, net of deferrals. Underwriting, acquisition and insurance expenses, net of deferrals, represent costs and expenses related to the acquisition and ongoing maintenance of insurance and investment contracts, including commissions, policy issue expenses and other underwriting and general operating costs. These costs and expenses are net of amounts that are capitalized and deferred, which are primarily costs and expenses which vary with and are primarily related to the sale and issuance of our insurance policies and investment contracts, such as first year commissions in excess of ultimate renewal commissions and other policy issue expenses. These costs and expenses increased $20 million, or 4%, to $508 million for the three months ended March 31, 2004 from $488 million for the three months ended March 31, 2003. This increase was primarily the result of a $10 million increase in our Retirement Income and Investments segment, a

$10 million increase in our Affinity segment, and a $9 million increase in our Protection segment, offset in part by a $6 million decrease in our Mortgage Insurance segment. The increase in our Retirement Income and Investments segment was primarily attributable to increased commission expense incurred in our fee-based products due to increased sales of third party products. The increase in our Affinity segment was primarily due to expenses related to a commercial lines reinsurance transaction in which the purchaser of one of our discontinued operations ceded to us certain benefits and expenses. The increase in our Protection segment was primarily attributable to changes in foreign exchange rates in the payment protection insurance business and a shift in the distribution mix of our long-term care insurance business toward independent producers and away from dedicated sales specialists, which resulted in an increase in non-deferrable commission expense. The decrease in our Mortgage Insurance segment was primarily the result of lower mortgage refinancing activity in the U.S., offset by increased expenses to support the expansion of our international mortgage insurance business.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles consists primarily of the amortization of acquisition costs that are capitalized and PVFP and, for years prior to 2002, goodwill. Amortization of deferred acquisition costs and intangibles increased $45 million, or 15%, to $345 million for the three months ended March 31, 2004 from $300 million for the three months ended March 31, 2003. This increase was primarily the result of a $34 million increase in our Protection segment, a $4 million increase in our Mortgage Insurance segment and a $3 million increase in our Retirement Income and Investments segment. The increase in our Protection segment was primarily attributable to changes in the foreign exchange rates and growth of the long-term care insurance in-force block. The increase in our Mortgage Insurance segment was primarily attributable to the growth of our international mortgage insurance business. The increase in our Retirement Income and Investments segment was primarily attributable to lower amortization of deferred acquisitions costs on fixed annuities for the three months ended March 31, 2003, which was primarily attributable to lower investment spreads and higher impairment charges in our investment portfolio, which did not recur in the three months ended March 31, 2004.

Interest expense. Interest expense increased $20 million, or 74%, to $47 million for the three months ended March 31, 2004 from $27 million for the three months ended March 31, 2003. This increase was primarily the result of $13 million of interest expense associated with securitization entities that were consolidated in our financial statements in connection with our adoption of FIN 46 on July 1, 2003, a $6 million increase due to higher average borrowings and $3 million of interest paid on non-recourse funding obligations, issued in the third and fourth quarters of 2003, supporting certain term life insurance policies. These increases were offset in part by a $1 million decrease in interest expense that was primarily the result of lower interest rates on borrowings.

Provision for income taxes. Provision for income taxes increased $17 million, or 17%, to $117 million for the three months ended March 31, 2004 from $100 million for the three months ended March 31, 2003. The effective tax was 31.0% and 28.2% for the three months ended March 31, 2004 and 2003, respectively. This increase was primarily the result of appeal adjustments related to prior year federal income tax returns and higher dividends received deduction benefits in the three months ended March 31, 2003.

Net earnings from continuing operations. Net earnings from continuing operations increased by $6 million, or 2%, to $260 million for the three months ended March 31, 2004 from $254 million for the three months ended March 31, 2003. This increase was primarily the result of increases in segment net earnings in our Mortgage Insurance and Corporate and Other segments, offset in part by decreases in segment net earnings in our Protection, Retirement Income and Investments and Affinity segments.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Premiums. Premiums increased $596 million, or 10%, to $6,703 million for the year ended December 31, 2003 from $6,107 million for the year ended December 31, 2002. This increase was primarily the result of a $500 million increase in our Protection segment, a $54 million increase in our Retirement Income and Investments segment, and a $39 million increase in our Mortgage Insurance segment. The increase in our Protection segment was primarily attributable to increases in payment protection insurance premiums as a result of changes in foreign exchange rates and growth of the in-force block as well as growth in long-term care insurance premiums. The increase in our Retirement Income and Investments segment was primarily attributable to an increase in life-contingent structured settlement premiums, offset in part by a decrease in life-contingent income annuities. The increase in our Mortgage Insurance segment was primarily attributable to an increase in international mortgage insurance premiums, offset in part by a decrease in U.S. mortgage insurance premiums.

Net investment income. Net investment income increased $36 million, or 1%, to $4,015 million for the year ended December 31, 2003 from $3,979 million for the year ended December 31, 2002. This increase in net investment income was primarily the result of a $7,874 million, or 11%, increase in average invested assets. This increase was offset in part by a decrease in weighted average investment yields, primarily attributable to investments in the U.S., to 5.2% for the year ended December 31, 2003 from 5.8% for the year ended December 31, 2002.

Net realized investment gains. Net realized investment gains decreased $194 million to $10 million for the year ended December 31, 2003 from $204 million for the year ended December 31, 2002. For the year ended December 31, 2003, gross realized gains and (losses) were $473 million and $(463) million, respectively. The realized gains for the year ended December 31, 2003 included a $43 million gain from a securitization of certain financial assets. Realized losses for the year ended December 31, 2003 included $224 million of impairments. These impairments were attributable to fixed maturities, equity securities and other investments ($126 million, $83 million and $15 million, respectively). The fixed maturities impairments primarily related to securities issued by companies in the transportation, mining and metals, utilities and energy and technology and communications industries ($36 million, $28 million, $12 million and $11 million, respectively). In addition, $30 million of fixed maturities impairments were realized on asset-backed securities. The equity securities impairments related to mutual fund and common stock investments ($37 million and $46 million, respectively). The other investments impairments primarily related to impairment of limited partnership investments. For the year ended December 31, 2002, gross realized gains and (losses) were $790 million and $(586) million, respectively. The realized gains for the year ended December 31, 2002 included $29 million from a securitization of certain financial assets. Realized losses for the year ended December 31, 2002 included $343 million of impairments. These impairments were attributable to fixed maturities, equity securities and other investments ($193 million, $133 million and $17 million, respectively). The fixed maturities impairments primarily related to securities issued by companies in the technology and communications and airline industries ($131 million and $27 million, respectively). The technology and communication industry impairments include $83 million related to securities issued by WorldCom Inc. and its affiliates. The equity securities impairments related to mutual fund and common stock investments ($81 million and $52 million, respectively). The other investments impairments are related to impairment of limited partnership and other private equity investments.

Policy fees and other income. Policy fees and other income increased $4 million to $943 million for the year ended December 31, 2003 from $939 million for the year ended December 31, 2002. This increase was the result of a $38 million increase in our Corporate and Other segment and a $10 million increase in our Mortgage Insurance segment, offset in part by a $18 million decrease in our Retirement Income and Investments segment, a $15 million decrease in our Protection segment, and a $11 million decrease in our Affinity segment. The increase in our Corporate and Other segment was primarily attributable to interest income resulting from the consolidation of two securitization entities in our financial statements in connection with our adoption of FIN 46 on July 1, 2003. The increase in our Mortgage Insurance segment was primarily attributable to higher contract underwriting fees related to increased refinancing activity in the U.S. and higher fees from increased volume in our international mortgage insurance business. The decrease in our Retirement Income and Investments segment was primarily attributable to decreases in commission income and fee income on variable annuities. The decrease in our Protection segment was primarily attributable to a decrease in administrative fees from our group life and health insurance business. The decrease in our Affinity segment was primarily attributable to the decision to discontinue certain products and distribution relationships that did not meet our target return thresholds.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $592 million, or 13%, to $5,232 million for the year ended December 31, 2003 from $4,640 million for the year ended December 31, 2002. This increase was primarily the result of a $367 million increase in our Protection segment, a $102 million increase in our Retirement Income and Investments segment and a $69 million increase in our Mortgage Insurance segment. The increase in our Protection segment was primarily attributable to an increase in changes in policy reserves for long-term care insurance, payment protection insurance and life insurance. The increase in our Retirement Income and Investments segment was primarily attributable to an increase in changes in policy reserves for structured settlements. The increase in our Mortgage Insurance segment was primarily attributable to favorable loss development on prior year reserves.

Interest credited. Interest credited decreased $21 million, or 1%, to $1,624 million for the year ended December 31, 2003 from $1,645 million for the year ended December 31, 2002. This decrease was primarily the result of a $24 million decrease in our Retirement Income and Investments segment that was primarily attributable to lower credited rates on GICs and funding agreements, offset in part by an increase in interest credited resulting from more variable annuity policyholders selecting the fixed account option on their contracts, on which we credit interest. The decrease in interest credited was also the result of a reduction in our weighted average crediting rates to 3.3% for the year ended December 31, 2003 from 3.6% for the year ended December 31, 2002.

Underwriting, acquisition and insurance expenses, net of deferrals. Underwriting, acquisition and insurance expenses, net of deferrals, increased $134 million, or 7%, to $1,942 million for the year ended December 31, 2003 from $1,808 million for the year ended December 31, 2002. This increase was primarily the result of a $99 million increase in our Protection segment, a $66 million increase in our Mortgage Insurance segment, and a $31 million increase in our Corporate and Other segment, offset in part by a $73 million decrease in our Affinity segment. The increase in our Protection segment was primarily attributable to growth of the payment protection insurance in-force block. The increase in our Mortgage Insurance segment was primarily attributable to higher expenses associated with increased refinancing activity in the U.S., continued investment in our international mortgage insurance business and higher indemnity liabilities for U.S. contract underwriting claims, which are included as other liabilities in our statement of financial position. U.S contract underwriting indemnification claims arise out of our contract underwriting agreements, pursuant to which we agree to indemnify lenders against losses incurred in the event that we make material errors during the underwriting process. These claims are classified in this line item (and not in "Benefits and other changes in policy reserves") because they do not relate to insured events. Our indemnification liabilities related to U.S. contract underwriting claims increased as the result of our updating the assumptions we used to calculate these indemnity liabilities to reflect recent underwriting experience and the increase in the volume of mortgage loans underwritten due to significant refinancing activity. The increase in our Corporate and Other segment was primarily attributable to an increase in reserves for a class action litigation settlement. The decrease in our Affinity segment was primarily attributable to cost saving initiatives that reduced compensation and benefits and other general expenses.

Amortization of deferred acquisition costs and intangibles. Amortization increased $130 million, or 11%, to $1,351 million for the year ended December 31, 2003 from $1,221 million for the year ended December 31, 2002. This increase was primarily the result of a $155 million increase in our Protection segment, offset in part by a $20 million decrease in our Retirement Income and Investments segment. The increase in our Protection segment was primarily attributable to growth of the payment protection insurance in-force block. The decrease in our Retirement Income and Investments segment was primarily attributable to the impact of additional amortization in 2002 due to lower equity valuations of assets in our variable annuity separate accounts.

Interest expense. Interest expense increased $16 million, or 13%, to $140 million for the year ended December 31, 2003 from $124 million for the year ended December 31, 2002. This increase was primarily the result of $27 million of interest expense associated with securitization entities that were consolidated in our financial statements in connection with our adoption of FIN 46 on July 1, 2003, and $3 million of interest paid on non-recourse funding obligations, issued in the third and fourth quarters of 2003, supporting certain term life insurance policies. These increases were offset in part by a $14 million decrease in interest expense that was primarily the result of lower average short-term borrowings and long-term borrowings.

Provision for income taxes. Provision for income taxes increased $2 million to $413 million for the year ended December 31, 2003 from $411 million for the year ended December 31, 2002. The effective tax rate was 29.9% and 22.9% for the years ended December 31, 2003 and 2002, respectively. This increase in effective tax rate was primarily the result of a $152 million decrease in income tax expense for the year ended December 31, 2002 that was attributable to a favorable settlement with the Internal Revenue Service related to the treatment of certain reserves for obligations to policyholders on life insurance contracts, offset in part by dividend received deduction benefits realized in 2003. Excluding the effect of the settlement, our effective tax rate would have been 29.9% and 31.4% for the years ended December 31, 2003 and 2002, respectively.

Net earnings from continuing operations. Net earnings from continuing operations decreased by $411 million, or 30%, to $969 million for the year ended December 31, 2003 from $1,380 million for the year ended December 31, 2002. This decrease was primarily the result of a reduction in net realized investment gains and the impact of a favorable settlement with the IRS in 2002. The decline in net earnings from continuing operations reflects decreases in segment net earnings in our Protection, Retirement Income and Investments, Mortgage Insurance and Corporate and Other segments, offset in part by increased segment net earnings in our Affinity segment.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Premiums. Premiums increased $95 million, or 2%, to $6,107 million for the year ended December 31, 2002 from $6,012 million for the year ended December 31, 2001. This increase was primarily the result of a $173 million increase in our Protection segment, offset in part by a $39 million decrease in our Affinity segment, a $32 million decrease in our Retirement Income and Investments segment and a $21 million decrease in our Mortgage Insurance segment. The increase in our Protection segment was primarily attributable to increases in long-term care insurance and payment protection insurance premiums, offset in part by a decrease in life insurance premiums. The decrease in our Affinity segment was primarily attributable to the decision to discontinue certain products and distribution relationships that did not meet our target return thresholds. The decrease in our Retirement Income and Investment segment was primarily attributable to a decrease in premiums from life-contingent structured settlements, offset in part by an increase in premiums from income annuities.

The decrease in our Mortgage Insurance segment was primarily attributable to a decrease in premiums from our U.S. mortgage insurance business, offset in part by an increase in premiums from our international mortgage insurance business.

Net investment income. Net investment income increased $84 million, or 2%, to $3,979 million for the year ended December 31, 2002 from $3,895 million for the year ended December 31, 2001. This increase was primarily the result of an increase of $8,802 million, or 15%, in average invested assets. This increase was offset in part by a decrease in our weighted average investment yields, primarily attributable to investments in the U.S., to 5.8% for the year ended December 31, 2002 from 6.5% for the year ended December 31, 2001.

Net realized investment gains. Net realized investment gains increased $3 million, or 1%, to $204 million for the year ended December 31, 2002 from $201 million for the year ended December 31, 2001. For the year ended December 31, 2002, gross realized gains and (losses) were $790 million and $(586) million, respectively. The realized gains for the year ended December 31, 2002 included $29 million attributable to a securitization of certain financial assets. Realized losses for the year ended December 31, 2002 included $343 million of impairments. These impairments were attributable to fixed maturities, equity securities and other investments ($193 million, $133 million and $17 million, respectively). The fixed maturities impairments primarily related to securities issued by companies in the technology and communications and airline industries ($131 million and $27 million, respectively). The technology and communication industry impairments include $83 million related to securities issued by WorldCom Inc. and its affiliates. The equity securities impairments related to mutual fund and common stock investments ($81 million and $52 million, respectively). The other investments impairments are related to impairment of limited partnership and other private equity investments. For the year ended December 31, 2001, gross realized gains and (losses) were $814 million and $(613) million, respectively. The realized gains for the year ended December 31, 2001 included $145 million attributable to securitization of certain financial assets. Realized losses for the year ended December 31, 2001 included $289 million of impairments. These impairments were attributable to fixed maturities, equity securities and other investments ($201 million, $78 million and $10 million, respectively). The fixed maturities impairments primarily related to securities issued by companies in the technology and communications and utilities and energy industries ($85 million and $81 million respectively). The utilities and energy industry impairments include $80 million related to securities issued by Enron Corp. The equity securities impairments related to common stock and mutual fund investments were $64 million and $14 million, respectively.

Policy fees and other income. Policy fees and other income decreased $54 million, or 5%, to $939 million for the year ended December 31, 2002 from $993 million for the year ended December 31, 2001. This decrease was primarily the result of a $56 million decrease in our Affinity segment and a $28 million decrease in our Protection segment, offset in part by a $27 million increase in our Retirement Income and Investments segment. The decrease in our Affinity segment was primarily attributable to our decision to discontinue certain products and distribution relationships that did not meet our target return thresholds. The decrease in our Protection segment was primarily attributable to a return to a normal level of policy fees in 2002 following the recognition in 2001 of deferred policy fees resulting from the favorable mortality experience in certain universal life insurance products. The increase in our Retirement Income and Investments segment was attributable to the acquisition of a small asset management company at the end of 2001, offset in part by a decrease in fee income on variable annuity products.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $166 million, or 4%, to $4,640 million for the year ended December 31, 2002 from $4,474 million for the year ended December 31, 2001. This increase was primarily the result of a $250 million increase in our Protection segment and a $33 million increase in our Retirement Income and Investments segment, offset in part by a $104 million decrease in our Mortgage Insurance segment. The increase in our Protection segment was primarily attributable to increases in changes in policy reserves for long-term care insurance and payment protection insurance. The increase in the Retirement Income and Investments segment was primarily attributable to an increase in changes in policy reserves for income annuities, offset in part by a decrease in changes in policy reserves for structured settlements. The decrease in our Mortgage Insurance segment was primarily attributable to favorable loss development on prior year reserves.

Interest credited. Interest credited increased $25 million, or 2%, to $1,645 million for the year ended December 31, 2002 from $1,620 million for the year ended December 31, 2001. This increase was primarily the result of a $20 million increase in our Protection segment that was primarily attributable to increased policyholder account balances in universal life and corporate-owned life insurance products. The increase in interest credited was also the result of a $5 million increase in our Retirement Income and Investments segment that was primarily attributable to an increase in policyholder accounts attributable to higher sales of annuity products. These increases were offset in part by a reduction in our weighted average crediting rates attributable to the lower interest rate environment to 3.6% for the year ended December 31, 2002 from 4.0% for the year ended December 31, 2001.

Underwriting, acquisition and insurance expenses, net of deferrals. Underwriting, acquisition and insurance expenses, net of deferrals, decreased $15 million, or 1%, to $1,808 million for the year ended December 31, 2002 from $1,823 million for the year ended December 31, 2001. This decrease was primarily the result of a $113 million decrease in our Protection segment and a $8 million decrease in our Affinity segment, offset in part by a $53 million increase in our Mortgage Insurance segment, a $34 million increase in our Retirement Income and Investments segment, and a $19 million increase in our Corporate and Other segment. The decrease in our Protection segment was primarily attributable to a decrease in periodic payment protection insurance products resulting in lower current expense; a major customer's decision to underwrite its own payment protection insurance policies; and reduced expenses associated with a discontinued block of accident and health insurance policies in our long-term care insurance business. The decrease in our Affinity segment was primarily attributable to reduced compensation and benefits and other cost-saving initiatives. The increase in our Mortgage Insurance segment was primarily attributable to growth in our international mortgage insurance business, increased expenses in the U.S. due to increased underwriting volume from higher refinancing activity, and the impact of a decrease in the liability associated with U.S. contract underwriting indemnifications in 2001 as the result of our updating of the assumptions we used to calculate these indemnity liabilities to reflect recent underwriting experience where loss experience was lower than we had anticipated. The increase in our Retirement Income and Investments segment was primarily attributable to the operations of a small asset management company acquired at the end of 2001. The increase in our Corporate and Other segment was primarily attributable to costs incurred to close certain facilities resulting from relocations to Richmond, Virginia.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles decreased $16 million, or 1%, to $1,221 million for the year ended December 31, 2002 from $1,237 million for the year ended December 31, 2001. This decrease was the result of a $40 million decrease in our Affinity segment and a $12 million decrease in our Mortgage Insurance segment, offset in part by a $29 million increase in our Retirement Income and Investments segment and a $7 million increase in our Protection segment. The decrease in our Affinity segment was primarily attributable to an adjustment in the fourth quarter of 2002 to reflect actual membership lapse rates as compared with the lapse rates projected at the time of purchase. The decrease in our Mortgage Insurance segment was primarily attributable to discontinuation of goodwill amortization in accordance with SFAS 142. The increase in our Retirement Income and Investments segment was primarily attributable to additional amortization of deferred acquisition costs for variable annuity products associated with the decrease in asset values resulting from declines in the equity markets. The increase in our Protection segment was primarily attributable to growth in the payment protection insurance in-force block, offset in part by the discontinuation of amortization of goodwill in accordance with SFAS 142 and a decrease associated with the amortization for PVFP of the block of long-term care insurance reinsured from Travelers.

Interest expense. Interest expense decreased $2 million, or 2%, to $124 million for the year ended December 31, 2002 from $126 million for the year ended December 31, 2001. This decrease was primarily the result of lower interest rates on borrowings, offset in part by higher average borrowings.

Provision for income taxes. Provision for income taxes decreased $179 million, or 30%, to $411 million for the year ended December 31, 2002 from $590 million for the year ended December 31, 2001. The effective tax rate was 22.9% and 32.4% for the years ended December 31, 2002 and 2001, respectively. This decrease in effective tax rate was primarily the result of a $152 million decrease in income tax expense for the year ended December 31, 2002 that was attributable to a favorable settlement with the IRS related to the treatment of certain reserves for obligations to policyholders on life insurance contracts. Excluding the effect of this item, our effective tax rate would have been 31.4% and 32.4% for the years ended December 31, 2002 and 2001, respectively. The decrease was also the result of our discontinuation of goodwill amortization in accordance with SFAS 142.

Net earnings from continuing operations. Net earnings from continuing operations increased by $149 million, or 12%, to $1,380 million for the year ended December 31, 2002 from $1,231 million for the year ended December 31, 2001. This increase was primarily the result of the lower provision for income taxes primarily attributable to the favorable settlement with the IRS. The increase in net earnings from continuing operations reflects increases in segment net earnings in our Protection, Mortgage Insurance and Corporate and Other segments, offset in part by decreases in segment net earnings in our Retirement Income and Investments and Affinity segments.

Historical Combined and Pro Forma Results of Operations by Segment

Set forth below is historical combined financial information for each of our operating segments (Protection, Retirement Income and Investments and Mortgage Insurance), together with our Corporate and Other segment and the Affinity segment. Set forth below also is pro forma financial information for our Protection, Retirement Income and Investments, Mortgage Insurance and Corporate and Other segments. The pro forma financial information for the Mortgage Insurance segment reflects an adjustment to its financial position to remove assets and liabilities that were not transferred to us in connection with our corporate reorganization. There were no material revenues or expenses associated with these assets and liabilities. Pro forma financial information is not provided for the Affinity segment because we did not acquire that segment from GEFAHI. All pro forma segment information is calculated on the same basis as the segment information presented in our audited historical combined financial statements. See note 23 to our audited historical combined financial statements included elsewhere in this prospectus.

Management regularly reviews the performance of each of our operating segments based on the after-tax net earnings (loss) of the segment, which excludes: (1) net realized investment gains (losses), (2) most of our interest and other financing expenses, (3) amounts reserved for the settlement in principle of the class action litigation relating to sales practices in our life insurance business, and (4) advertising and marketing costs and severance and restructuring charges. Although these excluded items are significant to our consolidated financial performance, we believe that the presentation of segment net earnings (loss) enhances our understanding and assessment of the results of operations of our operating segments by highlighting net earnings (loss) attributable to the normal, recurring operations of our business. However, segment net earnings (loss) is not a substitute for net income determined in accordance with U.S. GAAP.

	Historical					Pro forma		
	Three months ended March 31,		Years ended December 31,			Three months ended March 31,		Year ended December 31,
	2004	2003	2003	2002	2001	2004	2003	2003
(Dollar amounts in millions)								
Revenues by segment:								
Protection	$ 1,566	$ 1,472	$ 6,153	$ 5,605	$ 5,443	$ 1,489	$ 1,393	$ 5,839
Retirement Income and Investments	976	958	3,781	3,756	3,721	725	689	2,707
Mortgage Insurance	263	227	982	946	965	263	227	982
Affinity	139	137	566	588	687			
Corporate and Other	77	37	189	334	285	78	45	247
Total revenues	$ 3,021	$ 2,831	$ 11,671	$ 11,229	$ 11,101	$ 2,555	$ 2,354	$ 9,775
Segment net earnings (loss):								
Protection	$ 124	$ 131	$ 487	$ 554	$ 538	$ 123	$ 124	$ 481
Retirement Income and Investments	31	42	151	186	215	32	26	93
Mortgage Insurance	103	85	369	451	428	103	85	369
Affinity	(2)		16	(3)	24			
Corporate and Other	4	(4)	(54)	192	26	(1)	(6)	(50)
Total segment net earnings (loss)	$ 260	$ 254	$ 969	$ 1,380	$ 1,231	$ 257	$ 229	$ 893
Total assets by segment (as of the period ended):								
Protection	$ 29,914		$ 29,254	$ 27,104	$ 24,647	$ 29,833		
Retirement Income and Investments	56,040		55,614	53,624	50,512	54,582		
Mortgage Insurance	6,565		6,110	6,066	5,830	6,388		
Affinity	2,405		2,315	2,317	2,211			
Corporate and Other	11,612		10,138	28,246	20,798	9,413		
Total assets	$ 106,536		$ 103,431	$ 117,357	$ 103,998	$ 100,216		

Protection segment

The following table sets forth the historical and pro forma results of operations relating to our Protection segment. The pro forma financial information reflects adjustments to give effect to the reinsurance transactions in which we ceded to UFLIC a block of long-term care insurance policies that we reinsured from Travelers in 2000 and we assumed from UFLIC in-force blocks of Medicare supplement insurance policies.

There were no pro forma adjustments to policy fees and other income, interest credited or interest expense because the long-term care insurance policies we ceded to UFLIC, and the Medicare supplement insurance policies UFLIC ceded to us, in connection with the reinsurance transactions do not generate such fees, interest credited or interest expense. Pro forma revenues and benefits and expenses are lower than our historical revenues and expenses primarily as a result of exclusion of revenues and expenses related to the reinsured long-term care insurance policies.

	Historical					Pro forma		
	Three months ended March 31,		Years ended December 31,			Three months ended March 31,		Year ended December 31,
	2004	2003	2003	2002	2001	2004	2003	2003
(Dollar amounts in millions)								
Revenues:								
Premiums	$ 1,170	$ 1,082	$ 4,588	$ 4,088	$ 3,915	$ 1,121	$ 1,031	$ 4,381
Net investment income	309	299	1,199	1,136	1,119	281	271	1,092
Policy fees and other income	87	91	366	381	409	87	91	366
Total revenues	1,566	1,472	6,153	5,605	5,443	1,489	1,393	5,839
Benefits and expenses:								
Benefits and other changes in policy reserves	760	703	2,997	2,630	2,380	694	644	2,745
Interest credited	90	91	365	362	342	90	91	365
Underwriting, acquisition and insurance expenses, net of deferrals	276	267	1,029	930	1,043	269	261	994
Amortization of deferred acquisition costs and intangibles	244	210	1,001	846	839	241	206	981
Interest expense	3		3			3		3
Total benefits and expenses	1,373	1,271	5,395	4,768	4,604	1,297	1,202	5,088
Earnings before income taxes	193	201	758	837	839	192	191	751
Provision for income taxes	69	70	271	283	301	69	67	270
Segment net earnings	$ 124	$ 131	$ 487	$ 554	$ 538	$ 123	$ 124	$ 481

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Premiums. Premiums increased $88 million, or 8%, to $1,170 million for the three months ended March 31, 2004 from $1,082 million for the three months ended March 31, 2003. This increase was primarily the result of a $42 million increase in payment protection premiums, consisting of a $47 million increase attributable to changes in foreign exchange rates, offset by a $5 million decrease in premiums on a constant-currency basis that was due to a $28 million decrease in premiums in the U.K. market and a $23 million increase in premiums in Continental Europe and Ireland. The decrease in the U.K. market was attributable to the run-off of our in-force block in the U.K., where we decided not to renew certain distribution relationships that did not meet our targeted returns on capital. The increase in Continental Europe and Ireland was attributable to the growth of our in-force blocks in those markets, which was due to new distribution relationships and to the growth of consumer lending in those markets. The increase in Protection segment premiums was also the result of a $25 million increase in long-term care insurance premiums and a $20 million increase in term life insurance premiums, both of which were attributable to growth of the respective in-force blocks.

Net investment income. Net investment income increased $10 million, or 3%, to $309 million for the three months ended March 31, 2004 from $299 million for the three months ended March 31, 2003. This increase was primarily the result of an increase in invested assets due to growth of the segment's in-force blocks, offset in part by a decrease in capital allocated to this segment in preparation for our corporate reorganization and initial public offering, as well as declining yields on investments in the lower interest rate environment.

Policy fees and other income. Policy fees and other income decreased $4 million, or 4%, to $87 million for the three months ended March 31, 2004 from $91 million for the three months ended March 31, 2003. This decrease was primarily the result of a $3 million decrease in administrative fees from our group life and health insurance business that was primarily attributable to higher lapse rates.

The decrease was offset in part by a $2 million increase in fees from third-party administration services in our European payment protection insurance business due primarily to the favorable impact of changes in foreign exchange rates.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $57 million, or 8%, to $760 million for the three months ended March 31, 2004 from $703 million for the three months ended March 31, 2003. This increase was primarily the result of $22 million and $21 million increases in our long-term care and life insurance businesses, respectively, each resulting from increased benefit payments and reserves due to the growth of the respective in-force blocks. In addition, the increase in benefits and other changes in policy reserves included a $10 million increase in our European payment protection insurance business due to changes in foreign exchange rates and a $2 million increase due to increased claims in our run-off block of U.K. travel insurance, offset by a $1 million decrease due to lower claims volume in the U.K. attributable to our decision not to renew certain distribution relationships in that market.

Interest credited. Interest credited decreased $1 million, or 1%, to $90 million for the three months ended March 31, 2004 from $91 million for the three months ended March 31, 2003. This decrease was primarily the result of decreased crediting rates for universal life insurance policies, offset in part by increased policyholder account balances on corporate-owned life insurance policies.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals, increased $9 million, or 3%, to $276 million for the three months ended March 31, 2004 from $267 million for the three months ended March 31, 2003. This increase was primarily the result of an $8 million increase in long-term care insurance primarily attributable to a shift in our distribution mix toward independent producers and away from dedicated sales specialists, which resulted in an increase in non-deferrable commission expense. This increase was also the result of a $7 million increase attributable to payment protection insurance that was primarily attributable to a $10 million increase due to changes in foreign exchange rates, offset in part by a $3 million decrease in general expenses due to lower sales volume in the U.K. These increases were offset in part by a $5 million decrease in life insurance primarily attributable to lower legal fees following the agreement in principle to settle a class action litigation in the third quarter of 2003.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles increased $34 million, or 16%, to $244 million for the three months ended March 31, 2004 from $210 million for the three months ended March 31, 2003. This increase was primarily the result of a $29 million increase in payment protection insurance, $18 million of which was due to changes in foreign exchange rates and $11 million of which was due to growth of the in-force block during 2003. This increase in the amortization of deferred acquisition costs and intangibles also included a $7 million increase in long-term care insurance that was primarily the result of growth of the in-force block.

Interest expense. Interest expense increased $3 million to $3 million for the three months ended March 31, 2004 from $0 million for the three months ended March 31, 2003. This increase was primarily the result of interest paid on non-recourse funding obligations, issued in the third and fourth quarters of 2003, supporting certain term life insurance policies.

Provision for income taxes. Provision for income taxes decreased $1 million, or 1%, to $69 million for the three months ended March 31, 2004 from $70 million for the three months ended March 31, 2003. The effective tax rate was 35.8% and 34.8% for the three months ended March 31, 2004 and 2003, respectively. This increase in effective tax rate was primarily the result of a decrease in certain foreign tax benefits.

Segment net earnings. Segment net earnings decreased by $7 million, or 5%, to $124 million for the three months ended March 31, 2004 from $131 million for the three months ended March 31, 2003.

This decrease was primarily the result of decreases in net earnings for group life and health, long-term care and European payment protection insurance products, offset in part by an increase in net earnings for life insurance products. The decrease in group life and health insurance was primarily attributable to higher lapse rates in our dental insurance and administration fee products, as well as higher claims incidence in our life insurance products. The decrease in long-term care insurance was primarily attributable to the loss of $4 million of investment income resulting from a reallocation of capital from our long-term care insurance business to our Corporate and Other segment. The decrease in long-term care insurance was offset in part by growth of the in-force block. The decrease in European payment protection insurance was primarily the result of increased claims in our run-off block of U.K. travel insurance and the loss of certain foreign tax benefits, offset in part by $3 million due to the favorable impact of changes in foreign exchange rates. The increase in life insurance was primarily attributable to growth in the in-force block.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Premiums. Premiums increased $500 million, or 12%, to $4,588 million for the year ended December 31, 2003 from $4,088 million for the year ended December 31, 2002. This increase was primarily the result of a $265 million increase in payment protection insurance premiums, with $155 million of that increase attributable to changes in foreign exchange rates and $110 million of that increase attributable to growth of the in-force block. The increase was also the result of a $232 million increase in long-term care insurance premiums that was primarily attributable to growth of the in-force block.

Net investment income. Net investment income increased $63 million, or 6%, to $1,199 million for the year ended December 31, 2003 from $1,136 million for the year ended December 31, 2002. This increase was primarily the result of an increase in invested assets, offset in part by declining yields on investments in the lower interest rate environment.

Policy fees and other income. Policy fees and other income decreased $15 million, or 4%, to $366 million for the year ended December 31, 2003 from $381 million for the year ended December 31, 2002. This decrease was primarily the result of a $13 million decrease in administrative fees from our group life and health insurance business that was primarily attributable to higher lapse rates.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $367 million, or 14%, to $2,997 million for the year ended December 31, 2003 from $2,630 million for the year ended December 31, 2002. This increase was primarily the result of a $267 million increase in changes in reserves and benefit payments resulting from the normal, expected increases in claims volume associated with the aging of the long-term care insurance in-force block. The increase was also the result of a $69 million increase in changes in policy reserves attributable to growth of the payment protection insurance in-force block, of which $34 million was attributable to a lower amount of favorable loss development on prior-year reserves, and a $38 million increase in life insurance reserves.

Interest credited. Interest credited increased $3 million, or 1%, to $365 million for the year ended December 31, 2003 from $362 million for the year ended December 31, 2002. This increase was primarily the result of increased policyholder account balances on corporate-owned life insurance policies, offset in part by decreased crediting rates for universal life insurance policies.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals increased $99 million, or 11%, to $1,029 million for the year ended December 31, 2003 from $930 million for the year ended December 31, 2002. This increase was primarily the result of an $83 million increase attributable to growth in the payment protection insurance in-force block that was primarily associated with an increase in net commission expense.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles increased $155 million, or 18%, to $1,001 million for the year ended December 31, 2003 from $846 million for the year ended December 31, 2002. This increase was primarily the result of a $96 million increase resulting from growth of the payment protection insurance in-force block. The increase was also the result of a $33 million increase primarily attributable to additional investment income due to early bond calls within the universal life insurance investment portfolio and to favorable universal life insurance claims experience, both of which accelerated amortization of deferred acquisition costs and intangibles. In addition, $19 million of the increase was the result of the impact of the amortization of PVFP in 2002 for the block of long-term care insurance reinsured from Travelers.

Interest expense. Interest expense increased $3 million for the year ended December 31, 2003 from $0 million for the year ended December 31, 2002. This increase was the result of interest paid on non-recourse funding obligations, issued in the third and fourth quarters of 2003, supporting certain term life insurance policies.

Provision for income taxes. Provision for income taxes decreased $12 million, or 4%, to $271 million for the year ended December 31, 2003 from $283 million for the year ended December 31, 2002. The effective tax rate was 35.8% and 33.8% for the years ended December 31, 2003 and 2002, respectively. This increase in effective tax rate was primarily the result of a decrease in certain foreign tax loss and dividend benefits.

Segment net earnings. Segment net earnings decreased by $67 million, or 12%, to $487 million for the year ended December 31, 2003 from $554 million for the year ended December 31, 2002. The decrease in segment net earnings primarily reflects decreases in net earnings for life, payment protection and group life and health insurance products, offset in part by increases in net earnings for long-term care insurance products. The decrease in life insurance was primarily attributable to an increase in life insurance reserves, as well as accelerated amortization of deferred acquisition costs and intangibles related to additional investment income resulting from early bond calls and favorable claims experience. The decrease in payment protection insurance was primarily attributable to higher underwriting, acquisition, insurance and other expenses, net of deferrals, and the impact of the recognition in 2002 of certain foreign tax loss benefits. The decrease in group life and health insurance was primarily attributable to lower administration fees due to higher lapse rates. The increase in long-term care insurance was primarily attributable to growth in the in-force blocks.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Premiums. Premiums increased $173 million, or 4%, to $4,088 million for the year ended December 31, 2002 from $3,915 million for the year ended December 31, 2001. This increase was primarily the result of a $110 million increase in long-term care insurance premiums that was primarily attributable to growth of the in-force block. The increase was also the result of an $81 million increase in payment protection insurance premiums, with $40 million of that increase attributable to growth of the in-force block and $41 million attributable to changes in foreign exchange rates. These increases were offset in part by a $27 million decrease in term life insurance premiums that was primarily attributable to a term life insurance in-force reinsurance transaction in which certain premiums were ceded by us to a third-party reinsurer.

Net investment income. Net investment income increased $17 million, or 2%, to $1,136 million for the year ended December 31, 2002 from $1,119 million for the year ended December 31, 2001. This increase was primarily the result of an increase in invested assets, offset in part by declining yields on investments in the lower interest rate environment.

Policy fees and other income. Policy fees and other income decreased $28 million, or 7%, to $381 million for the year ended December 31, 2002 from $409 million for the year ended

December 31, 2001. This decrease was primarily the result of a return to a normal level of policy fees in 2002 following the recognition in 2001 of deferred policy fees resulting from favorable mortality experience in certain universal life insurance products.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $250 million, or 11%, to $2,630 million for the year ended December 31, 2002 from $2,380 million for the year ended December 31, 2001. This increase was primarily the result of a $221 million increase in reserves and benefit payments resulting from the normal, expected increase in claims volume associated with the aging of the long-term care insurance in-force block. The increase was also the result of a $41 million increase in changes in policy reserves attributable to growth of the payment protection insurance in-force block. These increases were offset in part by a $12 million decrease in changes in policy reserves for group life and health insurance that were primarily attributable to favorable experience in our long-term disability product.

Interest credited. Interest credited increased $20 million, or 6%, to $362 million for the year ended December 31, 2002 from $342 million for the year ended December 31, 2001. This increase was primarily the result of increased policyholder account balances on universal life and corporate-owned life insurance policies.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals decreased $113 million, or 11%, to $930 million for the year ended December 31, 2002 from $1,043 million for the year ended December 31, 2001. This decrease was primarily the result of a $72 million decrease attributable to a decrease in periodic payment protection insurance products resulting in lower current expense and to a major customer's decision to underwrite its own payment protection insurance. The decrease was also the result of a $30 million decrease primarily attributable to a discontinued block of accident and health insurance policies in our long-term care insurance business.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles increased $7 million, or 1%, to $846 million for the year ended December 31, 2002 from $839 million for the year ended December 31, 2001. This increase was primarily the result of an $85 million increase attributable to growth of the payment protection insurance in-force block. This increase was offset in part by a $52 million decrease attributable to discontinuation of amortization of goodwill in accordance with SFAS 142. The increase was also offset in part by a $19 million decrease associated with the amortization of PVFP for the block of long-term care insurance reinsured from Travelers.

Interest expense. There was no interest expense for the years ended December 31, 2002 and 2001.

Provision for income taxes. Provision for income taxes decreased $18 million, or 6%, to $283 million for the year ended December 31, 2002 from $301 million for the year ended December 31, 2001. The effective tax rate was 33.8% and 35.9% for the years ended December 31, 2002 and 2001, respectively. This decrease in effective tax rate was primarily the result of an increase in certain foreign tax loss and dividend benefits, as well as the discontinuation of goodwill amortization in accordance with SFAS 142.

Segment net earnings. Segment net earnings increased $16 million, or 3%, to $554 million for the year ended December 31, 2002 from $538 million for the year ended December 31, 2001. This increase was primarily attributable to the discontinuance in 2002 of goodwill amortization. The increase in segment net earnings reflects increases in net earnings for payment protection and group life and health insurance products and decreases in net earnings for life and long-term care insurance products (excluding, in each case, the effect of any discontinuation of goodwill amortization). The increase in payment protection insurance was primarily attributable to dividends received deduction benefits and certain foreign tax benefits. The increase in group life and health insurance was primarily attributable to favorable experience in our long-term disability product. The decrease in life insurance was primarily attributable to the impact of the recognition in 2001 of deferred policy fees and the term life insurance in-force reinsurance transaction. The decrease in long-term care insurance was primarily attributable to an increase in claims volume.

Retirement Income and Investments segment

The following table sets forth the historical and pro forma results of operations relating to our Retirement Income and Investments segment. The pro forma financial information reflects adjustments to give effect to the reinsurance transactions in which we ceded to UFLIC our in-force blocks of structured settlements and substantially all of our in-force blocks of variable annuities. There were no pro forma adjustments to premiums because the structured settlements we ceded are single premium products and do not have renewal premiums. The variable annuity products we ceded are deposit contracts, and their deposits are not recorded as premiums. Pro forma revenues and benefits and expenses are lower than our historical revenues and benefits and expenses primarily as a result of the exclusion of revenues and expenses related to the reinsured blocks of variable annuities and structured settlements.

(Dollar amounts in millions)

	Historical					Pro forma		
	Three months ended March 31,		Years ended December 31,			Three months ended March 31,		Year ended December 31,
	2004	2003	2003	2002	2001	2004	2003	2003
Revenues:								
Premiums	$ 277	$ 258	$ 1,045	$ 991	$ 1,023	$ 277	$ 258	$ 1,045
Net investment income	617	639	2,511	2,522	2,482	396	401	1,563
Policy fees and other income	82	61	225	243	216	52	30	99
Total revenues	976	958	3,781	3,756	3,721	725	689	2,707
Benefits and expenses:								
Benefits and other changes in policy reserves	491	456	1,871	1,769	1,736	344	310	1,278
Interest credited	306	318	1,259	1,283	1,278	240	252	993
Underwriting, acquisition and insurance expenses, net of deferrals	75	65	232	221	187	62	52	182
Amortization of deferred acquisition costs and intangibles	57	54	190	210	181	30	34	113
Total benefits and expenses	929	893	3,552	3,483	3,382	676	648	2,566
Earnings before income taxes	47	65	229	273	339	49	41	141
Provision for income taxes	16	23	78	87	124	17	15	48
Segment net earnings	$ 31	$ 42	$ 151	$ 186	$ 215	$ 32	$ 26	$ 93

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Premiums. Premiums increased $19 million, or 7%, to $277 million for the three months ended March 31, 2004 from $258 million for the three months ended March 31, 2003. This increase was primarily the result of a $52 million increase in premiums for life-contingent income annuities that was primarily attributable to new distribution relationships in 2004, as well as reduced premiums in the three months ended March 31, 2003 attributable to highly competitive pricing conditions in that period. This increase was offset in part by a $33 million decrease in premiums for life-contingent structured settlements that was primarily attributable to our decision to write those contracts only when we believe we will be able to achieve our targeted returns.

Net investment income. Net investment income decreased $22 million, or 3%, to $617 million for the three months ended March 31, 2004 from $639 million for the three months ended March 31, 2003. This decrease was primarily the result of declining yields on investments, offset in part by an increase in invested assets due to additional capital allocated to this segment in preparation for our corporate reorganization and initial public offering.

Policy fees and other income. Policy fees and other income increased $21 million, or 34%, to $82 million for the three months ended March 31, 2004 from $61 million for the three months ended March 31, 2003. This increase was primarily the result of a $10 million increase in commission income attributable to increased sales of third-party products. The increase was also the result of $6 million of fee income earned pursuant to new arrangements we entered into, effective as of January 1, 2004, to provide investment administrative services related to a pool of municipal GICs issued by affiliates of GE. The increase in policy fees and other income was also the result of a $6 million increase in fees earned on our variable annuity separate accounts.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $35 million, or 8%, to $491 million for the three months ended March 31, 2004 from $456 million for the three months ended March 31, 2003. This increase was primarily the result of a $53 million increase in benefits and changes in policy reserves for life-contingent income annuities attributable to higher sales of this product. This increase was offset in part by a $17 million decrease in benefits and changes in policy reserves for structured settlements primarily attributable to lower sales of this product, offset in part by favorable mortality experience in our structured settlement business during the three months ended March 31, 2003 that did not recur in the three months ended March 31, 2004.

Interest credited. Interest credited decreased $12 million, or 4%, to $306 million for the three months ended March 31, 2004 from $318 million for the three months ended March 31, 2003. This decrease was primarily the result of lower credited rates on fixed annuities, GICs and funding agreements attributable to the lower interest rate environment, offset in part by an increase in interest credited attributable to more variable annuity policyholders selecting the fixed account option on their contracts, on which we credit interest.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals, increased by $10 million, or 15%, to $75 million for the three months ended March 31, 2004 from $65 million for the three months ended March 31, 2003. This increase was primarily the result of increased commission expense incurred in our fee-based products due to increased sales of third party products.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles increased $3 million, or 6%, to $57 million for the three months ended March 31, 2004 from $54 million for the three months ended March 31, 2003. This increase was primarily the result of lower amortization of deferred acquisitions costs on fixed annuities for the three months ended March 31, 2003, which was primarily attributable to lower investment spreads and higher impairment charges in our investment portfolio, which did not recur in the three months ended March 31, 2004.

Provision for income taxes. Provision for income taxes decreased $7 million, or 30%, to $16 million for the three months ended March 31, 2004 from $23 million for the three months ended March 31, 2003. The effective tax rate was 34.0% and 35.4% for three months ended March 31, 2004 and March 31, 2003, respectively. This decrease in effective tax rate was primarily the result of recurring dividends received deduction benefits on lower pre-tax income in 2004.

Segment net earnings. Segment net earnings decreased $11 million, or 26%, to $31 million for the three months ended March 31, 2004 from $42 million for the three months ended March 31, 2003. The decrease was primarily the result of declining yields on invested assets, resulting in lower earnings from our spread-based retail and institutional products. This decrease was also the result of favorable mortality experience in our structured settlement business during the three months ended March 31, 2003 that did not recur in the three months ended March 31, 2004. Segment net earnings were favorably affected by an increase in commission income attributable to increased sales of third-party products, as well as fees earned pursuant to new arrangements we entered into, effective as of

January 1, 2004, to provide investment administrative services related to a pool of municipal GICs issued by affiliates of GE.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Premiums. Premiums increased $54 million, or 5%, to $1,045 million for the year ended December 31, 2003 from $991 million for the year ended December 31, 2002. This increase was primarily the result of a $92 million increase in premiums for life-contingent structured settlements that was attributable to higher sales of this product. This increase was offset in part by a $31 million decrease in premiums for life-contingent income annuities that was primarily attributable to lower sales of this product resulting from a reduction of crediting and payout rates in 2003 in the lower interest rate environment.

Net investment income. Net investment income decreased $11 million to $2,511 million for the year ended December 31, 2003 from $2,522 million for the year ended December 31, 2002. This decrease was primarily the result of declining yields on investments, which was offset in part by an increase in invested assets.

Policy fees and other income. Policy fees and other income decreased $18 million, or 7%, to $225 million for the year ended December 31, 2003 from $243 million for the year ended December 31, 2002. This decrease was the result of a $10 million decrease in commission income and an $8 million decrease in fee income on annuities primarily attributable to lower equity values of the assets in our variable annuity separate accounts.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $102 million, or 6%, to $1,871 million for the year ended December 31, 2003 from $1,769 million for the year ended December 31, 2002. This increase was the result of a $107 million increase in changes in policy reserves for structured settlements attributable to higher sales of this product.

Interest credited. Interest credited decreased $24 million, or 2%, to $1,259 million for the year ended December 31, 2003 from $1,283 million for the year ended December 31, 2002. This decrease was primarily the result of lower credited rates on GICs and funding agreements attributable to the lower interest rate environment, offset in part by an increase in interest credited attributable to more variable annuity policyholders selecting the fixed account option on their contracts, on which we credit interest.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals increased by $11 million, or 5%, to $232 million for the year ended December 31, 2003 from $221 million for the year ended December 31, 2002. This increase was primarily the result of an increase in general operating expenses, offset in part by an increase in deferrals of acquisition costs resulting from increased sales of variable annuities with bonus features, for which a portion of the benefit expense is deferred and amortized over the life of the product.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles decreased $20 million, or 10%, to $190 million for the year ended December 31, 2003 from $210 million for the year ended December 31, 2002. This decrease was primarily the result of the impact of a $26 million increase in additional amortization of deferred acquisition costs in 2002 that was primarily attributable to lower equity valuations of assets in our variable annuity separate accounts.

Provision for income taxes. Provision for income taxes decreased $9 million, or 10%, to $78 million for the year ended December 31, 2003 from $87 million for the year ended December 31, 2002. The effective tax rate was 34.1% and 31.9% for the year ended December 31, 2003 and 2002, respectively. This increase in effective tax rate was the result of the impact of higher dividends received deduction benefits related to separate account annuity products in 2002.

Segment net earnings. Segment net earnings decreased $35 million, or 19%, to $151 million for the year ended December 31, 2003 from $186 million for the year ended December 31, 2002. This decrease in segment net earnings was primarily the result of lower policy fees and other income and declining yields on invested assets. The decrease in segment net earnings reflects decreases in net earnings for structured settlement, fixed annuity and GIC products and an increase in net earnings for variable annuity products. The decrease in structured settlements and GICs was primarily attributable to lower reinvestment rates. The decrease in fixed annuities was primarily attributable to higher amortization of deferred acquisition costs. The increase in variable annuities was primarily attributable to tax benefits resulting from higher dividend deductions on our separate accounts.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Premiums. Premiums decreased $32 million, or 3%, to $991 million for the year ended December 31, 2002 from $1,023 million for the year ended December 31, 2001. This decrease was primarily the result of a $185 million decrease in premiums for life-contingent structured settlements attributable to lower sales of these products. This decrease was offset in part by a $151 million increase in premiums for income annuities attributable to higher sales.

Net investment income. Net investment income increased $40 million, or 2%, to $2,522 million for the year ended December 31, 2002 from $2,482 million for the year ended December 31, 2001. This increase was primarily the result of an increase in invested assets, offset in part by declining yields on investments in the lower interest rate environment.

Policy fees and other income. Policy fees and other income increased $27 million, or 13%, to $243 million for the year ended December 31, 2002 from $216 million for the year ended December 31, 2001. This increase was primarily the result of a $39 million increase in fee income attributable to the acquisition of a small asset management company at the end of 2001. This increase was offset in part by a $14 million decrease in fee income on variable annuities primarily attributable to lower equity values in our variable annuity separate accounts.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $33 million, or 2%, to $1,769 million for the year ended December 31, 2002 from $1,736 million for the year ended December 31, 2001. This increase was primarily the result of a $186 million increase in changes in policy reserves that was attributable to higher sales of life-contingent income annuities. This increase was offset in part by a $146 million reduction in changes in policy reserves established for structured settlements that was attributable to lower sales of structured settlements.

Interest credited. Interest credited increased $5 million to $1,283 million for the year ended December 31, 2002 from $1,278 million for the year ended December 31, 2001. This increase was primarily the result of an increase in policyholder account balances attributable to higher sales of annuity products, including GICs, funding agreements, fixed annuities, income annuities and fixed accounts of variable annuities. This increase was offset in part by lower interest crediting rates, particularly on GICs and funding agreements, attributable to the lower interest rate environment.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals, increased $34 million, or 18%, to $221 million for the year ended December 31, 2002 from $187 million for the year ended December 31, 2001. This increase was primarily the result of expenses attributable to the operations of a small asset management company that we acquired at the end of 2001.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles increased $29 million, or 16%, to $210 million for the year ended December 31, 2002 from $181 million for the year ended December 31, 2001. This increase was primarily the result of an increase of $26 million that was attributable to additional amortization of deferred acquisition costs for our variable annuity products associated with the decrease in separate account asset values resulting from declines in the equity markets.

Provision for income taxes. Provision for income taxes decreased $37 million, or 30%, to $87 million for the year ended December 31, 2002 from $124 million for the year ended December 31, 2001. The effective tax rate was 31.9% and 36.6% for the years ended December 31, 2002 and 2001, respectively. This decrease in effective tax rate was the result of higher dividend received deduction benefits related to separate account annuity products, an increase in tax reserves related to the segment's products and the discontinuation of goodwill amortization in accordance with SFAS 142.

Segment net earnings. Segment net earnings decreased $29 million, or 13%, to $186 million for the year ended December 31, 2002 from $215 million for the year ended December 31, 2001. This decrease in segment net earnings was primarily the result of declining yields on invested assets. The decrease in segment net earnings reflects decreases in net earnings for fixed and variable annuity and structured settlement products and an increase in net earnings for GIC products. The decrease in variable annuities was attributable to declining fee income associated with lower equity values of the assets in our separate accounts and accelerated amortization of deferred acquisition costs. The decrease for fixed annuities and structured settlements was primarily attributable to declining yields on investments. The increase in GICs was primarily attributable to growth in the in-force block.

Mortgage Insurance segment

The following table sets forth the historical results of operations relating to our Mortgage Insurance segment. The Mortgage Insurance segment's results of operations are not affected by any of the pro forma adjustments.

	Historical				
	Three months ended March 31,		Years ended December 31,		
(Dollar amounts in millions)	2004	2003	2003	2002	2001
Revenues:					
Premiums	$ 195	$ 165	$ 716	$ 677	$ 698
Net investment income	60	50	218	231	227
Policy fees and other income	8	12	48	38	40
Total revenues	263	227	982	946	965
Benefits and expenses:					
Benefits and other changes in policy reserves	39	33	115	46	150
Underwriting, acquisition and insurance expenses, net of deferrals	64	70	299	233	180
Amortization of deferred acquisition costs and intangibles	12	8	37	39	51
Total benefits and expenses	115	111	451	318	381
Earnings before income taxes	148	116	531	628	584
Provision for income taxes	45	31	162	177	156
Segment net earnings	$ 103	$ 85	$ 369	$ 451	$ 428

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Premiums. Premiums increased $30 million, or 18%, to $195 million for the three months ended March 31, 2004 from $165 million for the three months ended March 31, 2003. This increase was primarily the result of a $39 million increase in premiums in our international mortgage insurance business, $14 million of which was attributable to changes in foreign exchange rates. The increase was also the result of the aging of our international in-force block, which resulted in increased earned premiums from prior-year new insurance written. Most of our international mortgage insurance policies provide for single premiums at the time that loan proceeds are advanced. We initially record the single premiums to unearned premium reserves and recognize the premiums over time in accordance with the expected expiration of risk. As of March 31, 2004, our unearned premium reserves were $1.2 billion. The increase in international premiums was offset in part by a $9 million decrease in our U.S. mortgage insurance premiums. This decrease was primarily attributable to a $5 million decrease in U.S. premiums attributable to significant refinancing activity throughout 2003, which led to significant policy cancellations in that year and a reduction in our U.S. mortgage insurance in force. The decrease in U.S. mortgage insurance premiums was also the result of a $4 million decrease attributable to higher premiums ceded to captive reinsurers.

Net investment income. Net investment income increased $10 million, or 20%, to $60 million for the three months ended March 31, 2004 from $50 million for the three months ended March 31, 2003. The increase was primarily attributable to a $12 million increase in net investment income resulting from additional invested assets in our international mortgage insurance businesses, $5 million of which was due to changes in foreign exchange rates. This increase was offset in part by a $2 million decrease in net investment income that was primarily attributable to a decrease in invested assets resulting from the payment of dividends in the second quarter of 2003 by our U.S. mortgage insurance business.

Policy fees and other income. Policy fees and other income decreased $4 million, or 33%, to $8 million for the three months ended March 31, 2004 from $12 million for the three months ended March 31, 2003. This decrease was primarily the result of a decrease in fees for contract underwriting services attributable to lower U.S. refinancing activity for the three months ended March 31, 2004, compared to the three months ended March 31, 2003.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $6 million, or 18%, to $39 million for the three months ended March 31, 2004 from $33 million for the three months ended March 31, 2003. This increase was primarily attributable to the increase in mortgage delinquencies and claims associated with the aging of our international mortgage insurance in-force block.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals, decreased $6 million, or 9%, to $64 million for the three months ended March 31, 2004 from $70 million for the three months ended March 31, 2003. This decline is primarily attributable to an $18 million decrease in underwriting expenses as a result of lower mortgage refinancing activity in the U.S., offset in part by a $13 million increase in expenses to support the expansion of our international mortgage insurance business.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles increased $4 million, or 50%, to $12 million for the three months ended March 31, 2004 from $8 million for the three months ended March 31, 2003. This increase was primarily the result of the growth of our international mortgage insurance business.

Provision for income taxes. Provision for income taxes increased $14 million, or 45%, to $45 million for the three months ended March 31, 2004 from $31 million for the three months ended March 31, 2003. The effective tax rate was 30.4% and 26.7% for the three months ended March 31, 2004 and 2003, respectively. This increase in effective tax rate was primarily the result of a greater proportion of foreign income taxed at a higher rate than in the U.S. Our Mortgage Insurance segment's effective tax rate is lower than the statutory rate primarily as the result of tax-exempt investment income.

Segment net earnings. Segment net earnings increased $18 million, or 21%, to $103 million for the three months ended March 31, 2004 from $85 million for the three months ended March 31, 2003. This increase was primarily the result of a $16 million increase in international net earnings, attributable to higher levels of insurance in force and invested assets. The increase in our international mortgage insurance net earnings included $9 million due to the favorable impact of changes in foreign exchange rates. The increase in segment net earnings was also the result of a $2 million increase in our U.S. mortgage insurance net earnings, primarily as a result of lower underwriting costs due to reduced mortgage refinancing activity.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Premiums. Premiums increased $39 million, or 6%, to $716 million for the year ended December 31, 2003 from $677 million for the year ended December 31, 2002. This increase was primarily the result of an $88 million increase in premiums in our international mortgage insurance business, $24 million of which was attributable to changes in foreign exchange rates. This increase in international premiums was offset in part by a $26 million decrease in premiums in our U.S. mortgage insurance business that was primarily attributable to higher premiums ceded in captive reinsurance transactions and a $23 million decrease in premiums that was primarily attributable to lower persistency resulting from increased refinancing activity.

Net investment income. Net investment income decreased $13 million, or 6%, to $218 million for the year ended December 31, 2003 from $231 million for the year ended December 31, 2002. This decrease was primarily the result of a $42 million decrease in net investment income that was primarily attributable to a decrease in invested assets resulting from the payment of dividends by the U.S. mortgage insurance business to our holding company. The decrease was also the result of declining yields on investments. These decreases were offset in part by a $29 million increase in net investment income resulting from additional invested assets in our international mortgage insurance business, $10 million of which was due to changes in foreign exchange rates.

Policy fees and other income. Policy fees and other income increased $10 million, or 26%, to $48 million for the year ended December 31, 2003 from $38 million for the year ended December 31, 2002. This increase was the result of a $5 million increase in fees for contract underwriting services attributable to higher refinancing activity in the U.S. and a $5 million increase in fees from increased volume in our international mortgage insurance business.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves increased $69 million, or 150%, to $115 million for the year ended December 31, 2003 from $46 million for the year ended December 31, 2002. This increase was the result of a $60 million increase primarily attributable to a lower amount of favorable loss development on prior year reserves and a $9 million increase in paid claims on U.S. flow mortgage insurance offset in part by a $4 million decrease primarily attributable to favorable loss development on U.S. bulk mortgage insurance, and a $4 million increase primarily attributable to an increase in loans in default associated with higher insurance in force levels in our international mortgage insurance business.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals, increased $66 million, or 28%, to $299 million for the year ended December 31, 2003 from $233 million for the year ended December 31, 2002. This increase was the result of a $37 million increase in expenses that was primarily attributable to a significant increase in underwriting volume associated with refinancing activity in the U.S., an $11 million increase attributable to higher indemnity liabilities for U.S. contract underwriting claims as the result of updating of the assumptions we used to calculate these indemnity liabilities to reflect recent underwriting experience and the increase in the volume of mortgage loans underwritten due to significant refinancing activity and a $18 million increase attributable to continued investment in our international mortgage insurance business.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles decreased $2 million, or 5%, to $37 million for the year ended December 31, 2003 from $39 million for the year ended December 31, 2002. This decrease was primarily the result of the amortization of a lower amount of U.S. deferred expenses, offset by the higher volume in our international mortgage insurance business.

Provision for income taxes. Provision for income taxes decreased $15 million, or 8%, to $162 million for the year ended December 31, 2003 from $177 million for the year ended December 31, 2002. The effective tax rate was 30.5% and 28.2% for the year ended December 31, 2003 and 2002, respectively. This increase in effective tax rate was primarily the result of a greater proportion of foreign income taxed at a higher rate than in the U.S. Our Mortgage Insurance segment's effective tax rate is significantly below the statutory rate primarily as the result of tax-exempt investment income.

Segment net earnings. Segment net earnings decreased $82 million, or 18%, to $369 million for the year ended December 31, 2003 from $451 million for the year ended December 31, 2002. This decrease was primarily the result of a $141 million decrease in U.S. net earnings, offset in part by a $59 million increase in international net earnings. The decrease in U.S. net earnings was primarily attributable to greater losses from less favorable loss development on prior year reserves, decreases in premiums from increased ceding and lower persistency, and increases in underwriting expenses from refinancing activity and contract underwriting indemnification liabilities as the result of our updating the assumptions used to calculate these indemnity liabilities to reflect recent underwriting experience and increased volume. The increase in international net earnings was primarily the result of growth in our international mortgage insurance business.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Premiums. Premiums decreased $21 million, or 3%, to $677 million for the year ended December 31, 2002 from $698 million for the year ended December 31, 2001. This decrease was primarily the result of a $37 million decrease in premiums in our U.S. mortgage insurance business attributable to higher premiums ceded in captive reinsurance transactions. The decrease was also the result of a $13 million decrease in premiums in our U.S. mortgage insurance business primarily attributable to lower persistency associated with increased refinancing activity in the U.S. These decreases were offset in part by a $29 million increase in premiums primarily attributable to growth in our international mortgage insurance business.

Net investment income. Net investment income increased $4 million, or 2%, to $231 million for the year ended December 31, 2002 from $227 million for the year ended December 31, 2001. This increase was primarily the result of an $11 million increase that was primarily attributable to an increase in invested assets in our international mortgage insurance business, offset in part by a $7 million decrease that was primarily attributable to declining yields on U.S. investments in the lower interest rate environment.

Policy fees and other income. Policy fees and other income decreased $2 million, or 5%, to $38 million for the year ended December 31, 2002 from $40 million for the year ended December 31, 2001. This decrease was primarily the result of the impact of a $13 million gain recognized in 2001 on the sale of our flood zone determination business. This decrease was offset in part by an $11 million increase in fees for contract underwriting services attributable to higher refinancing activity in the U.S.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves decreased $104 million, or 69%, to $46 million for the year ended December 31, 2002 from $150 million for the year ended December 31, 2001. This decrease was the result of a $73 million decrease primarily attributable to favorable loss development on prior year reserves on U.S. flow mortgage insurance. During 2002, we updated our loss reserve factors to reflect our recent favorable experience with respect to severity and frequency of defaults. Our severity and frequency of defaults were favorably affected by housing appreciation, increased housing supply and demand and other U.S. macroeconomic factors, in addition to our loss mitigation activities. This decrease was offset by an $8 million increase in paid claims on U.S. flow mortgage insurance, a $26 million decrease primarily attributable to favorable loss development on prior year reserves for U.S. bulk mortgage insurance and a $13 million decrease primarily attributable to a lower number of loans in default and favorable loss development on prior-year reserves in our international mortgage business.

Underwriting, acquisition, insurance and other expenses, net of deferrals. Underwriting, acquisition, insurance and other expenses, net of deferrals, increased $53 million, or 29%, to $233 million for the year ended December 31, 2002 from $180 million for the year ended December 31, 2001. This increase was primarily the result of a $12 million increase attributable to growth in our international mortgage insurance business, a $6 million increase in expenses in the U.S. primarily attributable to the significant increase in underwriting volume associated with higher refinancing activity, and the impact of a $35 million decrease in 2001 for U.S. contract underwriting indemnification liabilities as the result of our updating of the assumptions we used to calculate these indemnity liabilities to reflect recent underwriting experience where loss experience was lower than we had anticipated.

Amortization of deferred acquisition costs and intangibles. Amortization of deferred acquisition costs and intangibles decreased $12 million, or 24%, to $39 million for the year ended December 31, 2002 from $51 million for the year ended December 31, 2001. This decrease was primarily the result of our discontinuation of goodwill amortization in accordance with SFAS 142 and the amortization of a lower amount of U.S. deferred expenses.

Provision for income taxes. Provision for income taxes increased $21 million, or 13%, to $177 million for the year ended December 31, 2002 from $156 million for the year ended December 31, 2001. The effective tax rate was 28.2% and 26.7% for the years ended December 31, 2002 and 2001, respectively. This increase in effective tax rate was primarily the result of a reduced benefit from tax-exempt investment income, a greater proportion of foreign income taxed at a higher rate than in the U.S., and the impact of the 2001 release of deferred income taxes to reflect a decrease in the tax rates in certain countries in which we operate.

Segment net earnings. Segment net earnings increased $23 million, or 5%, to $451 million for the year ended December 31, 2002 from $428 million for the year ended December 31, 2001. This increase was primarily the result of a $23 million increase in international net earnings and flat U.S. net earnings. The increase in international net earnings was primarily attributable to increases in earned premiums and net investment income and favorable loss development on prior year reserves, offset in part by increases in expenses related to such growth. Flat U.S. net earnings were primarily attributable to lower losses resulting from a decrease in loans in default and favorable loss development on prior-year reserves, offset by decreases in premiums from higher premiums ceded and lower persistency and increases in expenses as the result of our updating of the assumptions we used to calculate U.S. contract underwriting indemnification liabilities in 2001 to reflect recent underwriting experience.

Affinity segment

The following table sets forth the historical results of operations relating to the Affinity segment. Pro forma financial information is not presented for the Affinity segment because we did not acquire any of the Affinity segment businesses from GEFAHI.

	Historical				
	Three months ended March 31,		Years ended December 31,		
(Dollar amounts in millions)	2004	2003	2003	2002	2001
Revenues:					
Premiums	$ 54	$ 58	$ 244	$ 247	$ 286
Net investment income	18	14	62	70	74
Policy fees and other income	67	65	260	271	327
Total revenues	139	137	566	588	687
Benefits and expenses:					
Benefits and other changes in policy reserves	49	52	196	180	188
Underwriting, acquisition and insurance expenses, net of deferrals	74	64	239	312	320
Amortization of deferred acquisition costs and intangibles	29	25	110	116	156
Total benefits and expenses	152	141	545	608	664
Earnings (loss) before income taxes	(13)	(4)	21	(20)	23
Provision (benefit) for income taxes	(11)	(4)	5	(17)	(1)
Segment net earnings (loss)	$ (2)	$	$ 16	$ (3)	$ 24

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Total revenues. Total revenues increased $2 million, or 1%, to $139 million for the three months ended March 31, 2004 from $137 million for the three months ended March 31, 2003. This increase was primarily the result of a $4 million increase in net investment income, offset in part by a reduction in premiums. The increase in net investment income was primarily attributable to increased investment income from venture capital limited partnerships for the three months ended March 31, 2004. The decrease in premiums was primarily attributable to our decision to discontinue certain products and distribution relationships that did not meet our target return thresholds.

Total benefits and expenses. Total benefits and expenses increased $11 million, or 8%, to $152 million for the three months ended March 31, 2004 from $141 million for the three months ended March 31, 2003. The increase was primarily the result of an increase in benefits and expenses attributable to a commercial lines reinsurance transaction in which the purchaser of one of our discontinued operations ceded to us certain benefits and expenses. The increase in the amortization of deferred acquisition costs was primarily the result of accelerated amortization of a job loss insurance product due to increased lapse rates. The decrease in benefits and other changes in policy reserves was the result of reduced premiums for the three months ended March 30, 2004.

Provision (benefit) for income taxes. Provision (benefit) for income taxes increased $7 million to $(11) million for the three months ended March 31, 2004 from $(4) million for the three months ended March 31, 2003. This decreased provision was primarily the result of increased dividend received deduction benefits.

Segment net earnings (loss). Net earnings decreased $2 million to a ($2) million loss for the three months ended March 31, 2004. This decrease was primarily the result of increased expenses attributable to a reinsurance transaction, offset in part by an increase in net investment income primarily attributable to increased investment income from venture capital limited partnerships for the three months ended March 31, 2004.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Total revenues. Total revenues decreased $22 million, or 4%, to $566 million for the year ended December 31, 2003 from $588 million for the year ended December 31, 2002. This decrease was primarily the result of lower premiums and other income attributable to our decision to discontinue certain products and distribution relationships that did not meet our target return thresholds. This decrease was offset in part by an increase in premiums attributable to a reinsurance transaction in which certain premiums were ceded to us by the purchaser of a discontinued operation.

Total benefits and expenses. Total benefits and expenses decreased $63 million, or 10%, to $545 million for the year ended December 31, 2003 from $608 million for the year ended December 31, 2002. This decrease was primarily the result of our decision to discontinue certain products and distribution relationships and implement cost savings initiatives that reduced compensation and benefits, as well as other general expenses. Our decision to discontinue certain products and distribution relationships and implement cost savings initiatives also reduced our deferrable expenses, resulting in a decrease in amortization of deferred acquisition costs and intangibles. These decreases were offset in part by an increase in benefits and expenses attributable to a reinsurance transaction in which certain benefits and expenses were ceded to us by the purchaser of a discontinued operation.

Provision (benefit) for income taxes. Provision (benefit) for income taxes increased $22 million to $5 million for the year ended December 31, 2003 from $(17) million for the year ended December 31, 2002. This increased provision was the result of a foreign loss valuation allowance.

Segment net earnings (loss). Segment net earnings (loss) increased $19 million to $16 million for the year ended December 31, 2003 from $(3) million for the year ended December 31, 2002. This increase was primarily the result of our discontinuation of products and distribution relationships that did not meet our target return thresholds and reductions of compensation and benefit expenses and other general expenses resulting from cost savings initiatives.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Total revenues. Total revenues decreased $99 million, or 14%, to $588 million for the year ended December 31, 2002 from $687 million for the year ended December 31, 2001. This decrease was primarily the result of lower premiums and other income attributable to our decision to discontinue certain products and distribution relationships that did not meet our target return thresholds.

Total benefits and expenses. Total benefits and expenses decreased $56 million, or 8%, to $608 million for the year ended December 31, 2002 from $664 million for the year ended December 31, 2001. This decrease was primarily the result of lower amortization of deferred acquisition costs and intangibles that was primarily attributable to an adjustment in the fourth quarter of 2002 to reflect actual membership lapse rate performance as compared with the lapse rates projected at the time of purchase. The decrease was also the result of reduced compensation and benefits, other cost-saving initiatives and decreased changes in policy reserves primarily attributable to lower revenues.

Provision (benefit) for income taxes. Provision (benefit) for income taxes decreased $16 million to $(17) million for the year ended December 31, 2002 from $(1) million for the year ended

December 31, 2001. This reduced provision was the result of our discontinuation of goodwill amortization in accordance with SFAS 142.

Segment net earnings (loss). Segment net earnings (loss) decreased $27 million to $(3) million for the year ended December 31, 2002 from $24 million for the year ended December 31, 2001. This decrease was primarily the result of the decrease in revenues attributable to our discontinuance of products and distribution relationships that did not meet our target return thresholds.

Corporate and Other segment

The following table sets forth summary historical and pro forma financial results of operations relating to our Corporate and Other segment for the periods below. The pro forma financial information reflects adjustments described under "Selected Historical and Pro Forma Financial Information." There were no pro forma adjustments to premiums or policy fees and other income because there are no premiums or policy fees and other income in the Corporate and Other segment that were ceded to UFLIC in connection with the reinsurance transactions. Pro forma net investment income is higher than our historical net investment income primarily as a result of net investment income earned on excess surplus assets that were transferred from the Protection and Retirement Income and Investments segments to the Corporate and Other segment, offset in part by a decrease attributable to reduced net investment income related to the $1.836 billion capital contribution that we made to UFLIC. Pro forma total revenues are higher than our historical total revenues primarily as a result of the adjustments to net investment income as described, and the exclusion from our results of operations of net realized investment gains (losses) related to the long-term care insurance, structured settlement and variable annuity products we ceded to UFLIC in connection with the reinsurance transactions and net realized investment gains (losses) related to the Affinity segment. Pro forma total expenses are different from our historical total expenses primarily as a result of the interest expense attributable to our revised debt structure following the completion of the IPO, including the offerings of commercial paper and the notes offered hereby.

	Historical					**Pro forma**		
	Three months ended March 31,		**Years ended December 31,**			**Three months ended March 31,**		**Year ended December 31,**
(Dollar amounts in millions)	**2004**	**2003**	**2003**	**2002**	**2001**	**2004**	**2003**	**2003**
Revenues:								
Premiums	$ 26	$ 24	$ 110	$ 104	$ 90	$ 26	$ 24	$ 110
Net investment income (loss)	16	(10)	25	20	(7)	18	(1)	55
Net realized investment gains	16	21	10	204	201	15	20	38
Policy fees and other income	19	2	44	6	1	19	2	44
Total revenues	77	37	189	334	285	78	45	247
Expenses:								
Unallocated corporate expenses	16	16	121	77	69	16	16	121
Interest expense	44	27	137	124	126	57	42	200
Other operating expenses	15	18	88	60	54	15	17	84
Total expenses	75	61	346	261	249	88	75	405
Earnings (loss) before income taxes	2	(24)	(157)	73	36	(10)	(30)	(158)
Provision (benefit) for income taxes	(2)	(20)	(103)	(119)	10	(9)	(24)	(108)
Segment net earnings (loss)	$ 4	$ (4)	$ (54)	$ 192	$ 26	$ (1)	$ (6)	$ (50)

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Premiums. Premiums increased $2 million, or 8%, to $26 million for the three months ended March 31, 2004 from $24 million for the three months ended March 31, 2003. This increase was primarily the result of increased premiums from our Bermuda reinsurer.

Net investment income (loss). Net investment income (loss) increased $26 million to $16 million for the three months ended March 31, 2004 from $(10) million for the three months ended March 31, 2003. This increase was primarily the result of higher income from equity securities and other investments, attributable to improved equity market performance, as well as an increase in invested assets attributable to a reallocation of capital from our Protection segment to our Corporate and Other segment in preparation for our corporate reorganization and initial public offering.

Net realized investment gains (losses). See the comparison for this line item under " Historical Combined and Pro Forma Results of Operations."

Policy fees and other income. Policy fees and other income increased $17 million to $19 million for the three months ended March 31, 2004 from $2 million for the three months ended March 31, 2003. This increase was primarily attributable to interest income from two securitization entities that were consolidated in our financial statements in connection with our adoption of FIN 46 on July 1, 2003.

Unallocated corporate expenses. Unallocated corporate expenses primarily consist of general and other expenses that are not allocated for segment reporting purposes. These amounts include items such as class-action litigation settlements, advertising and marketing costs, severance and restructuring charges and other corporate-level expenses. Unallocated corporate expenses were $16 million for each of the three months ended March 31, 2004 and March 31, 2003.

Interest expense. Interest expense consists of interest and other financing charges related to our debt that is not allocated for segment reporting purposes. Interest expense increased $17 million, or 63%, to $44 million for the three months ended March 31, 2004 from $27 million for the three months ended March 31, 2003. This increase was primarily the result of $13 million of interest expense associated with securitization entities that were consolidated in our financial statements in connection with our adoption of FIN 46 on July 1, 2003 and a $6 million increase due to higher average borrowings. This increase was offset in part by a $1 million decrease in interest expense that was primarily the result of lower interest rates on borrowings.

Other operating expenses. Other operating expenses primarily consist of benefits and other changes in policy reserves and general expenses of several small non-core businesses that are managed in our Corporate and Other segment. Other operating expenses decreased $3 million, or 17%, to $15 million for the three months ended March 31, 2004 from $18 million for the three months ended March 31, 2003. This decrease was primarily the result of lower expenses in our Mexican auto insurer and our Bermuda reinsurer.

Provision (benefit) for income taxes. Provision (benefit) for income taxes decreased $18 million to $(2) million for the three months ended March 31, 2004 from $(20) million for the three months ended March 31, 2003. This increase was primarily the result of an increase in earnings before income taxes, appeal adjustments related to prior year federal income tax returns and higher dividends received deduction benefits in the three months ended March 31, 2003. Changes to tax expense for our Corporate and Other segment are primarily the result of tax-exempt investment income and other items not directly allocable to specific products or segments.

Segment net earnings (loss). Segment net earnings increased $8 million to $4 million for the three months ended March 31, 2004 from $(4) million for the three months ended March 31, 2003. The increase in net earnings was primarily the result of higher income from equity securities and other investments, attributable to improved equity market performance, as well as an increase in invested assets attributable to a reallocation of capital from our Protection segment to our Corporate and Other segment in preparation for our corporate reorganization and initial public offering. The increase in net earnings was also the result of increases in policy fees and other income that were offset in part by an increase in interest expense, both of which related to the securitization entities that were consolidated in our financial statements in connection with our adoption of FIN 46 on July 1, 2003.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Premiums. Premiums increased $6 million, or 6%, to $110 million for the year ended December 31, 2003 from $104 million for the year ended December 31, 2002. This increase was primarily the result of a $4 million increase in premiums attributable to our Mexican auto insurer.

Net investment income (loss). Net investment income (loss) increased $5 million, or 25%, to $25 million for the year ended December 31, 2003 from $20 million for the year ended December 31, 2002.

Net realized investment gains. See the comparison for this line item under " Historical Combined and Pro Forma Results of Operations."

Policy fees and other income. Policy fees and other income increased $38 million to $44 million for the year ended December 31, 2003 from $6 million for the year ended December 31, 2002. This increase was primarily attributable to interest income from two securitization entities that were consolidated in our financial statements in connection with our adoption of FIN 46, beginning in the third quarter of 2003. See " Off-Balance-Sheet Transactions."

Unallocated corporate expenses. Unallocated corporate expenses increased $44 million, or 57%, to $121 million for the year ended December 31, 2003 from $77 million for the year ended December 31, 2002. This increase was primarily the result of a $50 million increase in litigation reserves attributable to an increase in reserves for a settlement in principle that we reached in October 2003 in connection with class action litigation relating to sales practices in our life insurance business. See "Business Legal Proceedings."

Interest expense. Interest expense increased $13 million, or 10%, to $137 million for the year ended December 31, 2003 from $124 million for the year ended December 31, 2002. This increase was primarily the result of $27 million of interest expense associated with securitization entities that were consolidated in our financial statements in connection with our adoption of FIN 46, beginning in the third quarter of 2003. This increase was offset in part by a $14 million decrease in interest expense that was primarily the result of lower average borrowings.

Other operating expenses. Other operating expenses increased $28 million, or 47%, to $88 million for the year ended December 31, 2003 from $60 million for the year ended December 31, 2002. This increase was primarily the result of higher expenses of our Bermuda reinsurer primarily attributable to the impact of a 2002 novation of a portion of its leased equipment physical damage program to a third party, offset in part by the impact of the recognition in 2002 of $5 million of goodwill impairment for our Mexican auto insurance business resulting from our implementation of SFAS 142.

Provision (benefit) for income taxes. Provision (benefit) for income taxes decreased $16 million to $(103) million for the year ended December 31, 2003 from $(119) million for the year ended December 31, 2002. This decrease was the result of the recognition in 2002 of a favorable settlement with the IRS related to the treatment of certain reserves for obligations to policyholders of life insurance contracts, offset in part by lower pre-tax earnings, a one-time reduction in UK taxes related to the restructuring of our UK legal entities, and increased dividends received deduction benefits. Changes to tax expense for our Corporate and Other segment are primarily the result of tax-exempt investment income and other items not directly allocated to specific products or segments.

Segment net earnings (loss). Segment net earnings (loss) decreased $246 million to $(54) million for the year ended December 31, 2003 from $192 million for the year ended December 31, 2002. This decrease was primarily the result of the decrease in benefit for income taxes attributable to the impact of the 2002 favorable settlement with the IRS, the decrease in net realized investment gains and higher litigation reserves for the year ended December 31, 2003.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001

Premiums. Premiums increased $14 million, or 16%, to $104 million for the year ended December 31, 2002 from $90 million for the year ended December 31, 2001. This increase was the result of a $9 million increase in premiums from our Mexican auto insurer and a $5 million increase in premiums from our Bermuda reinsurer.

Net investment income (loss). Net investment income (loss) increased $27 million to $20 million for the year ended December 31, 2002 from $(7) million for the year ended December 31, 2001. This increase was primarily the result of higher income on private equity investments reflecting stabilization in the equity markets.

Net realized investment gains (losses). See the comparison for this line item under " Historical Combined and Pro Forma Results of Operations."

Policy fees and other income. Policy fees and other income increased $5 million to $6 million for the year ended December 31, 2002 from $1 million for the year ended December 31, 2001. This increase was primarily the result of fee income attributable to a securitization of certain financial assets and an increase in policy fees from our Mexican auto insurer.

Unallocated corporate expenses. Unallocated corporate expenses increased $8 million, or 12%, to $77 million for the year ended December 31, 2002 from $69 million for the year ended December 31, 2001. This increase was primarily the result of costs incurred to close certain facilities resulting from relocations to Richmond, Virginia.

Interest expense. Interest expense decreased $2 million, or 2%, to $124 million for the year ended December 31, 2002 from $126 million for the year ended December 31, 2001. This decrease was primarily the result of lower interest rates on borrowings, offset in part by an increase in average borrowings.

Other operating expenses. Other operating expenses increased $6 million, or 11%, to $60 million for the year ended December 31, 2002 from $54 million for the year ended December 31, 2001. This increase was primarily the result of a goodwill impairment charge recorded in connection with the adoption of SFAS 142.

Provision (benefit) for income taxes. Provision (benefit) for income taxes decreased $129 million to $(119) million for year ended December 31, 2002 from $10 million for the year ended December 31, 2001. This decrease was the result of a favorable settlement with the IRS regarding the treatment of certain reserves for obligations to life insurance policyholders and reduced benefit from tax exempt investment income, offset in part by higher pre-tax earnings.

Segment net earnings. Segment net earnings increased $166 million to $192 million for the year ended December 31, 2002 from $26 million for the year ended December 31, 2001. This increase was primarily the result of the decrease in the provision for income taxes attributable to the 2002 favorable settlement with the IRS and higher net investment income primarily resulting from higher income on private equity investments reflecting stabilization in equity markets.

Liquidity and Capital Resources

We conduct all our operations through our operating subsidiaries. Dividends from our subsidiaries and permitted payments to us under our tax sharing arrangements with our subsidiaries are our principal sources of cash to pay stockholder dividends and to meet our obligations, including payments of principal and interest on the notes.

Our primary uses of funds at our holding company level include payment of general operating expenses, payment of principal, interest and other expenses related to holding company debt, payment of dividends on our common and preferred stock, amounts we will owe to GE under the Tax Matters Agreement, contract adjustment payments on our Equity Units, contributions to subsidiaries, and, potentially, acquisitions. 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. However, the declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors. Our payment of dividends to our stockholders will depend partly upon our receipt of dividends from our insurance and other operating subsidiaries. In addition, our Series A Preferred Stock bears dividends at an annual rate of 5.25% of the liquidation value of $50 per share. We also have agreed to pay quarterly contract adjustment payments with respect to our Equity Units at an annual rate of 2.16% of the stated amount of $25 per Equity Unit.

On December 15, 2003, we paid a dividend of $2,930 million. This included the distribution of proceeds from the sale of our Japanese life insurance and domestic auto and homeowners' insurance businesses, which closed on August 29, 2003, and other dividends received from our insurance subsidiaries. We declared and paid dividends of $3,168 million to our parent during 2003. We declared dividends of $171 million to our parent during 2002, of which $107 million was paid in 2002 and $64 million was paid in 2003. We declared dividends of $31 million in 2001, of which $6 million was paid in 2001 and $25 million was paid in 2002.

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 million, 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 paid 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 the completion of the IPO without prior regulatory approval. As part of our corporate reorganization, we retained 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 insurance subsidiaries can resume paying ordinary 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.

In addition to dividends from our insurance subsidiaries, our other sources of funds will include service fees we receive from GE, as described under " Overview Separation from GE and related financial arrangements Services provided to GE," payments from our subsidiaries pursuant to tax sharing arrangements, borrowings pursuant to our credit facilities, and proceeds from any additional issuance of commercial paper.

In consideration for the assets that we acquired and the liabilities that we assumed in connection with our corporate reorganization, we issued 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, a $2.4 billion note and the $550 million Contingent Note. The Contingent Note is a non-interest-bearing note that matures on May 24, 2005 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. Under applicable insurance regulations, annual additions to the statutory contingency reserves must equal at least 50% of premiums earned, and these statutory reserves generally cannot be withdrawn for 10 years. We believe that the significant refinancing activity in the U.S. in recent years has resulted in significant excess statutory contingency reserves because an unusually large number of mortgages are being refinanced before they reach the time they historically are most likely to become delinquent. We intend to seek the accelerated release of a portion of these statutory reserves to repay the Contingent Note. The release of the 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 May 24, 2005, but our financial ratings have not been affirmed, the term of the Contingent 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 May 24, 2005 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. See "Description of Certain Indebtedness Contingent Note."

If our U.S. mortgage insurance business effects an accelerated release from its statutory contingency reserve and distributes such released funds to us, we intend to retain the first $150 million of those funds in a segregated account at our holding company to pay debt servicing expenses and dividends on our common stock. Of this amount, we expect that $50 million will be available for disbursement during 2005, and $100 million will be available for disbursement during 2006.

The liabilities we assumed from GEFAHI include the Yen Notes, which are ¥60 billion aggregate principal amount of 1.6% notes due 2011 issued by GEFAHI, ¥3 billion of which GEFAHI held and transferred to us in connection with our corporate reorganization. We have entered into arrangements to swap our obligations under the Yen 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. See "Description of Certain Indebtedness Yen Notes." We also entered into a Tax Matters Agreement with GE, which represents an obligation by us to GE, estimated to have a present value of approximately $386 million. See "Arrangements Between GE and Our Company Tax Matters Agreement."

We repaid the $2.4 billion note to GEFAHI with proceeds from the borrowings under a $2.4 billion short-term credit facility with a syndicate of banks concurrently with the completion of the IPO. We intend to repay the borrowings under this short-term credit facility with the proceeds from this offering and from our expected issuance of approximately $500 million in commercial paper. The commercial paper will be issued under a $1 billion commercial paper program that we have established. We may issue additional commercial paper under this program from time to time. We also entered into $2 billion of revolving credit facilities, including a $1 billion 364-day facility and a $1 billion five-year facility. The revolving credit facilities support our commercial paper program and provide us with liquidity to meet general funding requirements. See "Description of Certain Indebtedness Commercial Paper Facility." However, our ability to borrow under these facilities and to issue commercial paper in excess of $500 million in the aggregate may be subject to GE's right as the holder of the Class B Common Stock to approve our incurrence of debt in excess of $700 million outstanding at any one time (subject to certain exceptions). See "Description of Capital Stock Approval Rights of Holders of Class B Common Stock."

We believe our revolving credit facilities, further issuances under our commercial paper program and anticipated cash flows from operations, will provide us with sufficient liquidity to meet our operating requirements for the foreseeable future. On April 15, 2004 we entered into interest rate swaps with notional value of $1.58 billion to hedge a portion of our anticipated issuance of notes in this offering. These swaps have interest rates ranging from 3.1875% to 5.564% and maturities ranging from 2007 to 2034.

Net cash provided by operating activities was $1,219 million and $1,304 million for the three months ended March 31, 2004 and 2003, respectively, and $3,716 million, $4,883 million and $2,229 million for the years ended December 31, 2003, 2002 and 2001, respectively. Cash flows from operating activities are affected by the timing of premiums received, fees received and investment income. Principal sources of cash include sales of income annuities with life contingencies and long-term care insurance, as well as sales of structured settlements with life contingencies and term-life insurance. The decrease in cash provided by operating activities for the three months ended March 31, 2004, compared to the three months ended March 31, 2003, of $85 million was primarily the result of the timing of cash settlement for other assets and liabilities. Cash provided by operating activities decreased $1,167 million for the year ended December 31, 2003, compared to the year ended December 31, 2002. Cash provided by operating activities decreased primarily because of a payment of $440 million during the fourth quarter of 2003 of intercompany balances due to GE Capital included in other liabilities. Cash provided by operating activities increased $2,654 million for the year ended December 31, 2002, compared to the year ended December 31, 2001, primarily reflecting growth in sales of the products discussed above, as well as the timing of cash settlement for other assets and liabilities.

As an insurance business, we typically generate positive cash flows from operating and financing activities, as premiums and deposits collected from our insurance and investment products exceed benefits paid and redemptions, and we invest the excess. Accordingly, in analyzing our cash flow we focus on the change in the amount of cash available and used in investing activities. Net cash used in investing activities was $1,008 million and $364 million for the three months ended March 31, 2004 and 2003, respectively, and $681 million, $6,525 million and $7,068 million for the years ended December 31, 2003, 2002, and 2001, respectively.

The increase in net cash used in investing activities for the three months ended March 31, 2004, compared to the three months ended March 31, 2003, of $644 million was primarily the result of the decreased cash and cash equivalents of $541 million, which were used for investing activities, and additional cash provided by financing activities of $151 million. The decrease in net cash used in investing activities for the year ended December 31, 2003, compared to the year ended December 31, 2002, of $5,844 million was the result of both less cash provided by operating activities of $1,167 million, as discussed above, and more cash used in financing activities of $5,007 million. Within our investing activities, during 2003, we received $2,126 million of proceeds and dividends associated with the sale of our Japanese life insurance and domestic auto and homeowners' insurance businesses.

Net cash (used in) provided by financing activities was $30 million and $(121) million for the three months ended March 31, 2004 and 2003, respectively, and $(2,714) million, $2,293 million and $4,627 million for the years ended December 31, 2003, 2002 and 2001, respectively. Changes in cash provided by financing activities primarily relate to the issuance and repayment of borrowings, as well as the proceeds from issuance or redemptions and benefit payments on investment contracts. The increase in cash provided by financing activities for the three months ended March 31, 2004, compared to the three months ended March 31, 2003, of $151 million was primarily the result of a net increase in cash provided by a net increase in short-term borrowings of $252 million, a net increase in capital contributions of $35 million, and a dividend of $55 million paid in the three months ended March 31, 2003. These increases in cash provided were partially offset by higher net decrease, or redemption and benefit payments less proceeds from issuance, for investment contracts of $195 million. The increase in cash used by financing activities for the year ended December 31, 2003, compared to the year ended December 31, 2002, of $5,007 million was primarily the result of both lower deposits and higher redemptions of investment contracts, as a result of the lower interest rate environment, equity market downturns and volatility and pricing actions we took. These factors contributed to an increase in the use of net cash from investment contracts by $3,202 million. In addition, dividends paid to our stockholder, net of capital contributions received, increased by $2,871 million. These increased uses of cash were partially offset by a net increase in cash provided from borrowings of $1,066 million, consisting of a net increase in short-term borrowings, including commercial paper, of $466 million, and an increase in non-recourse funding obligations of $600 million.

For the year ended December 31, 2002, compared to the year ended December 31, 2001, the $543 million decrease in cash used in investing activities resulted from reduced cash provided by financing activities, primarily from both lower sales and higher redemptions of investment contracts, as a result of the lower interest rate environment and customer uncertainty about the direction of equity markets, combined with pricing actions we took, reducing the net cash provided from investment contracts by $2,155 million, along with a greater increase in cash and cash equivalents of $863 million. These decreases in sources of cash available for investment were partially offset by the increase in net cash provided by operating activities of $2,654 million, as discussed above.

The liquidity requirements of our insurance subsidiaries principally relate to the liabilities associated with their various insurance and investment products, operating costs and expenses, the payment of dividends to us, contributions to their subsidiaries, payment of principal and interest on their outstanding debt obligations and income taxes. Liabilities arising from insurance and investment products include the payment of benefits, as well as cash payments in connection with policy surrenders and withdrawals, policy loans and obligations to redeem funding agreements under applicable put option provisions.

Historically, our insurance subsidiaries have used cash flow from operations and sales of investment securities to fund their liquidity requirements. Our insurance subsidiaries' principal cash inflows from operating activities derive from premiums, annuity deposits and policy and contract fees and other income, including commissions, cost of insurance, mortality, expense and surrender charges, contract underwriting fees, investment management fees, and dividends and distributions from their subsidiaries. The principal cash inflows from investment activities result from repayments of principal, sales of invested assets and investment income.

We also have entered into annually renewable floating rate funding agreements, which are deposit-type products that generally credit interest on deposits at a floating rate tied to an external market index. Purchasers of annually renewable funding agreements include money market funds, bank common trust funds and other short-term investors. Some of our funding agreements contain "put" provisions, through which the contractholder has an option to 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. GE Capital has agreed to guarantee our obligations under certain annually renewable funding agreements that were issued prior to November 18, 2003 and certain renewals with a final maturity on or before June 30, 2005. This guarantee covers our obligation to contractholders and requires us to reimburse GE Capital for any such payments made to contractholders under the guarantee. As of March 31, 2004, the aggregate amount of outstanding funding agreements with put option features was approximately $2.4 billion, including $450 million with put option notice periods of 30 days or less.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Products having liabilities with longer durations, such as certain life insurance and long-term care insurance policies, are matched with investments having similar estimated lives such as long-term fixed maturities and mortgage loans. Shorter-term liabilities are matched with fixed maturities that have short- and medium-term fixed maturities. In addition, our insurance subsidiaries hold highly liquid, high-quality short-term investment securities and other liquid investment-grade fixed maturities to fund anticipated operating expenses, surrenders, and withdrawals. On a pro forma basis, as of March 31, 2004, our total cash and invested assets was $63.4 billion. 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.

Total assets increased $3.1 billion, or 3%, on an historical combined basis, from $103.4 billion as of December 31, 2003 to $106.5 billion as of March 31, 2004. The increase primarily resulted from an increase in total investments due to an increase in unrealized gains on available-for-sale fixed maturities and due to growth in our in-force blocks.

Total assets decreased $14.0 billion, or 12%, on an historical combined basis, from $117.4 billion as of December 31, 2002 to $103.4 billion as of December 31, 2003. The decrease primarily resulted from the sale of our Japanese life insurance and domestic auto and homeowners' insurance businesses, which had total assets of $22.1 billion classified as assets held for sale as of December 31, 2002. Excluding this sale, total assets would have increased $8.1 billion, or 8%. Total investments increased $6.6 billion, or 9%, on an historical combined basis, for the same comparison period, primarily reflecting net purchases of securities. Excluding investments and the sale of our Japanese life insurance and domestic auto and homeowners' insurance businesses, all other assets increased $1.5 billion, or 7%, over the same period, primarily resulting from a $760 million increase in separate account assets.

Pro forma total assets were $100.2 billion as of March 31, 2004, compared to $106.5 billion on an historical combined basis. The decrease was primarily attributable to $2.9 billion of assets that were not transferred to us in connection with our corporate reorganization and a $3.4 billion net decrease in assets in connection with the reinsurance transactions with UFLIC.

Total liabilities increased $1.5 billion, or 2%, on an historical combined basis, from $87.6 billion as of December 31, 2003 to $89.1 billion as of March 31, 2004. The increase primarily resulted from the deferred income tax liability related to an increase in unrealized gains on available-for-sale fixed maturities and an increase in policyholder liabilities due to growth in our in-force blocks.

Total liabilities decreased $13.0 billion, or 13%, on an historical combined basis, from $100.6 billion as of December 31, 2002 to $87.6 billion as of December 31, 2003. This decrease primarily resulted from the sale of GEFAHI's Japanese life insurance and domestic auto and homeowners' insurance businesses, which had total liabilities of $20.0 billion classified as liabilities associated with assets held for sale as of December 31, 2002. Excluding this sale, total liabilities would have