

The Genworth Mortgage Insurance Group

Raleigh, North Carolina

Multi-Entity Report on Examination

As of December 31, 2016

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January 31, 2018

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**Genworth Mortgage Insurance Corporation (“GMIC”)
Genworth Mortgage Insurance Corporation of North Carolina (“GMIC-NC”)
Genworth Mortgage Reinsurance Corporation (“GMRC”)
Genworth Financial Assurance Corporation (“GFAC”)**

(hereinafter referred to as the “Genworth Mortgage Insurance Group”), at its main administrative and statutory home office located at 8325 Six Forks Road, Raleigh, North Carolina.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the Genworth Mortgage Insurance Group. This examination covers the period from January 1, 2012, to December 31, 2016, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Genworth Mortgage Insurance Group was as of December 31, 2011.

The purpose of this examination is to review and evaluate the Genworth Mortgage Insurance Group’s business processes and controls to assist in accessing and monitoring its current financial condition and prospective solvency. Pursuant to Section (“§”) 58-2-132 of the General Statutes of North Carolina (“GS”), this Report on Examination comprises only facts appearing in the books, records, or other documents of the Genworth Mortgage Insurance Group (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Genworth Mortgage Insurance Group, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Genworth Mortgage Insurance Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Capital and Surplus
Investments
Reinsurance Ceded
Related Party
Reserves and Claims Handling
Underwriting and Premiums
Other Liabilities and Taxes

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with Statutory Accounting Principles. This examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to the Genworth Mortgage Insurance Group.

Genworth Mortgage Insurance Group's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Genworth Mortgage Insurance Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the Genworth Mortgage Insurance Group's management.

The books and records of the Genworth Mortgage Insurance Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). KPMG LLP of Richmond, Virginia, the designated independent public accountant of the Genworth Mortgage Insurance Group, issued an unqualified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2016, for companies within the Genworth Mortgage Insurance Group.

The statutory reserves and related items for 2016 were reviewed and certified by the Genworth Mortgage Insurance Group's Appointed Actuary, Scott Weinstein, FCAS, MAAA of KPMG LLP.

REPORT ABBREVIATIONS

General Statutes of North Carolina	“GS”
North Carolina Department of Insurance	“Department”
Genworth Mortgage Insurance Corporation	“GMIC”
Genworth Mortgage Insurance Corporation of North Carolina	“GMIC-NC”
Genworth Financial Assurance Corporation	“GFAC”
Genworth Mortgage Reinsurance Corporation	“GMRC”
National Association of Insurance Commissioners	“NAIC”
Financial Condition Examiners Handbook	“Handbook”
Annual Statement	“AS”
Genworth Mortgage Holdings, LLC	“GMHL”
Genworth Financial Inc.	“Genworth”
Genworth Mortgage Holdings Inc.	“GMHI”
Genworth Residential Mortgage Insurance Corporation of North Carolina	“GRMIC-NC”
Genworth Residential Mortgage Assurance Corporation	“GRMAC”
Genworth Financial Mortgage Services Limited	“GFMSL”
Genworth Financial Mortgage Insurance Limited	“GFML”
Board of Directors	“Board”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
Genworth North America Corporation	“GNA”
Genworth Financial Services, Inc.	“GFS”
Worker, Homeownership, and Business Assistance Act of 2009	“Act”
Private Mortgage Insurance Eligibility Requirements	“PMIERS”
California Housing Finance Agency	“CalHFA”
Massachusetts Housing Finance Agency	“MassHousing”
Sociedad Hipotecaria Federal	“SHF”
Mortgage Insurance	“MI”
Asia Pacific Global Capital Co., Ltd.	“Asia Pacific”
Asia Pacific Global Capital USA Corporation	“Asia Pacific Sub”

SUMMARY OF SIGNIFICANT FINDINGS

1. Analysis of Examination Adjustments for GMIC

	December 31, 2016
Surplus as originally reported to the Department	\$1,187,023,454
a. Net deferred tax asset	57,489,623
Adjusted surplus	\$1,244,513,077

- a. To increase the net deferred tax asset by amounts incorrectly reported as non-admitted. (Refer to Note 3)

2. Analysis of Examination Adjustments for GMIC-NC

	December 31, 2016
Surplus as originally reported to the Department	\$161,481,926
a. Net deferred tax asset	15,806,196
Adjusted surplus	\$177,288,122

- a. To increase the net deferred tax asset by amounts incorrectly reported as non-admitted. (Refer to Note 3)

3. Comments, Recommendations and Directives

GMIC and GMIC-NC understated the net deferred tax asset reported in the 2016 Annual Statement ("AS") by \$57,489,623 and \$15,806,196, respectively. These amounts were incorrectly reported as not admitted but were subsequently deemed to be admissible. GMIC and GMIC-NC utilized an incorrect forecast file which understated the net operating loss reversals that could be used in the admissibility calculation of the deferred tax asset in accordance with the Statements of Statutory Accounting Principles No. 101 Paragraph 11. GMIC and GMIC-NC are directed to provide accurate financial reporting in future filings with the Department, pursuant to the NAIC AS Instructions and GS § 58-2-165(c).

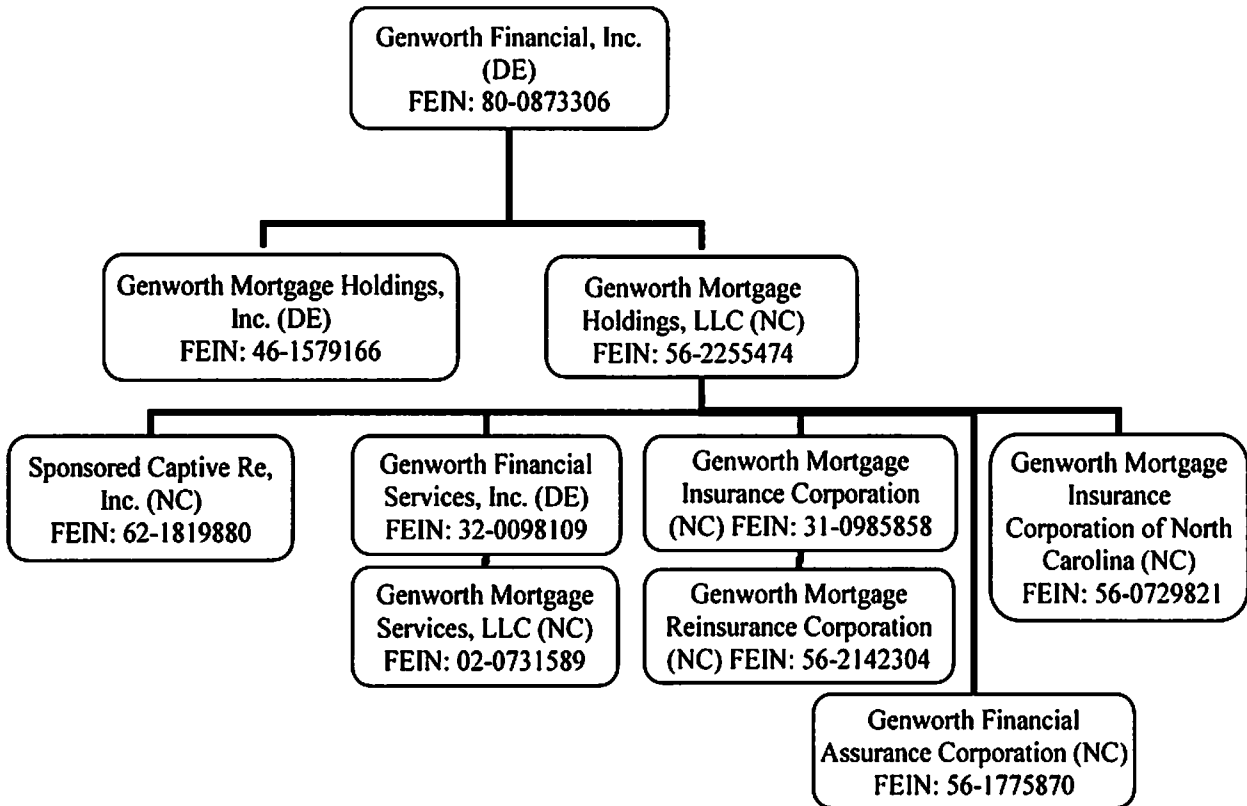
ORGANIZATIONAL STRUCTURE

The companies within the Genworth Mortgage Insurance Group are part of an insurance holding company system as defined in GS § 58-19 and are either wholly owned and partially owned subsidiaries of Genworth Mortgage Holdings, LLC (“GMHL”), a North Carolina corporation. GMHL owns approximately 81% of all outstanding shares of GMIC and the remaining 19% is owned by Genworth Mortgage Holdings Inc. (“GMHI”), a Delaware corporation. GMHL also owns all of the outstanding shares of both GFAC and GMIC-NC. GMRC is wholly owned by GMIC.

Genworth Financial Inc. (“Genworth”), a Delaware corporation, is the ultimate parent and owns all of the outstanding shares of GMHI and approximately 85% of all outstanding shares of GMHL. GMHI owns the remaining 15% of GMHL. Genworth is headquartered in Richmond, Virginia and all outstanding shares of Genworth are owned by public investors.

ORGANIZATIONAL CHART

The following is a summarized organizational chart of the Genworth Mortgage Insurance Group within the holding company group as of December 31, 2016:



INDIVIDUAL COMPANY HISTORY

GMIC

GMIC, formerly known as General Electric Mortgage Insurance Corporation, was incorporated on May 12, 1980 and commenced business on May 30, 1980. GMIC re-domesticated from Ohio to North Carolina on March 31, 1990.

Effective July 1, 2014, Genworth Home Equity Insurance Corporation merged into its parent, Genworth Residential Mortgage Insurance Corporation of North Carolina (“GRMIC-NC”), with GRMIC-NC being the surviving company. Effective October 1, 2014, Genworth Residential Mortgage Assurance Corporation (“GRMAC”) merged into its parent, GMIC, with GMIC being the surviving company.

Effective November 1, 2014, GMIC contributed 100% of the issued and outstanding shares of Genworth Financial Mortgage Services Limited (“GFMSL”) to Genworth Financial Mortgage Insurance Limited (“GF MIL”). GFMSL became a wholly owned direct subsidiary of GF MIL, which was a wholly owned subsidiary of GMIC.

Effective October 1, 2015, GRMIC-NC merged into GMIC, with GMIC being the surviving company. In October 2015, GMIC entered into an agreement to sell GF MIL, a wholly-owned subsidiary to AmTrust Financial Services, Inc., which was completed May 2016. GMIC is the only direct mortgage insurance (“MI”) writer in the Genworth Mortgage Insurance Group.

GMIC-NC

GMIC-NC, formerly known as General Electric Mortgage Insurance Corporation of North Carolina since June 1, 1983, was incorporated on February 20, 1961, under the laws of the State of North Carolina and commenced business as a mortgage guaranty insurer on April 18, 1961. The articles of incorporation were amended effective November 1, 2005, to change its name from General Electric Mortgage Insurance Corporation of North Carolina to GMIC-NC.

In December 2015, the Department approved GMIC-NC and GMIC’s request to cancel the \$225 million surplus note held by GMIC. On July 1, 2016, GMIC-NC distributed all its shares of GFAC to GMHL. GMIC-NC is a reinsurer of mortgage guaranty business written by GMIC.

GMRC

GMRC, formerly known as GE Mortgage Reinsurance Corporation of North Carolina, was incorporated on March 16, 1999, under the laws of the State of North Carolina and commenced business on July 14, 2000. GMRC is a reinsurer of mortgage guaranty business written by GMIC.

GFAC

GFAC, formerly known as Private Residential Mortgage Insurance Corporation, was incorporated on June 12, 1992, under the laws of the State of North Carolina and commenced business on July 1, 1992. The articles of incorporation were amended effective July 12, 2007, to change its name from Private Residential Mortgage Insurance Corporation to GFAC. GFAC is a credit insurer with no insurance business in-force at December 31, 2016.

CAPITAL STOCK

As of December 31, 2016, capitalization of the individual companies consisted of the following:

GMIC

Description	Value
Number of authorized common capital shares	10,000
Number of shares issued and outstanding	4,288.75
Total common capital stock	\$4,288,747
Par value per share	\$1,000

No additional shares of GMIC were issued during the period under examination. As of December 31, 2016, all outstanding shares of GMIC were owned by GMHL and GMHI.

GMIC received additional paid in surplus of approximately \$300 million and \$328 million in 2014 and 2013, respectively. At December 31, 2016, GMIC reported \$1,111,220,983 in gross paid-in and contributed surplus and unassigned funds totaling \$71,513,724.

GMIC-NC

Description	Value
Number of authorized common capital shares	3,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

No additional shares of GMIC-NC were issued during the period under examination. As of December 31, 2016, all outstanding shares of GMIC-NC were owned by GMHL. At December 31, 2016, GMIC-NC reported \$304,522,257 in gross paid-in and contributed surplus and unassigned funds totaling \$(145,540,331).

GMRC

Description	Value
Number of authorized common capital shares	25,000
Number of shares issued and outstanding	2,500
Total common capital stock	\$2,500,000
Par value per share	\$1,000

No additional shares of GMRC were issued during the period under examination. As of December 31, 2016, all outstanding shares of GMRC were owned by GMIC. At December 31, 2016, GMRC reported \$5,750,000 in gross paid-in and contributed surplus and unassigned funds totaling \$2,998,221.

GFAC

Description	Value
Number of authorized common capital shares	25,000
Number of shares issued and outstanding	2,500
Total common capital stock	\$2,500,000
Par value per share	\$1,000

No additional shares of GFAC were issued during the period under examination. As of December 31, 2016, all outstanding shares are owned by GMHL. At December 31, 2016, GFAC reported \$6,267,727 in gross paid-in and contributed surplus and unassigned funds totaling \$(810,159).

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of Directors (“Board”) of the Genworth Mortgage Insurance Group. Under the insurance regulations of North Carolina, the maximum amount of dividends which the Genworth Mortgage Insurance Group may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. GMIC and GMIC-NC paid no dividends during the examination period. In 2014, GMIC-NC received a \$7 million extraordinary distribution from GFAC and GMIC received a \$12 million extraordinary distribution from GMRC.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The companies within the Genworth Mortgage Insurance Group have the same directors and principal officers. The companies occupy the same home office space and share accounting systems and personnel. All personnel are employees of GMIC.

Shareholders

The bylaws provide that an annual meeting of the shareholders be held at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the chairman of the Board, the president or by any two members of the Board.

Board of Directors

The business of the Genworth Mortgage Insurance Group is conducted by its management team and is subject to review by the Board. The bylaws for GMIC, GMIC-NC and GMRC specify that the number of directors shall not be less than three or more than fifteen. The bylaws for GFAC specify that the number of directors shall not be less than five or more than twenty-one. Directors are elected at the annual meeting of shareholders or by the written consent of the shareholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2016:

Name	Location	Principal Occupation
Rohit Gupta	Raleigh, NC	President, Chief Executive Officer & Chairman of the Board
Hardin D. Mitchell	Raleigh, NC	Senior Vice President, Chief Financial Officer & Treasurer
Evan S. Stolove	Raleigh, NC	Senior Vice President, General Counsel & Secretary
John M. Clifford	Raleigh, NC	Senior Vice President
Michael P. Derstine	Raleigh, NC	Senior Vice President
Kevin D. Schneider	Raleigh, NC	Senior Vice President

The Board has the authority to establish committees including, but not limited to, an audit committee and an investment committee. The Board has appointed Genworth's Investment Committee to act on behalf of the Genworth Mortgage Insurance Group and Genworth's Audit Committee to act on behalf of GMIC

The following individuals served on Board committees at December 31, 2016:

Audit Committee

GMIC

James A. Parke- Chairman
 Thomas E. Moloney
 Debra J. Perry
 Robert P. Restrepo, Jr.
 James S. Riepe

Audit Committee

GMIC-NC, GMRC, and GFAC

Hardin D. Mitchell
 Mike P. Derstine
 John M. Clifford

Investment Committee

Genworth Mortgage Insurance Group

Thomas J. McInerney
 Ward E. Bobitz
 Daniel J. Sheehan, IV
 Kelly L. Groh
 Lori M. Evangel
 Kevin D. Schneider
 David O'Leary

Officers

The bylaws provide that the Board will elect the officers, which shall consist of a chairman of the Board, president, secretary, treasurer and any other officers deemed necessary. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person, except the offices of president and secretary.

The following individuals served as officers as of December 31, 2016:

Name	Title
Rohit Gupta	President, Chief Executive Officer and Chairman of the Board
Hardin D. Mitchell	Senior Vice President, Chief Financial Officer & Treasurer
Evan S. Stolove	Senior Vice President, General Counsel & Secretary
John M. Clifford	Senior Vice President
Michael P. Derstine	Senior Vice President
Kevin D. Schneider	Senior Vice President
Simon A. Bartle	Senior Vice President
Paul R. Gomez	Senior Vice President & Chief Operating Officer
Thomas F. Kleissler	Senior Vice President, Associate General Counsel & Assistant Secretary
Susan G. Sullivan	Senior Vice President
Kelly L. Groh	Senior Vice President
Richard J. Oelhafen, Jr.	Senior Vice President
Daniel J. Sheehan, IV	Senior Vice President & Chief Investment Officer
Matthew R. Young	Senior Vice President
Jerome T. Upton	Senior Vice President (GMIC only)
Duane S. Duncan	Senior Vice President (GMIC only)
Stuart E. Take	Senior Vice President (GMIC only)

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Genworth Mortgage Insurance Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Genworth Mortgage Insurance Group requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Genworth Mortgage Insurance Group acted in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Genworth Mortgage Insurance Group's significant transactions and events, and that the directors approved these transactions and events.

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. On June 15, 2014, GMRC amended its bylaws to delete a reference to a particular month of the year when an annual meeting shall take place in order to be consistent with the bylaws of the other companies within the Genworth Mortgage Insurance Group. There have been no other changes to any of the articles of incorporation or bylaws for the companies within the Genworth Mortgage Insurance Group during the period under examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2016 AS Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state.

ACCOUNTS AND RECORDS

The Genworth Mortgage Insurance Group's books and records are maintained at its main administrative office located at 8325 Six Forks Road, Raleigh, North Carolina.

The Genworth Mortgage Insurance Group utilizes information systems to sell products to customers, to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Blythewood, South Carolina. The majority of the Genworth Mortgage Insurance Group's financially significant applications were developed internally by its information technology staff.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Genworth Mortgage Insurance Group's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Genworth Mortgage Insurance Group's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 - Information Technology Work Program (collectively, Exhibit C).

The Genworth Mortgage Insurance Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

1. the Genworth Mortgage Insurance Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. the Genworth Mortgage Insurance Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. the Genworth Mortgage Insurance Group was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Genworth Mortgage Insurance Group's policy and procedures, testing in key areas related to Exhibit C, interviewing the Genworth Mortgage Insurance Group's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by KPMG LLP and the Genworth Mortgage Insurance Group's Corporate Audit Department.

Based upon the risk-based assessment and review, the Genworth Mortgage Insurance Group's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The companies in the Genworth Mortgage Insurance Group are named insureds under a fidelity bond which provides Genworth and its affiliates with coverage totaling \$15 million in aggregate. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for the Genworth Mortgage Insurance Group on a consolidated basis.

In addition, the Genworth Mortgage Insurance Group is covered by various corporate property and liability policies issued to Genworth, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

All employees of the Genworth Mortgage Insurance Group are employees of GMIC. All employees of GMIC are eligible to participate in a defined contribution pension plan that is 100% funded by Genworth, the ultimate parent. Employees are vested in the plan after five years of service. Costs allocated to GMIC for this plan were \$3,438,945 for 2016.

Genworth sponsors postretirement health care and life insurance benefit plans. These plans cover substantially all employees of GMIC subject to age and service requirements. The plan is funded as claims are incurred. GMIC's share of expenses for retirees under these plans was \$573,158 for 2016.

Genworth also sponsors a qualified and non-qualified defined contribution savings plan covering substantially all employees of GMIC. Employees may contribute a portion of their pay to the plan on a pre-tax basis. Genworth matches these contributions, which vest immediately, up to 6% of the employee's pay. GMIC's share of the savings plan expense was approximately \$2,794,143 for 2016.

GMIC is allocated a share of each plan's expenses based on a percentage of payrolls. GMIC has no legal obligation for benefits under these plans.

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, internal audit, human resources management, tax, legal, investment advisory, and data processing are provided for or by GMIC and its affiliates as follows:

- a. GMIC has shared services agreements with GMRC, GMIC-NC, and GFAC, whereby GMIC provides financial, investment, underwriting, claims, administrative and other support services, and makes certain underwriting and claims expenditures on behalf of the other companies. GMIC is reimbursed for any direct expenses and overhead costs incurred for providing such services in accordance with the terms specified in each agreement. For the year ended December 31, 2016, GMIC allocated expenses totaling \$54,000 to affiliates under such agreements. Another affiliate, Genworth Servicios, S. de R.L. de C.V., provides similar services to GMIC's Mexico branch and charged GMIC \$215,398 for these services for the year ended December 31, 2016.
- b. GMIC is included in a services and shared expenses agreement with Genworth North America Corporation ("GNA"), a subsidiary of Genworth, effective January 1, 2004. Under this agreement, certain general services such as data processing, communications, marketing, public relations, advertising, sales promotion, investment, human resources, personnel, payroll, finance, accounting, tax,

treasury, legal, administration, purchasing, sourcing, and contract administration services are paid on GMIC's behalf by GNA. Service fees incurred under this agreement totaled approximately \$27.7 million for the year ended December 31, 2016.

- c. GMIC is included in a services and shared expenses agreement, effective January 1, 2002, whereby it provides various contract-underwriting services on behalf of Genworth Financial Services, Inc ("GFS"). GMIC allocates direct expenses to GFS on an actual cost basis and joint expenses on a pro-rata basis according to the actual hours expended. GMIC allocated fees totaling approximately \$6.0 million to GFS in 2016.
- d. GMIC is included in a shared services and expense agreement with Genworth Financial International Holdings, Inc., whereby GMIC provides financial, investment, underwriting, claims, administrative, other support, and operational services. During 2016, fees allocated under this agreement were \$992,695.
- e. GMIC-NC has a shared services agreement with GMIC, effective January 1, 2002, whereby GMIC provides financial, investment, underwriting, claims, administrative, other support, and operational services. Fees incurred by GMIC-NC under this agreement totaled \$24,000 in 2016.
- f. GFAC has a shared services agreement with GMIC, effective December 1, 2006, whereby GMIC provides financial, investment, underwriting, claims, administrative, other support, and operational services. Fees incurred by GFAC under this agreement totaled \$24,000 in 2016.
- g. GMRC has a shared services agreement with GMIC, effective December 1, 2006, whereby GMIC provides financial, investment, underwriting, claims, administrative, other support, and operational services. Fees incurred by GMRC under this agreement totaled \$6,000 in 2016.
- h. The Genworth Mortgage Insurance Group is included in a consolidated federal income tax return in accordance with a federal income tax allocation agreement with Genworth, effective May 24, 2004. Effective January 1, 2010, this agreement was amended to treat the Genworth Mortgage Insurance Group as a single entity when preparing the consolidated income tax return. All payments of the consolidated tax liability or benefits allocated to the Genworth Mortgage Insurance Group are to be settled through the companies within the Genworth Mortgage Insurance Group and distributed to each company within the Genworth Mortgage Insurance Group in accordance with the supplemental tax allocation agreement described in Related Party Agreements Note j.
- i. The Genworth Mortgage Insurance Group entered into a supplemental tax allocation agreement, including Genworth and GNA, effective December 31, 2009. The parties entered into this agreement for purposes of allocating the consolidated tax refund received pursuant to the extended carry-back period allowed by the Worker, Homeownership, and Business Assistance Act of 2009 ("Act"). For purposes of this agreement, the 2008 and 2009 taxable losses of the Genworth Mortgage Insurance Group are treated as utilized before the taxable losses of Genworth and GNA regardless of whether the actual extended carry-back filed is for 2008 or 2009 as allowed by the Act. The Genworth Mortgage Insurance Group must repay any incremental tax benefits received to Genworth and GNA to the extent that the Genworth Mortgage Insurance Group report their future net taxable income up to such losses. Payments to the companies within the Genworth Mortgage Insurance Group are to be made within thirty (30) days of receipt.
- j. The Genworth Mortgage Insurance Group is included in a supplemental tax allocation agreement, effective January 1, 2010, which defines the settlement terms for tax liabilities and benefits among each company included in the Genworth Mortgage Insurance Group in relation to the federal income tax allocation agreement with Genworth as described in Related Party Agreements Note h. Under this

agreement, the provision for federal income tax is computed as if the companies within the Genworth Mortgage Insurance Group were filing a separate federal income tax return. Benefits, which arise from tax credits and net operating losses, are allocated to those subsidiaries producing such results to the extent they are utilized in the consolidated federal income tax provision.

TERRITORY AND PLAN OF OPERATION

GMIC

GMIC writes and assumes first-lien mono-line residential mortgage guaranty insurance, which protects lenders and investors against certain losses resulting from non-payment of loans secured by mortgages, deeds of trust or other instruments constituting a lien on real estate. GMIC offers two types of insurance coverage: 1. primary coverage which is on a per mortgage basis with different coverage levels and 2. pool coverage which is on a group of mortgages with 100% coverage on each mortgage up to a percentage cap on the group.

At December 31, 2016, GMIC was licensed in all fifty States, the District of Columbia, and the U.S. Virgin Islands.

GMIC-NC

GMIC-NC is a mortgage guaranty insurer and operates as a reinsurer of the primary and pool business written by GMIC. At December 31, 2016, GMIC-NC was licensed in the District of Columbia and all states except for Hawaii, Maine, New Hampshire and Ohio.

GMRC

GMRC is a mortgage guaranty insurer and operates as a reinsurer of the primary and pool business written by GMIC. At December 31, 2016, GMRC was only licensed in North Carolina.

GFAC

GFAC ceased writing business in 2008 and its license was restricted to “no new business” effective April 29, 2009, following a voluntary settlement agreement. GFAC cancelled its remaining in-force policies and issued refunds in February 2016. At December 31, 2016, GFAC was licensed in the District of Columbia and all states except for California, Connecticut, Maine, Massachusetts, Washington and Wyoming.

The companies within the Genworth Mortgage Insurance Group utilize its in-house sales agents for the distribution of its products and solicitation of business.

GROWTH OF THE COMPANIES

The data obtained from annual statements filed with the Department, as reflected in Appendix B, illustrates the growth of the companies within the Genworth Mortgage Insurance Group for the five-year period ended December 31, 2016. (Refer to Appendix B)

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2016 were reviewed and certified by the Genworth Mortgage Insurance Group's Appointed Actuary, Scott P. Weinstein, FCAS, MAAA, who is associated with KPMG, LLP, the Genworth Mortgage Insurance Group's independent auditors. Actuarial opinions regarding the reserves for loss and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Genworth Mortgage Insurance Group for reasonableness and consistency of the loss and loss adjustment expense reserve. According to the actuarial opinions, the reserves on the loss and loss adjustment expense met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid loss and loss expense obligations of the Genworth Mortgage Insurance Group.

REINSURANCE PROGRAM OVERVIEW

The following table provides a summarized overview of each company and the reinsurance contracts in effect as of December 31, 2016:

<u>GMIC</u>		
Company Operations:	Ceded Contracts:	Assumed Contracts:
Licensed in all 50 States, DC & U.S. Virgin Islands Only direct MI writer in the Genworth Mortgage Insurance Group Holds 89.2% of total combined MI risk	1. Losses on primary and pool business in excess of 25% to GMIC-NC and GMRC 2. Lender Captive arrangements 3. PMIERS contracts	1. 75% quota share contract with CalHFA 2. 90% quota share contract with MassHousing 3. 70% quota share contract with SHF
<u>GMIC-NC</u>		
Company Operations:	Ceded Contracts:	Assumed Contracts:
Licensed in 46 States & DC Reinsurer of GMIC risk Holds 10.5% of the total combined MI Risk	None	1. Losses on primary and pool business in excess of 25% from GMIC

<u>GMRC</u>		
Company Operations:	Ceded Contracts:	Assumed Contracts:
Licensed in North Carolina Reinsurer of GMIC risk Holds 0.3% of the total combined MI risk	None	1. Losses on primary and pool business in excess of 25% from GMIC
<u>GFAC</u>		
Company Operations:	Ceded Contracts:	Assumed Contracts:
Licensed in 44 States & DC Credit insurer No insurance in-force as of 12/31/16	None	None

INTERNAL REINSURANCE CEDED AND ASSUMED

The Mortgage Guaranty Model Act of the NAIC states that a mortgage guaranty insurance company shall limit its coverage net of reinsurance ceded to a maximum of 25 percent of the entire indebtedness to the insured. To satisfy this requirement, GMIC, GMIC-NC, and GMRC have entered into various intercompany reinsurance agreements.

GMIC has excess of loss contracts with its affiliates, GMIC-NC and GMRC, whereby GMIC retains the first 25% of losses of all loan-to-value policies and cedes the remaining losses. GMIC-NC and GMRC assume the losses in excess of GMIC's 25% retention. GMIC ceded premiums totaling approximately \$69 million and \$1 million to GMIC-NC and GMRC, respectively, in 2016 under these contracts.

EXTERNAL REINSURANCE CEDED AND ASSUMED

GMIC has quota share contracts whereby it assumes a percentage of the ultimate net losses from three unaffiliated insurers as follows: 75% from California Housing Finance Agency ("CalHFA"), 90% from Massachusetts Housing Finance Agency ("MassHousing"), and 70% from Sociedad Hipotecaria Federal ("SHF"). GMIC assumed premiums totaling \$2.9 million in 2016 under these contracts.

Lender Captive Arrangements

GMIC is party to certain lender captive reinsurance transactions, which are risk sharing arrangements with reinsurers that are wholly owned subsidiaries or affiliates of mortgage lenders. While quota share arrangements have also been utilized, these reinsurance transactions have typically been structured as excess of loss contracts where the mortgage insurer retains the first loss position, the captive reinsurer takes a second loss position, and the mortgage insurer retains the remaining exposure above the captive reinsurer loss tier. In exchange for this reinsurance coverage, the captive reinsurer receives a portion of the gross premiums collected by GMIC, and is required to maintain a trust account for the benefit of GMIC. In 2016, GMIC ceded approximately \$6.4 million under these lender captive arrangements.

Private Mortgage Insurance Eligibility Requirements (“PMIERS”)

As part of meeting PMIERS capital requirements, GMIC has entered into four separate excess of loss reinsurance transactions covering the 2009 through 2016 book of business years. The structure for the first three contracts is similar to the lender captive arrangements described above. Under the fourth contract which covers the 2016 book of business year, the losses above GMIC's retention amount are split on a quota-share basis between GMIC and the subscribing reinsurers, subject to a limit of liability. In 2016, GMIC ceded approximately \$21.1 million under these contracts.

FINANCIAL STATEMENTS

The financial statements in the Appendix A are based on the statutory financial statements filed with the Department and present the financial condition of each company in the Genworth Mortgage Insurance Group for the period ending December 31, 2016. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statement information related to the prior year is unexamined and is presented for comparative purposes only.

COMMENTS ON FINANCIAL STATEMENTS

Department examiners, as well as the Department's Financial Analysis Division, were informed by the Company of an error within GMIC's and GMIC-NC's 2016 annual statements. The error related to the calculation of admitted deferred tax assets and was assessed as a significant control deficiency by Genworth Mortgage Insurance Group management. This error was subsequently corrected by both companies within the audited financial statements as of December 31, 2016. This error and the corresponding adjustments are not reflected in the financial statements and related tables presented in this report. (Refer to the Summary of Significant Findings.)

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department. The more significant accounting policies followed by the Genworth Mortgage Insurance Group are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under the equity method.

Real estate held for sale: Properties acquired in the settlement of claims and held for sale are carried at the lower of acquisition cost or fair value less estimated costs to sell the property, with the excess over fair value charged to losses incurred in the period that the claim payment is made. Upon disposal of the property, the difference between the sales proceeds and carrying value is charged to losses incurred in the period that the sale is closed. (GMIC only)

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Earned over the policy period and reduced for reinsurance ceded. (GMIC, GMIC-NC and GMRC)

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are accounted for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported net of balances ceded to reinsurers. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus. (GMIC, GMIC-NC and GMRC)

Non-admitted assets: Certain assets, such as excess of book value over market value for securities, furniture, equipment, prepaid expenses, electronic data processing equipment and software, and deferred tax assets not allowed due to admissibility calculations, are "non-admitted" and are charged against surplus.

Unpaid loss & loss adjustment expense: Liabilities for estimated losses determined from case estimates based on the number of reported loan defaults and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses. (GMIC, GMIC-NC and GMRC)

Analysis of Assets

GMIC reported the following assets as not admitted at December 31, 2016: deferred tax assets totaling \$494,559,267, electronic data processing equipment and software totaling \$15,995,411, furniture and equipment totaling \$1,996,627, prepaid expenses totaling \$1,266,854 and amounts receivable totaling \$134,112.

GMIC-NC reported deferred tax assets totaling \$44,979,810 as not admitted at December 31, 2016.

GMRC reported deferred tax assets totaling \$1,024,186 as not admitted at December 31, 2016.

GFAC did not report any assets as not admitted at December 31, 2016.

Reinsurance Activity

The companies in the Genworth Mortgage Insurance Group have excess of loss and quota share contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies. The Genworth Mortgage Insurance Group utilizes Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct, assumed, and ceded premiums written and earned were as follows:

GMIC	2016
Direct and assumed written	\$772,761,045
Ceded written	97,190,790
Net written	675,570,255
Direct and assumed earned	688,465,994
Ceded earned	94,658,561
Net earned	\$593,807,433

GMIC-NC	2016
Direct and assumed written	\$68,606,912
Ceded written	-0-
Net written	68,606,912
Direct and assumed earned	65,841,342
Ceded earned	-0-
Net earned	\$65,841,342

GMRC	2016
Direct and assumed written	\$1,043,736
Ceded written	-0-
Net written	1,043,736
Direct and assumed earned	1,141,512
Ceded earned	-0-
Net earned	\$1,141,512

GFAC reported no reinsurance activity at December 31, 2016.

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview.

Summary of Reserves

The following provides a reconciliation of the reserves for losses and loss adjustment expenses:

GMIC	2016
Reserve for losses and loss adjustment expenses, beginning of year	\$737,915,544
Add:	
Provision for losses and loss adjustment expenses, current year	176,127,588
Change in estimated losses and loss adjustment expenses, prior years	34,323,494
Total incurred	<u>141,804,094</u>
Deduct:	
Losses and loss adjustment expenses paid, current year	8,682,956
Losses and loss adjustment expenses paid, prior year	315,762,500
Total paid	<u>324,445,456</u>
Foreign currency translation	<u>539,939</u>
Reserve for losses and loss adjustment expenses, end of year	<u>554,734,243</u>
Increase in reserve for losses and loss adjustment expenses	<u>(\$183,181,301)</u>

GMIC reduced reserves by anticipated salvage and subrogation of approximately \$800,000 at December 31, 2016.

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under GMIC's reinsurance contracts. At December 31, 2016, the liability for losses and loss adjustment expenses was reduced by approximately \$83.1 million for amounts to be recovered from reinsurers.

GMIC-NC	2016
Reserve for losses and loss adjustment expenses, beginning of year	\$108,588,760
Add:	
Provision for losses and loss adjustment expenses, current year	23,420,301
Change in estimated losses and loss adjustment expenses, prior years	(4,333,101)
Total incurred	<u>19,087,200</u>
Deduct:	
Losses and loss adjustment expenses paid, current year	939,259
Losses and loss adjustment expenses paid, prior year	45,743,377
Total paid	<u>46,682,636</u>
Reserve for losses and loss adjustment expenses, end of year	<u>80,993,324</u>
Increase in reserve for losses and loss adjustment expenses	<u>(\$27,595,436)</u>

GMIC-NC reduced reserves by anticipated salvage and subrogation of approximately \$1.6 million at December 31, 2016.

GMRC	2016
Reserve for losses and loss adjustment expenses, beginning of year	\$158,449
Add:	
Provision for losses and loss adjustment expenses, current year	118,033
Change in estimated losses and loss adjustment expenses, prior years	172,065
Total incurred	<u>290,098</u>
Deduct:	
Losses and loss adjustment expenses paid, current year	(29,770)
Losses and loss adjustment expenses paid, prior year	67,730
Total paid	<u>37,960</u>
Reserve for losses and loss adjustment expenses, end of year	<u>410,587</u>
Increase in reserve for losses and loss adjustment expenses	<u>\$252,138</u>

GMRC reduced reserves by anticipated salvage and subrogation of approximately \$3.2 million at December 31, 2016.

GFAC reported no reserves for losses and loss adjustment expenses at December 31, 2016.

Capital and Surplus

The following, in conjunction with the Statutory Statement Capital and Surplus in Appendix A, represents the changes in capital and surplus since the Department's last examination as of December 31, 2011:

GMIC	<i>(in thousands)</i>			
	2015	2014	2013	2012
Capital and surplus, beginning of year	\$1,395,828	\$960,286	\$485,593	\$564,011
Capital and surplus increases (decreases):				
Net income (loss)	261,724	174,043	69,963	(152,307)
Change in net unrealized capital gain (loss)	(78,784)	(76,071)	90,808	69,795
Change in net deferred income tax	(40,105)	707,427	74,497	
Change in nonadmitted assets	36,085	(579,105)	(2,216)	2,643
Change in unrealized foreign exchange gain/(loss)	(72)	(13)	(49)	1,431
Change in provision for reinsurance	44	58	2	18
Surplus adjustments to paid-in capital	(225,000)	300,000	327,900	(56,418)
GRMIC-NC surplus		85,942		
Affiliated surplus note cancelled		(50,000)		
Aggregate write-ins for prior year losses in surplus	(276,602)	(126,739)	(86,213)	56,418
Change in surplus as regards policyholders for the year	<u>(322,710)</u>	<u>435,542</u>	<u>474,693</u>	<u>(78,419)</u>
Capital and surplus, end of year	<u>\$1,073,117</u>	<u>\$1,395,828</u>	<u>\$960,286</u>	<u>\$485,593</u>

GMIC-NC	<i>(in thousands)</i>			
	2015	2014	2013	2012
Capital and surplus, beginning of year	\$153,276	\$123,616	\$148,620	\$100,789
Capital and surplus increases (decreases):				
Net income (loss)	24,413	17,297	(5,474)	27,533
Change in net unrealized capital gain (loss)	(2,424)	(2,662)	(1,733)	8,126
Change in net deferred income tax	(11,782)	95,325		
Change in nonadmitted assets	14,727	(72,883)		
Surplus adjustments to paid-in capital	225,000			6,000
Change in surplus notes	(225,000)			
Aggregate write-ins for prior year losses in surplus	(29,408)	(7,416)	(17,797)	6,172
Change in surplus as regards policyholders for the year	(4,474)	29,661	(25,004)	47,831
Capital and surplus, end of year	\$148,802	\$153,276	\$123,616	\$148,620

GMRC	<i>(in thousands)</i>			
	2015	2014	2013	2012
Capital and surplus, beginning of year	\$10,749	\$22,118	\$21,660	\$21,287
Capital and surplus increases (decreases):				
Net income	1,059	1,420	1,077	588
Change in net deferred income tax	213	231	365	47
Change in nonadmitted assets	(236)	(228)	(323)	(13)
Surplus adjustments to paid-in capital		(12,000)		
Aggregate write-ins for prior year losses in surplus	(689)	(792)	(661)	(249)
Change in surplus as regards policyholders for the year	348	(11,369)	458	373
Capital and surplus, end of year	\$11,097	\$10,749	\$22,118	\$21,660

GFAC	<i>(in thousands)</i>			
	2015	2014	2013	2012
Capital and surplus, beginning of year	\$7,164	\$13,550	\$13,140	\$18,831
Capital and surplus increases (decreases):				
Net income (loss)	56	614	410	(5,691)
Surplus adjustments to paid-in capital		(7,000)		
Change in surplus as regards policyholders for the year	56	(6,386)	410	(5,691)
Capital and surplus, end of year	\$7,220	\$7,164	\$13,550	\$13,140

Contingencies and Commitments

The Genworth Mortgage Insurance Group is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Genworth Mortgage Insurance Group.

OTHER TRANSACTIONS

On October 21, 2016, Genworth entered into an Agreement and Plan of Merger with Asia Pacific Global Capital Co. Ltd. (“Asia Pacific”), a limited liability company incorporated in the People’s Republic of China, and Asia Pacific Global Capital USA Corporation (“Asia Pacific Sub”), a Delaware corporation and an indirect, wholly owned subsidiary of Asia Pacific. Asia Pacific Sub would merge with Genworth, with Genworth being the surviving company as an indirect, wholly-owned subsidiary of Asia Pacific, which becomes a newly formed subsidiary of China Oceanwide Holdings Group, Co. Ltd. Genworth has agreed to be acquired for \$5.43 per share in cash, for a total transaction value of approximately \$2.7 billion.

SUBSEQUENT EVENTS

Effective February 1, 2017, Genworth contributed its 84.6% membership interest in GMHL to GMHI. GMHI contributed 19.5% of the issued and outstanding voting securities of GMIC to GMHL. As a result, GMHL became 100% owned by GMHI, and GMIC became 100% owned by GMHL.

**Genworth Mortgage Insurance Group
REPORT DISTRIBUTION
December 31, 2016**

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Raleigh, NC 27615

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CONCLUSION

We conclude that GMIC, GMIC-NC and GMRC are in compliance with the capital and surplus requirements of GS § 58-7-75 and the policyholder position requirements of GS § 58-10-125, for the kind of insurance that the companies have been authorized to write. The companies are required to maintain the greater of \$1,250,000 minimum capital and surplus pursuant to GS § 58-7-75 or a minimum policyholder position of not less than one twenty-fifth of the insurer's aggregate insured risk outstanding pursuant to GS § 58-10-125(a) unless the Commissioner grants a waiver from the requirements of GS § 58-10-125(a).

We conclude that GFAC is in compliance with the minimum capital and surplus requirements of GS § 58-7-75 for the kind of insurance that the company has been authorized to write. The requirements pursuant to that statute are a combined minimum capital and surplus of \$1,250,000.

The courteous cooperation and assistance extended by the officers and employees of the companies during the examination is hereby acknowledged.

Respectfully submitted,



Monique D. Smith, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

January 31, 2018

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Herb Maltba, Examination Supervisor, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by him is true and correct to the best of his knowledge and belief.

Signature: Herb Maltba Date: 1/31/2018
Name

Sworn and subscribed before me this 31st day of January, 2018.

Notary Public Signature: Sue Ann Webster Notary Public Seal:



Genworth Mortgage Insurance Group
Appendix A
December 31, 2016

2016 Statutory Statement of Admitted Assets

	GMIC	GMIC-NC	GMRC	GFAC
Bonds	\$2,143,854,390	\$243,134,585	\$13,010,249	\$6,466,142
Common stocks	393,113,329	44,327,447	-	-
Properties held for sale	4,054,808	-	-	-
Cash and short-term investments	115,733,099	14,122,626	1,612,595	1,012,077
Other invested assets	2,245,002	-	-	-
Total cash and invested assets	2,658,997,628	301,584,658	14,622,844	7,478,219
Investment income due and accrued	12,971,453	1,872,483	94,468	47,332
Premiums and agents' balances in course of collection	30,412,943	17,654,582	274,448	-
Reinsurance recoverable	9,974,451	-	-	-
Federal income tax recoverable	22,163,840	5,357,723	84,853	439,763
Net deferred tax asset	204,176,380	17,771,650	44,652	-
Electronic data processing equipment	21,916	-	-	-
Receivable from parent, subsidiaries and affiliates	5,877,971	-	-	-
Aggregate write-ins for other-than-invested assets	92,998	-	-	34
Total admitted assets	\$2,944,689,580	\$344,241,096	\$15,121,265	\$7,965,348

2016 Statement of Liabilities, Surplus and Other Funds

	GMIC	GMIC-NC	GMRC	GFAC
Losses	\$542,793,210	\$80,993,324	\$410,587	\$ -
Reinsurance payable on paid losses and loss adjustment expenses	296,000	9,639,807	206,823	-
Loss adjustment expenses	11,941,033	-	-	-
Commissions payable, contingent commissions and other similar charges	1,313	-	-	-
Other expenses	29,211,475	-	-	-
Taxes, licenses and fees	5,714,044	-	-	259
Unearned premiums	330,570,478	11,914,994	255,636	-
Advance premium	108,453	-	-	-
Ceded reinsurance premiums payable	22,476,220	-	-	-
Amounts withheld or retained by company for account of others	32,132,929	-	-	-
Remittances and items not allocated	2,059,483	-	-	-
Provision for reinsurance	-	-	-	-
Payable to parent, subsidiaries and affiliates	18,057,688	69,030	7,651	7,521
Aggregate write-ins for liabilities	762,303,800	80,142,015	2,992,347	-
Total liabilities	1,757,666,126	182,759,170	3,873,044	7,780
Common capital stock	4,288,747	2,500,000	2,500,000	2,500,000
Gross paid in and contributed surplus	1,111,220,983	304,522,257	5,750,000	6,267,727
Unassigned funds	71,513,724	(145,540,331)	2,998,221	(810,159)
Total capital and surplus	1,187,023,454	161,481,926	11,248,221	7,957,568
Total liabilities, capital and surplus	\$2,944,689,580	\$344,241,096	\$15,121,265	\$7,965,348

2016 Statutory Statement of Income

	GMIC	GMIC-NC	GMRC	GFAC
Underwriting Income (Loss)				
Premiums earned	\$ 593,807,433	\$65,841,342	\$1,141,512	(\$1,494)
Deductions				
Losses incurred	134,770,764	19,087,200	290,098	(18,253)
Loss adjustment expenses incurred	7,033,330	-	-	-
Other underwriting expenses incurred	176,473,249	180,712	65,642	197,776
Total underwriting deductions	318,277,343	19,267,912	355,740	179,523
Net underwriting gain (loss)	275,530,090	46,573,430	785,772	(181,017)
Investment Income				
Net investment income earned	72,137,222	9,659,150	328,764	200,560
Net realized capital gains	(3,932,954)	(1,154,293)	1,744	(52)
Net investment gain	68,204,268	8,504,857	330,508	200,508
Other Income				
Aggregate write-ins for miscellaneous income	119,849	-	-	-
Total other income	119,849	-	-	-
Net income before dividends to policyholders	343,854,207	55,078,287	1,116,280	19,491
Federal income taxes incurred	(46,585,160)	(1,043,540)	382,534	(718,386)
Net Income	\$390,439,367	\$56,121,827	\$733,746	\$737,877

2016 Statutory Statement of Capital and Surplus

	GMIC	GMIC-NC	GMRC	GFAC
Capital and surplus, beginning of year	\$1,073,117,152	\$148,802,318	\$11,096,936	\$7,219,691
Capital and surplus increases(decreases):				
Net Income	390,439,367	56,121,827	733,746	737,877
Change in net unrealized capital gains	34,746,538	2,276,476	-	-
Change in net unrealized foreign exchange capital gains	723,035	26,856	-	-
Change in net deferred income tax	(49,234,631)	(20,829,744)	186,910	-
Change in non-admitted assets	48,395,816	13,176,796	(198,615)	-
Change in provision for reinsurance	-	-	-	-
Aggregate write-ins for gains and losses in surplus	(311,163,823)	(32,920,671)	(570,756)	-
Surplus adjustments to paid-in capital	-	(5,171,932)	-	-
Change in capital and surplus as regards policyholders for the year	113,906,302	12,679,608	151,285	737,877
Capital and surplus, end of year	\$1,187,023,454	\$161,481,926	\$11,248,221	\$7,957,568

2016 Statutory Statement of Cash Flow

	GMIC	GMIC-NC	GMRC	GFAC
Cash From Operations				
Premiums collected net of reinsurance	\$666,125,527	\$64,902,925	\$1,120,181	(\$1,692)
Net investment income	68,230,587	9,058,120	316,162	196,094
Miscellaneous income	119,849	-	-	-
Total	734,475,963	73,961,045	1,436,343	194,402
Benefit and loss related payments	300,931,149	58,813,449	(141,909)	(18,253)
Commissions, expenses paid and aggregate write-ins	182,438,760	180,712	65,746	197,517
Federal income taxes paid	(45,205,444)	1,271,316	476,581	(244,812)
Total	438,164,465	60,265,477	400,418	(65,548)
Net cash from operations	296,311,498	13,695,568	1,035,925	259,950
Cash Used By Investments				
Proceeds from investments sold, matured, or repaid	357,174,373	35,159,192	397,146	1
Cost of investments acquired	732,583,745	56,422,926	3,447,724	303,806
Net cash used by investments	(375,409,372)	(21,263,734)	(3,050,578)	(303,805)
Cash (Used By) From Financing and Miscellaneous Sources				
Other cash (applied) provided	(8,635,607)	14,573	1,633	2,133
Net cash (used by) from financing and miscellaneous sources	(8,635,607)	14,573	1,633	2,133
Reconciliation of Cash and Short-Term Investments				
Net change in cash and short-term investments	(87,733,481)	(7,553,593)	(2,013,020)	(41,722)
Cash and short-term investments, beginning of year	203,466,580	21,676,219	3,625,615	1,053,799
Cash and short-term investments, end of year	\$115,733,099	\$14,122,626	\$1,612,595	\$1,012,077

Genworth Mortgage Insurance Group
Appendix B
December 31, 2016

Growth of the Company

The following data, obtained from annual statements filed with the Department, illustrates the trends of the companies for the five-year period ended 2016:

GMIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2016	\$2,944,689,580	\$1,187,023,454	\$772,761,045	\$593,807,433	\$390,439,367
2015	\$2,627,140,967	\$1,073,117,152	\$703,590,519	\$543,833,337	\$261,724,135
2014	\$2,865,951,960	\$1,395,827,533	\$645,376,984	\$488,210,821	\$179,121,218
2013	\$2,390,336,275	\$960,286,146	\$551,150,519	\$451,853,957	\$77,332,170
2012	\$2,247,302,535	\$485,592,857	\$558,479,889	\$451,464,536	(\$152,306,614)

GMIC-NC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2016	\$344,241,096	\$161,481,926	\$68,606,912	\$65,841,342	\$56,121,827
2015	\$335,586,923	\$148,802,318	\$61,623,728	\$58,815,358	\$24,413,393
2014	\$349,191,233	\$153,276,418	\$55,128,239	\$53,804,501	\$17,297,051
2013	\$351,920,440	\$123,615,910	\$50,542,837	\$50,168,324	(\$5,474,481)
2012	\$450,151,154	\$148,619,855	\$51,624,938	\$51,508,336	\$27,533,105

GMRC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income
2016	\$15,121,265	\$11,248,221	\$1,043,736	\$1,141,512	\$733,746
2015	\$14,071,377	\$11,096,936	\$1,277,639	\$1,377,678	\$1,058,987
2014	\$13,267,017	\$10,749,347	\$1,494,788	\$1,584,232	\$1,420,430
2013	\$23,707,872	\$22,118,196	\$1,489,589	\$1,322,123	\$1,077,419
2012	\$22,397,583	\$21,660,046	\$790,669	\$498,549	\$588,362

GFAC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2016	\$7,965,348	\$7,957,568	\$(1,692)	\$(1,494)	\$737,877
2015	\$7,259,001	\$7,219,691	-	\$188	\$55,579
2014	\$7,374,648	\$7,164,112	-	\$205	\$614,129
2013	\$13,557,409	\$13,549,983	-	\$208	\$410,224
2012	\$13,142,636	\$13,139,759	\$277,012	\$278,499	(\$5,691,378)