NETWORK 1 TECHNOLOGIES INC
Form 8-K
February 14, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 11, 2019

Network-1 Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-15288	11-3027591
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

445 Park Avenue, Suite 912, New York, New York 10022

(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 829-5770

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 8.01 Other Events.

On February 11, 2019, the Board of Directors of Network-1 Technologies, Inc. declared a semi-annual cash dividend of $0.05 per common share. The semi-annual cash dividend of $0.05 per share is payable on March 25, 2019 to all common stockholders of record as of March 11, 2019.
A copy of the press release is attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated February 12, 2019

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NETWORK-1 TECHNOLOGIES, INC.

Dated: February 14, 2019 By: /s/ Corey M. Horowitz
Name: Corey M. Horowitz
Title: Chairman & Chief Executive Officer

p; **Not other-than-temporarily impaired Other-than-temporarily impaired Fair value**

Fixed maturity securities:

U.S. government, agencies and government-sponsored enterprises

$5,006 $995 $ $(1) $ $6,000

Tax-exempt [1]

347 29 (14) 362

Government non-U.S. [2]

1,952 156 (2) 2,106

U.S. corporate [2], [3]

24,251 3,017 20 (88) 27,200

Corporate non-U.S. [2]

14,214 1,015 (97) 15,132

Residential mortgage-backed [4]

4,881 362 15 (17) (1) 5,240

Commercial mortgage-backed

2,564 143 4 (9) 2,702

Other asset-backed [4]

3,735 23 1 (54) 3,705

Total fixed maturity securities	56,950	5,740	40	(282)	(1)	62,447
Equity securities	253	36		(7)		282

Total available-for-sale securities

$57,203 $5,776 $40 $(289) $(1) $62,729

(1) Fair value included municipal bonds of $277 million related to special revenue bonds, $80 million related to general obligation bonds and $5 million related to other municipal bonds.

(2) Fair value included European periphery exposure of $238 million in Ireland, $201 million in Spain, $145 million in Italy and $16 million in Portugal.

(3) Fair value included municipal bonds of $1,303 million related to special revenue bonds and $546 million related to general obligation bonds.

(4) Fair value included $56 million collateralized by sub-prime residential mortgage loans and $86 million collateralized by Alt-A residential mortgage loans.

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As of December 31, 2013, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains		Gross unrealized losses		Fair value
		Not other-than-temporarily impaired	Other-than-temporarily impaired	Not other-than-temporarily impaired	Other-than-temporarily impaired	
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,710	$ 331	$	$ (231)	$	$ 4,810
Tax-exempt [1]	324	7		(36)		295
Government non-U.S. [2]	2,057	104		(15)		2,146
U.S. corporate [2], [3]	23,614	1,761	19	(359)		25,035
Corporate non-U.S. [2]	14,489	738		(156)		15,071
Residential mortgage-backed [4]	5,058	232	9	(70)	(4)	5,225
Commercial mortgage-backed	2,886	75	2	(62)	(3)	2,898
Other asset-backed [4]	3,171	35		(57)		3,149
Total fixed maturity securities	56,309	3,283	30	(986)	(7)	58,629
Equity securities	318	36		(13)		341
Total available-for-sale securities	$ 56,627	$ 3,319	$ 30	$ (999)	$ (7)	$ 58,970

(1) Fair value included municipal bonds of $218 million related to special revenue bonds, $72 million related to general obligation bonds and $5 million related to other municipal bonds.

(2) Fair value included European periphery exposure of $211 million in Spain, $210 million in Ireland, $155 million in Italy and $15 million in Portugal.

(3) Fair value included municipal bonds of $1,089 million related to special revenue bonds and $476 million related to general obligation bonds.

(4) Fair value included $69 million collateralized by sub-prime residential mortgage loans and $98 million collateralized by Alt-A residential mortgage loans.

Fixed maturity securities increased $3.8 billion principally from higher net unrealized gains attributable to the change in interest rates in 2014 and as purchases exceeded sales and maturities.

The majority of our unrealized losses were related to securities held in our U.S. Life Insurance segment. Our U.S. Mortgage Insurance segment had gross unrealized losses of $21 million and $44 million as of December 31, 2014 and 2013, respectively.

Our exposure in peripheral European countries consists of fixed maturity securities and trading bonds in Portugal, Ireland, Italy and Spain. Investments in these countries are primarily made to support our international businesses and to diversify our U.S. corporate fixed maturity securities with European bonds denominated in U.S. dollars. During 2014, we increased our exposure to the peripheral European countries by $9 million to $600 million with unrealized gains of $51 million. As of December 31, 2014, our exposure was diversified with direct exposure to local economies

of $239 million, indirect exposure through debt issued by subsidiaries outside of the European periphery of $91 million and exposure to multi-national companies where the majority of revenues come from outside of the country of domicile of $270 million.

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Commercial mortgage loans

The following tables set forth additional information regarding our commercial mortgage loans as of December 31:

(Dollar amounts in millions)	2014 Total recorded investment	Number of loans	Loan-to-value [1]	Delinquent principal balance	Number of delinquent loans
Loan Year					
2004 and prior	$ 722	393	37%	$	
2005	875	225	53%		
2006	802	215	59%	2	1
2007	664	148	68%		
2008	230	51	63%	6	1
2009			%		
2010	115	54	44%		
2011	264	53	56%		
2012	647	94	60%		
2013	845	138	64%		
2014	959	150	69%		
Total	$ 6,123	1,521	59%	$ 8	2

[1] Represents weighted-average loan-to-value as of December 31, 2014.

(Dollar amounts in millions)	2013 Total recorded investment	Number of loans	Loan-to-value [1]	Delinquent principal balance	Number of delinquent loans
Loan Year					
2004 and prior	$ 941	486	41%	$	
2005	1,025	253	55%		
2006	964	242	62%	32	6
2007	812	157	70%	1	1
2008	237	51	68%	6	1
2009			%		
2010	142	63	44%		
2011	273	54	58%		
2012	673	97	63%		
2013	865	138	67%		
Total	$ 5,932	1,541	59%	$ 39	8

(1) Represents weighted-average loan-to-value as of December 31, 2013.

Restricted commercial mortgage loans related to securitization entities

See notes 4 and 18 to our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to restricted commercial mortgage loans related to securitization entities.

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Other invested assets

The following table sets forth the carrying values of our other invested assets as of December 31:

	2014		2013	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Derivatives	$ 1,132	49%	$ 471	28%
Short-term investments	300	13	220	13
Securities lending collateral	289	13	187	11
Limited partnerships	252	11	282	17
Trading securities	241	10	239	14
Derivatives counterparty collateral			199	12
Other investments	82	4	88	5
Total other invested assets	$ 2,296	100%	$ 1,686	100%

Our investments in derivatives increased primarily attributable to changes in the long-term interest rate environment in 2014. Securities lending collateral also increased primarily driven by market demand. Short-term investments increased from net purchases in 2014. Derivatives counterparty collateral decreased as result of the reclassification of cash collateral from other invested assets to cash and cash equivalents in 2014.

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Derivatives

The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB and fixed index annuity embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2013	Additions	Maturities/ terminations	December 31, 2014
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 13,926	$	$ (1,965)	$ 11,961
Inflation indexed swaps	Notional	561	15	(5)	571
Foreign currency swaps	Notional	35			35
Forward bond purchase commitments	Notional	237		(237)	
Total cash flow hedges		14,759	15	(2,207)	12,567
Fair value hedges:					
Interest rate swaps	Notional	6		(6)	
Total fair value hedges		6		(6)	
Total derivatives designated as hedges		14,765	15	(2,213)	12,567
Derivatives not designated as hedges					
Interest rate swaps	Notional	4,822	508	(256)	5,074
Interest rate swaps related to securitization entities [(1)]	Notional	91		(14)	77
Credit default swaps	Notional	639	5	(250)	394
Credit default swaps related to securitization entities [(1)]	Notional	312			312
Equity index options	Notional	777	1,276	(1,059)	994
Financial futures	Notional	1,260	5,723	(5,652)	1,331
Equity return swaps	Notional	110	231	(233)	108
Foreign currency swaps	Notional		104		104
Other foreign currency contracts	Notional	487	788	(850)	425
Total derivatives not designated as hedges		8,498	8,635	(8,314)	8,819
Total derivatives		$ 23,263	$ 8,650	$ (10,527)	$ 21,386

(1)

See note 18 to our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to consolidated securitization entities.

(Number of policies)	Measurement	December 31, 2013	Additions	Maturities/ terminations	December 31, 2014
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	42,045		(3,030)	39,015
Fixed index annuity embedded derivatives	Policies	7,705	6,436	(240)	13,901
Indexed universal life embedded derivatives	Policies	29	394	(2)	421

The decrease in the notional value of derivatives was primarily attributable to a $2.2 billion notional decrease in qualified interest rate swaps and forward bond purchase commitments related to our interest rate hedging strategy associated with our long-term care insurance products and a $0.2 billion notional decrease from matured credit default swaps. The decrease was partially offset by a $0.5 billion notional increase related to hedges of the GMWB liability on our variable annuity products.

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The number of policies related to our GMWB embedded derivatives decreased as variable annuity products are no longer being offered. The number of policies related to our fixed index annuity and indexed universal life embedded derivatives increased as a result of product sales.

Consolidated Balance Sheets

Total assets. Total assets increased $3,313 million from $108,045 million as of December 31, 2013 to $111,358 million as of December 31, 2014.

Cash, cash equivalents and invested assets increased $5,329 million primarily from an increase of $4,625 million in invested assets and $704 million in cash and cash equivalents. Our fixed maturity securities portfolio increased $3,818 million principally from higher net unrealized gains attributable to the change in interest rates in 2014 and as purchases exceeded sales and maturities. Other invested assets increased $610 million primarily driven by an increase in derivatives largely attributable to changes in the long-term interest rate environment in 2014. Securities lending collateral also increased primarily driven by market demand. Short-term investments increased from net purchases in 2014. These increases in other invested assets were partially offset by a decrease in derivatives counterparty collateral as a result of the reclassification of cash collateral from other invested assets to cash and cash equivalents in 2014.

Goodwill decreased $851 million largely as result of goodwill impairments of $354 million in our long-term care insurance business and $495 million in our life insurance business recorded in 2014.

Separate account assets decreased $930 million as death and surrender benefits exceeded favorable market performance in 2014.

Total liabilities. Total liabilities increased $2,136 million from $92,425 million as of December 31, 2013 to $94,561 million as of December 31, 2014.

Our future policy benefits increased $2,210 million primarily driven by an increase in our long-term care insurance business from the aging and growth of the in-force block. During the fourth quarter of 2014, loss recognition testing indicated that a premium deficiency exists in our acquired block of long-term care insurance business and we increased reserves by $710 million. The results of the test were driven by changes to our assumptions and methodologies primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates.

Our policyholder account balances increased $515 million primarily driven by an increase in our fixed annuities from growth of our account values and an increase in our life insurance businesses from aging of our in-force blocks. These increases were partially offset by the continued runoff of our institutional products.

Our liability for policy and contract claims increased $839 million primarily driven by our long-term care insurance business largely as a result of a $604 million increase primarily related to the completion of a comprehensive review of our long-term care insurance claim reserves in the third quarter of 2014. This review was commenced as a result of adverse claims experience during the second quarter of 2014 and in connection with our regular review of our claim reserve assumptions during the third quarter of each year. As a result of this review, we made changes to our assumptions and methodologies to our long-term care insurance claim reserves primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates, reflecting that claims are not terminating as quickly and claimants are utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. During the third quarter of 2014, we also recorded a $61 million unfavorable correction related to a calculation of benefit utilization for policies with a benefit inflation option. During the fourth quarter of 2014, we recorded an $81 million unfavorable correction primarily related to claims in course of settlement arising in connection with the implementation of our updated assumptions and methodologies as part of our

comprehensive claims review completed in the third quarter of 2014 as well as a $21 million unfavorable adjustment related to a revised interest rate assumption, partially offset by a $49 million favorable refinement of assumptions for claim termination rates. The remaining increase was attributable to aging and growth of the in-force block. These increases were partially offset by a decrease in our mortgage insurance businesses due to lower delinquencies in 2014.

Other liabilities decreased $492 million mainly related to a decrease in derivatives in 2014.

Long-term borrowings decreased $522 million largely related to the repayment of $485 million on our senior notes that matured in June 2014. In addition, Genworth Canada issued CAD$160 million of senior notes due in 2024 and used the proceeds to repay CAD$150 million of senior notes that were scheduled to mature in 2015. The remaining change related to changes in foreign exchange rates on our Canadian and Australian debt.

Deferred tax liability increased $702 million primarily from an increase in unrealized net investment gains in 2014.

Separate account liabilities decreased $930 million as death and surrender benefits exceeded favorable market performance in 2014.

Total stockholders equity. Total stockholders equity increased $1,177 million from $15,620 million as of December 31, 2013 to $16,797 million as of December 31, 2014.

Additional paid-in capital decreased $130 million largely attributable to the IPO of 33.8% of our Australian mortgage insurance business in May 2014.

Accumulated other comprehensive income (loss) increased $1,904 million predominantly attributable to higher net unrealized investment gains and derivatives qualifying as hedges mainly related to changes in the long-term interest rate environment, partially offset by the strengthening of the U.S. dollar in 2014.

We reported a net loss available to Genworth Financial, Inc. s common stockholders of $1,244 million in 2014.

Noncontrolling interests increased $647 million predominantly attributable to the IPO of 33.8% of our Australian mortgage insurance business in May 2014.

Liquidity and Capital Resources

Liquidity and capital resources represent our overall financial strength and our ability to generate cash flows from our businesses, borrow funds at competitive rates and raise new capital to meet our operating and growth needs.

Genworth and subsidiaries

The following table sets forth our condensed consolidated cash flows for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Net cash from operating activities	$ 2,438	$ 1,399	$ 962
Net cash from investing activities	(1,836)	(580)	(722)
Net cash from financing activities	205	(149)	(1,101)
Net increase (decrease) in cash before foreign exchange effect	$ 807	$ 670	$ (861)

Our principal sources of cash include sales of our products and services, income from our investment portfolio and proceeds from sales of investments. As an insurance business, we typically generate positive cash

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flows from operating activities, as premiums collected from our insurance products and income received from our investments exceed policy acquisition costs, benefits paid, redemptions and operating expenses. These positive cash flows are then invested to support the obligations of our insurance and investment products and required capital supporting these products. Our cash flows from operating activities are affected by the timing of premiums, fees and investment income received and benefits and expenses paid. We had higher net cash inflows from operating activities during 2014 compared to 2013 primarily from lower claim payments and cash collateral received from counterparties primarily as a result of the change in the derivative, partially offset by higher tax payments in 2014.

In analyzing our cash flow, we focus on the change in the amount of cash available and used in investing activities. We had higher net cash outflows from investing activities during 2014 compared to 2013 from higher purchases in excess of maturities and sales of fixed maturity securities in 2014 and net cash received from the sale of our wealth management and reverse mortgage businesses and higher proceeds from policy loan payoffs in 2013 that did not recur.

Changes in cash from financing activities primarily relate to the issuance of, and redemptions and benefit payments on, universal life insurance and investment contracts; the issuance and acquisition of debt and equity securities; the issuance and repayment or repurchase of borrowings and non-recourse funding obligations; and dividends to our stockholders and other capital transactions. We had net cash inflows from financing activities during 2014 as deposits exceeded withdrawals of our investment contracts. In addition, the proceeds from the IPO of 33.8% of our Australian mortgage insurance business and issuance of senior notes by Genworth Canada were mostly offset by the repayment of senior notes in 2014. We had net cash outflows from financing activities during 2013 as withdrawals exceeded deposits on our investment contracts from scheduled maturities of our institutional products. See Capital resources and financing activities for further discussion of the uses of proceeds from our long-term debt issuances.

In the United States and Canada, we engage in certain securities lending transactions for the purpose of enhancing the yield on our investment securities portfolio. We maintain effective control over all loaned securities and, therefore, continue to report such securities as fixed maturity securities on the consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary. See note 2 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to our securities lending program.

We also have a repurchase program in which we sell an investment security at a specified price and agree to repurchase that security at another specified price at a later date. See note 2 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to our repurchase program.

Genworth holding company

Genworth Financial and Genworth Holdings each acts as a holding company for their respective subsidiaries and do not have any significant operations of their own. Dividends from their respective subsidiaries, payments to them under tax sharing and expense reimbursement arrangements with their subsidiaries and proceeds from borrowings or securities issuances are their principal sources of cash to meet their obligations. Insurance laws and regulations regulate the payment of dividends and other distributions to Genworth Financial and Genworth Holdings by their insurance subsidiaries. We expect dividends paid by the insurance subsidiaries will vary depending on strategic objectives, regulatory requirements and business performance.

The primary uses of funds at Genworth Financial and Genworth Holdings include payment of holding company general operating expenses (including taxes), payment of principal, interest and other expenses on current and any

future borrowings, payments under current and any future guarantees (including guarantees of certain subsidiary obligations), payment of amounts owed to GE under the Tax Matters Agreement, payments to

subsidiaries (and, in the case of Genworth Holdings, to Genworth Financial) under tax sharing agreements, contributions to subsidiaries, repurchases of debt and equity securities and, in the case of Genworth Holdings, loans, dividends or other distributions to Genworth Financial. In deploying future capital, such as proceeds from the IPO of our Australian mortgage insurance business in May 2014, important current priorities include focusing on our operating businesses so they remain appropriately capitalized, and accelerating progress on reducing overall indebtedness. We may from time to time seek to repurchase or redeem outstanding notes for cash (with cash on hand, proceeds from the issuance of new debt and/or the proceeds from asset or stock sales) in open market purchases, tender offers, privately negotiated transactions or otherwise. We currently seek to reduce our indebtedness over time through repurchases, redemptions and/or repayments at maturity.

Our Board of Directors has suspended the payment of dividends on our common stock indefinitely. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will be dependent on many factors including the receipt of dividends from our operating subsidiaries, our financial condition and operating results, the capital requirements of our subsidiaries, legal requirements, regulatory constraints, our credit and financial strength ratings and such other factors as the Board of Directors deems relevant. In addition, our Board of Directors has suspended repurchases of our common stock under our stock repurchase program indefinitely. The resumption of our stock repurchase program will be at the discretion of our Board of Directors.

Genworth Holdings had $953 million and $1,219 million of cash and cash equivalents as of December 31, 2014 and 2013, respectively. Genworth Holdings also held $150 million in U.S. government securities as of December 31, 2014 and 2013.

During the years ended December 31, 2014, 2013 and 2012, Genworth Holdings received cash dividends from its subsidiaries of $630 million, $497 million and $545 million, respectively. Genworth Holdings international subsidiaries paid dividends of $630 million, $317 million and $240 million during the years ended December 31, 2014, 2013 and 2012, respectively. Dividends from our international subsidiaries in 2014 included approximately $500 million from the net proceeds of the IPO of our Australian mortgage insurance business. There were no dividends paid to Genworth Holdings by its domestic subsidiaries during the year ended December 31, 2014. Genworth Holdings domestic subsidiaries paid dividends of $180 million and $305 million, respectively, during the years ended December 31, 2013 and 2012. We expect our international subsidiaries to be the sole source of cash dividends paid to us at least in the near term as we continue to strengthen the capital position of our U.S. life insurance and U.S. mortgage insurance businesses.

On April 1, 2013, immediately prior to the distribution of the U.S. mortgage insurance subsidiaries to Genworth Financial in connection with the holding company reorganization, Genworth Holdings also contributed $100 million in cash to the U.S. mortgage insurance subsidiaries as part of the capital plan for those subsidiaries. Genworth Holdings also contributed the shares of its European mortgage insurance subsidiaries with an estimated value of $230 million to the U.S. mortgage insurance subsidiaries to increase the statutory capital in those companies. During the year ended December 31, 2013, Genworth Holdings paid $414 million of dividends to Genworth Financial. During the year ended December 31, 2013, Genworth Financial made cash capital contributions to its subsidiaries of $410 million.

Genworth Holdings provided capital support to some of its insurance subsidiaries in the form of guarantees of certain obligations, in some cases subject to annual scheduled adjustments, totaling up to $717 million as of December 31, 2014. We believe Genworth Holdings insurance subsidiaries have adequate reserves to cover the underlying obligations. This capital support primarily included:

A capital support agreement of up to $205 million with one of Genworth Holdings insurance subsidiaries domiciled in Bermuda relating to an intercompany reinsurance agreement;

A capital support agreement of up to $260 million with one of Genworth Holdings insurance subsidiaries to fund claims to support its international mortgage insurance business in Mexico;

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A capital support agreement of up to $100 million, as part of the capital plan for the U.S. mortgage insurance subsidiaries, to be provided to GMICO in the future in the event that certain adverse events occur; and

A capital support agreement of up to $67 million, as part of the capital plan for the U.S. mortgage insurance subsidiaries, to guarantee the receipt by GMICO of intercompany payments in the normal course from our subsidiaries by June 30, 2017.

Genworth Holdings provides a limited guarantee to Rivermont Life Insurance Company I (Rivermont I), an indirect subsidiary, which is accounted for as a derivative carried at fair value and is eliminated in consolidation. As of December 31, 2014, the fair value of this derivative was $5 million. As of December 31, 2013, the fair value of this derivative was zero.

Genworth Holdings also provides an unlimited guarantee for the benefit of policyholders for the payment of valid claims by a mortgage insurance affiliate located in the United Kingdom. However, based on risk in-force as of December 31, 2014, we believe our mortgage insurance affiliate located in the United Kingdom has sufficient reserves and capital to cover its policyholder obligations.

Genworth Holdings has a Tax Matters Agreement with GE, our former parent company, which represents an obligation of Genworth Holdings to GE. The balance of this obligation was $216 million as of December 31, 2014.

Genworth Financial provides a full and unconditional guarantee to the trustee of Genworth Holdings outstanding senior notes and the holders of the senior notes, on an unsecured unsubordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, each outstanding series of senior notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior notes indenture in respect of such senior notes. Genworth Financial also provides a full and unconditional guarantee to the trustee of Genworth Holdings outstanding subordinated notes and the holders of the subordinated notes, on an unsecured subordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, the outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the subordinated notes indenture in respect of the subordinated notes. Genworth Financial also provides a full and unconditional guarantee of Genworth Holdings obligations associated with Rivermont I and the Tax Matters Agreement.

The obligations under Genworth Holdings credit agreement are unsecured and payment of Genworth Holdings obligations is fully and unconditionally guaranteed by Genworth Financial.

We also provided guarantees to third parties for the performance of certain obligations of our subsidiaries. We estimate that our potential obligations under such guarantees were $28 million as of December 31, 2014.

Regulated insurance subsidiaries

Insurance laws and regulations regulate the payment of dividends and other distributions to us by our insurance subsidiaries. In general, dividends in excess of prescribed limits are deemed extraordinary and require insurance regulatory approval. Based on estimated statutory results as of December 31, 2014, in accordance with applicable dividend restrictions, our subsidiaries could pay dividends of approximately $0.5 billion to us in 2015 without obtaining regulatory approval. However, we do not expect our insurance subsidiaries to pay dividends to us in 2015 at this level as they retain capital for growth and to meet capital requirements.

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Our international insurance subsidiaries paid dividends of $630 million, $317 million and $240 million during the years ended December 31, 2014, 2013 and 2012, respectively. Our domestic insurance subsidiaries paid dividends of $108 million (none of which were deemed extraordinary), $418 million (none of which were deemed extraordinary) and $374 million ($175 million of which were deemed extraordinary), respectively, during the years ended December 31, 2014, 2013 and 2012.

The liquidity requirements of our regulated 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.

Our insurance subsidiaries have used cash flows from operations and investment activities to fund their liquidity requirements. Our insurance subsidiaries principal cash inflows from operating activities are derived from premiums, annuity deposits and insurance and investment product 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, investment income and, as necessary, sales of invested assets.

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 duration such as long-term fixed maturity securities and commercial mortgage loans. Shorter-term liabilities are matched with fixed maturity securities 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 maturity securities to fund anticipated operating expenses, surrenders and withdrawals. In June 2014, one of our U.S. life insurance subsidiaries completed a life reinsurance transaction that generated approximately $90 million in additional unassigned surplus on a U.S. statutory basis. As of December 31, 2014, our total cash, cash equivalents and invested assets were $78.2 billion. Our investments in privately placed fixed maturity securities, commercial mortgage loans, policy loans, limited partnership investments and select mortgage-backed and asset-backed securities are relatively illiquid. These asset classes represented approximately 31% of the carrying value of our total cash, cash equivalents and invested assets as of December 31, 2014.

As of December 31, 2014, each of our life insurance subsidiaries exceeded the minimum required RBC levels. The consolidated RBC ratio of our U.S. domiciled life insurance subsidiaries was approximately 435% of the company action level as of December 31, 2014.

We intend to further increase capital in our U.S. life insurance business to (i) address the reduction in capital resulting from the completion of a comprehensive review of our long-term care insurance claim reserves and (ii) enhance our financial strength and flexibility to maintain our commercial presence in our businesses and provide for unforeseen events or developments. We intend to increase capital by, among other things, at least over the near term, not paying dividends from our life insurance subsidiaries to the holding company, pursuing additional long-term care insurance rate actions, seeking opportunities to reduce risk in legacy long-term care insurance blocks of business, utilizing reinsurance to increase available capital, pursuing block transactions and significantly reducing expenses.

Fifty percent of our in-force long-term care insurance business (excluding policies assumed from a non-affiliate third-party reinsurer) of GLIC, a Delaware insurance company and our indirect wholly-owned subsidiary, is reinsured

to BLAIC, a Bermuda insurance company and our indirect wholly-owned subsidiary. Brookfield, a Bermuda insurance company and our indirect wholly-owned subsidiary, has guaranteed BLAIC s performance of its obligations under that reinsurance agreement. As of December 31, 2014, Brookfield directly

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or indirectly owns 66.2% of our Australian mortgage insurance subsidiaries, 40.6% of our Canadian mortgage insurance subsidiary and 100% of our lifestyle protection insurance business. As a result of Brookfield s guarantee, adverse developments in our reinsured long-term care insurance business (including the recent increases in our reserves of that business) have adversely impacted BLAIC s financial condition, which could, in turn, adversely impact Brookfield s willingness or ability to pay dividends to Genworth Holdings.

As of December 31, 2014, one of our wholly-owned life insurance subsidiaries provides security in an aggregate amount of $583 million for the benefit of certain of its wholly-owned life insurance subsidiaries that have issued non-recourse funding obligations to collateralize the obligation to make future payments on their behalf under certain tax sharing agreements.

During 2014, Genworth Canada repurchased 1.9 million shares for CAD$75 million through a Normal Course Issuer Bid (NCIB) authorized by its board for up to 4.7 million shares. We participated in the NCIB in order to maintain our overall ownership percentage at its current level and received $38 million in cash.

In May 2014, our U.S. mortgage holding company contributed $300 million to GMICO, our primary U.S. mortgage insurance subsidiary.

On July 10, 2014, the FHFA released publicly a draft of the revised PMIERs. We currently estimate that the amount of additional capital required to meet these requirements and operate our business will be between $500 million and $700 million. We currently believe we have a variety of sources we could utilize to satisfy these capital requirements, and currently intend to utilize primarily reinsurance (or similar) transactions, together with cash available at the holding company, to satisfy them. For a discussion of the factors that may affect our estimate of the amount of additional capital that may be required to meet the revised draft PMIERs and the availability of reinsurance and other transactions to satisfy these capital requirements, see Business trends and conditions Trends and conditions affecting our segments U.S. Mortgage Insurance.

We currently intend that our U.S. mortgage insurance business will meet the additional capital requirements contained in the revised draft PMIERs by the anticipated effective date. We will seek to utilize the transition period provided for in the draft requirements if we do not comply by the anticipated effective date (subject to GSE approval).

During 2013, Genworth Canada repurchased 3.9 million shares for CAD$105 million through a NCIB authorized by its board for up to 4.9 million shares. We participated in the NCIB in order to maintain our overall ownership percentage at its then-current level and received $58 million in cash.

On January 31, 2013, our European mortgage insurance subsidiaries received a $21 million cash capital contribution. We then subsequently contributed the shares of our European mortgage insurance subsidiaries with an estimated value of $230 million to our U.S. mortgage insurance subsidiaries to increase the statutory capital in those companies as part of the capital plan for our U.S. mortgage insurance subsidiaries.

Capital resources and financing activities

We repaid $485 million of our 5.75% senior notes that matured in June 2014 with cash on hand.

On April 1, 2014, Genworth Canada, our majority-owned subsidiary, issued CAD$160 million of 4.24% senior notes due 2024. The senior notes are redeemable at the option of Genworth Canada, in whole or in part, at any time. The net proceeds of the offering were used to redeem, in full, its existing senior notes due December 2015 with a principal amount of CAD$150 million and bearing a fixed annual interest rate of 4.59%. In conjunction with the redemption,

Genworth Canada made an early redemption payment to existing noteholders of approximately CAD$7 million and accrued interest of approximately CAD$2 million in the second quarter of 2014.

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In the second quarter of 2013, we terminated our $1.0 billion commercial paper program. There was no amount outstanding under the commercial paper program when terminated and none outstanding since February 2009.

On September 26, 2013, Genworth Holdings entered into a $300 million multi-currency revolving credit facility, which matures in September 2016, with a $100 million sublimit for letters of credit. The proceeds of the loans may be used for working capital and general corporate purposes. As of December 31, 2014 and 2013, there were no amounts outstanding under the credit facility. The obligations under the credit agreement are unsecured and payment of Genworth Holdings obligations is fully and unconditionally guaranteed by Genworth Financial.

In December 2013, Genworth Holdings issued $400 million aggregate principal amount of senior notes, with an interest rate of 4.80% per year payable semi-annually, and maturing in 2024 (2024 Notes). With the net proceeds from the issuance of the 2024 Notes of $397 million and cash on hand, Genworth Financial contributed $100 million of the proceeds to GMICO and an additional $300 million was contributed to a U.S. mortgage holding company to be used to satisfy all or part of the higher capital requirements expected to be imposed by the GSEs as part of the anticipated revisions to the MI Eligibility Standards. In May 2014, the U.S. mortgage holding company contributed the additional $300 million to GMICO.

In August 2013, Genworth Holdings issued $400 million aggregate principal amount of senior notes, with an interest rate of 4.90% per year payable semi-annually, and maturing in 2023 (2023 Notes). The net proceeds of $396 million from the issuance of the 2023 Notes, together with cash on hand at Genworth Holdings, were used to redeem all $346 million of the remaining outstanding aggregate principal amount of Genworth Holdings 2015 Notes, and pay accrued and unpaid interest on such notes and pay a make-whole payment of approximately $30 million pre-tax.

During 2013, Genworth Holdings repurchased $15 million aggregate principal amount of the 5.75% senior notes that mature in 2014, and paid accrued and unpaid interest thereon. In June 2013, Genworth Holdings repurchased $4 million aggregate principal amount of the 2015 Notes, and paid accrued and unpaid interest thereon.

During 2014 and 2013, River Lake Insurance Company, our indirect wholly-owned subsidiary, repaid $26 million and $28 million, respectively, of its total outstanding floating rate subordinated notes due in 2033.

During 2014, River Lake Insurance Company II, our indirect wholly-owned subsidiary, repaid $16 million of its total outstanding floating rate subordinated notes due in 2035.

For further information about our borrowings, refer to note 13 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data.

We believe existing cash held at Genworth Holdings combined with dividends from subsidiaries, payments under tax sharing and expense reimbursement arrangements with subsidiaries and proceeds from borrowings or securities issuances will provide us with sufficient capital flexibility and liquidity to meet our future operating requirements. We actively monitor our liquidity position, liquidity generation options and the credit markets given changing market conditions. We manage liquidity at Genworth Holdings to maintain a minimum balance one and one- half times expected annual debt interest payments plus the additional excess of $350 million, although the excess amount may be lower during the quarter due to the timing of cash inflows and outflows. We will evaluate the target level of the excess amount as circumstances warrant. We cannot predict with any certainty the impact to us from any future disruptions in the credit markets or the recent or any further downgrades by one or more of the rating agencies of the financial strength ratings of our insurance company subsidiaries and/or the credit ratings of our holding companies. The availability of additional funding will depend on a variety of factors such as market conditions, regulatory considerations, the general availability of credit, the overall availability of credit to the financial services industry, the

level of activity and availability of reinsurance, our credit ratings and credit capacity and the performance of and outlook for our business.

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Contractual obligations and commercial commitments

We enter into obligations with third parties in the ordinary course of our operations. These obligations, as of December 31, 2014, are set forth in the table below. However, we do not believe that our cash flow requirements can be assessed based upon this analysis of these obligations as the funding of these future cash obligations will be from future cash flows from premiums, deposits, fees and investment income that are not reflected in the following table. Future cash outflows, whether they are contractual obligations or not, also will vary based upon our future needs. Although some outflows are fixed, others depend on future events. Examples of fixed obligations include our obligations to pay principal and interest on fixed rate borrowings. Examples of obligations that will vary include obligations to pay interest on variable rate borrowings and insurance liabilities that depend on future interest rates and market performance. Many of our obligations are linked to cash-generating contracts. These obligations include payments to contractholders that assume those contractholders will continue to make deposits in accordance with the terms of their contracts. In addition, our operations involve significant expenditures that are not based upon commitments.

	Payments due by period				
(Amounts in millions)	**Total**	**2015**	**2016-2017**	**2018-2019**	**2020 and thereafter**
Borrowings and interest [(1)]	$ 9,685	$ 335	$ 930	$ 1,132	$ 7,288
Operating lease obligations	80	26	31	18	5
Other purchase liabilities [(2)]	74	45	27	2	
Securities lending and repurchase obligations [(3)]	852	852			
Commercial mortgage loan commitments [(4)]	128	128			
Limited partnership commitments [(4)]	53	31	19	2	1
Private placement commitments [(4)]	27	27			
Insurance liabilities [(5)]	108,565	3,655	5,827	4,808	94,275
Tax matters agreement [(6)]	250	40	89	61	60
Unrecognized tax benefits [(7)]	49	14	9	5	21
Total contractual obligations	$ 119,763	$ 5,153	$ 6,932	$ 6,028	$ 101,650

(1) Includes payments of principal and interest on our long-term borrowings and non-recourse funding obligations, as described in note 13 to our consolidated financial statements under Item 8 Financial Statements and Supplementary Data. For our U.S. domiciled insurance companies, any payment of principal, including by redemption, or interest on our non-recourse funding obligations are subject to regulatory approval. The total amount for borrowings and interest in this table does not equal the amounts on our consolidated balance sheet due to interest included in the table that is expected to be payable in future years. In addition, the total amount does not include borrowings related to securitization entities. See note 18 to our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for information related to the timing of payments and the maturity dates of these borrowings.

(2) Includes contractual purchase commitments for goods and services entered into in the ordinary course of business and includes obligations under our pension liabilities.

(3) The timing for the return of the collateral associated with our securities lending program is uncertain; therefore, the return of collateral is reflected as being due in 2015.

(4) Includes amounts we are committed to fund for U.S. commercial mortgage loans, interests in limited partnerships and private placement investments.

(5) Includes estimated claim and benefit, policy surrender and commission obligations offset by expected future deposits and premiums on in-force insurance policies and investment contracts. Also includes amounts established for recourse and indemnification related to our U.S. mortgage insurance contract underwriting business. Estimated claim and benefit obligations are based on mortality, morbidity, lapse and other assumptions. The obligations in this table have not been discounted at present value. In contrast to this table, our obligations reported in our consolidated balance sheet are recorded in accordance with U.S. GAAP where the liabilities are discounted consistent with the present value concept under accounting guidance

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related to accounting and reporting by insurance enterprises, as applicable. Therefore, the estimated obligations for insurance liabilities presented in this table significantly exceed the liabilities recorded in reserves for future policy benefits and the liability for policy and contract claims. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results. We have not included separate account obligations as these obligations are legally insulated from general account obligations and will be fully funded by cash flows from separate account assets. We expect to fully fund the obligations for insurance liabilities from cash flows from general account investments and future deposits and premiums.

(6) Because their future cash outflows are uncertain, the following non-current liabilities are excluded from this table: deferred taxes (except the Tax Matters Agreement, which is included, as described in note 14 to our consolidated financial statements under Item 8 Financial Statements and Supplementary Data), derivatives, unearned premiums and certain other items.

(7) Includes the settlement of uncertain tax positions, with related interest, based on the estimated timing of the resolution of income tax examinations in multiple jurisdictions. See notes 2 and 14 to our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for a discussion of uncertain tax positions.

Off-Balance Sheet Transactions

We have used off-balance sheet securitization transactions to mitigate and diversify our asset risk position and to adjust the asset class mix in our investment portfolio by reinvesting securitization proceeds in accordance with our approved investment guidelines. The transactions we have used involved securitizations of some of our receivables and investments that were secured by commercial mortgage loans, fixed maturity securities or other receivables, consisting primarily of policy loans. Total securitized assets remaining as of December 31, 2014 and 2013 were $442 million and $461 million, respectively, including $300 million and $314 million, respectively, of securitized assets required to be consolidated.

Securitization transactions typically result in gains or losses that are included in net investment gains (losses) in our consolidated financial statements. There were no off-balance sheet securitization transactions executed in 2014, 2013 or 2012.

We have arranged for the assets that we have transferred in securitization transactions to be serviced by us directly, or pursuant to arrangements with a third-party service provider. Servicing activities include ongoing review, credit monitoring, reporting and collection activities.

Financial support for certain securitization entities was provided under credit support agreements that remain in place throughout the life of the related entities. Assets with credit support were funded by demand notes that were further enhanced with support provided by a third party. See note 18 to our consolidated financial statements under Item 8 Financial Statements and Supplementary Data for additional information related to securitization entities.

Seasonality

In general, our business as a whole is not seasonal in nature. However, in our U.S. mortgage insurance business, the level of delinquencies, which increases the likelihood of losses, generally tends to decrease in mid-first quarter and continue through second quarter while increasing in the third and fourth quarters of the calendar year. Therefore, we typically experience lower levels of losses resulting from delinquencies in the first and second quarters, as compared with those in the third and fourth quarters. However, as a result of the downturn in the U.S. housing market that began in 2008, delinquencies have remained elevated above historical levels in each of the calendar quarters through 2014. Currently, as the U.S. housing market continues to show signs of stabilization and recovery, delinquency levels have been trending downward and returning to more normal seasonal trends. While the U.S. economy continues recovering, we may see higher than usual delinquencies as

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the housing market returns to a more normal development pattern long-term. There is also modest delinquency seasonality in our international mortgage insurance business in Australia and Canada. In Australia, we generally experience higher new delinquencies and lower cure rates in the first and second quarters of each calendar year. In Canada, we generally experience modestly higher delinquencies in the winter months.

See Business trends and conditions for additional information related to our businesses.

Inflation

We do not believe that inflation has had a material effect on our results of operations, except insofar as inflation may affect interest rates.

New Accounting Standards

For a discussion of recently adopted and not yet adopted accounting standards, see note 2 in our consolidated financial statements under Item 8 Financial Statements and Supplementary Data.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and equity prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded. The following is a discussion of our market risk exposures and our risk management practices.

Credit market volatility continued into 2014 and credit spreads generally widened for most fixed-income asset classes in the third and fourth quarters of 2014, reversing the trend from the first half of 2014. Additionally, U.S. Treasury yields remained at historically low levels during 2014. See Business trends and conditions and Investments and Derivative Instruments in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations for further discussion of recent market conditions.

In 2014 compared to 2013, the U.S. dollar strengthened against currencies in Australia, Canada and the United Kingdom, as well as the Euro. The overall strengthening of the U.S. dollar in 2014 has generally resulted in lower levels of reported revenues and net income (loss), assets, liabilities and accumulated other comprehensive income (loss) in our U.S. dollar consolidated financial statements. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations for further discussion on the impact changes in foreign currency exchange rates have had during the year.

While we enter into derivatives to mitigate certain market risks, our agreements with derivative counterparties typically require that we provide collateral when our net derivative liability position with a particular counterparty reaches a certain level. As a result, we may be required to post collateral due to fluctuations in the fair value of our derivatives and may result in us holding more high quality securities to ensure we have sufficient collateral to post derivative counterparties in the event of adverse changes in fair value of our derivative instruments. In the event we do not have sufficient high quality securities to provide as collateral, we may need to sell certain other securities to purchase assets that would be eligible for collateral posting, which could adversely impact our future investment income.

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Interest Rate Risk

We enter into market-sensitive instruments primarily for purposes other than trading. Our life insurance, long-term care insurance and deferred annuity products have significant interest rate risk and are associated with our U.S. life insurance subsidiaries. Our international mortgage insurance business and immediate annuity products have moderate interest rate risk, while our lifestyle protection and U.S. mortgage insurance businesses have relatively low interest rate risk.

Our insurance and investment products are sensitive to interest rate fluctuations and expose us to the risk that falling interest rates or tightening credit spreads will reduce our margin (the difference between the returns we earn on the investments that support our obligations under these products and the amounts that we must pay to policyholders and contractholders). Because we may reduce the interest rates we credit on most of these products only at limited, pre-established intervals, and because some contracts have guaranteed minimum interest crediting rates, declines in earned investment returns can impact the profitability of these products. As of December 31, 2014, of our $12.4 billion deferred annuity products, $1.0 billion have guaranteed minimum interest crediting rate floors greater than or equal to 3.5%, with no guaranteed minimum interest crediting rate floors greater than 5.5%. Most of these products were sold prior to 1999. Our universal life insurance products also have guaranteed minimum interest crediting rate floors, with no guaranteed minimum interest crediting rate floors greater than 6.0%. Of our $6.8 billion of universal life insurance products as of December 31, 2014, $3.5 billion have guaranteed minimum interest crediting rate floors ranging between 3% and 4%.

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

Our life and long-term care insurance products as well as our guaranteed benefits on variable annuities also expose us to the risk of interest rate fluctuations. The pricing and expected future profitability of these products are based in part on expected investment returns. Over time, life and long-term care insurance products are expected to generally produce positive cash flows as customers pay periodic premiums, which we invest as they are received. Low interest rates increase reinvestment risk and reduce our ability to achieve our targeted investment margins and may adversely affect the profitability of our life and long-term care insurance products and may increase hedging costs on our in-force block of variable annuity products. A prolonged low interest rate environment may negatively impact the sufficiency of our margins on our DAC and PVFP, which could result in an impairment. In addition, certain statutory capital requirements are based on models that consider interest rates. Prolonged periods of low interest rates may increase the statutory capital we are required to hold as well as the amount of assets we must maintain to support statutory reserves.

The significant interest rate risk that is present in our life insurance, long-term care insurance and deferred annuity products is a result of longer duration liabilities where a significant portion of cash flows to pay benefits comes from investment returns. Additionally, certain of these products have implicit and explicit rate guarantees or optionality that is significantly impacted by changes in interest rates. We seek to minimize interest rate risk by purchasing assets to better align the duration of our assets with the duration of the liabilities or utilizing derivatives to mitigate interest rate risk for product lines where asset durations are not sufficient to align with the related liability. Additionally, we also minimize certain of these risks through product design features.

The carrying value of our investment portfolio as of December 31, 2014 and 2013 was $73.2 billion and $68.6 billion, respectively, of which 85% for both periods was invested in fixed maturity securities. The primary

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market risk to our investment portfolio is interest rate risk associated with investments in fixed maturity securities. We mitigate the market risk associated with our fixed maturity securities portfolio by matching the duration of our fixed maturity securities with the duration of the liabilities that those securities are intended to support.

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 may also 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. During periods of increasing interest rates, market values of lower-yielding assets will decline. In addition, our interest rate hedges will decline which will require us to post additional collateral with our derivative counterparties.

The primary market risk for our long-term borrowings is interest rate risk at the time of maturity or early redemption, when we may be required to refinance these obligations. We continue to monitor the interest rate environment and to evaluate refinancing opportunities as maturity dates approach. While we are exposed to interest rate risk from certain variable rate long-term borrowings and non-recourse funding obligations, in certain instances we invest in variable rate assets to back those obligations to mitigate the interest rate risk from the variable interest payments.

We use derivative instruments, such as interest rate swaps, financial futures and option-based financial instruments, as part of our risk management strategy. We use these derivatives to mitigate certain interest rate risk by:

- reducing the risk between the timing of the receipt of cash and its investment in the market;
- extending or shortening the duration of assets to better align with the duration of the liabilities; and
- protecting against the early termination of an asset or liability.

As a matter of policy, we have not and will not engage in derivative market-making, speculative derivative trading or other speculative derivatives activities.

Assuming investment yields remain at the 2014 year end levels and based on our existing policies and investment portfolio as of December 31, 2014, the impact from investing in that lower interest rate environment could reduce our margin of investment income above our interest credited or interest accretion related to our liabilities (investment margins) by approximately $30 million, $70 million and $115 million in 2015, 2016 and 2017, respectively, compared to our 2014 investment margins before considering the impact from taxes, noncontrolling interests or DAC and other adjustments. The impact includes additional expected benefits from qualifying interest rate hedges for our U.S. Life Insurance segment. In determining the potential impact, we have included potential changes in crediting rates to policyholders, limited by any restrictions on our ability to adjust policyholder rates due to guaranteed crediting rates or floors. The above impacts do not contemplate any evaluation of reserve adequacy or unlocking of DAC and primarily relate to our U.S. Life Insurance and International Mortgage Insurance segments. Our U.S. Life Insurance segment represents approximately 55%, 50% and 50% of this impact in 2015, 2016 and 2017, respectively. The impact on our International Mortgage Insurance segment results from the shorter duration of its investment portfolio.

Equity Market Risk

Our exposure to equity market risk within our insurance companies primarily relates to variable annuities and certain equity linked products. Certain variable annuity products have living benefit guarantees that expose us to equity market risk if the performance of the underlying mutual funds in the separate account products

experience downturns and volatility for an extended period of time potentially resulting in more payments from general account assets than from contractholder separate account investments. Additionally, continued equity market volatility could result in additional losses in our variable annuity products and associated hedging program which will further challenge our ability to recover DAC on these products and could lead to write-offs of DAC, as well as increased hedging costs. Downturns in equity markets could also lead to an increase in liabilities associated with secondary guarantee features, such as guaranteed minimum benefits on separate account products, where we have equity market risk exposure.

We are exposed to equity risk on our holdings of common stocks and other equities, as well as risk on products where we have equity market risk exposure. We manage equity price risk through industry and issuer diversification, asset allocation techniques and hedging strategies.

We use derivative instruments, such as financial futures and option-based financial instruments, as part of our risk management strategy. We use these derivatives to mitigate equity risk by reducing our exposure to fluctuations in equity market indices that underlie some of our products.

Foreign Currency Risk

We also have exposure to foreign currency exchange risk. Our international operations generate revenues denominated in local currencies, and we invest cash generated outside the United States in non-U.S.-denominated securities. As of December 31, 2014 and 2013, approximately 18% and 20%, respectively, of our invested assets were held by our international operations and we invest cash generated in those operations in securities denominated in the same local currencies. 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 in our consolidated financial statements. We currently do not hedge the translation of operating results for our international operations. For the years ended December 31, 2014, 2013 and 2012, 46%, 70% and 106%, respectively, of our income (loss) from continuing operations, excluding net investment gains (losses), was generated by our international operations. Our investments in non-U.S.-denominated securities are subject to fluctuations in non-U.S. securities and currency markets, and those markets can be volatile. Non-U.S. currency fluctuations also affect the value of any dividends paid by our non-U.S. subsidiaries to their parent companies in the United States.

We use derivative instruments, such as foreign currency swaps, financial futures and option-based financial instruments, as part of our risk management strategy. We use these derivatives to mitigate certain foreign currency risks by

- matching the currency of invested assets with the liabilities they support;
- converting certain non-functional currency investments into functional currency; and
- hedging certain near-term foreign currency dividends or cash flows expected from international subsidiaries.

Sensitivity Analysis

Sensitivity analysis measures the impact of hypothetical changes in interest rates, foreign exchange rates and other market rates or prices on the profitability of market-sensitive financial instruments.

The following discussion about the potential effects of changes in interest rates, foreign currency exchange rates and equity market prices is based on so-called shock-tests, which model the effects of interest rate, foreign currency exchange rate and equity market price shifts on our financial condition and results of operations. Although we believe shock-tests provide the most meaningful analysis permitted by the rules and regulations of the SEC, they are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by their inability to include the extraordinarily complex market reactions that normally would

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arise from the market shifts modeled. Although the following results of shock-tests for changes in interest rates, foreign currency exchange rates and equity market prices may have some limited use as benchmarks, they should not be viewed as forecasts. These forward-looking disclosures also are selective in nature and address only the potential impacts on our financial instruments. For the purpose of this sensitivity analysis, we excluded the potential impacts on our insurance liabilities that are not considered financial instruments, with the exception of those insurance liabilities that have embedded derivatives that are required to be bifurcated in accordance with U.S. GAAP. In addition, this sensitivity analysis does not include a variety of other potential factors that could affect our business as a result of these changes in interest rates, foreign currency exchange rates and equity market prices.

Interest Rate Risk

One means of assessing exposure to interest rate changes is a duration-based analysis that measures the potential changes in fair value resulting from a hypothetical change in interest rates of 100 basis points across all maturities. This is referred to as a parallel shift in the yield curve. Note that all impacts noted below exclude any effects of deferred taxes, DAC and PVFP unless otherwise noted.

Under this model, with all other factors constant and assuming no offsetting change in the value of our liabilities, we estimated that such an increase in interest rates would cause the fair value of our fixed-income securities portfolio to decrease by approximately $4.4 billion based on our securities positions as of December 31, 2014, as compared to an estimated decrease of $3.9 billion under this model as of December 31, 2013. The increase in the impact of the parallel shift in the yield curve in 2014 was due to the increase in the fair value of our investment portfolio as well as the increase in duration of fixed maturity securities to better align with the liabilities being backed by these investments. Additionally, the results of this parallel shift in the yield curve would cause the fair value of our commercial mortgage loans to decrease by approximately $334 million based on our commercial mortgage loans as of December 31, 2014, as compared to an estimated decrease of $272 million as of December 31, 2013.

We performed a similar sensitivity analysis on our derivatives portfolio and noted that a 100 basis point increase in interest rates resulted in a decrease in fair value of $773 million based on our derivatives portfolio as of December 31, 2014, as compared to an estimated decline of $647 million under this model as of December 31, 2013. The estimated decrease in fair value of our derivatives portfolio would also require us to post collateral to certain derivative counterparties of approximately $418 million and would require us to post cash margin related to our futures contracts of $77 million based on our derivatives portfolio as of December 31, 2014. Of the $773 million estimated decrease in fair value on our derivatives portfolio as of December 31, 2014, $104 million related to non-qualified derivatives used to mitigate interest rate risk associated with our GMWB embedded derivative liabilities as of December 31, 2014. We also performed a similar sensitivity analysis on our embedded derivatives associated with our GMWB liabilities and noted that a 100 basis point increase in interest rates resulted in a decrease of $103 million based on our GMWB embedded derivative liabilities as of December 31, 2014, as compared to an estimated decline of $75 million under this model as of December 31, 2013. As of December 31, 2014, we performed a similar sensitivity analysis on our fixed index annuity embedded derivatives and noted that a 100 basis point increase in interest rates resulted in an increase of $5 million.

The impact on our insurance liabilities is not included in the sensitivities above.

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The principal amount, weighted-average interest rate and fair value by maturity, of our variable rate debt were as follows as of December 31, 2014:

(Amounts in millions)	Principal amount	Weighted-average interest rate	Fair value [2]
Maturity: [1]			
Non-recourse funding obligations:			
River Lake Insurance Company, 2033	$ 1,005	1.41%	$ 751
River Lake Insurance Company II, 2035	676	0.95%	513
Rivermont Life Insurance Company I, 2050	315	2.16%	174
Total non-recourse funding obligations	1,996	1.51%	1,438
Floating rate junior notes, 2021 [3]	114	7.49%	119
Total floating rate debt	$ 2,110		$ 1,557

(1) There are no maturities over the next five years.

(2) The valuation methodology used is based on the then-current coupon, revalued based on the London Interbank Offered Rate rate set and current spread assumption based on commercially available data. The model is a floating rate coupon model using the spread assumption to derive the valuation.

(3) Subordinated floating rate notes issued in June 2011 by our indirect wholly-owned subsidiary, Genworth Financial Mortgage Insurance Pty Limited, with an interest rate of three-month Bank Bill Swap reference rate plus a margin of 4.75%.

As of December 31, 2013, the weighted-average interest rate on our non-recourse funding obligations was 1.50% based on $2,038 million of principal. The weighted-average interest rate on subordinated floating rate notes issued by Genworth Financial Mortgage Insurance Pty Limited was 7.65% based on $125 million of principal as of December 31, 2013.

Equity Market Risk

One means of assessing exposure to changes in equity market prices is to estimate the potential changes in market values on our equity investments resulting from a hypothetical broad-based decline in equity market prices of 10%. Under this model, with all other factors constant, we estimated that such a decline in equity market prices would cause the fair value of our equity investments to decline by approximately $19 million based on our equity positions as of December 31, 2014, as compared to an estimated decline of $26 million under this model for the year ended December 31, 2013.

We performed a similar sensitivity analysis on our equity market derivatives and noted that a 10% decline in equity market prices would result in an increase in fair value of $39 million based on our equity market derivatives as of December 31, 2014, as compared to an estimated increase of $65 million under this model as of December 31, 2013. The estimated increase in fair value primarily relates to non-qualified derivatives used to mitigate equity market risk associated with our GMWB and fixed index annuity embedded derivative liabilities. We also performed a similar sensitivity analysis on our embedded derivatives associated with our GMWB liabilities and noted that a 10% decline in equity market prices would result in an estimated increase in fair value of $60 million based on our GMWB

embedded derivative liabilities as of December 31, 2014, as compared to an estimated increase of $52 million under this model as of December 31, 2013. As of December 31, 2014, we performed a similar sensitivity analysis on our fixed index annuity embedded derivatives and noted that a 10% decline in equity market prices would result in an estimated decrease in fair value of $28 million.

Foreign Currency Risk

One means of assessing exposure to changes in foreign currency exchange rates is to model effects on reported income using a sensitivity analysis. We analyzed our combined currency exposure for the year ended December 31, 2014, including the results of our international operations financial instruments designated and

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effective as hedges to identify assets and liabilities denominated in currencies other than their relevant functional currencies. Net unhedged exposures in each currency were then remeasured, generally assuming a 10% decrease in foreign currency exchange rates compared to the U.S. dollar. Under this model, with all other factors constant, we estimated that such a decrease would reduce our results, before taxes and noncontrolling interests, by approximately $69 million under this model for the years ended December 31, 2014 and 2013.

We also performed a similar sensitivity analysis on our foreign currency derivative portfolio and noted that a 10% decrease in currency exchange rates resulted in a decrease in fair value of $8 million as of December 31, 2014, as compared to an estimated increase of $31 million under this model for the year ended December 31, 2013. The change in fair value of derivatives may not result in a direct impact to our income as a result of certain derivatives that may be designated as qualifying hedge relationships.

Derivative Counterparty Credit Risk

For all derivative instruments except for derivatives associated with our consolidated securitization entities, a counterparty (or its guarantor, as applicable) may not have a long-term unsecured debt rating below A-/A3 as rated by S&P and Moody s, respectively, at the date of execution of the derivative instrument. The same requirement applies where a Credit Support Annex (CSA) to an International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement has been obtained such that the counterparty is obligated to provide collateral. In the case of a split or single rating, the lowest or the single rating will apply.

In the case of foreign exchange transactions with a tenor of exposure of less than one year, a counterparty must have short-term credit rating of A-1/P-1 or its equivalent. In the case of a split or single rating, the lowest or the single rating will apply.

All counterparty exposure is measured on a net mark-to-market basis where the valuation of a derivative is adjusted to reflect current market values. This is achieved by estimating the net present value of derivatives positions contracted and outstanding with each counterparty and calculating the gross loss (excluding recoveries) that would be sustained in the event of a counterparty bankruptcy (taking into account netting and pledged collateral under the applicable ISDA Master Agreement and CSA). Investment exposure limits to counterparties take into account all exposures (through derivatives, bond investments, repurchase transactions or otherwise).

We also engage in derivatives transactions traded on regulated exchanges or clearinghouses where the exchanges or clearinghouse ensure the performance of the contracts.

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Item 8. Financial Statements and Supplementary Data

Genworth Financial, Inc.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Genworth Financial, Inc.:

We have audited the accompanying consolidated balance sheets of Genworth Financial, Inc. (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genworth Financial, Inc. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Genworth Financial, Inc. s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 2, 2015, expressed an adverse opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Richmond, Virginia

March 2, 2015

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GENWORTH FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except per share amounts)

	December 31,	
	2014	**2013**
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	$ 62,447	$ 58,629
Equity securities available-for-sale, at fair value	282	341
Commercial mortgage loans	6,100	5,899
Restricted commercial mortgage loans related to securitization entities	201	233
Policy loans	1,501	1,434
Other invested assets	2,296	1,686
Restricted other invested assets related to securitization entities, at fair value	411	391
Total investments	73,238	68,613
Cash and cash equivalents	4,918	4,214
Accrued investment income	685	678
Deferred acquisition costs	5,042	5,278
Intangible assets	272	399
Goodwill	16	867
Reinsurance recoverable	17,346	17,219
Other assets	633	639
Separate account assets	9,208	10,138
Total assets	$ 111,358	$ 108,045
Liabilities and stockholders equity		
Liabilities:		
Future policy benefits	$ 35,915	$ 33,705
Policyholder account balances	26,043	25,528
Liability for policy and contract claims	8,043	7,204
Unearned premiums	3,986	4,107
Other liabilities ($45 and $50 of other liabilities are related to securitization entities)	3,604	4,096
Borrowings related to securitization entities ($85 and $75 are carried at fair value)	219	242
Non-recourse funding obligations	1,996	2,038
Long-term borrowings	4,639	5,161
Deferred tax liability	908	206
Separate account liabilities	9,208	10,138
Total liabilities	94,561	92,425
Commitments and contingencies		

Stockholders equity:		
Class A common stock, $0.001 par value; 1.5 billion shares authorized; 585 million and 583 million shares issued as of December 31, 2014 and 2013, respectively; 497 million and 495 million shares outstanding as of December 31, 2014 and 2013, respectively	1	1
Additional paid-in capital	11,997	12,127
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	2,431	914
Net unrealized gains (losses) on other-than-temporarily impaired securities	22	12
Net unrealized investment gains (losses)	2,453	926
Derivatives qualifying as hedges	2,070	1,319
Foreign currency translation and other adjustments	(77)	297
Total accumulated other comprehensive income (loss)	4,446	2,542
Retained earnings	1,179	2,423
Treasury stock, at cost (88 million shares as of December 31, 2014 and 2013)	(2,700)	(2,700)
Total Genworth Financial, Inc. s stockholders equity	14,923	14,393
Noncontrolling interests	1,874	1,227
Total stockholders equity	16,797	15,620
Total liabilities and stockholders equity	$ 111,358	$ 108,045

See Notes to Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in millions, except per share amounts)

	Years ended December 31,		
	2014	**2013**	**2012**
Revenues:			
Premiums	$ 5,431	$ 5,148	$ 5,041
Net investment income	3,242	3,271	3,343
Net investment gains (losses)	(20)	(37)	27
Insurance and investment product fees and other	912	1,021	1,229
Total revenues	9,565	9,403	9,640
Benefits and expenses:			
Benefits and other changes in policy reserves	6,620	4,895	5,378
Interest credited	737	738	775
Acquisition and operating expenses, net of deferrals	1,585	1,659	1,594
Amortization of deferred acquisition costs and intangibles	571	569	722
Goodwill impairment	849		89
Interest expense	479	492	476
Total benefits and expenses	10,841	8,353	9,034
Income (loss) from continuing operations before income taxes	(1,276)	1,050	606
Provision (benefit) for income taxes	(228)	324	138
Income (loss) from continuing operations	(1,048)	726	468
Income (loss) from discontinued operations, net of taxes		(12)	57
Net income (loss)	(1,048)	714	525
Less: net income attributable to noncontrolling interests	196	154	200
Net income (loss) available to Genworth Financial, Inc. s common stockholders	$ (1,244)	$ 560	$ 325
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders per common share:			
Basic	$ (2.51)	$ 1.16	$ 0.55
Diluted	$ (2.51)	$ 1.15	$ 0.54
Net income (loss) available to Genworth Financial, Inc. s common stockholders per common share:			
Basic	$ (2.51)	$ 1.13	$ 0.66

Diluted	$ (2.51)	$ 1.12	$ 0.66
Weighted-average common shares outstanding:			
Basic	496.4	493.6	491.6
Diluted	496.4	498.7	494.4
Supplemental disclosures:			
Total other-than-temporary impairments	$ (9)	$ (16)	$ (62)
Portion of other-than-temporary impairments included in other comprehensive income (loss)		(9)	(44)
Net other-than-temporary impairments	(9)	(25)	(106)
Other investment gains (losses)	(11)	(12)	133
Total net investment gains (losses)	$ (20)	$ (37)	$ 27

See Notes to Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in millions)

	Years ended December 31,		
	2014	**2013**	**2012**
Net income (loss)	$ (1,048)	$ 714	$ 525
Other comprehensive income (loss), net of taxes:			
Net unrealized gains (losses) on securities not other-than-temporarily impaired	1,573	(1,817)	1,078
Net unrealized gains (losses) on other-than-temporarily impaired securities	10	66	78
Derivatives qualifying as hedges	751	(590)	(100)
Foreign currency translation and other adjustments	(537)	(442)	126
Total other comprehensive income (loss)	1,797	(2,783)	1,182
Total comprehensive income (loss)	749	(2,069)	1,707
Less: comprehensive income attributable to noncontrolling interests	32	31	227
Total comprehensive income (loss) available to Genworth Financial, Inc. s common stockholders	$ 717	$ (2,100)	$ 1,480

See Notes to Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Amounts in millions)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc. s stockholders equity	Noncontrolling interests	Total stockholders equity
Balances as of December 31, 2013	$ 1	$ 12,127	$ 2,542	$ 2,423	$ (2,700)	$ 14,393	$ 1,227	$ 15,620
Initial sale of subsidiary shares to noncontrolling interests		(145)	(57)			(202)	713	511
Repurchase of subsidiary shares							(28)	(28)
Comprehensive income (loss):								
Net income (loss)				(1,244)		(1,244)	196	(1,048)
Net unrealized gains (losses) on securities not other-than-temporarily impaired			1,539			1,539	34	1,573
Net unrealized gains (losses) on other-than-temporarily impaired securities			10			10		10
Derivatives qualifying as hedges			751			751		751
Foreign currency translation and other adjustments			(339)			(339)	(198)	(537)
Total comprehensive income (loss)						717	32	749
Dividends to noncontrolling interests							(75)	(75)
Stock-based compensation expense and exercises and other		15				15	5	20
	$ 1	$ 11,997	$ 4,446	$ 1,179	$ (2,700)	$ 14,923	$ 1,874	$ 16,797

Balances as of December 31, 2014								
Balances as of December 31, 2012	$ 1	$ 12,127	$ 5,202	$ 1,863	$ (2,700)	$ 16,493	$ 1,288	$ 17,781
Repurchase of subsidiary shares							(43)	(43)
Comprehensive income (loss):								
Net income				560		560	154	714
Net unrealized gains (losses) on securities not other-than-temporarily impaired			(1,778)			(1,778)	(39)	(1,817)
Net unrealized gains (losses) on other-than-temporarily impaired securities			66			66		66
Derivatives qualifying as hedges			(590)			(590)		(590)
Foreign currency translation and other adjustments			(358)			(358)	(84)	(442)
Total comprehensive income (loss)						(2,100)	31	(2,069)
Dividends to noncontrolling interests							(52)	(52)
Stock-based compensation expense and exercises and other							3	3
Balances as of December 31, 2013	$ 1	$ 12,127	$ 2,542	$ 2,423	$ (2,700)	$ 14,393	$ 1,227	$ 15,620

See Notes to Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (Continued)

(Amounts in millions)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc. s stockholders equity	Noncontrolling interests	Total stockholders equity
Balances as of December 31, 2011	$ 1	$ 12,136	$ 4,047	$ 1,538	$ (2,700)	$ 15,022	$ 1,110	$ 16,132
Comprehensive income (loss):								
Net income				325		325	200	525
Net unrealized gains (losses) on securities not other-than-temporarily impaired			1,075			1,075	3	1,078
Net unrealized gains (losses) on other-than-temporarily impaired securities			78			78		78
Derivatives qualifying as hedges			(100)			(100)		(100)
Foreign currency translation and other adjustments			102			102	24	126
Total comprehensive income (loss)						1,480	227	1,707
Dividends to noncontrolling interests							(50)	(50)
Stock-based compensation expense and exercises and other		(9)				(9)	1	(8)
Balances as of December 31, 2012	$ 1	$ 12,127	$ 5,202	$ 1,863	$ (2,700)	$ 16,493	$ 1,288	$ 17,781

See Notes to Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

	Years ended December 31,		
	2014	**2013**	**2012**
Cash flows from operating activities:			
Net income (loss)	$ (1,048)	$ 714	$ 525
Less (income) loss from discontinued operations, net of taxes		12	(57)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Amortization of fixed maturity discounts and premiums and limited partnerships	(97)	(97)	(88)
Net investment (gains) losses	20	37	(27)
Charges assessed to policyholders	(777)	(812)	(801)
Acquisition costs deferred	(473)	(457)	(611)
Amortization of deferred acquisition costs and intangibles	571	569	722
Goodwill impairment	849		89
Deferred income taxes	(487)	(79)	82
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	206	(59)	191
Stock-based compensation expense	30	41	26
Change in certain assets and liabilities:			
Accrued investment income and other assets	(129)	(43)	(68)
Insurance reserves	3,212	2,256	2,330
Current tax liabilities	(180)	288	(234)
Other liabilities, policy and contract claims and other policy-related balances	741	(1,039)	(1,166)
Cash from operating activities discontinued operations		68	49
Net cash from operating activities	2,438	1,399	962
Cash flows from investing activities:			
Proceeds from maturities and repayments of investments:			
Fixed maturity securities	5,364	5,040	5,176
Commercial mortgage loans	765	896	891
Restricted commercial mortgage loans related to securitization entities	32	60	67
Proceeds from sales of investments:			
Fixed maturity and equity securities	2,490	4,436	5,735
Purchases and originations of investments:			
Fixed maturity and equity securities	(9,492)	(10,805)	(12,322)
Commercial mortgage loans	(967)	(873)	(692)
Other invested assets, net	(40)	89	416
Policy loans, net	12	242	(29)
Proceeds from sale of a subsidiary, net of cash transferred		365	77

Cash from investing activities discontinued operations		(30)	(41)
Net cash from investing activities	(1,836)	(580)	(722)
Cash flows from financing activities:			
Deposits to universal life and investment contracts	2,993	2,999	2,810
Withdrawals from universal life and investment contracts	(2,588)	(3,269)	(2,781)
Redemption and repurchase of non-recourse funding obligations	(42)	(28)	(1,056)
Proceeds from the issuance of long-term debt	144	793	361
Repayment and repurchase of long-term debt	(621)	(365)	(322)
Repayment of borrowings related to securitization entities	(32)	(108)	(72)
Repurchase of subsidiary shares	(28)	(43)	
Dividends paid to noncontrolling interests	(75)	(52)	(50)
Proceeds from the sale of subsidiary shares to noncontrolling interests	517		
Other, net	(63)	(73)	54
Cash from financing activities discontinued operations		(3)	(45)
Net cash from financing activities	205	(149)	(1,101)
Effect of exchange rate changes on cash and cash equivalents	(103)	(109)	26
Net change in cash and cash equivalents	704	561	(835)
Cash and cash equivalents at beginning of period	4,214	3,653	4,488
Cash and cash equivalents at end of period	4,918	4,214	3,653
Less cash and cash equivalents of discontinued operations at end of period			21
Cash and cash equivalents of continuing operations at end of period	$ 4,918	$ 4,214	$ 3,632

See Notes to Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014, 2013 and 2012

(1) Nature of Business and Formation of Genworth

Genworth Holdings, Inc. (Genworth Holdings) (formerly known as Genworth Financial, Inc.) was incorporated in Delaware in 2003 in preparation for an initial public offering (IPO) of Genworth common stock, which was completed on May 28, 2004. On April 1, 2013, Genworth Holdings completed a holding company reorganization pursuant to which Genworth Holdings became a direct, 100% owned subsidiary of a new public holding company that it had formed. The new public holding company was incorporated in Delaware on December 5, 2012, in connection with the reorganization, under the name Sub XLVI, Inc., and was renamed Genworth Financial, Inc. (Genworth Financial) upon the completion of the reorganization.

References to Genworth, the Company, we or our in the accompanying consolidated financial statements and these notes thereto have the following meanings, unless the context otherwise requires:

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

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

The accompanying financial statements include on a consolidated basis the accounts of Genworth and our affiliate companies in which we hold a majority voting interest or where we are the primary beneficiary of a variable interest entity (VIE). All intercompany accounts and transactions have been eliminated in consolidation.

We have the following operating segments:

U.S. Life Insurance. We offer and manage a variety of insurance and fixed annuity products in the United States. Our primary products include long-term care insurance, life insurance and fixed annuities.

International Mortgage Insurance. We are a leading provider of mortgage insurance products and related services in Canada and Australia and also participate in select European and other countries. Our products predominantly insure prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We also selectively provide mortgage insurance on a structured, or bulk, basis that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.

U.S. Mortgage Insurance. In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We selectively provide mortgage insurance on a bulk basis with essentially all of our bulk

writings being prime-based. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.

International Protection. We provide payment protection coverages (referred to as lifestyle protection) in multiple European countries and have operations in select other countries. Our lifestyle protection insurance products primarily help consumers meet specified payment obligations should they become unable to pay due to accident, illness, involuntary unemployment, disability or death.

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

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GENWORTH FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014, 2013 and 2012

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other businesses that are managed outside of our operating segments, including discontinued operations. See note 25 for additional information related to discontinued operations.

(2) Summary of Significant Accounting Policies

Our consolidated financial statements have been prepared on the basis of U.S. generally accepted accounting principles (U.S. GAAP). Preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

a) Premiums

For traditional long-duration insurance contracts, we report premiums as earned when due. For short-duration insurance contracts, we report premiums as revenue over the terms of the related insurance policies on a pro-rata basis or in proportion to expected claims.

For single premium mortgage insurance contracts, we report premiums over the estimated policy life in accordance with the expected pattern of risk emergence as further described in our accounting policy for unearned premiums. In addition, we have a practice of refunding the post-delinquent premiums in our U.S. mortgage insurance business to the insured party if the delinquent loan goes to claim. We record a liability for premiums received on the delinquent loans where our practice is to refund post-delinquent premiums.

Premiums received under annuity contracts without significant mortality risk and premiums received on investment and universal life insurance products are not reported as revenues but rather as deposits and are included in liabilities for policyholder account balances.

b) Net Investment Income and Net Investment Gains and Losses

Investment income is recognized when earned. Income or losses upon call or prepayment of available-for-sale fixed maturity securities is recognized in net investment income, except for hybrid securities where the income or loss upon call is recognized in net investment gains and losses. Investment gains and losses are calculated on the basis of specific identification.

Investment income on mortgage-backed and asset-backed securities is initially based upon yield, cash flow and prepayment assumptions at the date of purchase. Subsequent revisions in those assumptions are recorded using the retrospective or prospective method. Under the retrospective method used for mortgage-backed and asset-backed securities of high credit quality (ratings equal to or greater than AA or that are backed by a U.S. agency) which cannot be contractually prepaid in such a manner that we would not recover a substantial portion of the initial investment,

amortized cost of the security is adjusted to the amount that would have existed had the revised assumptions been in place at the date of purchase. The adjustments to amortized cost are recorded as a charge or credit to net investment income. Under the prospective method, which is used for all other mortgage-backed and asset-backed securities, future cash flows are estimated and interest income is recognized going forward using the new internal rate of return.

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GENWORTH FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014, 2013 and 2012

c) Insurance and Investment Product Fees and Other

Insurance and investment product fees and other consist primarily of insurance charges assessed on universal and term universal life insurance contracts and fees assessed against customer account values. For universal and term universal life insurance contracts, charges to policyholder accounts for cost of insurance are recognized as revenue when due. Variable product fees are charged to variable annuity contractholders and variable life insurance policyholders based upon the daily net assets of the contractholder s and policyholder s account values and are recognized as revenue when charged. Policy surrender fees are recognized as income when the policy is surrendered.

d) Investment Securities

At the time of purchase, we designate our investment securities as either available-for-sale or trading and report them in our consolidated balance sheets at fair value. Our portfolio of fixed maturity securities comprises primarily investment grade securities. Changes in the fair value of available-for-sale investments, net of the effect on deferred acquisition costs (DAC), present value of future profits (PVFP), benefit reserves and deferred income taxes, are reflected as unrealized investment gains or losses in a separate component of accumulated other comprehensive income (loss). Realized and unrealized gains and losses related to trading securities are reflected in net investment gains (losses). Trading securities are included in other invested assets in our consolidated balance sheets and primarily represent fixed maturity securities where we utilized the fair value option.

Other-Than-Temporary Impairments On Available-For-Sale Securities

As of each balance sheet date, we evaluate securities in an unrealized loss position for other-than-temporary impairments. For debt securities, we consider all available information relevant to the collectability of the security, including information about past events, current conditions, and reasonable and supportable forecasts, when developing the estimate of cash flows expected to be collected. More specifically for mortgage-backed and asset-backed securities, we also utilize performance indicators of the underlying assets including default or delinquency rates, loan to collateral value ratios, third-party credit enhancements, current levels of subordination, vintage and other relevant characteristics of the security or underlying assets to develop our estimate of cash flows. Estimating the cash flows expected to be collected is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions and judgments regarding the future performance of the underlying collateral. Where possible, this data is benchmarked against third-party sources.

We recognize other-than-temporary impairments on debt securities in an unrealized loss position when one of the following circumstances exists:

we do not expect full recovery of our amortized cost based on the estimate of cash flows expected to be collected,

we intend to sell a security or

it is more likely than not that we will be required to sell a security prior to recovery.

For other-than-temporary impairments recognized during the period, we present the total other-than-temporary impairments, the portion of other-than-temporary impairments included in other comprehensive income (loss) (OCI) and the net other-than-temporary impairments as supplemental disclosure presented on the face of our consolidated statements of income.

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Total other-than-temporary impairments are calculated as the difference between the amortized cost and fair value that emerged in the current period. For other-than-temporarily impaired securities where we do not intend to sell the security and it is not more likely than not that we will be required to sell the security prior to recovery, total other-than-temporary impairments are adjusted by the portion of other-than-temporary impairments recognized in OCI (non-credit). Net other-than-temporary impairments recorded in net income (loss) represent the credit loss on the other-than-temporarily impaired securities with the offset recognized as an adjustment to the amortized cost to determine the new amortized cost basis of the securities.

For securities that were deemed to be other-than-temporarily impaired and a non-credit loss was recorded in OCI, the amount recorded as an unrealized gain (loss) represents the difference between the current fair value and the new amortized cost for each period presented. The unrealized gain (loss) on an other-than-temporarily impaired security is recorded as a separate component in OCI until the security is sold or until we record an other-than-temporary impairment where we intend to sell the security or will be required to sell the security prior to recovery.

To estimate the amount of other-than-temporary impairment attributed to credit losses on debt securities where we do not intend to sell the security and it is not more likely than not that we will be required to sell the security prior to recovery, we determine our best estimate of the present value of the cash flows expected to be collected from a security using the effective yield on the security prior to recording any other-than-temporary impairment. If the present value of the discounted cash flows is lower than the amortized cost of the security, the difference between the present value and amortized cost represents the credit loss associated with the security with the remaining difference between fair value and amortized cost recorded as a non-credit other-than-temporary impairment in OCI.

The evaluation of other-than-temporary impairments is subject to risks and uncertainties and is intended to determine the appropriate amount and timing for recognizing an impairment charge. The assessment of whether such impairment has occurred is based on management s best estimate of the cash flows expected to be collected at the individual security level. We regularly monitor our investment portfolio to ensure that securities that may be other-than-temporarily impaired are identified in a timely manner and that any impairment charge is recognized in the proper period.

While the other-than-temporary impairment model for debt securities generally includes fixed maturity securities, there are certain hybrid securities that are classified as fixed maturity securities where the application of a debt impairment model depends on whether there has been any evidence of deterioration in credit of the issuer, such as a downgrade to below investment grade. Under certain circumstances, evidence of deterioration in credit of the issuer may result in the application of the equity securities impairment model.

For equity securities, we recognize an impairment charge in the period in which we determine that the security will not recover to book value within a reasonable period. We determine what constitutes a reasonable period on a security-by-security basis based upon consideration of all the evidence available to us, including the magnitude of an unrealized loss and its duration. In any event, this period does not exceed 18 months for common equity securities. We measure other-than-temporary impairments based upon the difference between the amortized cost of a security

and its fair value.

e) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have fixed maturity, equity and trading securities, derivatives, embedded derivatives, securities held as collateral, separate account assets and certain other financial instruments, which are carried at fair value.

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Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our view of market assumptions in the absence of observable market information. We utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. All assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Instruments whose significant value drivers are unobservable.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded derivatives and actively traded mutual fund investments.

Level 2 includes those financial instruments that are valued using industry-standard pricing methodologies, models or other valuation methodologies. These models are primarily industry-standard models that consider various inputs, such as interest rate, credit spread and foreign exchange rates for the underlying financial instruments. All significant inputs are observable, or derived from observable, information in the marketplace or are supported by observable levels at which transactions are executed in the marketplace. Financial instruments in this category primarily include: certain public and private corporate fixed maturity and equity securities; government or agency securities; certain mortgage-backed and asset-backed securities; securities held as collateral; and certain non-exchange-traded derivatives such as interest rate or cross currency swaps.

Level 3 comprises financial instruments whose fair value is estimated based on industry-standard pricing methodologies and internally developed models utilizing significant inputs not based on, nor corroborated by, readily available market information. In limited instances, this category may also utilize non-binding broker quotes. This category primarily consists of certain less liquid fixed maturity, equity and trading securities and certain derivative instruments or embedded derivatives where we cannot corroborate the significant valuation inputs with market observable data.

As of each reporting period, all assets and liabilities recorded at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability, such as the relative impact on the fair value as a result of including a particular input. We review the

fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. See note 17 for additional information related to fair value measurements.

f) Commercial Mortgage Loans

The carrying value of commercial mortgage loans is stated at original cost, net of principal payments, amortization and allowance for loan losses. Interest on loans is recognized on an accrual basis at the applicable interest rate on the principal amount outstanding. Loan origination fees and direct costs, as well as premiums and discounts, are amortized as level yield adjustments over the respective loan terms. Unamortized net fees or costs are recognized upon early repayment of the loans. Loan commitment fees are deferred and amortized on an

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effective yield basis over the term of the loan. Commercial mortgage loans are considered past due when contractual payments have not been received from the borrower by the required payment date.

Impaired loans are defined by U.S. GAAP as loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. In determining whether it is probable that we will be unable to collect all amounts due, we consider current payment status, debt service coverage ratios, occupancy levels and current loan-to-value. Impaired loans are carried on a non-accrual status. Loans are placed on non-accrual status when, in management s opinion, the collection of principal or interest is unlikely, or when the collection of principal or interest is 90 days or more past due. Income on impaired loans is not recognized until the loan is sold or the cash received exceeds the carrying amount recorded.

We evaluate the impairment of commercial mortgage loans first on an individual loan basis. If an individual loan is not deemed impaired, then we evaluate the remaining loans collectively to determine whether an impairment should be recorded.

For individually impaired loans, we record an impairment charge when it is probable that a loss has been incurred. The impairment is recorded as an increase in the allowance for loan losses. All losses of principal are charged to the allowance for loan losses in the period in which the loan is deemed to be uncollectible.

For loans that are not individually impaired where we evaluate the loans collectively, the allowance for loan losses is maintained at a level that we determine is adequate to absorb estimated probable incurred losses in the loan portfolio. Our process to determine the adequacy of the allowance utilizes an analytical model based on historical loss experience adjusted for current events, trends and economic conditions that would result in a loss in the loan portfolio over the next 12 months. Key inputs into our evaluation include debt service coverage ratios, loan-to-value, property-type, occupancy levels, geographic region, and probability weighting of the scenarios generated by the model. The actual amounts realized could differ in the near term from the amounts assumed in arriving at the allowance for loan losses reported in the consolidated financial statements. Additions and reductions to the allowance through periodic provisions or benefits are recorded in net investment gains (losses).

For commercial mortgage loans classified as held-for-sale, each loan is carried at the lower of cost or market and is included in commercial mortgage loans in our consolidated balance sheets. See note 4 for additional disclosures related to commercial mortgage loans.

g) Securities Lending Activity

In the United States and Canada, we engage in certain securities lending transactions for the purpose of enhancing the yield on our investment securities portfolio. We maintain effective control over all loaned securities and, therefore, continue to report such securities as fixed maturity securities on the consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary.

Under the securities lending program in the United States, the borrower is required to provide collateral, which can consist of cash or government securities, on a daily basis in amounts equal to or exceeding 102% of the applicable securities loaned. Currently, we only accept cash collateral from borrowers under the program. Cash collateral received by us on securities lending transactions is reflected in other invested assets with an offsetting liability recognized in other liabilities for the obligation to return the collateral. Any cash collateral received is reinvested by our custodian based upon the investment guidelines provided within our agreement. In the United States, the reinvested cash collateral is primarily invested in a money market fund approved by the

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National Association of Insurance Commissioners (NAIC), U.S. and foreign government securities, U.S. government agency securities, asset-backed securities and corporate debt securities. As of December 31, 2014 and 2013, the fair value of securities loaned under our securities lending program in the United States was $288 million and $191 million, respectively. As of December 31, 2014 and 2013, the fair value of collateral held under our securities lending program in the United States was $289 million and $187 million, respectively, and the offsetting obligation to return collateral of $299 million and $199 million, respectively, was included in other liabilities in the consolidated balance sheets. We did not have any non-cash collateral provided by the borrower in our securities lending program in the United States as of December 31, 2014 and 2013.

Under our securities lending program in Canada, the borrower is required to provide collateral consisting of government securities on a daily basis in amounts equal to or exceeding 105% of the fair value of the applicable securities loaned. Securities received from counterparties as collateral are not recorded on our consolidated balance sheet given that the risk and rewards of ownership is not transferred from the counterparties to us in the course of such transactions. Additionally, there was no cash collateral as cash collateral is not permitted as an acceptable form of collateral under the program. In Canada, the lending institution must be included on the approved Securities Lending Borrowers List with the Canadian regulator and the intermediary must be rated at least AA- by Standard & Poor s Financial Services LLC. As of December 31, 2014 and 2013, the fair value of securities loaned under our securities lending program in Canada was $371 million and $229 million, respectively.

h) Repurchase Agreements

We have a repurchase program in which we sell an investment security at a specified price and agree to repurchase that security at another specified price at a later date. Repurchase agreements are treated as collateralized financing transactions and are carried at the amounts at which the securities will be subsequently reacquired, including accrued interest, as specified in the respective agreement. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty against credit exposure. Cash received is invested in fixed maturity securities. As of December 31, 2014 and 2013, the fair value of securities pledged under the repurchase program was $592 million and $890 million, respectively, and the repurchase obligation of $553 million and $919 million, respectively, was included in other liabilities in the consolidated balance sheets.

i) Cash and Cash Equivalents

Certificates of deposit, money market funds and other time deposits with original maturities of 90 days or less are considered cash equivalents in the consolidated balance sheets and consolidated statements of cash flows. Items with maturities greater than 90 days but less than one year at the time of acquisition are considered short-term investments.

j) Deferred Acquisition Costs

Acquisition costs include costs that are directly related to the successful acquisition of new or renewal insurance contracts. Acquisition costs are deferred and amortized to the extent they are recoverable from future profits.

Long-Duration Contracts. Acquisition costs include commissions in excess of ultimate renewal commissions and for contracts issued, certain other costs such as underwriting, medical inspection and issuance

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expenses. DAC for traditional long-duration insurance contracts, including term life and long-term care insurance, is amortized as a level percentage of premiums based on assumptions, including, investment returns, health care experience (including type of care and cost of care), policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured life expectancy or longevity, insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates) and expenses, established when the contract is issued. Amortization is adjusted each period to reflect actual lapse or termination rates.

Amortization for deferred annuity and universal life insurance contracts is based on expected gross profits. Expected gross profits are adjusted quarterly to reflect actual experience to date or for changes in underlying assumptions relating to future gross profits. Estimates of gross profits for DAC amortization are based on assumptions including interest rates, policyholder persistency or lapses, insured life expectancy or longevity and expenses.

Short-Duration Contracts. Acquisition costs primarily consist of commissions and premium taxes and are amortized ratably over the terms of the underlying policies.

We regularly review our assumptions and test DAC for recoverability at least annually. For deferred annuity and universal life insurance contracts, if the present value of expected future gross profits is less than the unamortized DAC for a line of business, a charge to income is recorded for additional DAC amortization. For traditional long-duration and short-duration contracts, if the benefit reserve plus anticipated future premiums and interest income for a line of business are less than the current estimate of future benefits and expenses (including any unamortized DAC), a charge to income is recorded for additional DAC amortization or for increased benefit reserves. See note 6 for additional information related to DAC including loss recognition and recoverability.

k) Intangible Assets

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

We regularly review our PVFP assumptions and periodically test PVFP for recoverability similar to our treatment of DAC. See note 7 for additional information related to PVFP including loss recognition and recoverability.

Deferred Sales Inducements to Contractholders. We defer sales inducements to contractholders for features on variable annuities that entitle the contractholder to an incremental amount to be credited to the account value upon making a deposit, and for fixed annuities with crediting rates higher than the contract s expected ongoing crediting rates for periods after the inducement. Deferred sales inducements to contractholders are reported as a separate intangible asset and amortized in benefits and other changes in policy reserves using the same methodology and

assumptions used to amortize DAC.

Other Intangible Assets. We amortize the costs of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment based on undiscounted cash flows, which requires the use of estimates and judgment, and, if impaired, written down to fair value based on

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either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested at least annually for impairment using a qualitative or quantitative assessment and are written down to fair value as required.

l) Goodwill

Goodwill is not amortized but is tested for impairment annually or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. We are permitted to utilize a qualitative impairment assessment if the fair value of the reporting unit is not more likely than not lower than its carrying value. If a qualitative impairment assessment is not performed, we are required to determine the fair value of the reporting unit. The determination of fair value requires the use of estimates and judgment, at the reporting unit level. A reporting unit is the operating segment, or a business, one level below that operating segment (the component level) if discrete financial information is prepared and regularly reviewed by management at the component level. If the reporting unit s fair value is below its carrying value, we must determine the amount of implied goodwill that would be established if the reporting unit was hypothetically purchased on the impairment assessment date. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit s goodwill exceeds the amount of implied goodwill.

The determination of fair value for our reporting units is primarily based on an income approach whereby we use discounted cash flows for each reporting unit. When available and as appropriate, we use market approaches or other valuation techniques to corroborate discounted cash flow results. The discounted cash flow model used for each reporting unit is based on either operating income or statutory distributable income, depending on the reporting unit being valued.

The cash flows used to determine fair value are dependent on a number of significant management assumptions based on our historical experience, our expectations of future performance and expected economic environment. Our estimates are subject to change given the inherent uncertainty in predicting future performance and cash flows, which are impacted by such things as policyholder behavior, competitor pricing, new product introductions and specific industry and market conditions. Additionally, the discount rate used in our discounted cash flow approach is based on management s judgment of the appropriate rate for each reporting unit based on the relative risk associated with the projected cash flows.

See note 8 for additional information related to goodwill and impairments recorded.

m) Reinsurance

Premium revenue, benefits and acquisition and operating expenses, net of deferrals, are reported net of the amounts relating to reinsurance ceded to and assumed from other companies. Amounts due from reinsurers for incurred and estimated future claims are reflected in the reinsurance recoverable asset. Amounts received from reinsurers that represent recovery of acquisition costs are netted against DAC so that the net amount is capitalized. The cost of reinsurance is accounted for over the terms of the related treaties using assumptions consistent with those used to

account for the underlying reinsured policies. Premium revenue, benefits and acquisition and operating expenses, net of deferrals, for reinsurance contracts that do not qualify for reinsurance accounting are accounted for under the deposit method of accounting.

n) Derivatives

Derivative instruments are used to manage risk through one of four principal risk management strategies including: (i) liabilities; (ii) invested assets; (iii) portfolios of assets or liabilities; and (iv) forecasted transactions.

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On the date we enter into a derivative contract, management designates the derivative as a hedge of the identified exposure (fair value, cash flow or foreign currency). If a derivative does not qualify for hedge accounting, the changes in its fair value and all scheduled periodic settlement receipts and payments are reported in income.

We formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. In this documentation, we specifically identify the asset, liability or forecasted transaction that has been designated as a hedged item, state how the hedging instrument is expected to hedge the risks related to the hedged item, and set forth the method that will be used to retrospectively and prospectively assess the hedging instrument s effectiveness and the method that will be used to measure hedge ineffectiveness. We generally determine hedge effectiveness based on total changes in fair value of the hedged item attributable to the hedged risk and the total changes in fair value of the derivative instrument.

We discontinue hedge accounting prospectively when: (i) it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; (ii) the derivative expires or is sold, terminated or exercised; (iii) the derivative is de-designated as a hedge instrument; or (iv) it is no longer probable that the forecasted transaction will occur.

For all qualifying and highly effective cash flow hedges, the effective portion of changes in fair value of the derivative instrument is reported as a component of OCI. The ineffective portion of changes in fair value of the derivative instrument is reported as a component of income. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative continues to be carried in the consolidated balance sheets at its fair value, and gains and losses that were accumulated in OCI are recognized immediately in income. When the hedged forecasted transaction is no longer probable, but is reasonably possible, the accumulated gain or loss remains in OCI and is recognized when the transaction affects income; however, prospective hedge accounting for the transaction is terminated. In all other situations in which hedge accounting is discontinued on a cash flow hedge, amounts previously deferred in OCI are reclassified into income when income is impacted by the variability of the cash flow of the hedged item.

For all qualifying and highly effective fair value hedges, the changes in fair value of the derivative instrument are reported in income. In addition, changes in fair value attributable to the hedged portion of the underlying instrument are reported in income. When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value hedge, the derivative continues to be carried in the consolidated balance sheets at its fair value, but the hedged asset or liability will no longer be adjusted for changes in fair value. In all other situations in which hedge accounting is discontinued, the derivative is carried at its fair value in the consolidated balance sheets, with changes in its fair value recognized in current period income.

We may enter into contracts that are not themselves derivative instruments but contain embedded derivatives. For each contract, we assess whether the economic characteristics of the embedded derivative are clearly and closely related to those of the host contract and determine whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument.

If it is determined that the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is separated from the host contract and

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accounted for as a stand-alone derivative. Such embedded derivatives are recorded in the consolidated balance sheets at fair value and are classified consistent with their host contract. Changes in their fair value are recognized in current period income. If we are unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried in the consolidated balance sheets at fair value, with changes in fair value recognized in current period income.

Changes in the fair value of non-qualifying derivatives, including embedded derivatives, changes in fair value of certain derivatives and related hedged items in fair value hedge relationships and hedge ineffectiveness on cash flow hedges are reported in net investment gains (losses).

The majority of our derivative arrangements require the posting of collateral upon meeting certain net exposure thresholds. The amounts recognized for derivative counterparty collateral received by us was recorded in cash and cash equivalents with a corresponding amount recorded in other liabilities to represent our obligation to return the collateral retained by us. We also receive non-cash collateral that is not recognized in our balance sheet unless we exercise our right to sell or re-pledge the underlying asset. As of December 31, 2014 and 2013, the fair value of non-cash collateral received was $287 million and $70 million, respectively, and the underlying assets were not sold or re-pledged. Additionally, we have pledged $49 million and $394 million of fixed maturity securities as of December 31, 2014 and 2013, respectively. We have not pledged any cash as collateral to derivative counterparties. Fixed maturity securities that we pledge as collateral remain on our balance sheet within fixed maturity securities available-for-sale. Any cash collateral pledged to a derivative counterparty is derecognized with a receivable recorded in other assets for the right to receive our cash collateral back from the counterparty.

o) Separate Accounts and Related Insurance Obligations

Separate account assets represent funds for which the investment income and investment gains and losses accrue directly to the contractholders and are reflected in our consolidated balance sheets at fair value, reported as summary total separate account assets with an equivalent summary total reported for liabilities. Amounts assessed against the contractholders for mortality, administrative and other services are included in revenues. Changes in liabilities for minimum guarantees are included in benefits and other changes in policy reserves. Net investment income, net investment gains (losses) and the related liability changes associated with the separate account are offset within the same line item in the consolidated statements of income. There were no gains or losses on transfers of assets from the general account to the separate account.

We offer certain minimum guarantees associated with our variable annuity contracts. Our variable annuity contracts usually contain a basic guaranteed minimum death benefit (GMDB) which provides a minimum benefit to be paid upon the annuitant s death equal to the larger of account value and the return of net deposits. Some variable annuity contracts permit contractholders to purchase through riders, at an additional charge, enhanced death benefits such as the highest contract anniversary value (ratchets), accumulated net deposits at a stated rate (rollups), or combinations thereof.

Additionally, some of our variable annuity contracts provide the contractholder with living benefits such as a guaranteed minimum withdrawal benefit (GMWB) or certain types of guaranteed annuitization benefits. The GMWB allows contractholders to withdraw a pre-defined percentage of account value or benefit base each year, either for a specified period of time or for life. The guaranteed annuitization benefit generally provides for a guaranteed minimum level of income upon annuitization accompanied by the potential for upside market participation.

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Most of our reserves for additional insurance and annuitization benefits are calculated by applying a benefit ratio to accumulated contractholder assessments, and then deducting accumulated paid claims. The benefit ratio is equal to the ratio of benefits to assessments, accumulated with interest and considering both past and anticipated future experience. The projections utilize stochastic scenarios of separate account returns incorporating reversion to the mean, as well as assumptions for mortality and lapses. Some of our minimum guarantees, mainly GMWBs, are accounted for as embedded derivatives; see notes 5 and 17 for additional information on these embedded derivatives and related fair value measurement disclosures.

p) Insurance Reserves

Future Policy Benefits

The liability for future policy benefits is equal to the present value of expected benefits and expenses less the present value of expected future net premiums based on assumptions, including, investment returns, health care experience (including type of care and cost of care), policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured life expectancy or longevity, insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates) and expenses, all of which are locked-in at the time the policies are issued or acquired. Claim termination rates refer to the expected rates at which claims end. Benefit utilization rates estimate how much of the available policy benefits are expected to be used.

The liability for future policy benefits is evaluated at least annually to determine if a premium deficiency exists. Loss recognition testing is generally performed at the line of business level, with acquired blocks and certain reinsured blocks tested separately. If the liability for future policy benefits plus the current present value of expected future premiums are less than the current present value of expected future benefits and expenses (including any unamortized DAC), a charge to income is recorded for accelerated DAC amortization and, if necessary, a premium deficiency reserve is established. If a charge is recorded, DAC amortization and the liability for future policy benefits are measured using updated assumptions, which become the new locked-in assumptions utilized going forward unless another premium deficiency charge is recorded. Our estimates of future premiums used in loss recognition testing for our long-term care insurance business include assumptions for significant premium rate increases that have been filed and approved or are anticipated to be approved. Beginning in the fourth quarter of 2014, estimates of future premiums also include significant anticipated (but not yet filed) future rate increases or benefit reductions. These anticipated future increases are based on our best estimate of the rate increases we expect to obtain, considering, among other factors, our historical experience from prior rate increase approvals and based on our best estimate of expected claim costs.

We are also required to accrue additional future policy benefit reserves when the overall reserve is adequate, but profits are projected in earlier years followed by losses projected in later years. When this pattern of profits followed by losses exists, we increase reserves in the profitable years by the amounts necessary to offset losses in later years.

For long-term care insurance products, benefit reductions are treated as partial lapse of coverage with the balance of our future policy benefits and deferred acquisition costs both reduced in proportion to the reduced coverage. For level premium term life insurance products, we floor the liability for future policy benefits on each policy at zero.

Estimates and actuarial assumptions used for establishing the liability for future policy benefits and in loss recognition testing involve the exercise of significant judgment, and changes in assumptions or deviations of actual experience from assumptions can have material impacts on our liability for future policy benefits and net

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income (loss). Because these assumptions relate to factors that are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our reserves, results of operations and financial condition. The risk that our claims experience may differ significantly from our pricing and valuation 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 and locked-in valuation assumptions have been established.

Policyholder Account Balances

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

Investment-type contracts are broadly defined to include contracts without significant mortality or morbidity risk. Payments received from sales of investment contracts are recognized by providing a liability equal to the current account value of the policyholders contracts. Interest rates credited to investment contracts are guaranteed for the initial policy term with renewal rates determined as necessary by management.

q) Liability for Policy and Contract Claims

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

Our liability for policy and contract claims is reviewed regularly, with changes in our estimates of future claims recorded through net income (loss). Estimates and actuarial assumptions used for establishing the liability for policy and contract claims involve the exercise of significant judgment, and changes in assumptions or deviations of actual experience from assumptions can have material impacts on our liability for policy and contract claims and net income (loss). Because these assumptions relate to factors that are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our reserves, results of

operations and financial condition.

The liability for policy and contract claims for our long-term care insurance products represents the present value of the amount needed to provide for the estimated ultimate cost of settling claims relating to insured events

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that have occurred on or before the end of the respective reporting period. Key assumptions include investment returns, health care experience (including type of care and cost of care), policyholder persistency or lapses (i.e., the probability that a policy or contract will remain in-force from one period to the next), insured life expectancy or longevity, insured morbidity (i.e., frequency and severity of claim, including claim termination rates and benefit utilization rates) and expenses. Claim termination rates refer to the expected rates at which claims end. Benefit utilization rates estimate how much of the available policy benefits are expected to be used. Both claim termination rates and benefit utilization rates are influenced by, among other things, gender, age at claim, diagnosis, type of care needed, benefit period, and daily benefit amount. Because these assumptions relate to factors that are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our reserves, results of operations and financial condition.

The liabilities for our mortgage insurance policies represent our best estimates of the liabilities at the time based on known facts, trends and other external factors, including economic conditions, housing prices and employment rates. For our mortgage insurance policies, 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, we begin to provide for the ultimate claim payment relating to a potential claim on a defaulted loan when the status of that loan first goes delinquent. Over time, as the status of the underlying delinquent loans move toward foreclosure and the likelihood of the associated claim loss increases, the amount of the loss reserves associated with the potential claims may also increase.

Management considers the liability for policy and contract claims provided to be satisfactory to cover the losses that have occurred. Management monitors actual experience, and where circumstances warrant, will revise its assumptions. The methods of determining such estimates and establishing the reserves are reviewed periodically and any adjustments are reflected in operations in the period in which they become known. Future developments may result in losses and loss expenses greater or less than the liability for policy and contract claims provided.

r) Unearned Premiums

For single premium insurance contracts, we recognize premiums over the policy life in accordance with the expected pattern of risk emergence. We recognize a portion of the revenue in premiums earned in the current period, while the remaining portion is deferred as unearned premiums and earned over time in accordance with the expected pattern of risk emergence. If single premium policies are cancelled and the premium is non-refundable, then the remaining unearned premium related to each cancelled policy is recognized to earned premiums upon notification of the cancellation. Expected pattern of risk emergence on which we base premium recognition is inherently judgmental and is based on actuarial analysis of historical experience. We periodically review our premium earnings recognition models with any adjustments to the estimates reflected in current period income. For the years ended December 31,

2014, 2013 and 2012, we updated our premium recognition factors for our international mortgage insurance business. These updates included the consideration of recent and projected loss experience, policy cancellation experience and refinement of actuarial methods. In 2014, 2013 and 2012, adjustments associated with this update resulted in an increase in earned premiums of $6 million, $12 million and $36 million, respectively.

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s) Stock-Based Compensation

We determine a grant date fair value and recognize the related compensation expense, adjusted for expected forfeitures, through the income statement over the respective vesting period of the awards.

t) Employee Benefit Plans

We provide employees with a defined contribution pension plan and recognize expense throughout the year based on the employee s age, service and eligible pay. We make an annual contribution to the plan. We also provide employees with defined contribution savings plans. We recognize expense for our contributions to the savings plans at the time employees make contributions to the plans.

Some employees participate in defined benefit pension and postretirement benefit plans. We recognize expense for these plans based upon actuarial valuations performed by external experts. We estimate aggregate benefits by using assumptions for employee turnover, future compensation increases, rates of return on pension plan assets and future health care costs. We recognize an expense for differences between actual experience and estimates over the average future service period of participants. We recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in our consolidated balance sheets and recognize changes in that funded status in the year in which the changes occur through OCI.

u) Income Taxes

We determine deferred tax assets and/or liabilities by multiplying the differences between the financial reporting and tax reporting bases for assets and liabilities by the enacted tax rates expected to be in effect when such differences are recovered or settled if there is no change in law. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances on deferred tax assets are estimated based on our assessment of the realizability of such amounts.

We do not record U.S. deferred taxes on foreign income that we do not expect to remit or repatriate to U.S. corporations within our consolidated group. Under U.S. GAAP, we are generally required to record U.S. deferred taxes on the anticipated repatriation of foreign income as the income is recognized for financial reporting purposes. An exception under certain accounting guidance permits us not to record a U.S. deferred tax liability for foreign income that we expect to reinvest in our foreign operations and for which remittance will be postponed indefinitely. If it becomes apparent that we cannot positively assert that some or all undistributed income will be invested in the foreseeable future, the related deferred taxes are recorded in that period. In determining indefinite reinvestment, we regularly evaluate the capital needs of our domestic and foreign operations considering all available information, including operating and capital plans, regulatory capital requirements, parent company financing and cash flow needs, as well as the applicable tax laws to which our domestic and foreign subsidiaries are subject. Our estimates are based on our historical experience and our expectation of future performance. Our judgments and assumptions are subject to change given the inherent uncertainty in predicting future capital needs, which are impacted by such things as

regulatory requirements, policyholder behavior, competitor pricing, new product introductions, and specific industry and market conditions.

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Effective with the period beginning January 1, 2011, our companies elected to file a single U.S. consolidated income tax return (the life/non-life consolidated return). The election was made with the filing of the first life/non-life consolidated return, which was filed in September 2012. All companies domesticated in the United States and our Bermuda and Guernsey subsidiaries which have elected to be taxed as U.S. domestic companies were included in the life/non-life consolidated return as allowed by the tax law and regulations. The tax sharing agreement previously applicable only to the U.S. life insurance entities was terminated with the filing of the life/non-life consolidated return and those entities adopted the tax sharing agreement previously applicable to only the non-life entities (hereinafter the life/non-life tax sharing agreement). The two agreements were identical in all material respects. The life/non-life tax sharing agreement was provided to the appropriate state insurance regulators for approval. Intercompany balances relating to the impacts of the life/non-life tax sharing agreement were settled with the insurance companies after approval was received from the insurance regulators. Intercompany balances under all agreements are settled at least annually. For years before 2011, our U.S. non-life insurance entities were included in the consolidated federal income tax return of Genworth and subject to a tax sharing arrangement that allocated tax on a separate company basis but provided benefit for current utilization of losses and credits. Also, our U.S. life insurance entities filed a consolidated life insurance federal income tax return, and were subject to a separate tax sharing agreement, as approved by state insurance regulators, which allocated taxes on a separate company basis but provided benefit for current utilization of losses and credits.

Our subsidiaries based in Bermuda and Guernsey are treated as U.S. insurance companies under provisions of the U.S. Internal Revenue Code, are included in the life/non-life consolidated return, and have adopted the life-non/life tax sharing agreement. Jurisdictions outside the United States in which our various subsidiaries incur significant taxes include Australia, Canada and the United Kingdom.

v) Foreign Currency Translation

The determination of the functional currency is made based on the appropriate economic and management indicators. The assets and liabilities of foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Translation adjustments are included as a separate component of accumulated other comprehensive income (loss). Revenues and expenses of the foreign operations are translated into U.S. dollars at the average rates of exchange during the period of the transaction. Gains and losses from foreign currency transactions are reported in income and have not been material in any years presented in our consolidated statements of income.

w) Variable Interest Entities

We are involved in certain entities that are considered VIEs as defined under U.S. GAAP, and, accordingly, we evaluate the VIE to determine whether we are the primary beneficiary and are required to consolidate the assets and liabilities of the entity. The primary beneficiary of a VIE is the enterprise that has the power to direct the activities of a VIE that most significantly impacts the VIE s economic performance and has the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. The determination of the primary beneficiary for a VIE can be complex and requires management judgment regarding the expected results of the entity and how those results are

absorbed by beneficial interest holders, as well as which party has the power to direct activities that most significantly impact the performance of the VIEs.

Our primary involvement related to VIEs includes securitization transactions, certain investments and certain mortgage insurance policies.

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We have retained interests in VIEs where we are the servicer and transferor of certain assets that were sold to a newly created VIE. Additionally, for certain securitization transactions, we were the transferor of certain assets that were sold to a newly created VIE but did not retain any beneficial interest in the VIE other than acting as the servicer of the underlying assets.

We hold investments in certain structures that are considered VIEs. Our investments represent beneficial interests that are primarily in the form of structured securities or alternative investments. Our involvement in these structures typically represent a passive investment in the returns generated by the VIE and typically do not result in having significant influence over the economic performance of the VIE.

We also provide mortgage insurance on certain residential mortgage loans originated and securitized by third parties using VIEs to issue mortgage-backed securities. While we provide mortgage insurance on the underlying loans, we do not typically have any ongoing involvement with the VIE other than our mortgage insurance coverage and do not act in a servicing capacity for the underlying loans held by the VIE.

See note 18 for additional information related to these consolidated entities.

x) Accounting Changes

Investment Companies

On January 1, 2014, we adopted new accounting guidance on the scope, measurement and disclosure requirements for investment companies. The new guidance clarified the characteristics of an investment company, provided comprehensive guidance for assessing whether an entity is an investment company, required investment companies to measure noncontrolling ownership interest in other investment companies at fair value rather than using the equity method of accounting and required additional disclosures. The adoption of this accounting guidance did not have any impact on our consolidated financial statements.

Benchmarking Interest Rates Used When Applying Hedge Accounting

In July 2013, we adopted new accounting guidance to provide additional flexibility in the benchmark interest rates used when applying hedge accounting. The new guidance permits the use of the Federal Funds Effective Swap Rate as a benchmark interest rate for hedge accounting purposes and removes certain restrictions on being able to apply hedge accounting for similar hedges using different benchmark interest rates. The adoption of this accounting guidance did not have a material impact on our consolidated financial statements.

Offsetting Assets And Liabilities

On January 1, 2013, we adopted new accounting guidance for disclosures about offsetting assets and liabilities. This guidance requires an entity to disclose information about offsetting and related arrangements to enable users to

understand the effect of those arrangements on its financial position. The adoption of this accounting guidance impacted our disclosures only and did not impact our consolidated results.

Reclassification Of Items Out Of Accumulated Other Comprehensive Income

On January 1, 2013, we adopted new accounting guidance related to the presentation of the reclassification of items out of accumulated other comprehensive income into net income. The adoption of this accounting guidance impacted our disclosures only and did not impact our consolidated results.

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Testing Indefinite-Lived Intangible Assets For Impairment

On October 1, 2012, we adopted new accounting guidance on testing indefinite-lived intangible assets for impairment. The new guidance permits the use of a qualitative assessment prior to, and potentially instead of, the quantitative impairment test for indefinite-lived intangible assets. The adoption of this accounting guidance did not have an impact on our consolidated financial statements.

Fair Value Measurements

On January 1, 2012, we adopted new accounting guidance related to fair value measurements. This new accounting guidance clarified existing fair value measurement requirements and changed certain fair value measurement principles and disclosure requirements. The adoption of this accounting guidance impacted our disclosures only and did not impact our consolidated results.

Repurchase Agreements and Other Agreements

On January 1, 2012, we adopted new accounting guidance related to repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The new guidance removed the requirement to consider a transferor s ability to fulfill its contractual rights from the criteria used to determine effective control and was effective for us prospectively. The adoption of this accounting guidance did not have a material impact on our consolidated financial statements.

y) Accounting Pronouncements Not Yet Adopted

In August 2014, the Financial Accounting Standards Board (the FASB) issued new accounting guidance related to measuring the financial assets and financial liabilities of a consolidated collateralized financing entity. The guidance is intended to address the accounting for the measurement difference between the fair value of financial assets and the fair value of financial liabilities of a collateralized financing entity. The new guidance provides an alternative whereby a reporting entity could measure the financial assets and financial liabilities of the collateralized financing entity in its consolidated financial statements using the more observable of the fair values. This guidance is effective for us on January 1, 2016, with early adoption permitted as of the beginning of an annual reporting period. We plan to early adopt this new guidance during the first quarter of 2015 and do not expect any impact on our consolidated financial statements.

In June 2014, the FASB issued new accounting guidance related to the accounting for repurchase-to-maturity transactions and repurchase financings, and added disclosure requirements for all repurchase agreements, securities lending transactions and repurchase-to-maturity transactions. The new guidance changes the accounting for repurchase-to-maturity transactions and repurchase financing such that they will be consistent with secured borrowing accounting. In addition, the guidance requires new disclosures for all repurchase agreements and securities lending transactions. We do not have repurchase-to-maturity transactions, but have repurchase agreements and securities

lending transactions that will be subject to additional disclosures. These new requirements will be effective for us on January 1, 2015 and early adoption is not permitted. This new guidance will only impact our disclosures.

In May 2014, the FASB issued new accounting guidance related to revenue from contracts with customers. The key principle of the new guidance is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. The guidance also includes disclosure requirements

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that provide information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for us on January 1, 2017 and early adoption is not permitted. Although insurance contracts are specifically excluded from this new guidance, we have minor services that may be subject to the new revenue recognition guidance. In addition, there is uncertainty whether mortgage insurance and investment contracts are subject to this new guidance, which could result in a significant change in revenue recognition for these contracts. As such, we are still in the process of evaluating the impact, if any, the guidance may have on our consolidated financial statements.

In January 2014, the FASB issued new accounting guidance related to the accounting for investments in affordable housing projects that qualify for the low-income housing tax credit. The new guidance permits reporting entities to make an accounting policy election to account for investments in qualified affordable housing projects by amortizing the initial cost of the investment in proportion to the tax benefits received and recognize the net investment performance as a component of income tax expense (called the proportional amortization method) if certain conditions are met. The new guidance requires use of the equity method or cost method for investments in qualified affordable housing projects not accounted for using the proportional amortization method. This new guidance will be effective for us and we will adopt the guidance on January 1, 2015. We do not expect this new guidance to have a material impact on our consolidated financial statements.

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(3) Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share are calculated by dividing each income (loss) category presented below by the weighted-average basic and diluted common shares outstanding for the periods indicated:

(Amounts in millions, except per share amounts)	2014	2013	2012
Weighted-average common shares used in basic earnings (loss) per common share calculations	496.4	493.6	491.6
Potentially dilutive securities:			
Stock options, restricted stock units and stock appreciation rights		5.1	2.8
Weighted-average common shares used in diluted earnings (loss) per common share calculations [1]	496.4	498.7	494.4
Income (loss) from continuing operations:			
Income (loss) from continuing operations	$ (1,048)	$ 726	$ 468
Less: income from continuing operations attributable to noncontrolling interests	196	154	200
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	$ (1,244)	$ 572	$ 268
Basic per common share	$ (2.51)	$ 1.16	$ 0.55
Diluted per common share	$ (2.51)	$ 1.15	$ 0.54
Income (loss) from discontinued operations:			
Income (loss) from discontinued operations, net of taxes	$	$ (12)	$ 57
Less: income from discontinued operations, net of taxes, attributable to noncontrolling interests			
Income (loss) from discontinued operations, net of taxes, available to Genworth Financial, Inc. s common stockholders	$	$ (12)	$ 57
Basic per common share	$	$ (0.02)	$ 0.12
Diluted per common share	$	$ (0.02)	$ 0.12
Net income (loss):			

Income (loss) from continuing operations	$ (1,048)	$ 726	$ 468
Income (loss) from discontinued operations, net of taxes		(12)	57
Net income (loss)	(1,048)	714	525
Less: net income attributable to noncontrolling interests	196	154	200
Net income (loss) available to Genworth Financial, Inc. s common stockholders	$ (1,244)	$ 560	$ 325
Basic per common share	$ (2.51)	$ 1.13	$ 0.66
Diluted per common share	$ (2.51)	$ 1.12	$ 0.66

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

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(4) Investments

(a) Net Investment Income

Sources of net investment income were as follows for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Fixed maturity securities taxable	$ 2,631	$ 2,642	$ 2,666
Fixed maturity securities non-taxable	12	9	11
Commercial mortgage loans	333	335	340
Restricted commercial mortgage loans related to securitization entities [1]	14	23	32
Equity securities	14	17	19
Other invested assets [2]	174	185	206
Restricted other invested assets related to securitization entities [1]	5	4	1
Policy loans	129	129	123
Cash, cash equivalents and short-term investments	24	20	35
Gross investment income before expenses and fees	3,336	3,364	3,433
Expenses and fees	(94)	(93)	(90)
Net investment income	$ 3,242	$ 3,271	$ 3,343

(1) See note 18 for additional information related to consolidated securitization entities.

(2) Included in other invested assets was $8 million, $13 million and $21 million of net investment income related to trading securities for the years ended December 31, 2014, 2013 and 2012, respectively.

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(b) Net Investment Gains (Losses)

The following table sets forth net investment gains (losses) for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Available-for-sale securities:			
Realized gains	$ 74	$ 176	$ 172
Realized losses	(46)	(184)	(143)
Net realized gains (losses) on available-for-sale securities	28	(8)	29
Impairments:			
Total other-than-temporary impairments	(9)	(16)	(62)
Portion of other-than-temporary impairments included in other comprehensive income (loss)		(9)	(44)
Net other-than-temporary impairments	(9)	(25)	(106)
Trading securities	39	(23)	21
Commercial mortgage loans	11	4	4
Net gains (losses) related to securitization entities [1]	16	69	81
Derivative instruments [2]	(103)	(49)	4
Contingent consideration adjustment	(2)		(6)
Other		(5)	
Net investment gains (losses)	$ (20)	$ (37)	$ 27

(1) See note 18 for additional information related to consolidated securitization entities.

(2) See note 5 for additional information on the impact of derivative instruments included in net investment gains (losses).

We generally intend to hold securities in unrealized loss positions until they recover. However, from time to time, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, we sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield and liquidity requirements. If a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we determined that we have the intent to sell the securities or it is more likely than not that we will be required to sell the securities prior to recovery. The aggregate fair value of

securities sold at a loss during the years ended December 31, 2014, 2013 and 2012 was $873 million, $1,794 million and $1,491 million, respectively, which was approximately 95%, 91% and 92%, respectively, of book value.

The following represents the activity for credit losses recognized in net income (loss) on debt securities where an other-than-temporary impairment was identified and a portion of other-than-temporary impairments was included in OCI as of and for the years ended December 31:

(Amounts in millions)	**2014**	**2013**	**2012**
Beginning balance	$ 101	$ 387	$ 646
Additions:			
Other-than-temporary impairments not previously recognized	1	4	16
Increases related to other-than-temporary impairments previously recognized	1	11	55
Reductions:			
Securities sold, paid down or disposed	(20)	(301)	(330)
Ending balance	$ 83	$ 101	$ 387

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(c) Unrealized Investment Gains and Losses

Net unrealized gains and losses on available-for-sale investment securities reflected as a separate component of accumulated other comprehensive income (loss) were as follows as of December 31:

(Amounts in millions)	2014	2013	2012
Net unrealized gains (losses) on investment securities:			
Fixed maturity securities	$ 5,560	$ 2,346	$ 6,086
Equity securities	32	23	34
Other invested assets	(2)	(4)	(8)
Subtotal	5,590	2,365	6,112
Adjustments to DAC, PVFP, sales inducements and benefit reserves	(1,656)	(869)	(1,925)
Income taxes, net	(1,372)	(517)	(1,457)
Net unrealized investment gains (losses)	2,562	979	2,730
Less: net unrealized investment gains (losses) attributable to noncontrolling interests	109	53	92
Net unrealized investment gains (losses) attributable to Genworth Financial, Inc.	$ 2,453	$ 926	$ 2,638

The change in net unrealized gains (losses) on available-for-sale investment securities reported in accumulated other comprehensive income (loss) was as follows as of and for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Beginning balance	$ 926	$ 2,638	$ 1,485
Unrealized gains (losses) arising during the period:			
Unrealized gains (losses) on investment securities	3,244	(3,780)	2,318
Adjustment to DAC	(172)	248	(159)
Adjustment to PVFP	(66)	95	(6)
Adjustment to sales inducements	(15)	40	(33)
Adjustment to benefit reserves	(534)	673	(424)
Provision for income taxes	(862)	952	(590)
Change in unrealized gains (losses) on investment securities	1,595	(1,772)	1,106

Reclassification adjustments to net investment (gains) losses, net of taxes of $7, $(12) and $(27)	(12)	21	50
Change in net unrealized investment gains (losses)	1,583	(1,751)	1,156
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	56	(39)	3
Ending balance	$ 2,453	$ 926	$ 2,638

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(d) Fixed Maturity and Equity Securities

As of December 31, 2014, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	**Amortized cost or cost**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Not other-than-temporarily impaired**	**Other-than-temporarily impaired**	**Fair value**
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 5,006	$ 995	$	$ (1)	$	$ 6,000
Tax-exempt	347	29		(14)		362
Government non-U.S.	1,952	156		(2)		2,106
U.S. corporate	24,251	3,017	20	(88)		27,200
Corporate non-U.S.	14,214	1,015		(97)		15,132
Residential mortgage-backed	4,881	362	15	(17)	(1)	5,240
Commercial mortgage-backed	2,564	143	4	(9)		2,702
Other asset-backed	3,735	23	1	(54)		3,705
Total fixed maturity securities	56,950	5,740	40	(282)	(1)	62,447
Equity securities	253	36		(7)		282
Total available-for-sale securities	$ 57,203	$ 5,776	$ 40	$ (289)	$ (1)	$ 62,729

As of December 31, 2013, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

		Gross unrealized gains		Gross unrealized losses		
(Amounts in millions)	**Amortized cost or cost**	**Not other-than-**	**Other-than-temporarily**	**Not other-than-**	**Other-than-temporarily**	**Fair value**

		temporarily impaired	**impaired**	**temporarily impaired**	**impaired**	
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	$ 4,710	$ 331	$	$ (231)	$	$ 4,810
Tax-exempt	324	7		(36)		295
Government non-U.S.	2,057	104		(15)		2,146
U.S. corporate	23,614	1,761	19	(359)		25,035
Corporate non-U.S.	14,489	738		(156)		15,071
Residential mortgage-backed	5,058	232	9	(70)	(4)	5,225
Commercial mortgage-backed	2,886	75	2	(62)	(3)	2,898
Other asset-backed	3,171	35		(57)		3,149
Total fixed maturity securities	56,309	3,283	30	(986)	(7)	58,629
Equity securities	318	36		(13)		341
Total available-for-sale securities	$ 56,627	$ 3,319	$ 30	$ (999)	$ (7)	$ 58,970

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The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of December 31, 2014:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	**Fair value**	**Gross unrealized losses**	**Number of securities**	**Fair value**	**Gross unrealized losses** (1)	**Number of securities**	**Fair value**	**Gross unrealized losses** (1)	**Number of securities**
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$	$		$ 75	$ (1)	10	$ 75	$ (1)	10
Tax-exempt				111	(14)	10	111	(14)	10
Government non-U.S.	67	(1)	18	22	(1)	4	89	(2)	22
U.S. corporate	1,656	(31)	240	1,359	(57)	210	3,015	(88)	450
Corporate non-U.S.	1,568	(69)	239	515	(28)	70	2,083	(97)	309
Residential mortgage-backed	180	(1)	24	254	(17)	90	434	(18)	114
Commercial mortgage-backed	163		21	362	(9)	49	525	(9)	70
Other asset-backed	1,551	(12)	215	487	(42)	55	2,038	(54)	270
Subtotal, fixed maturity securities	5,185	(114)	757	3,185	(169)	498	8,370	(283)	1,255
Equity securities	30	(3)	46	48	(4)	6	78	(7)	52
Total for securities in an unrealized loss position	$ 5,215	$ (117)	803	$ 3,233	$ (173)	504	$ 8,448	$ (290)	1,307
% Below cost fixed maturity securities:									
<20% Below cost	$ 5,148	$ (103)	753	$ 3,054	$ (115)	477	$ 8,202	$ (218)	1,230
20%-50% Below cost	37	(11)	4	131	(53)	15	168	(64)	19
>50% Below cost					(1)	6		(1)	6
Total fixed maturity securities	5,185	(114)	757	3,185	(169)	498	8,370	(283)	1,255
% Below cost equity securities:									

<20% Below cost	26	(2)	40	48	(4)	6	74	(6)	46
20%-50% Below cost	4	(1)	6				4	(1)	6
Total equity securities	30	(3)	46	48	(4)	6	78	(7)	52
Total for securities in an unrealized loss position	$ 5,215	$ (117)	803	$ 3,233	$ (173)	504	$ 8,448	$ (290)	1,307
Investment grade	$ 4,623	$ (75)	675	$ 2,936	$ (146)	431	$ 7,559	$ (221)	1,106
Below investment grade [2]	592	(42)	128	297	(27)	73	889	(69)	201
Total for securities in an unrealized loss position	$ 5,215	$ (117)	803	$ 3,233	$ (173)	504	$ 8,448	$ (290)	1,307

(1) Amounts included $1 million of unrealized losses on other-than-temporarily impaired securities.

(2) Amounts that have been in a continuous unrealized loss position for 12 months or more included $1 million of unrealized losses on other-than-temporarily impaired securities.

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As indicated in the table above, the majority of the securities in a continuous unrealized loss position for less than 12 months were investment grade and less than 20% below cost. These unrealized losses were primarily attributable to lower credit ratings since acquisition for corporate securities across various industry sectors and an increase in U.S. Treasury yields since these securities were purchased. For securities that have been in a continuous unrealized loss position for less than 12 months, the average fair value percentage below cost was approximately 2% as of December 31, 2014.

Fixed Maturity Securities In A Continuous Unrealized Loss Position For 12 Months Or More

Of the $115 million of unrealized losses on fixed maturity securities in a continuous unrealized loss for 12 months or more that were less than 20% below cost, the weighted-average rating was A- and approximately 86% of the unrealized losses were related to investment grade securities as of December 31, 2014. These unrealized losses were attributable to the lower credit ratings for these securities since acquisition, primarily associated with corporate securities in the finance and insurance and utilities and energy sectors and structured securities, in addition to U.S. government, agencies and government-sponsored enterprises securities resulting from an increase in U.S. Treasury yields since these securities were purchased. The average fair value percentage below cost for these securities was approximately 4% as of December 31, 2014. See below for additional discussion related to fixed maturity securities that have been in a continuous unrealized loss position for 12 months or more with a fair value that was more than 20% below cost.

The following tables present the concentration of gross unrealized losses and fair values of fixed maturity securities that were more than 20% below cost and in a continuous unrealized loss position for 12 months or more by asset class as of December 31, 2014:

	Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Fixed maturity securities:								
Tax-exempt	$ 10	$ (3)	1%	1	$	$	%	
U.S. corporate	25	(10)	3	1				
Structured securities:								
Residential mortgage-backed	5	(4)	1	3				
Other asset-backed	71	(26)	9	4				

Total structured securities	76		(30)	10	7		
Total	$ 111	$	(43)	14%	9	$	$ %

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	Below Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	**Fair value**	**Gross unrealized losses**	**% of total gross unrealized losses**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**% of total gross unrealized losses**	**Number of securities**
Fixed maturity securities:								
U.S. corporate	$ 8	$ (2)	1%	1	$	$	%	
Corporate non-U.S.	3	(2)	1	1				
Structured securities:								
Residential mortgage-backed						(1)		6
Other asset-backed	9	(6)	2	4				
Total structured securities	9	(6)	2	4		(1)		6
Total	$ 20	$ (10)	4%	6	$	$ (1)	%	6

For all securities in an unrealized loss position, we expect to recover the amortized cost based on our estimate of the amount and timing of cash flows to be collected. We do not intend to sell nor do we expect that we will be required to sell these securities prior to recovering our amortized cost. See below for further discussion of gross unrealized losses by asset class.

Structured Securities

Of the $37 million of unrealized losses related to structured securities that have been in an unrealized loss position for 12 months or more and were more than 20% below cost, $1 million related to other-than-temporarily impaired securities where the unrealized losses represented the portion of the other-than-temporary impairment recognized in OCI. The extent and duration of the unrealized loss position on our structured securities was primarily due to credit spreads that have widened since acquisition. Additionally, the fair value of certain structured securities has been impacted from high risk premiums being incorporated into the valuation as a result of the amount of potential losses that may be absorbed by the security in the event of additional deterioration in the U.S. economy.

While we considered the length of time each security had been in an unrealized loss position, the extent of the unrealized loss position and any significant declines in fair value subsequent to the balance sheet date in our evaluation of impairment for each of these individual securities, the primary factor in our evaluation of impairment is the expected performance for each of these securities. Our evaluation of expected performance is based on the historical performance of the associated securitization trust as well as the historical performance of the underlying collateral. Our examination of the historical performance of the securitization trust included consideration of the following factors for each class of securities issued by the trust: i) the payment history, including failure to make

scheduled payments; ii) current payment status; iii) current and historical outstanding balances; iv) current levels of subordination and losses incurred to date; and v) characteristics of the underlying collateral. Our examination of the historical performance of the underlying collateral included: i) historical default rates, delinquency rates, voluntary and involuntary prepayments and severity of losses, including recent trends in this information; ii) current payment status; iii) loan to collateral value ratios, as applicable; iv) vintage; and v) other underlying characteristics such as current financial condition.

We used our assessment of the historical performance of both the securitization trust and the underlying collateral for each security, along with third-party sources, when available, to develop our best estimate of cash

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flows expected to be collected. These estimates reflect projections for future delinquencies, prepayments, defaults and losses for the assets that collateralize the securitization trust and are used to determine the expected cash flows for our security, based on the payment structure of the trust. Our projection of expected cash flows is primarily based on the expected performance of the underlying assets that collateralize the securitization trust and is not directly impacted by the rating of our security. While we consider the rating of the security as an indicator of the financial condition of the issuer, this factor does not have a significant impact on our expected cash flows for each security. In limited circumstances, our expected cash flows include expected payments from reliable financial guarantors where we believe the financial guarantor will have sufficient assets to pay claims under the financial guarantee when the cash flows from the securitization trust are not sufficient to make scheduled payments. We then discount the expected cash flows using the effective yield of each security to determine the present value of expected cash flows.

Based on this evaluation, the present value of expected cash flows was greater than or equal to the amortized cost for each security. Accordingly, we determined that the unrealized losses on each of our structured securities represented temporary impairments as of December 31, 2014.

Despite the considerable analysis and rigor employed on our structured securities, it is at least reasonably possible that the underlying collateral of these investments will perform worse than current market expectations. Such events may lead to adverse changes in cash flows on our holdings of structured securities and future write-downs within our portfolio of structured securities.

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The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of December 31, 2013:

	Less than 12 months			12 months or more			Total		
(Dollar amounts in millions)	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses (1)	Number of securities	Fair value	Gross unrealized losses (1)	Number of securities
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 796	$ (109)	32	$ 335	$ (122)	13	$ 1,131	$ (231)	45
Tax-exempt	82	(3)	26	97	(33)	9	179	(36)	35
Government non-U.S.	479	(15)	60				479	(15)	60
U.S. corporate	4,774	(260)	707	663	(99)	82	5,437	(359)	789
Corporate non-U.S.	3,005	(127)	379	287	(29)	34	3,292	(156)	413
Residential mortgage-backed	1,052	(55)	139	157	(19)	92	1,209	(74)	231
Commercial mortgage-backed	967	(42)	107	370	(23)	62	1,337	(65)	169
Other asset-backed	1,089	(17)	133	145	(40)	17	1,234	(57)	150
Subtotal, fixed maturity securities	12,244	(628)	1,583	2,054	(365)	309	14,298	(993)	1,892
Equity securities	95	(13)	41				95	(13)	41
Total for securities in an unrealized loss position	$ 12,339	$ (641)	1,624	$ 2,054	$ (365)	309	$ 14,393	$ (1,006)	1,933
% Below cost fixed maturity securities:									
<20% Below cost	$ 12,009	$ (547)	1,571	$ 1,575	$ (163)	238	$ 13,584	$ (710)	1,809
20%-50% Below cost	235	(81)	12	466	(187)	51	701	(268)	63
>50% Below cost				13	(15)	20	13	(15)	20
Total fixed maturity securities	12,244	(628)	1,583	2,054	(365)	309	14,298	(993)	1,892
% Below cost equity securities:									

<20% Below cost	87	(11)	40				87	(11)	40
20%-50% Below cost	8	(2)	1				8	(2)	1
Total equity securities	95	(13)	41				95	(13)	41
Total for securities in an unrealized loss position	$ 12,339	$ (641)	1,624	$ 2,054	$ (365)	309	$ 14,393	$ (1,006)	1,933
Investment grade	$ 11,896	$ (616)	1,515	$ 1,631	$ (315)	208	$ 13,527	$ (931)	1,723
Below investment grade [2]	443	(25)	109	423	(50)	101	866	(75)	210
Total for securities in an unrealized loss position	$ 12,339	$ (641)	1,624	$ 2,054	$ (365)	309	$ 14,393	$ (1,006)	1,933

(1) Amounts included $7 million of unrealized losses on other-than-temporarily impaired securities.

(2) Amounts that have been in a continuous unrealized loss position for 12 months or more included $7 million of unrealized losses on other-than-temporarily impaired securities.

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The scheduled maturity distribution of fixed maturity securities as of December 31, 2014 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(Amounts in millions)	Amortized cost or cost	Fair value
Due one year or less	$ 2,307	$ 2,326
Due after one year through five years	10,858	11,410
Due after five years through ten years	11,888	12,496
Due after ten years	20,717	24,568
Subtotal	45,770	50,800
Residential mortgage-backed	4,881	5,240
Commercial mortgage-backed	2,564	2,702
Other asset-backed	3,735	3,705
Total	$ 56,950	$ 62,447

As of December 31, 2014, $6,713 million of our investments (excluding mortgage-backed and asset-backed securities) were subject to certain call provisions.

As of December 31, 2014, securities issued by utilities and energy, finance and insurance, and consumer non-cyclical industry groups represented approximately 24%, 19% and 12%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio. This portfolio is widely diversified among various geographic regions in the United States and internationally, and is not dependent on the economic stability of one particular region.

As of December 31, 2014, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of stockholders equity.

As of December 31, 2014 and 2013, $49 million and $50 million, respectively, of securities were on deposit with various state or foreign government insurance departments in order to comply with relevant insurance regulations.

(e) Commercial Mortgage Loans

Our mortgage loans are collateralized by commercial properties, including multi-family residential buildings. The carrying value of commercial mortgage loans is stated at original cost net of principal payments, amortization and

allowance for loan losses.

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We diversify our commercial mortgage loans by both property type and geographic region. The following tables set forth the distribution across property type and geographic region for commercial mortgage loans as of December 31:

	2014		2013	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Property type:				
Retail	$ 2,150	35%	$ 2,073	35%
Office	1,643	27	1,558	26
Industrial	1,597	26	1,581	27
Apartments	494	8	491	8
Mixed use/other	239	4	229	4
Subtotal	6,123	100%	5,932	100%
Unamortized balance of loan origination fees and costs	(1)			
Allowance for losses	(22)		(33)	
Total	$ 6,100		$ 5,899	

	2014		2013	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Geographic region:				
South Atlantic	$ 1,673	27%	$ 1,535	26%
Pacific	1,636	27	1,590	27
Middle Atlantic	826	14	828	14
Mountain	536	9	478	8
East North Central	397	7	404	7
West North Central	382	6	377	6
West South Central	268	4	241	4
New England	264	4	337	6
East South Central	141	2	142	2
Subtotal	6,123	100%	5,932	100%
Unamortized balance of loan origination fees and costs	(1)			

Allowance for losses	(22)	(33)
Total	$ 6,100	$ 5,899

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The following tables set forth the aging of past due commercial mortgage loans by property type as of December 31:

	2014					
(Amounts in millions)	**31 - 60 days past due**	**61 - 90 days past due**	**Greater than 90 days past due**	**Total past due**	**Current**	**Total**
Property type:						
Retail	$	$	$	$	$ 2,150	$ 2,150
Office			6	6	1,637	1,643
Industrial			2	2	1,595	1,597
Apartments					494	494
Mixed use/other					239	239
Total recorded investment	$	$	$ 8	$ 8	$ 6,115	$ 6,123
% of total commercial mortgage loans	%	%	%	%	100%	100%

	2013					
(Amounts in millions)	**31 - 60 days past due**	**61 - 90 days past due**	**Greater than 90 days past due**	**Total past due**	**Current**	**Total**
Property type:						
Retail	$	$	$ 10	$ 10	$ 2,063	$ 2,073
Office			6	6	1,552	1,558
Industrial	2	2	16	20	1,561	1,581
Apartments					491	491
Mixed use/other	1			1	228	229
Total recorded investment	$ 3	$ 2	$ 32	$ 37	$ 5,895	$ 5,932
% of total commercial mortgage loans	%	%	1%	1%	99%	100%

As of December 31, 2014 and 2013, we had no commercial mortgage loans that were past due for more than 90 days and still accruing interest. We also did not have any commercial mortgage loans that were past due for less than 90

days on non-accrual status as of December 31, 2014 and 2013.

We evaluate the impairment of commercial mortgage loans on an individual loan basis. As of December 31, 2014 and 2013, our commercial mortgage loans greater than 90 days past due included loans with appraised values in excess of the recorded investment and the current recorded investment of these loans was expected to be recoverable.

During the years ended December 31, 2014 and 2013, we modified or extended 28 and 33 commercial mortgage loans, respectively, with a total carrying value of $254 million and $165 million, respectively. All of these modifications or extensions were based on current market interest rates, did not result in any forgiveness in the outstanding principal amount owed by the borrower and were not considered troubled debt restructurings.

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The following table sets forth the allowance for credit losses and recorded investment in commercial mortgage loans as of or for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Allowance for credit losses:			
Beginning balance	$ 33	$ 42	$ 51
Charge-offs	(1)	(2)	(2)
Recoveries			
Provision	(10)	(7)	(7)
Ending balance	$ 22	$ 33	$ 42
Ending allowance for individually impaired loans	$	$	$
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	$ 22	$ 33	$ 42
Recorded investment:			
Ending balance	$ 6,123	$ 5,932	$ 5,912
Ending balance of individually impaired loans	$ 15	$ 2	$
Ending balance of loans not individually impaired that were evaluated collectively for impairment	$ 6,108	$ 5,930	$ 5,912

As of December 31, 2014, we had individually impaired commercial mortgage loans included within the industrial property type with a recorded investment of $15 million, an unpaid principal balance of $16 million, charge-offs of $1 million and an average recorded investment of $15 million. As of December 31, 2013, we had individually impaired commercial mortgage loans included within the retail property type with a recorded investment of $2 million, an unpaid principal balance of $3 million, charge-offs of $1 million and an average recorded investment of $2 million.

In evaluating the credit quality of commercial mortgage loans, we assess the performance of the underlying loans using both quantitative and qualitative criteria. Certain risks associated with commercial mortgage loans can be evaluated by reviewing both the loan-to-value and debt service coverage ratio to understand both the probability of the borrower not being able to make the necessary loan payments as well as the ability to sell the underlying property for an amount that would enable us to recover our unpaid principal balance in the event of default by the borrower. The average loan-to-value ratio is based on our most recent estimate of the fair value for the underlying property which is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A

lower loan-to-value indicates that our loan value is more likely to be recovered in the event of default by the borrower if the property was sold. The debt service coverage ratio is based on normalized annual net operating income of the property compared to the payments required under the terms of the loan. Normalization allows for the removal of annual one-time events such as capital expenditures, prepaid or late real estate tax payments or non-recurring third-party fees (such as legal, consulting or contract fees). This ratio is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A higher debt service coverage ratio indicates the borrower is less likely to default on the loan. The debt service coverage ratio should not be used without considering other factors associated with the borrower, such as the borrower s liquidity or access to other resources that may result in our expectation that the borrower will continue to make the future scheduled payments.

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The following tables set forth the loan-to-value of commercial mortgage loans by property type as of December 31:

	2014					
(Amounts in millions)	**0% - 50%**	**51% - 60%**	**61% - 75%**	**76% - 100%**	**Greater than 100%** [1]	**Total**
Property type:						
Retail	$ 671	$ 419	$ 967	$ 75	$ 18	$ 2,150
Office	383	278	782	164	36	1,643
Industrial	451	285	778	60	23	1,597
Apartments	211	76	199	8		494
Mixed use/other	45	43	145	6		239
Total recorded investment	$ 1,761	$ 1,101	$ 2,871	$ 313	$ 77	$ 6,123
% of total	29%	18%	47%	5%	1%	100%
Weighted-average debt service coverage ratio	2.27	1.75	1.61	1.02	0.72	1.78

(1) Included $15 million of impaired loans, $6 million of loans past due and not individually impaired and $56 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 120%.

	2013					
(Amounts in millions)	**0% - 50%**	**51% - 60%**	**61% - 75%**	**76% - 100%**	**Greater than 100%** [1]	**Total**
Property type:						
Retail	$ 596	$ 336	$ 1,024	$ 95	$ 22	$ 2,073
Office	397	191	716	191	63	1,558
Industrial	430	237	748	146	20	1,581
Apartments	201	86	176	27	1	491
Mixed use/other	71	36	110	12		229
Total recorded investment	$ 1,695	$ 886	$ 2,774	$ 471	$ 106	$ 5,932

% of total	28%	15%	47%	8%	2%	100%
Weighted-average debt service coverage ratio	2.14	1.79	1.66	1.03	0.63	1.75

(1) Included $2 million of impaired loans, $5 million of loans past due and not individually impaired and $99 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 119%.

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The following tables set forth the debt service coverage ratio for fixed rate commercial mortgage loans by property type as of December 31:

	2014					
(Amounts in millions)	**Less than 1.00**	**1.00 - 1.25**	**1.26 - 1.50**	**1.51 - 2.00**	**Greater than 2.00**	**Total**
Property type:						
Retail	$ 80	$ 253	$ 524	$ 870	$ 423	$ 2,150
Office	119	101	247	780	389	1,636
Industrial	158	142	246	706	343	1,595
Apartments	1	48	88	186	171	494
Mixed use/other	6	1	61	135	36	239
Total recorded investment	$ 364	$ 545	$ 1,166	$ 2,677	$ 1,362	$ 6,114
% of total	6%	9%	19%	44%	22%	100%
Weighted-average loan-to-value	77%	64%	64%	59%	45%	59%

	2013					
(Amounts in millions)	**Less than 1.00**	**1.00 - 1.25**	**1.26 - 1.50**	**1.51 - 2.00**	**Greater than 2.00**	**Total**
Property type:						
Retail	$ 106	$ 314	$ 374	$ 779	$ 399	$ 1,972
Office	131	181	225	637	376	1,550
Industrial	195	100	270	721	295	1,581
Apartments	3	31	107	187	163	491
Mixed use/other	16	9	32	106	66	229
Total recorded investment	$ 451	$ 635	$ 1,008	$ 2,430	$ 1,299	$ 5,823
% of total	8%	11%	17%	42%	22%	100%
Weighted-average loan-to-value	80%	68%	63%	60%	43%	59%

As of December 31, 2014 and 2013, we had floating rate commercial mortgage loans of $9 million and $109 million, respectively.

(f) Restricted Commercial Mortgage Loans Related To Securitization Entities

We have a consolidated securitization entity that holds commercial mortgage loans that are recorded as restricted commercial mortgage loans related to securitization entities. See note 18 for additional information related to consolidated securitization entities.

(g) Restricted Other Invested Assets Related To Securitization Entities

We have consolidated securitization entities that hold certain investments that are recorded as restricted other invested assets related to securitization entities. The consolidated securitization entities hold certain investments as trading securities whereby the changes in fair value are recorded in current period income (loss). The trading securities comprise asset-backed securities, including residual interest in certain policy loan securitization entities and highly rated bonds that are primarily backed by credit card receivables. See note 18 for additional information related to consolidated securitization entities.

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(5) Derivative Instruments

Our business activities routinely deal with fluctuations in interest rates, equity prices, currency exchange rates and other asset and liability prices. We use derivative instruments to mitigate or reduce certain of these risks. We have established policies for managing each of these risks, including prohibitions on derivatives market-making and other speculative derivatives activities. These policies require the use of derivative instruments in concert with other techniques to reduce or mitigate these risks. While we use derivatives to mitigate or reduce risks, certain derivatives do not meet the accounting requirements to be designated as hedging instruments and are denoted as derivatives not designated as hedges in the following disclosures. For derivatives that meet the accounting requirements to be designated as hedges, the following disclosures for these derivatives are denoted as derivatives designated as hedges, which include both cash flow and fair value hedges.

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The following table sets forth our positions in derivative instruments as of December 31:

	Derivative assets			Derivative liabilities		
	Balance sheet	Fair value		Balance sheet	Fair value	
(Amounts in millions)	classification	2014	2013	classification	2014	2013
Derivatives designated as hedges						
Cash flow hedges:						
Interest rate swaps	Other invested assets	$ 639	$ 121	Other liabilities	$ 27	$ 569
Inflation indexed swaps	Other invested assets			Other liabilities	42	60
Foreign currency swaps	Other invested assets	6	4	Other liabilities		2
Forward bond purchase commitments	Other invested assets			Other liabilities		13
Total cash flow hedges		645	125		69	644
Fair value hedges:						
Interest rate swaps	Other invested assets		1	Other liabilities		
Total fair value hedges			1			
Total derivatives designated as hedges		645	126		69	644
Derivatives not designated as hedges						
Interest rate swaps	Other invested assets	452	314	Other liabilities	177	6
Interest rate swaps related to securitization entities [1]	Restricted other invested assets			Other liabilities	26	16
Credit default swaps	Other invested assets	4	11	Other liabilities		
Credit default swaps related to securitization entities [1]	Restricted other invested assets			Other liabilities	17	32
Foreign currency swaps	Other invested assets			Other liabilities	7	
Equity index options	Other invested assets	17	12	Other liabilities		
Financial futures	Other invested assets			Other liabilities		
Equity return swaps	Other invested assets			Other liabilities	1	1
Other foreign currency contracts	Other invested assets	14	8	Other liabilities	13	4
GMWB embedded derivatives	Reinsurance recoverable [2]	13	(1)	Policyholder account balances [3]	291	96

Fixed index annuity embedded derivatives	Other assets			Policyholder account balances [4]	276	143
Indexed universal life embedded derivatives	Reinsurance recoverable			Policyholder account balances [5]	7	
Total derivatives not designated as hedges		500	344		815	298
Total derivatives		$ 1,145	$ 470		$ 884	$ 942

(1) See note 18 for additional information related to consolidated securitization entities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

(3) Represents the embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(4) Represents the embedded derivatives associated with our fixed index annuity liabilities.

(5) Represents the embedded derivatives associated with our indexed universal life liabilities.

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The fair value of derivative positions presented above was not offset by the respective collateral amounts received or provided under these agreements.

The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB, fixed index annuity embedded derivatives and indexed universal life embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2013	Additions	Maturities/ terminations	December 31, 2014
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 13,926	$	$ (1,965)	$ 11,961
Inflation indexed swaps	Notional	561	15	(5)	571
Foreign currency swaps	Notional	35			35
Forward bond purchase commitments	Notional	237		(237)	
Total cash flow hedges		14,759	15	(2,207)	12,567
Fair value hedges:					
Interest rate swaps	Notional	6		(6)	
Total fair value hedges		6		(6)	
Total derivatives designated as hedges		14,765	15	(2,213)	12,567
Derivatives not designated as hedges					
Interest rate swaps	Notional	4,822	508	(256)	5,074
Interest rate swaps related to securitization entities (1)	Notional	91		(14)	77
Credit default swaps	Notional	639	5	(250)	394
Credit default swaps related to securitization entities (1)	Notional	312			312
Equity index options	Notional	777	1,276	(1,059)	994
Financial futures	Notional	1,260	5,723	(5,652)	1,331
Equity return swaps	Notional	110	231	(233)	108
Foreign currency swaps	Notional		104		104
Other foreign currency contracts	Notional	487	788	(850)	425

Total derivatives not designated as hedges	8,498	8,635	(8,314)	8,819
Total derivatives	$ 23,263	$ 8,650	$ (10,527)	$ 21,386

(1) See note 18 for additional information related to consolidated securitization entities.

(Number of policies)	Measurement	December 31, 2013	Additions	Maturities/ terminations	December 31, 2014
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	42,045		(3,030)	39,015
Fixed index annuity embedded derivatives	Policies	7,705	6,436	(240)	13,901
Indexed universal life embedded derivatives	Policies	29	394	(2)	421

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Cash Flow Hedges

Certain derivative instruments are designated as cash flow hedges. The changes in fair value of these instruments are recorded as a component of OCI. We designate and account for the following as cash flow hedges when they have met the effectiveness requirements: (i) various types of interest rate swaps to convert floating rate investments to fixed rate investments; (ii) various types of interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) receive U.S. dollar fixed on foreign currency swaps to hedge the foreign currency cash flow exposure of foreign currency denominated investments; (iv) forward starting interest rate swaps to hedge against changes in interest rates associated with future fixed rate bond purchases and/or interest income; (v) forward bond purchase commitments to hedge against the variability in the anticipated cash flows required to purchase future fixed rate bonds; and (vi) other instruments to hedge the cash flows of various forecasted transactions.

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the year ended December 31, 2014:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from OCI	Classification of gain (loss) reclassified into net income (loss)	Gain (loss) recognized in net income (loss) [1]	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps hedging assets	$ 1,229	$ 63	Net investment income	$ 15	Net investment gains (losses)
Interest rate swaps hedging assets		2	Net investment gains (losses)		Net investment gains (losses)
Interest rate swaps hedging liabilities	(69)	1	Interest expense		Net investment gains (losses)
Inflation indexed swaps	17	(9)	Net investment income		Net investment gains (losses)
Foreign currency swaps	4		Interest expense		Net investment gains (losses)
Forward bond purchase commitments	34		Net investment income		Net investment gains (losses)
Total	$ 1,215	$ 57		$ 15	

(1)

Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

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The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the year ended December 31, 2013:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from OCI	Classification of gain (loss) reclassified into net income (loss)	Gain (loss) recognized in net income (loss) [1]	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps hedging assets	$ (892)	$ 47	Net investment income	$ (14)	Net investment gains (losses)
Interest rate swaps hedging assets		1	Net investment gains (losses)		Net investment gains (losses)
Interest rate swaps hedging liabilities	42	2	Interest expense		Net investment gains (losses)
Inflation indexed swaps	45	(5)	Net investment income		Net investment gains (losses)
Foreign currency swaps	(1)		Interest expense		Net investment gains (losses)
Forward bond purchase commitments	(60)		Net investment income		Net investment gains (losses)
Total	$ (866)	$ 45		$ (14)	

[1] Represents ineffective portion of cash flow hedges, as there were no amounts excluded from the measurement of effectiveness.

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the year ended December 31, 2012:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from OCI	Classification of gain (loss) reclassified into net income (loss)	Gain (loss) recognized in net income (loss) [1]	Classification of gain (loss) recognized in net income (loss)

Interest rate swaps hedging assets	$	(74)	$	40	Net investment income	$ (12)	Net investment gains (losses)
Interest rate swaps hedging assets				2	Net investment gains (losses)		Net investment gains (losses)
Interest rate swaps hedging liabilities				2	Interest expense		Net investment gains (losses)
Inflation indexed swaps		(58)		(9)	Net investment income		Net investment gains (losses)
Foreign currency swaps		3			Interest expense		Net investment gains (losses)
Forward bond purchase commitments		14			Net investment income		Net investment gains (losses)
Total	$	(115)	$	35		$ (12)	

[(1)] Represents ineffective portion of cash flow hedges, as there were no amounts excluded from the measurement of effectiveness.

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The following table provides a reconciliation of current period changes, net of applicable income taxes, for these designated derivatives presented in the separate component of stockholders equity labeled derivatives qualifying as hedges, for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Derivatives qualifying as effective accounting hedges as of January 1	$ 1,319	$ 1,909	$ 2,009
Current period increases (decreases) in fair value, net of deferred taxes of $(427), $305 and $38	788	(561)	(77)
Reclassification to net (income) loss, net of deferred taxes of $20, $16 and $12	(37)	(29)	(23)
Derivatives qualifying as effective accounting hedges as of December 31	$ 2,070	$ 1,319	$ 1,909

The total of derivatives designated as cash flow hedges of $2,070 million, net of taxes, recorded in stockholders equity as of December 31, 2014 is expected to be reclassified to net income (loss) in the future, concurrently with and primarily offsetting changes in interest expense and interest income on floating rate instruments and interest income on future fixed rate bond purchases. Of this amount, $57 million, net of taxes, is expected to be reclassified to net income (loss) in the next 12 months. Actual amounts may vary from this amount as a result of market conditions. All forecasted transactions associated with qualifying cash flow hedges are expected to occur by 2047. There were immaterial amounts reclassified to net income (loss) during the years ended December 31, 2014, 2013 and 2012 in connection with forecasted transactions that were no longer considered probable of occurring.

Fair Value Hedges

Certain derivative instruments are designated as fair value hedges. The changes in fair value of these instruments are recorded in net income (loss). In addition, changes in the fair value attributable to the hedged portion of the underlying instrument are reported in net income (loss). We designate and account for the following as fair value hedges when they have met the effectiveness requirements: (i) interest rate swaps to convert fixed rate liabilities into floating rate liabilities; (ii) cross currency swaps to convert non-U.S. dollar fixed rate liabilities to floating rate U.S. dollar liabilities; and (iii) other instruments to hedge various fair value exposures of investments.

There were no pre-tax income (loss) effects of fair value hedges and related hedged items for the year ended December 31, 2014.

The following table provides information about the pre-tax income (loss) effects of fair value hedges and related hedged items for the year ended December 31, 2013:

	Derivative instrument				Hedged item	
(Amounts in millions)	Gain (loss) recognized in net income (loss)	Classification of gain (losses) recognized in net income (loss)	Other impacts to net income (loss)	Classification of other impacts to net income (loss)	Gain (loss) recognized in net income (loss)	Classification of gain (losses) recognized in net income (loss)
Interest rate swaps hedging liabilities	$ (11)	Net investment gains (losses)	$ 13	Interest credited	$ 11	Net investment gains (losses)
Foreign currency swaps	(31)	Net investment gains (losses)		Interest credited	31	Net investment gains (losses)
Total	$ (42)		$ 13		$ 42	

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The following table provides information about the pre-tax income (loss) effects of fair value hedges and related hedged items for the year ended December 31, 2012:

	Derivative instrument				Hedged item	
(Amounts in millions)	Gain (loss) recognized in net income (loss)	Classification of gain (losses) recognized in net income (loss)	Other impacts to net income (loss)	Classification of other impacts to net income (loss)	Gain (loss) recognized in net income (loss)	Classification of gain (losses) recognized in net income (loss)
Interest rate swaps hedging assets	$ 1	Net investment gains (losses)	$ (4)	Net investment income	$ (1)	Net investment gains (losses)
Interest rate swaps hedging liabilities	(30)	Net investment gains (losses)	38	Interest credited	30	Net investment gains (losses)
Foreign currency swaps	(1)	Net investment gains (losses)	2	Interest credited		Net investment gains (losses)
Total	$ (30)		$ 36		$ 29	

The difference between the gain (loss) recognized for the derivative instrument and the hedged item presented above represents the net ineffectiveness of the fair value hedging relationships. The other impacts presented above represent the net income (loss) effects of the derivative instruments that are presented in the same location as the income (loss) activity from the hedged item. There were no amounts excluded from the measurement of effectiveness.

Derivatives Not Designated As Hedges

We also enter into certain non-qualifying derivative instruments such as: (i) interest rate swaps and financial futures to mitigate interest rate risk as part of managing regulatory capital positions; (ii) credit default swaps to enhance yield and reproduce characteristics of investments with similar terms and credit risk; (iii) equity index options, equity return swaps, interest rate swaps and financial futures to mitigate the risks associated with liabilities that have guaranteed minimum benefits, fixed index annuities and indexed universal life; (iv) interest rate swaps where the hedging relationship does not qualify for hedge accounting; (v) credit default swaps to mitigate loss exposure to certain credit risk; (vi) foreign currency swaps, options and forward contracts to mitigate currency risk associated with non-functional currency investments held by certain foreign subsidiaries and future dividends or other cash flows from certain foreign subsidiaries to our holding company; and (vii) equity index options to mitigate certain macroeconomic risks associated with certain foreign subsidiaries. Additionally, we provide GMWBs on certain variable annuities that are required to be bifurcated as embedded derivatives. We also offer fixed index annuity and indexed universal life

products and have reinsurance agreements with certain features that are required to be bifurcated as embedded derivatives.

We also have derivatives related to securitization entities where we were required to consolidate the related securitization entity as a result of our involvement in the structure. The counterparties for these derivatives typically only have recourse to the securitization entity. The interest rate swaps used for these entities are typically used to effectively convert the interest payments on the assets of the securitization entity to the same basis as the interest rate on the borrowings issued by the securitization entity. Credit default swaps are utilized in certain securitization entities to enhance the yield payable on the borrowings issued by the securitization entity and also include a settlement feature that allows the securitization entity to provide the par value of assets in the securitization entity for the amount of any losses incurred under the credit default swap.

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The following table provides the pre-tax gain (loss) recognized in net income (loss) for the effects of derivatives not designated as hedges for the years ended December 31:

(Amounts in millions)	2014	2013	2012	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps	$ 1	$ (7)	$ 21	Net investment gains (losses)
Interest rate swaps related to securitization entities [1]	(9)	9	(4)	Net investment gains (losses)
Credit default swaps	1	14	57	Net investment gains (losses)
Credit default swaps related to securitization entities [1]	19	77	76	Net investment gains (losses)
Equity index options	(31)	(43)	(58)	Net investment gains (losses)
Financial futures	90	(232)	(121)	Net investment gains (losses)
Equity return swaps	5	(33)	(37)	Net investment gains (losses)
Other foreign currency contracts	(4)	6	(19)	Net investment gains (losses)
Foreign currency swaps	(7)			Net investment gains (losses)
Reinsurance embedded derivatives			3	Net investment gains (losses)
GMWB embedded derivatives	(147)	277	170	Net investment gains (losses)
Fixed index annuity embedded derivatives	(27)	(18)	(1)	Net investment gains (losses)
Indexed universal life embedded derivatives	(1)			Net investment gains (losses)
Total derivatives not designated as hedges	$ (110)	$ 50	$ 87	

[1] See note 18 for additional information related to consolidated securitization entities.

Derivative Counterparty Credit Risk

Most of our derivative arrangements with counterparties require the posting of collateral upon meeting certain net exposure thresholds. For derivatives related to securitization entities, there are no arrangements that require either party to provide collateral and the recourse of the derivative counterparty is typically limited to the assets held by the securitization entity and there is no recourse to any entity other than the securitization entity.

The following table presents additional information about derivative assets and liabilities subject to an enforceable master netting arrangement as of December 31:

2014	2013

(Amounts in millions)	Derivatives assets [1]	Derivatives liabilities [2]	Net derivatives	Derivatives assets [1]	Derivatives liabilities [2]	Net derivatives
Amounts presented in the balance sheet:						
Gross amounts recognized	$ 1,157	$ 273	$ 884	$ 496	$ 662	$ (166)
Gross amounts offset in the balance sheet						
Net amounts presented in the balance sheet	1,157	273	884	496	662	(166)
Gross amounts not offset in the balance sheet:						
Financial instruments [3]	(227)	(227)		(286)	(286)	
Collateral received	(884)		(884)	(199)		(199)
Collateral pledged		(49)	49		(394)	394
Over collateralization	1	5	(4)	16	23	(7)
Net amount	$ 47	$ 2	$ 45	$ 27	$ 5	$ 22

(1) Included $25 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives as of December 31, 2014 and 2013.

(2) Included $6 million and $7 million of accruals on derivatives classified as other liabilities and does not include amounts related to embedded derivatives and derivatives related to securitization entities as of December 31, 2014 and 2013, respectively.

(3) Amounts represent derivative assets and/or liabilities that are presented gross within the balance sheet but are held with the same counterparty where we have a master netting arrangement. This adjustment results in presenting the net asset and net liability position for each counterparty.

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Except for derivatives related to securitization entities, almost all of our master swap agreements contain credit downgrade provisions that allow either party to assign or terminate derivative transactions if the other party s long-term unsecured debt rating or financial strength rating is below the limit defined in the applicable agreement. If the downgrade provisions had been triggered as of December 31, 2014 and 2013, we could have been allowed to claim $47 million and $27 million, respectively, or required to disburse up to $2 million and $5 million, respectively. The chart above excludes embedded derivatives and derivatives related to securitization entities as those derivatives are not subject to master netting arrangements.

Credit Derivatives

We sell protection under single name credit default swaps and credit default swap index tranches in combination with purchasing securities to replicate characteristics of similar investments based on the credit quality and term of the credit default swap. Credit default triggers for both indexed reference entities and single name reference entities follow the Credit Derivatives Physical Settlement Matrix published by the International Swaps and Derivatives Association. Under these terms, credit default triggers are defined as bankruptcy, failure to pay or restructuring, if applicable. Our maximum exposure to credit loss equals the notional value for credit default swaps. In the event of default for credit default swaps, we are typically required to pay the protection holder the full notional value less a recovery rate determined at auction.

In addition to the credit derivatives discussed above, we also have credit derivative instruments related to securitization entities that we consolidate. These derivatives represent a customized index of reference entities with specified attachment points for certain derivatives. The credit default triggers are similar to those described above. In the event of default, the securitization entity will provide the counterparty with the par value of assets held in the securitization entity for the amount of incurred loss on the credit default swap. The maximum exposure to loss for the securitization entity is the notional value of the derivatives. Certain losses on these credit default swaps would be absorbed by the third-party noteholders of the securitization entity and the remaining losses on the credit default swaps would be absorbed by our portion of the notes issued by the securitization entity.

The following table sets forth our credit default swaps where we sell protection on single name reference entities and the fair values as of the dates indicated:

	2014			**2013**		
(Amounts in millions)	**Notional value**	**Assets**	**Liabilities**	**Notional value**	**Assets**	**Liabilities**
Investment grade						
Matures in less than one year	$	$	$	$	$	$
Matures after one year through five years	39	1		39	1	

Total credit default swaps on single name reference entities	$ 39	$ 1	$	$ 39	$ 1	$

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The following table sets forth our credit default swaps where we sell protection on credit default swap index tranches and the fair values as of December 31:

	2014			2013		
(Amounts in millions)	**Notional value**	**Assets**	**Liabilities**	**Notional value**	**Assets**	**Liabilities**
Original index tranche attachment/detachment point and maturity:						
7% - 15% matures after one year through five years [1]	$ 100	$ 1	$	$ 100	$ 3	$
9% - 12% matures in less than one year [2]	250	2				
9% - 12% matures after one year through five years [2]				250	5	
10% - 15% matures in less than one year [3]				250	2	
Total credit default swap index tranches	350	3		600	10	
Customized credit default swap index tranches related to securitization entities:						
Portion backing third-party borrowings maturing 2017 [4]	12			12		1
Portion backing our interest maturing 2017 [5]	300		17	300		31
Total customized credit default swap index tranches related to securitization entities	312		17	312		32
Total credit default swaps on index tranches	$ 662	$ 3	$ 17	$ 912	$ 10	$ 32

(1) The current attachment/detachment as of December 31, 2014 and 2013 was 7% 15%.
(2) The current attachment/detachment as of December 31, 2014 and 2013 was 9% 12%.
(3) The current attachment/detachment as of December 31, 2014 and 2013 was 10% 15%.
(4) Original notional value was $39 million.
(5) Original notional value was $300 million.

(6) Deferred Acquisition Costs

The following table presents the activity impacting DAC as of and for the years ended December 31:

(Amounts in millions)	**2014**	**2013**	**2012**
Unamortized balance as of January 1	$ 5,454	$ 5,460	$ 5,458
Impact of foreign currency translation	(44)	(12)	9
Costs deferred	473	457	611
Amortization, net of interest accretion	(493)	(451)	(618)
Unamortized balance as of December 31	5,390	5,454	5,460
Accumulated effect of net unrealized investment (gains) losses	(348)	(176)	(424)
Balance as of December 31	$ 5,042	$ 5,278	$ 5,036

We regularly review DAC to determine if it is recoverable from future income. As of December 31, 2014 and 2013, we believe all of our businesses have sufficient future income and therefore the related DAC is

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recoverable. As part of a life block transaction in the third quarter of 2012, we recorded $39 million of additional DAC amortization to reflect loss recognition on certain term life insurance policies under a reinsurance treaty. As of December 31, 2012, we believed all of our other businesses had sufficient future income and therefore the related DAC was recoverable.

In the first quarter of 2012, we also wrote off $142 million of DAC associated with certain term life insurance policies under a new reinsurance treaty as part of a life block transaction. The write-off was included in amortization, net of interest accretion.

(7) Intangible Assets

The following table presents our intangible assets as of December 31:

	2014		2013	
(Amounts in millions)	**Gross carrying amount**	**Accumulated amortization**	**Gross carrying amount**	**Accumulated amortization**
PVFP	$ 1,995	$ (1,917)	$ 2,061	$ (1,900)
Capitalized software	736	(604)	704	(545)
Deferred sales inducements to contractholders	209	(153)	195	(123)
Other	55	(49)	54	(47)
Total	$ 2,995	$ (2,723)	$ 3,014	$ (2,615)

Amortization expense related to PVFP, capitalized software and other intangible assets for the years ended December 31, 2014, 2013 and 2012 was $78 million, $118 million and $104 million, respectively. Amortization expense related to deferred sales inducements of $30 million, $24 million and $29 million, respectively, for the years ended December 31, 2014, 2013 and 2012 was included in benefits and other changes in policy reserves.

Present Value of Future Profits

The following table presents the activity in PVFP as of and for the years ended December 31:

(Amounts in millions)	**2014**	**2013**	**2012**
Unamortized balance as of January 1	$ 246	$ 297	$ 339
Interest accreted at 5.89%, 5.52% and 5.66%	14	15	18

Amortization	(31)	(66)	(60)
Unamortized balance as of December 31	229	246	297
Accumulated effect of net unrealized investment (gains) losses	(151)	(85)	(180)
Balance as of December 31	$ 78	$ 161	$ 117

We regularly review our assumptions and periodically test PVFP for recoverability in a manner similar to our treatment of DAC. During the fourth quarter of 2014, the loss recognition testing for our acquired block of long-term care insurance business resulted in a premium deficiency. As a result, we wrote off the entire PVFP balance for our long-term care insurance business of $6 million through amortization with a corresponding change to net unrealized investment gains (losses). The results of the test were driven by changes to assumptions and methodologies primarily impacting claim termination rates, most significantly in later-duration claims, and

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benefit utilization rates. As of December 31, 2014, we believe all of our other businesses have sufficient future income and therefore the related PVFP is recoverable. For the years ended December 31, 2013 and 2012, there were no charges to income as a result of our PVFP recoverability testing.

The percentage of the December 31, 2014 PVFP balance net of interest accretion, before the effect of unrealized investment gains or losses, estimated to be amortized over each of the next five years is as follows:

2015	9.1%
2016	11.1%
2017	9.5%
2018	7.7%
2019	6.2%

Amortization expense for PVFP in future periods will be affected by acquisitions, dispositions, net investment gains (losses) or other factors affecting the ultimate amount of gross profits realized from certain lines of business. Similarly, future amortization expense for other intangibles will depend on future acquisitions, dispositions and other business transactions.

(8) Goodwill And Dispositions

Goodwill

The following is a summary of our goodwill balance by segment and Corporate and Other activities as of the dates indicated:

(Amounts in millions)	U.S. Life Insurance	International Mortgage Insurance	U.S. Mortgage Insurance	International Protection	Runoff	Corporate and Other	Total
Balance as of December 31, 2012:							
Gross goodwill	$ 1,034	$ 19	$ 22	$ 89	$ 70	$ 29	$ 1,263
Accumulated impairment losses	(185)		(22)	(89)	(70)	(29)	(395)
Goodwill	849	19					868
Foreign exchange translation		(1)					(1)
Balance as of December 31, 2013:							

Gross goodwill	1,034	18	22	89	70		1,233
Accumulated impairment losses	(185)		(22)	(89)	(70)		(366)
Goodwill	849	18					867
Impairment losses	(849)						(849)
Foreign exchange translation		(2)					(2)
Balance as of December 31, 2014:							
Gross goodwill	1,034	16	22	89	70		1,231
Accumulated impairment losses	(1,034)		(22)	(89)	(70)		(1,215)
Goodwill	$	$ 16	$	$	$	$	$ 16

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Goodwill impairments

During 2014, we recorded goodwill impairments of $849 million in our U.S. Life Insurance segment, including $354 million for our long-term care insurance reporting unit and $495 million for our life insurance reporting unit.

For the first half of 2014, overall market sales for the long-term care insurance industry declined approximately 30% as compared to the same period last year. Given these trends, our annual sales projections included in our determination of fair value for our long-term care insurance reporting unit were lower than the prior year s goodwill testing analysis. Based on the fair value of projected new business for our long-term care insurance reporting unit, we recorded a goodwill impairment of $200 million during the third quarter of 2014, with the remaining goodwill balance of $154 million deemed recoverable as of September 30, 2014 based on our determination of implied goodwill.

During the third quarter of 2014, in connection with our strategic planning process, we revisited our prior strategy of focusing on term life insurance, given the capital-intensive nature of the product and our revised capital plan. We are in the process of transitioning to higher return permanent products, including universal life insurance, indexed universal life insurance and linked-benefit products. Given this transition, our annual sales projections included in the determination of fair value for our life insurance reporting unit were significantly lower than sales levels expected in prior year s goodwill testing analysis. Based on the fair value of projected new business for our life insurance reporting unit, we recorded a goodwill impairment of $350 million during the third quarter of 2014, with the remaining goodwill balance of $145 million deemed recoverable as of September 30, 2014 based on our determination of implied goodwill.

During the fourth quarter of 2014 and in connection with the preparation of the financial statements, due to negative actions taken by rating agencies and suspension of sales by certain distributors, we performed an interim goodwill impairment analysis for our long-term care and life insurance businesses. As a result of current market conditions, decreases in sales projections from negative rating actions and overall uncertainty created as a result of the recent long-term care insurance reserve increases, we recorded a goodwill impairment of $154 million in our long-term care insurance business and $145 million in our life insurance business. The goodwill impairments reduced the goodwill balances of these businesses to zero. The current uncertainty associated with the level and value of new business that a market participant would place on our long-term care and life insurance businesses resulted in concluding the goodwill balances were no longer recoverable.

There were no goodwill impairment charges recorded in 2013.

During the third quarter of 2012, as part of our annual goodwill impairment analysis based on data as of July 1, 2012, we recorded a goodwill impairment of $89 million associated with our international protection reporting unit. Considering current market conditions, including the market environment in Europe and lower trading multiples of European financial services companies, and the impact of those conditions on our international protection reporting unit in a market transaction that may require a higher risk premium, we determined the fair value of the reporting unit was below book value and determined the goodwill associated with this reporting unit was not recoverable. Therefore,

we recognized a goodwill impairment for all of the goodwill associated with our international protection reporting unit during the third quarter of 2012.

Deteriorating or adverse market conditions for certain businesses may have a significant impact on the fair value of our reporting units and could result in future impairments of goodwill.

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Dispositions

Effective April 1, 2013 (immediately prior to the holding company reorganization), Genworth Holdings completed the sale of its reverse mortgage business (which had been part of Corporate and Other activities) for total proceeds of $22 million. The gain on the sale was not significant.

(9) Reinsurance

We reinsure a portion of our policy risks to other insurance companies in order to reduce our ultimate losses, diversify our exposures and provide capital flexibility. We also assume certain policy risks written by other insurance companies. Reinsurance accounting is followed for assumed and ceded transactions when there is adequate risk transfer. Otherwise, the deposit method of accounting is followed.

Reinsurance does not relieve us from our obligations to policyholders. In the event that the reinsurers are unable to meet their obligations, we remain liable for the reinsured claims. We monitor both the financial condition of individual reinsurers and risk concentrations arising from similar geographic regions, activities and economic characteristics of reinsurers to lessen the risk of default by such reinsurers. Other than the relationship discussed below with Union Fidelity Life Insurance Company (UFLIC), we do not have significant concentrations of reinsurance with any one reinsurer that could have a material impact on our financial position.

As of December 31, 2014, the maximum amount of individual ordinary life insurance normally retained by us on any one individual life policy was $5 million.

We have several significant reinsurance transactions (Reinsurance Transactions) with UFLIC. In these transactions, we ceded to UFLIC in-force blocks of structured settlements issued prior to 2004, substantially all of our in-force blocks of variable annuities issued prior to 2004 and a block of long-term care insurance policies that we reinsured in 2000 from MetLife Insurance Company USA. Although we remain directly 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. As of December 31, 2014 and 2013, we had a reinsurance recoverable of $14,494 million and $14,622 million, respectively, associated with those Reinsurance Transactions.

To secure the payment of its obligations to us under the reinsurance agreements governing the Reinsurance Transactions, UFLIC has established trust accounts to maintain an aggregate amount of assets with a statutory book value at least equal to the statutory general account reserves attributable to the reinsured business less an amount required to be held in certain claims-paying accounts. A trustee administers the trust accounts and we are permitted to withdraw from the trust accounts amounts due to us pursuant to the terms of the reinsurance agreements that are not otherwise paid by UFLIC. In addition, pursuant to a Capital Maintenance Agreement, General Electric Capital Corporation, an indirect subsidiary of General Electric Company (GE), agreed to maintain sufficient capital in UFLIC to maintain UFLIC s risk-based capital (RBC) at not less than 150% of its company action level, as defined from time to time by the NAIC.

Under the terms of certain reinsurance agreements that our life insurance subsidiaries have with external parties, we pledged assets in either separate portfolios or in trust for the benefit of external reinsurers. These assets support the reserves ceded to those external reinsurers. We had pledged fixed maturity securities and commercial mortgage loans of $8,737 million and $544 million, respectively, as of December 31, 2014 and $7,823 million and $603 million, respectively, as of December 31, 2013 in connection with these reinsurance agreements. However, we maintain the ability to substitute these pledged assets for other qualified collateral, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level.

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Under the terms of certain reinsurance agreements that our international insurance subsidiaries have with external parties, we deposited $33 million of assets in an authorized account for the benefit of the external reinsurers. These pledged assets support the reserves and certain expenses in accordance with the reinsurance agreement.

The following table sets forth net domestic life insurance in-force as of December 31:

(Amounts in millions)	2014	2013	2012
Direct life insurance in-force	$ 701,797	$ 708,271	$ 730,016
Amounts assumed from other companies	935	1,070	1,148
Amounts ceded to other companies [1]	(393,244)	(313,593)	(331,909)
Net life insurance in-force	$ 309,488	$ 395,748	$ 399,255
Percentage of amount assumed to net	%	%	%

[1] Includes amounts accounted for under the deposit method.

The following table sets forth the effects of reinsurance on premiums written and earned for the years ended December 31:

	Written			Earned		
(Amounts in millions)	2014	2013	2012	2014	2013	2012
Direct:						
Life insurance	$ 1,241	$ 1,199	$ 1,284	$ 1,257	$ 1,214	$ 1,304
Accident and health insurance	3,063	2,944	2,853	3,087	2,945	2,840
Property and casualty insurance	108	97	95	97	85	84
Mortgage insurance	1,814	1,682	1,720	1,588	1,608	1,645
Total direct	6,226	5,922	5,952	6,029	5,852	5,873
Assumed:						
Life insurance	45	9	9	39	8	7
Accident and health insurance	568	403	419	559	414	440
Property and casualty insurance	2			1		
Mortgage insurance	20	19	27	31	33	42

Total assumed	635	431	455	630	455	489
Ceded:						
Life insurance	(351)	(342)	(528)	(351)	(343)	(527)
Accident and health insurance	(790)	(735)	(690)	(783)	(725)	(672)
Property and casualty insurance	(3)			(3)		
Mortgage insurance	(95)	(92)	(132)	(91)	(91)	(122)
Total ceded	(1,239)	(1,169)	(1,350)	(1,228)	(1,159)	(1,321)
Net premiums	$ 5,622	$ 5,184	$ 5,057	$ 5,431	$ 5,148	$ 5,041
Percentage of amount assumed to net				12%	9%	10%

Reinsurance recoveries recognized as a reduction of benefits and other changes in policy reserves amounted to $2,872 million, $2,645 million and $2,951 million during 2014, 2013 and 2012, respectively.

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(10) Insurance Reserves

Future Policy Benefits

The following table sets forth our recorded liabilities and the major assumptions underlying our future policy benefits as of December 31:

(Amounts in millions)	Mortality/ morbidity assumption	Interest rate assumption	2014	2013
Long-term care insurance contracts	(a)	3.75% - 7.50%	$ 19,310	$ 17,023
Structured settlements with life contingencies	(b)	1.50% - 8.00%	9,133	9,267
Annuity contracts with life contingencies	(b)	1.50% - 8.00%	4,470	4,425
Traditional life insurance contracts	(c)	3.00% - 7.50%	2,733	2,736
Supplementary contracts with life contingencies	(b)	1.50% - 8.00%	265	249
Accident and health insurance contracts	(d)	3.50% - 7.00%	4	5
Total future policy benefits			$ 35,915	$ 33,705

(a) The 1983 Individual Annuitant Mortality Table or 2000 U.S. Annuity Table, or 1983 Group Annuitant Mortality Table and the 1985 National Nursing Home Study and company experience.

(b) Assumptions for limited-payment contracts come from either the U.S. Population Table, 1983 Group Annuitant Mortality Table, 1983 Individual Annuitant Mortality Table or Annuity 2000 Mortality Table.

(c) Principally modifications based on company experience of the Society of Actuaries 1965-70 or 1975-80 Select and Ultimate Tables, 1941, 1958, 1980 and 2001 Commissioner s Standard Ordinary Tables, 1980 Commissioner s Extended Term table and (IA) Standard Table 1996 (modified).

(d) The 1958 and 1980 Commissioner s Standard Ordinary Tables, or 2000 U.S. Annuity Table, or 1983 Group Annuitant Mortality.

We regularly review our assumptions and perform loss recognition testing at least annually. During the fourth quarter of 2014, loss recognition testing for our acquired block of long-term care insurance business resulted in a premium deficiency. As a result, we wrote off the PVFP balance of $6 million and increased reserves $710 million. The results of the test were driven by changes to assumptions and methodologies primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates. The liability for future policy benefits for our acquired block of long-term care insurance business represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant and result in further increases in the related future policy benefit reserves for this

block of business by an amount that could be material to our results of operations and financial condition and liquidity.

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Policyholder Account Balances

The following table sets forth our recorded liabilities for policyholder account balances as of December 31:

(Amounts in millions)	**2014**	**2013**
Annuity contracts	$ 14,406	$ 13,730
GICs, funding agreements and FABNs	493	896
Structured settlements without life contingencies	1,828	1,956
Supplementary contracts without life contingencies	742	714
Other	28	34
Total investment contracts	17,497	17,330
Universal life insurance contracts	8,546	8,198
Total policyholder account balances	$ 26,043	$ 25,528

Certain of our U.S. life insurance companies are members of the Federal Home Loan Bank (the FHLB) system in their respective regions. As of December 31, 2014 and 2013, we held $33 million and $70 million, respectively, of FHLB common stock related to those memberships which was included in equity securities. We have outstanding funding agreements with the FHLBs and also have letters of credit which have not been drawn upon. The FHLBs have been granted a lien on certain of our invested assets to collateralize our obligations; however, we maintain the ability to substitute these pledged assets for other qualified collateral, and may use, commingle, encumber or dispose of any portion of the collateral as long as there is no event of default and the remaining qualified collateral is sufficient to satisfy the collateral maintenance level. Upon any event of default by us, the FHLB s recovery on the collateral is limited to the amount of our funding agreement liabilities to the FHLB. The amount of funding agreements outstanding with the FHLB was $199 million and $493 million, respectively, as of December 31, 2014 and 2013 which was included in policyholder account balances. We had letters of credit related to the FHLB of $583 million as of December 31, 2014 and 2013. These funding agreements and letters of credit were collateralized by fixed maturity securities with a fair value of $854 million and $1,153 million, respectively, as of December 31, 2014 and 2013.

Certain Non-Traditional Long-Duration Contracts

The following table sets forth information about our variable annuity products with death and living benefit guarantees as of December 31:

(Dollar amounts in millions)	**2014**	**2013**

Account values with death benefit guarantees (net of reinsurance):		
Standard death benefits (return of net deposits) account value	$ 2,877	$ 3,164
Net amount at risk	$ 5	$ 6
Average attained age of contractholders	72	72
Enhanced death benefits (ratchet, rollup) account value	$ 3,443	$ 3,853
Net amount at risk	$ 119	$ 114
Average attained age of contractholders	73	72
Account values with living benefit guarantees:		
GMWBs	$ 3,675	$ 4,054
Guaranteed annuitization benefits	$ 1,362	$ 1,508

Variable annuity contracts may contain more than one death or living benefit; therefore, the amounts listed above are not mutually exclusive. Substantially all of our variable annuity contracts have some form of GMDB.

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As of December 31, 2014 and 2013, our total liability associated with variable annuity contracts with minimum guarantees was approximately $7,108 million and $7,704 million, respectively. The liability, net of reinsurance, for our variable annuity contracts with GMDB and guaranteed annuitization benefits was $55 million and $39 million as of December 31, 2014 and 2013, respectively.

The contracts underlying the lifetime benefits such as GMWB and guaranteed annuitization benefits are considered in the money if the contractholder s benefit base, or the protected value, is greater than the account value. As of December 31, 2014 and 2013, our exposure related to GMWB and guaranteed annuitization benefit contracts that were considered in the money was $532 million and $467 million, respectively. For GMWBs and guaranteed annuitization benefits, the only way the contractholder can monetize the excess of the benefit base over the account value of the contract is through lifetime withdrawals or lifetime income payments after annuitization.

Account balances of variable annuity contracts with death or living benefit guarantees were invested in separate account investment options as follows as of December 31:

(Amounts in millions)	2014	2013 [1]
Balanced funds	$ 3,848	$ 4,187
Equity funds	1,639	1,778
Bond funds	707	897
Money market funds	96	98
Total	$ 6,290	$ 6,960

(1) The balances as of December 31, 2013 have been represented as a result of classification changes and to exclude fixed account assets from bond funds.

(11) Liability for Policy and Contract Claims

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

(Amounts in millions)	2014	2013
Long-term care insurance	$ 6,216	$ 4,999
U.S. mortgage insurance	1,180	1,482
International mortgage insurance	308	378
Life insurance	197	188

Lifestyle protection insurance	106	108
Fixed annuities	21	29
Runoff	15	20
Total liability for policy and contract claims	$ 8,043	$ 7,204

The liability for policy and contract claims represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant, and result in increases in reserves by an amount that could be material to our results of operations and financial condition and liquidity.

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Long-term care insurance

The following table sets forth changes in the liability for policy and contract claims for our long-term care insurance business for the dates indicated:

(Amounts in millions)	2014	2013	2012
Beginning balance as of January 1	$ 4,999	$ 4,655	$ 4,130
Less reinsurance recoverables	(1,707)	(1,574)	(1,387)
Net balance as of January 1	3,292	3,081	2,743
Incurred related to insured events of:			
Current year	1,474	1,323	1,271
Prior years	726	3	93
Total incurred	2,200	1,326	1,364
Paid related to insured events of:			
Current year	(134)	(131)	(111)
Prior years	(1,263)	(1,160)	(1,068)
Total paid	(1,397)	(1,291)	(1,179)
Interest on liability for policy and contract claims	195	176	153
Net balance as of December 31	4,290	3,292	3,081
Add reinsurance recoverables	1,926	1,707	1,574
Ending balance as of December 31	$ 6,216	$ 4,999	$ 4,655

The liability for policy and contract claims of our long-term care insurance business increased in 2014 largely as a result of the completion of a comprehensive review of our long-term care insurance claim reserves conducted during the third quarter of 2014 which resulted in recording higher reserves of $604 million and an increase in reinsurance recoverable of $73 million. This review was commenced as a result of adverse claims experience during the second quarter of 2014 and in connection with our regular review of our claim reserves assumptions during the third quarter of each year. As a result of this review, we made changes to our assumptions and methodologies relating to our long-term care insurance claim reserves primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates, reflecting that claims are not terminating as quickly and claimants

are utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. In conducting the review, we increased the population of claims reviewed, utilizing more of our recent data.

During the third quarter of 2014, we also recorded a $61 million unfavorable correction to claim reserves related to a calculation of benefit utilization for policies with a benefit inflation option. This error arose prior to 2011 and was not material to earnings in any interim or annual period. During the fourth quarter of 2014, we recorded an $81 million unfavorable correction to claim reserves primarily related to claims in course of settlement arising in connection with the implementation of our updated assumptions and methodologies as part of our comprehensive claims review completed in the third quarter of 2014 and a $21 million unfavorable adjustment related to a revised interest rate assumption, partially offset by a $49 million favorable refinement of assumptions for claim termination rates. As a result of these items, we also recorded an increase in reinsurance recoverable of $17 million in 2014. The remaining increase was attributable to aging and growth of the in-force block. These impacts related to insured events for prior years.

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In 2013, the increase in the liability for policy and contract claims of our long-term care insurance business was predominantly related to growth and aging of the in-force block.

In 2012, the increase in the liability for policy and contract claims and the increase in prior year claim reserves of our long-term care insurance business was mostly driven by growth and aging of the in-force block, an increase in severity and duration of claims associated with observed loss development and higher average reserve costs on new claims.

U.S. mortgage insurance

The following table sets forth changes in the liability for policy and contract claims for our U.S. mortgage insurance business for the dates indicated:

(Amounts in millions)	**2014**	**2013**	**2012**
Beginning balance as of January 1	$ 1,482	$ 2,009	$ 2,488
Less reinsurance recoverables	(44)	(80)	(178)
Net balance as of January 1	1,438	1,929	2,310
Incurred related to insured events of:			
Current year	328	476	717
Prior years	29	(63)	7
Total incurred	357	413	724
Paid related to insured events of:			
Current year	(21)	(45)	(92)
Prior years	(618)	(859)	(1,013)
Total paid	(639)	(904)	(1,105)
Net balance as of December 31	1,156	1,438	1,929
Add reinsurance recoverables	24	44	80
Ending balance as of December 31	$ 1,180	$ 1,482	$ 2,009

The liability for policy and contract claims of our U.S. mortgage insurance business decreased in 2014 predominantly from a decline in new delinquencies, as well as lower reserves on new delinquencies, partially offset by an aggregate increase in our claim reserves in 2014 in connection with the settlement agreement with Bank of America, N.A. and

the resolution of a second matter involving a dispute with another servicer over loss mitigation activities. These settlements related to insured events for prior years.

In 2013, the liability for policy and contract claims of our U.S. mortgage insurance business decreased due to lower new delinquencies and improvements in net cures and aging on existing delinquencies in 2013. We also decreased prior year claim reserves related to our U.S. mortgage insurance business in 2013 primarily from improvements in net cures.

In 2012, the liability for policy and contract claims of our U.S. mortgage insurance business decreased due to lower new delinquencies in 2012, increased loss mitigation efforts and a reserve strengthening in 2011 that did not recur, partially offset by the continued aging of delinquencies.

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(12) Employee Benefit Plans

(a) Pension and Retiree Health and Life Insurance Benefit Plans

Essentially all of our employees are enrolled in a qualified defined contribution pension plan. The plan is 100% funded by Genworth. We make annual contributions to each employee s pension plan account based on the employee s age, service and eligible pay. Employees are vested in the plan after three years of service. As of December 31, 2014 and 2013, we recorded a liability related to these benefits of $13 million.

In addition, certain employees also participate in non-qualified defined contribution plans and in qualified and non-qualified defined benefit pension plans. The plan assets, projected benefit obligation and accumulated benefit obligation liabilities of these plans were not material to our consolidated financial statements individually or in the aggregate. As of December 31, 2014 and 2013, we recorded a liability related to these plans of $71 million and $38 million, respectively, which we accrued in other liabilities in the consolidated balance sheets. The increase in the liability was largely driven by a decrease in the discount rate assumption in 2014. In 2014, we recognized a decrease of $34 million in OCI related to these plans. In 2013, we recognized an increase of $23 million in OCI related to these plans and also recognized a $4 million gain for the closure of the U.K. pension plan to future service accruals.

We provide retiree health benefits to domestic employees hired prior to January 1, 2005 who meet certain service requirements. Under this plan, retirees over 65 years of age receive a subsidy towards the purchase of a Medigap policy, and retirees under 65 years of age receive medical benefits similar to our employees medical benefits. In December 2009, we announced that eligibility for retiree medical benefits will be limited to associates who are within 10 years of retirement eligibility as of January 1, 2010. This resulted in a negative plan amendment which will be amortized over the average future service of the participants. We also provide retiree life and long-term care insurance benefits. The plans are funded as claims are incurred. As of December 31, 2014 and 2013, the accumulated postretirement benefit obligation associated with these benefits was $90 million and $79 million, respectively, which we accrued in other liabilities in the consolidated balance sheets. In 2014, we recognized a decrease of $10 million in OCI. In 2013, we recognized an increase of $11 million in OCI and also recognized a $1 million gain related to reduced benefit costs driven by fewer participants due to the sale of our wealth management and reverse mortgage businesses and from an expense reduction plan announced in June 2013.

Our cost associated with our pension, retiree health and life insurance benefit plans was $21 million, $22 million and $28 million for the years ended December 31, 2014, 2013 and 2012, respectively.

(b) Savings Plans

Our domestic employees participate in qualified and non-qualified defined contribution savings plans that allow employees to contribute a portion of their pay to the plan on a pre-tax basis. We match these contributions, which vest immediately, up to 6% of the employee s pay. Employees hired on or after January 1, 2011 will not vest immediately in Genworth matching contributions but will fully vest in the matching contributions after two complete years of

service. One option available to employees in the defined contribution savings plan is the ClearCourse® variable annuity option offered by certain of our life insurance subsidiaries. The amount of deposits recorded by our life insurance subsidiaries in 2014 and 2013 in relation to this plan option was $1 million for each year. Employees also have the option of purchasing a fund which invests primarily in Genworth stock as part of the defined contribution savings plan. Our cost associated with these plans was $16 million, $17 million and $20 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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(c) Health and Welfare Benefits for Active Employees

We provide health and welfare benefits to our employees, including health, life, disability, dental and long-term care insurance. Our long-term care insurance is provided through our group long-term care insurance business. The premiums recorded by these businesses related to these benefits were insignificant during 2014, 2013 and 2012.

(13) Borrowings and Other Financings

(a) Short-Term Borrowings

Commercial Paper Facility

In the second quarter of 2013, we terminated our $1.0 billion commercial paper program. There was no amount outstanding under the commercial paper program when terminated and none outstanding since February 2009.

Revolving Credit Facility

In September 2013, Genworth Financial and Genworth Holdings entered into a Credit Agreement (the Credit Agreement) which provides Genworth Holdings with a $300 million multi-currency revolving credit facility, with a $100 million sublimit for letters of credit. The credit facility is available on a revolving basis until September 26, 2016, unless the commitments are terminated earlier either at the request of Genworth Holdings or by the lenders as a result of any event of default. On no more than two occasions during the term of the facility, Genworth Holdings may request each lender to extend the maturity date of its commitment for an additional one-year period. Genworth Holdings request will be granted if lenders (including any new lenders replacing non-consenting lenders) holding more than 50% of the commitments consent to the requested extension(s). The proceeds of the loans may be used for working capital and general corporate purposes. As of December 31, 2014 and 2013, there was no amount outstanding under the credit facility. The obligations under the Credit Agreement are unsecured and payment of Genworth Holdings obligations is fully and unconditionally guaranteed by Genworth Financial.

Any borrowings under the revolving credit facility will bear interest at a rate per annum equal to, at the option of Genworth Holdings, (i) a rate based on the greater of JPMorgan Chase Bank N.A. s prime rate, the federal funds rate and the one-month adjusted London interbank offered rate from time to time, or (ii) with respect to euro currency borrowings, a rate based on the London interbank offered rate from time to time, plus in each case a margin that fluctuates based upon the ratings assigned from time to time by Moody s Investors Service, Inc. and Standard & Poor s Rating Group to Genworth Holdings senior unsecured long-term indebtedness for borrowed money that is not guaranteed by any other person other than Genworth Financial or subject to any other credit enhancement. Genworth Holdings will also pay a commitment fee at a rate that varies with Genworth Holdings senior unsecured long-term indebtedness ratings and that is calculated on the average daily unused amount of the commitments, payable quarterly in arrears.

The Credit Agreement contains representations, warranties, covenants, terms and conditions customary for transactions of this type. These include negative covenants limiting the ability of Genworth Holdings and its subsidiaries, to: (1) create liens other than permitted liens; (2) in the case of Genworth Holdings and Genworth Life Insurance Company (GLIC), merge into or consolidate with any other person or permit any person to merge into or consolidate with them unless Genworth Holdings or GLIC, as applicable, is the surviving person; (3) sell, transfer, lease, or otherwise dispose of all or substantially all of the assets of Genworth Holdings and its

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subsidiaries, taken as a whole, and the equity interest in or assets of GLIC, subject to certain excluded transactions; (4) enter into certain transactions with affiliates; and (5) enter into certain restrictive agreements. In addition, Genworth Financial agrees not to permit Priority Indebtedness (as defined in the Credit Agreement) to exceed 7.5% of its consolidated total capitalization (as defined in the Credit Agreement) as of the end of any fiscal quarter ending on and after September 30, 2013.

The Credit Agreement also contains financial covenants that require Genworth Financial not to permit (i) its capitalization ratio (as defined in the Credit Agreement) to be greater than 0.35 to 1.00, and (ii) its consolidated net worth (as defined in the Credit Agreement) to be less than the sum of $8.9 billion plus 50% of its consolidated net income (as defined in the Credit Agreement), in each case as of the end of each fiscal quarter ending on and after September 30, 2013.

The Credit Agreement contains certain customary events of default, subject to customary grace periods, including, among others: (1) failure to pay when due principal, interest or any other amounts due and payable under the Credit Agreement; (2) incorrectness in any material respect of representations and warranties when made or deemed made; (3) breach of specified covenants; (4) cross-defaults with other material indebtedness (as defined in the Credit Agreement) exceeding an aggregate principal amount of $100 million; (5) certain ERISA (Employee Retirement Income Security Act of 1974) events, (6) bankruptcy and insolvency events, (7) occurrence of a change in control of either Genworth Financial or Genworth Holdings; (8) inability to pay debts as they become due; (9) certain undischarged judgments; (10) Genworth Financial s guarantee ceases to be valid, binding and enforceable in accordance with its terms; or (11) issuance by any insurance regulatory official of any material corrective order or initiation by any such official of any material regulatory proceeding to oversee or direct management, if such order of proceeding continues undismissed for a period of 30 days.

(b) Long-Term Borrowings

The following table sets forth total long-term borrowings as of December 31:

(Amounts in millions)	**2014**	**2013**
Genworth Holdings		
5.75% Senior Notes, due 2014	$	$ 485
8.625% Senior Notes, due 2016	300	300
6.52% Senior Notes, due 2018	600	600
7.70% Senior Notes, due 2020	400	400
7.20% Senior Notes, due 2021	399	399
7.625% Senior Notes, due 2021	758	759
4.90% Senior Notes, due 2023	399	399
4.80% Senior Notes, due 2024	400	400

6.50% Senior Notes, due 2034	297	297
6.15% Fixed-to-Floating Rate Junior Suboridinated Notes, due 2066	598	598
Canada		
4.59% Senior Notes, due 2015		141
5.68% Senior Notes, due 2020	236	258
4.24% Senior Notes, due 2024	138	
Australia		
Floating Rate Junior Notes, due 2021	114	125
Total	$ 4,639	$ 5,161

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Genworth Holdings

Long-Term Senior Notes

As of December 31, 2014, Genworth Holdings had outstanding eight series of fixed rate senior notes with varying interest rates between 4.80% and 8.625% and maturity dates between 2016 and 2034. The senior notes are Genworth Holdings direct, unsecured obligations and rank equally in right of payment with all of its existing and future unsecured and unsubordinated obligations. Genworth Financial provides a full and unconditional guarantee to the trustee of Genworth Holdings outstanding senior notes and the holders of the senior notes, on an unsecured unsubordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, each outstanding series of senior notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior notes indenture in respect of such senior notes. We have the option to redeem all or a portion of each series of senior notes at any time with notice to the noteholders at a price equal to the greater of 100% of principal or the sum of the present value of the remaining scheduled payments of principal and interest discounted at the then-current treasury rate plus an applicable spread.

We repaid $485 million of our 5.75% senior notes due 2014 issued in June 2004 (the 2014 Notes) in June 2014 from cash on hand.

In December 2013, Genworth Holdings issued $400 million aggregate principal amount of senior notes, with an interest rate of 4.80% per year payable semi-annually, and maturing in 2024 (2024 Notes). The net proceeds of $397 million from the issuance of the 2024 Notes, together with cash on hand at Genworth Financial, were used to contribute $100 million to Genworth Mortgage Insurance Corporation (GMICO), our primary U.S. mortgage insurance subsidiary, and an additional $300 million was contributed to a U.S. mortgage holding company to be used to satisfy all or part of the higher capital requirements expected to be imposed by the government-sponsored enterprises (GSEs) as part of the anticipated revisions to their asset-and capital-related requirements. In May 2014, our U.S. mortgage holding company contributed the additional $300 million to GMICO.

In August 2013, Genworth Holdings issued $400 million aggregate principal amount of 4.90% senior notes due 2023 (the 2023 Notes). The net proceeds of $396 million from the issuance of the 2023 Notes, together with cash on hand at Genworth Holdings, were used to redeem all $346 million of the remaining outstanding aggregate principal amount of Genworth Holdings 4.95% senior notes due 2015 (the 2015 Notes) and pay accrued and unpaid interest on such notes and pay a make-whole payment of approximately $30 million pre-tax.

During 2013, Genworth Holdings repurchased $15 million aggregate principal amount of the 2014 Notes, and paid accrued and unpaid interest thereon. In June 2013, Genworth Holdings repurchased $4 million aggregate principal amount of the 2015 Notes, and paid accrued and unpaid interest thereon.

During the fourth quarter of 2012, we completed a tender offer for up to $100 million of 2014 Notes. As a result of this tender offer, we repurchased principal of approximately $100 million of these notes, plus accrued interest on the

notes repurchased, for a pre-tax loss of $6 million.

In March 2011, we issued $400 million of 7.625% senior notes due 2021 (the 2021 Notes) and in March 2012, we issued an additional $350 million aggregate principal amount of the 2021 Notes. The 2021 Notes issued in March 2012 were issued at a public offering price of 103% of principal amount, with a yield to maturity of 7.184%. The net proceeds of $358 million from the issuance of these 2021 Notes were used for general corporate purposes, including increasing liquidity at the Genworth Holdings level.

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In June 2012, we repaid $222 million of our 5.65% senior notes due 2012 at their maturity.

Long-Term Junior Subordinated Notes

As of December 31, 2014, Genworth Holdings had outstanding fixed-to-floating rate junior notes having an aggregate principal amount of $598 million, with an annual interest rate equal to 6.15% payable semi-annually, until November 15, 2016, at which point the annual interest rate will be equal to the three-month London Interbank Offered Rate (LIBOR) plus 2.0025% payable quarterly, until the notes mature in November 2066 (2066 Notes). Subject to certain conditions, Genworth Holdings has the right, on one or more occasions, to defer the payment of interest on the 2066 Notes during any period of up to 10 years without giving rise to an event of default and without permitting acceleration under the terms of the 2066 Notes. Genworth Holdings will not be required to settle deferred interest payments until it has deferred interest for five years or made a payment of current interest. In the event of our bankruptcy, holders will have a limited claim for deferred interest.

Genworth Holdings may redeem the 2066 Notes on November 15, 2036, the scheduled redemption date, but only to the extent that it has received net proceeds from the sale of certain qualifying capital securities. Genworth Holdings may redeem the 2066 Notes (i) in whole or in part, at any time on or after November 15, 2016 at their principal amount plus accrued and unpaid interest to the date of redemption or (ii) in whole or in part, prior to November 15, 2016 at their principal amount plus accrued and unpaid interest to the date of redemption or, if greater, a make-whole price.

The 2066 Notes will be subordinated to all existing and future senior, subordinated and junior subordinated debt of Genworth Holdings, except for any future debt that by its terms is not superior in right of payment, and will be effectively subordinated to all liabilities of our subsidiaries. Genworth Financial provides a full and unconditional guarantee to the trustee of the 2066 Notes and the holders of the 2066 Notes, on an unsecured subordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, the outstanding 2066 Notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the 2066 Notes indenture in respect of the 2066 Notes.

In connection with the issuance of the 2066 Notes, we entered into a Replacement Capital Covenant (the Replacement Capital Covenant), whereby we agreed, for the benefit of holders of our 6.5% Senior Notes due 2034, that Genworth Holdings will not repay, redeem or repurchase all or any part of the 2066 Notes on or before November 15, 2046, unless such repayment, redemption or repurchase is made from the proceeds of the issuance of certain replacement capital securities and pursuant to the other terms and conditions set forth in the Replacement Capital Covenant.

Canada

As of December 31, 2014, our indirect majority-owned subsidiary, Genworth MI Canada Inc. (Genworth Canada), had outstanding two series of fixed rate senior notes with interest rates of 5.68% and 4.24% and maturity dates of 2020 and 2024, respectively. The senior notes are redeemable at the option of Genworth Canada, in whole or in part, at any

time.

In April 2014, Genworth Canada issued CAD$160 million aggregate principal amount of 4.24% senior notes (the 2024 Canada Notes). The net proceeds of the offering of the 2024 Canada Notes were used to redeem, in full, the CAD$150 million outstanding principal on its existing 4.59% senior notes due 2015. In conjunction with the redemption, Genworth Canada made an early redemption payment to existing noteholders of approximately CAD$7 million and accrued interest of approximately CAD$2 million in the second quarter of 2014.

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Australia

As of December 31, 2014, our indirect majority-owned subsidiary, Genworth Financial Mortgage Insurance Pty Limited, had outstanding subordinated floating rate notes due 2021 (the 2021 Australia Notes) with an interest rate of three-month Bank Bill Swap reference rate plus a margin of 4.75%. Genworth Financial Mortgage Insurance Pty Limited issued AUD$140 million aggregate principal amount of the 2021 Australia Notes in June 2011. The net proceeds of the offering were used for general corporate purposes.

(c) Non-Recourse Funding Obligations

The following table sets forth the non-recourse funding obligations (surplus notes) of our wholly-owned, special purpose consolidated captive insurance subsidiaries as of December 31:

(Amounts in millions) **Issuance**	**2014**	**2013**
River Lake Insurance Company [a], due 2033	$ 570	$ 570
River Lake Insurance Company [b], due 2033	435	461
River Lake Insurance Company II [a], due 2035	192	192
River Lake Insurance Company II [b], due 2035	484	500
Rivermont Life Insurance Company I [a], due 2050	315	315
Total	$ 1,996	$ 2,038

[a] Accrual of interest based on one-month LIBOR that resets every 28 days plus a fixed margin.
[b] Accrual of interest based on one-month LIBOR that resets on a specified date each month plus a contractual margin.

These surplus notes bear a floating rate of interest and have been deposited into a series of trusts that have issued money market or term securities. Both principal and interest payments on the money market and term securities are guaranteed by a third-party insurance company. The holders of the money market or term securities cannot require repayment from us or any of our subsidiaries, other than the River Lake and Rivermont Insurance Companies, as applicable, the direct issuers of the notes. We have provided a limited guarantee to Rivermont Life Insurance Company (Rivermont I), where under adverse interest rate, mortality or lapse scenarios (or combination thereof), we may be required to provide additional funds to Rivermont I. Genworth Life and Annuity Insurance Company, our wholly-owned subsidiary, has agreed to indemnify the issuers and the third-party insurer for certain limited costs related to the issuance of these obligations.

Any payment of principal, including by redemption, or interest on the notes may only be made with the prior approval of the Director of Insurance of the State of South Carolina in accordance with the terms of its licensing orders and in accordance with applicable law. The holders of the notes have no rights to accelerate payment of principal of the notes under any circumstances, including without limitation, for non-payment or breach of any covenant. Each issuer reserves the right to repay the notes that it has issued at any time, subject to prior regulatory approval.

During 2014 and 2013, River Lake Insurance Company, our indirect wholly-owned subsidiary, repaid $26 million and $28 million, respectively, of its total outstanding floating rate subordinated notes due in 2033.

During 2014, River Lake Insurance Company II (River Lake II), our indirect wholly-owned subsidiary, repaid $16 million of its total outstanding floating rate subordinated notes due in 2035.

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In December 2012, we acquired $20 million of non-recourse funding obligations issued by River Lake II, resulting in a U.S. GAAP pre-tax gain of $4 million. We accounted for these transactions as redemptions of our non-recourse funding obligations.

On March 26, 2012, River Lake Insurance Company IV Limited (River Lake IV) repaid $3 million of its total outstanding $8 million Class B Floating Rate Subordinated Notes due May 25, 2028 following an early redemption event, in accordance with the priority of payments. During the three months ended September 30, 2012, as part of a life block transaction, we acquired $270 million of non-recourse funding obligations issued by River Lake IV, which were accounted for as redemptions of our non-recourse funding obligations and resulted in a U.S. GAAP after-tax gain of approximately $21 million. The life block transaction also resulted in higher after-tax DAC amortization of $25 million reflecting loss recognition associated with a third-party reinsurance treaty plus additional expenses. The combined transactions resulted in a U.S. GAAP after-tax loss of $6 million in the three months ended September 30, 2012 which was included in our U.S. Life Insurance segment. In December 2012, we repaid the remaining outstanding non-recourse funding obligations issued by River Lake IV of $235 million.

In January 2012, as part of a life block transaction, we acquired $475 million of our non-recourse funding obligations issued by River Lake Insurance Company III (River Lake III), our indirect wholly-owned subsidiary, which were accounted for as redemptions of our non-recourse funding obligations and resulted in a U.S. GAAP after-tax gain of approximately $52 million. In connection with the life block transaction, we ceded certain term life insurance policies to a third-party reinsurer resulting in a U.S. GAAP after-tax loss, net of DAC amortization, of $93 million. The combined transactions resulted in a U.S. GAAP after-tax loss of approximately $41 million in the three months ended March 31, 2012 which was included in our U.S. Life Insurance segment. In February and March 2012, we repaid the remaining outstanding non-recourse funding obligations issued by River Lake III of $176 million.

The weighted-average interest rates on the non-recourse funding obligations as of December 31, 2014 and 2013 were 1.51% and 1.50%, respectively.

(d) Liquidity

Principal amounts under our long-term borrowings (including senior notes) and non-recourse funding obligations by maturity were as follows as of December 31, 2014:

(Amounts in millions)	Amount
2015	$
2016	300
2017	
2018	600
2019 and thereafter [1]	5,735

Total	$ 6,635

(1) Repayment of $2.0 billion of our non-recourse funding obligations requires regulatory approval.
Our liquidity requirements are principally met through cash flows from operations.

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(14) Income Taxes

Income (loss) from continuing operations before income taxes included the following components for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Domestic	$ (2,008)	$ 294	$ (73)
Foreign	732	756	679
Income (loss) from continuing operations before income taxes	$ (1,276)	$ 1,050	$ 606

The total provision (benefit) for income taxes was as follows for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Current federal income taxes	$ (3)	$ (18)	$ (68)
Deferred federal income taxes	(443)	160	36
Total federal income taxes	(446)	142	(32)
Current state income taxes	4	(1)	(16)
Deferred state income taxes	(4)	(9)	(9)
Total state income taxes		(10)	(25)
Current foreign income taxes	258	422	138
Deferred foreign income taxes	(40)	(230)	57
Total foreign income taxes	218	192	195
Total provision (benefit) for income taxes	$ (228)	$ 324	$ 138

Our current income tax receivable was $30 million as of December 31, 2014 and our current income tax payable was $132 million as of December 31, 2013.

The reconciliation of the federal statutory tax rate to the effective income tax rate was as follows for the years ended December 31:

(Amounts in millions)	2014		2013		2012	
Pre-tax income (loss)	$ (1,276)		$ 1,050		$ 606	
Statutory U.S. federal income tax rate	(447)	35.0%	368	35.0%	212	35.0%
Increase (reduction) in rate resulting from:						
State income tax, net of federal income tax effect			(2)	(0.2)	(16)	(2.7)
Benefit on tax favored investments	(18)	1.4	(18)	(1.7)	(9)	(1.4)
Effect of foreign operations	(69)	5.4	(75)	(7.1)	(66)	(10.9)
Change in indefinite reinvestment assertion	66	(5.2)				
Interest on uncertain tax positions	(2)	0.1	(1)	(0.1)	(3)	(0.6)
Non-deductible expenses	4	(0.3)	2	0.2	3	0.5
Non-deductible goodwill	245	(19.2)			19	3.1
Valuation allowance	(6)	0.5	16	1.5		
Stock-based compensation	4	(0.3)	25	2.4		
Other, net	(5)	0.5	9	0.9	(2)	(0.2)
Effective rate	$ (228)	17.9%	$ 324	30.9%	$ 138	22.8%

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For the year ended December 31, 2014, the decrease in the effective tax rate was primarily attributable to non-deductible goodwill impairments in 2014 and a charge of $174 million in the fourth quarter of 2014 associated with our Australian mortgage insurance business as we can no longer assert our intent to permanently reinvest earnings in that business, partially offset by a net $108 million benefit in the fourth quarter of 2014 in our lifestyle protection insurance business primarily from an internal debt restructuring related to the planned sale of that business.

For the year ended December 31, 2013, the increase in the effective tax rate was primarily attributable to additional tax expense of $25 million, including $13 million from a correction of prior years, related to non-deductible stock compensation expense resulting from cancellations recorded in 2013. The increase in the effective tax rate was also attributable to a valuation allowance on a deferred tax asset on a specific separate tax return net operating loss that is no longer expected to be realized, state income taxes and the proportion of lower taxed foreign income to pre-tax earnings in 2013 compared to 2012, partially offset by a non-deductible goodwill impairment in 2012.

The components of the net deferred income tax liability were as follows as of December 31:

(Amounts in millions)	**2014**	**2013**
Assets:		
Foreign tax credit carryforwards	$ 666	$ 432
Accrued commission and general expenses	219	339
State income taxes	275	278
Net operating loss carryforwards	1,803	1,762
Net unrealized losses on derivatives		160
Other	37	41
Gross deferred income tax assets	3,000	3,012
Valuation allowance	(301)	(312)
Total deferred income tax assets	2,699	2,700
Liabilities:		
Investments	$ 100	$ 140
Net unrealized gains on investment securities	1,283	454
Net unrealized gains on derivatives	222	
Insurance reserves	544	1,034
DAC	1,095	1,130
PVFP and other intangibles	5	53
Investment in foreign subsidiaries	310	13
Other	48	82

Total deferred income tax liabilities	3,607	2,906
Net deferred income tax liability	$ 908	$ 206

The above valuation allowances of $301 million and $312 million, respectively, related to state deferred tax assets, foreign net operating losses and a specific federal separate tax return net operating loss deferred tax asset as of December 31, 2014 and 2013, respectively. The state deferred tax assets related primarily to the future deductions associated with the Section 338 elections and non-insurance net operating loss (NOL) carryforwards. The net decrease in the valuation allowance during 2014 related to changes in judgments regarding the future realization of deferred tax assets. Based on our analysis, we believe it is more likely than not that the results of future operations and the implementations of tax planning strategies will generate sufficient taxable income to enable us to realize the deferred tax assets for which we have not established valuation allowances.

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NOL carryforwards amounted to $5,191 million as of December 31, 2014, and, if unused, will expire beginning in 2021. Of this amount, $24 million will result in a benefit recorded in APIC when realized. Foreign tax credit carryforwards amounted to $666 million as of December 31, 2014, and, if unused will begin to expire in 2015.

As a consequence of our separation from GE, and our joint election with GE to treat that separation as an asset sale under Section 338 of the Internal Revenue Code, we became entitled to additional tax deductions in post IPO periods. As of December 31, 2014 and 2013, we have recorded in our consolidated balance sheets our estimates of the remaining deferred tax benefits associated with these deductions of $599 million. We are obligated, pursuant to our Tax Matters Agreement with GE, to make fixed payments to GE, over the next 9 years, on an after-tax basis and subject to a cumulative maximum of $640 million, which is 80% of the projected tax savings associated with the Section 338 deductions. We recorded net interest expense of $13 million, $15 million and $17 million for the years ended December 31, 2014, 2013 and 2012, respectively, reflecting accretion of our liability at the Tax Matters Agreement rate of 5.72%. As of December 31, 2014 and 2013, we have recorded the estimated present value of our remaining obligation to GE of $216 million and $245 million, respectively, as a liability in our consolidated balance sheets. Both our IPO-related deferred tax assets and our obligation to GE are estimates that are subject to change.

In 2014, we increased our deferred tax liability by $6 million, with an offset to additional paid-in capital related to an unsupported tax balance that arose prior to our IPO. In 2013, we increased our deferred tax liability by $17 million, with an offset to additional paid-in capital related to an unsupported tax balance that arose prior to our IPO. In 2012, we decreased our deferred tax liability by $36 million with an offset to additional paid-in capital related to an unsupported tax balance that arose prior to our IPO.

U.S. deferred income taxes are not provided on unremitted foreign income that is considered permanently reinvested, which as of December 31, 2014, amounted to approximately $1,642 million related to our Canadian mortgage insurance business. It is not practicable to determine the income tax liability that might be incurred if all such income was remitted to the United States due to the inherent complexities associated with any hypothetical calculation. We will record deferred taxes in the period in which we are no longer able to assert unremitted earnings of foreign operations are permanently reinvested. Our Canadian mortgage insurance business held cash and short-term investments of $124 million related to the unremitted earnings of foreign operations considered to be permanently reinvested as of December 31, 2014.

A reconciliation of the beginning and ending amount of unrecognized tax benefits was as follows:

(Amounts in millions)	**2014**	**2013**	**2012**
Balance as of January 1	$ 41	$ 55	$ 226
Tax positions related to the current period:			
Gross additions	7	3	14
Gross reductions	(3)		

Tax positions related to the prior years:			
Gross additions	17	4	
Gross reductions	(13)	(21)	(131)
Settlements			(54)
Balance as of December 31	$ 49	$ 41	$ 55

The total amount of unrecognized tax benefits was $49 million as of December 31, 2014, of which $44 million, if recognized, would affect the effective rate on continuing operations. These unrecognized tax benefits included the impact of foreign currency translation from our international operations.

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We recognize accrued interest and penalties related to unrecognized tax benefits as components of income tax expense. We recorded $3 million, $1 million and $5 million, respectively, of benefits related to interest and penalties during 2014, 2013 and 2012. We had no interest and penalties accrued as of December 31, 2014. We had approximately $3 million of interest and penalties accrued as of December 31, 2013.

For tax years prior to 2011, we filed U.S. separate non-life consolidated, life consolidated Federal income tax returns, several separate non-life and life returns and various state and local tax returns. For tax years beginning in 2011 and thereafter, we have elected to file a life/non-life consolidated return for U.S. federal income tax purposes. With possible exceptions, we are no longer subject to U.S. Federal tax examinations for years through 2009. Any exposure with respect to these pre-2010 years has been sufficiently recorded in the financial statements. Potential state and local examinations for those years are generally restricted to results that are based on closed U.S. Federal examinations. For our life and non-life consolidated company federal income tax returns, all tax years prior to 2010 have been examined or reviewed. Several of our companies were included in a consolidated return with our former parent, GE, for pre-2005 tax years before our IPO. The Internal Revenue Service completed its examination of these GE consolidated returns in 2010, and the appropriate adjustments under the Tax Matters Agreement and other tax sharing arrangements with GE were settled and finalized during the year ended December 31, 2012. We are also responsible for any tax liability of any separate U.S. Federal and state pre-disposition period returns of former life insurance and non-insurance subsidiaries sold in the years 2011 to 2013. With respect to our foreign affiliates, there are various examinations ongoing by foreign jurisdictions with any material exposure liability related thereto being duly recorded in the financial statements.

We believe it is reasonably possible that in 2015 as a result of our open audits and appeals, up to approximately $14 million of unrecognized tax benefits will be recognized. These tax benefits are related to certain insurance tax attributes in the United States and in foreign jurisdictions.

(15) Supplemental Cash Flow Information

Net cash paid for taxes was $439 million, $146 million and $287 million and cash paid for interest was $437 million, $453 million and $465 million for the years ended December 31, 2014, 2013 and 2012, respectively.

(16) Stock-Based Compensation

Prior to May 2012, we granted share-based awards to employees and directors, including stock options, stock appreciation rights (SARs), restricted stock units (RSUs) and deferred stock units (DSUs) under the 2004 Genworth Financial, Inc. Omnibus Incentive Plan (the 2004 Omnibus Incentive Plan). In May 2012, the 2012 Genworth Financial, Inc. Omnibus Incentive Plan (the 2012 Omnibus Incentive Plan, together with the 2004 Omnibus Incentive Plan, the Omnibus Incentive Plans) was approved by stockholders. Under the 2012 Omnibus Incentive Plan, we are authorized to grant 16 million equity awards, plus a number of additional shares not to exceed 25 million underlying awards outstanding under the prior Plan. From and after May 2012, no further awards have been or will be granted under the 2004 Omnibus Incentive Plan and the 2004 Omnibus Incentive Plan will remain in effect only as long as

awards granted thereunder remain outstanding.

We recorded stock-based compensation expense under the Omnibus Incentive Plans of $22 million, $30 million and $23 million, respectively, for the years ended December 31, 2014, 2013 and 2012. For awards issued prior to January 1, 2006, stock-based compensation expense was recognized on a graded vesting attribution method over the awards respective vesting schedule. For awards issued after January 1, 2006, stock-based compensation expense was recognized evenly on a straight-line attribution method over the awards respective vesting period.

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For purposes of determining the fair value of stock-based payment awards on the date of grant, we typically use the Black-Scholes Model. The Black-Scholes Model requires the input of certain assumptions that involve judgment. Management periodically evaluates the assumptions and methodologies used to calculate fair value of share-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies.

The following table contains the stock option and SAR weighted-average grant date fair value information and related valuation assumptions for the years ended December 31:

	Stock Options and SARs			
	2014	2013		2012
	Black-Scholes Model	Black-Scholes Model	Monte-Carlo Simulation [(1)]	Black-Scholes Model
Awards granted (in thousands)	2,960	3,404	1,200	5,085
Maximum share value at exercise of SARs	$ 75.00	$ 75.00	$ 75.00	$ 75.00
Fair value per options and SARs	$ 3.05	$ 2.53	$ 5.88	$ 2.34
Valuation assumptions:				
Expected term (years)	6.0	5.9	NA	6.0
Expected volatility	100.2%	100.7%	102.5%	100.7%
Expected dividend yield	0.5%	0.5%	0.5%	0.5%
Risk-free interest rate	1.9%	1.1%	1.1%	1.1%

(1) For purposes of determining the fair value of 1.2 million shares of performance-accelerated SARs that were issued in January 2013, we used a Monte-Carlo Simulation technique. Monte-Carlo Simulation is a method used to simulate future stock price movements in order to determine the fair value due to unique vesting and exercising provisions. The performance-accelerated SARs have a derived service period of one year on average and have a grant price of $7.90. The performance-accelerated SARs vest on the third anniversary of the grant date but are subject to earlier vesting on or after the one year anniversary of the grant date based on the closing price of our Class A Common Stock exceeding certain specified amounts ($12.00, $16.00 and $20.00, respectively) for 45 consecutive trading days. Based on the closing price of our Class A Common Stock, the first tranche at $12.00 vested in January 2014 and the second tranche at $16.00 vested in June 2014.

During 2014 and 2013, we granted SARs with exercise prices ranging from $14.30 to $17.89 and $7.90 to $9.06, respectively. These SARs have a feature that places a cap on the amount of gain that can be recognized upon exercise of the SARs. Specifically, if the price of our Class A Common Stock reaches $75.00, any vested portion of the SAR will be automatically exercised. We did not grant stock options during 2014, 2013 or 2012. The SAR grant price equaled the closing market prices of our Class A Common Stock on the date of the grant and the awards have an

exercise term of 10 years. The SARs granted in 2014, 2013 and 2012 have average vesting periods of four years in annual increments commencing on the first anniversary of the grant date. Additionally, during 2014 and 2013, we issued RSUs with average restriction periods of four years and a fair value of $9.19 to $17.89 and $7.90 to $15.40, respectively, which were measured at the market price of a share of our Class A Common Stock on the grant date. In 2014, we granted 343,000 performance stock units (PSUs) with fair values ranging from $15.23 to $17.89. During 2014, 39,000 PSUs were forfeited due to an executive employee leaving the company prior to the achievement of certain performance goals. The PSUs may be earned over a three year period based upon the achievement of certain performance goals related to our 2016 annual operating return on equity and book value per share. The PSUs will be payable in Genworth Class A Common Stock in March 2017 provided we have attained or exceeded threshold levels related to the performance goals.

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The two performance goals operate independently and each determine 50% of the potential number of shares to be paid out. If the respective threshold levels have not been achieved by December 31, 2016, no payout will occur and all related expenses recorded to date will be reversed. The PSUs were granted at market price as of the grant date.

The following table summarizes stock option activity as of December 31, 2014 and 2013:

(Shares in thousands)	Shares subject to option		Weighted-average exercise price
Balance as of January 1, 2013	6,109	$	11.77
Granted		$	
Exercised	(1,440)	$	6.20
Forfeited	(359)	$	17.26
Expired		$	
Balance as of January 1, 2014	4,310	$	13.17
Granted		$	
Exercised	(921)	$	8.10
Forfeited	(885)	$	19.32
Expired		$	
Balance as of December 31, 2014	2,504	$	12.86
Exercisable as of December 31, 2014	2,501	$	12.86

The following table summarizes information about stock options outstanding as of December 31, 2014:

	Outstanding				Exercisable			
Exercise price range	Shares in thousands	Average life (1)		Average exercise price	Shares in thousands	Average life (1)		Average exercise price
$2.00 - $2.46 (2)	394	4.07	$	2.44	394	4.07	$	2.44
$7.36 - $7.80	547	2.42	$	7.80	547	2.42	$	7.80
$9.10 - $14.18	1,228	4.87	$	14.15	1,225	4.86	$	14.15
$14.92 - $22.80	123	3.26	$	21.96	123	3.26	$	21.96
$30.52 - $34.13	212	1.40	$	32.56	212	1.40	$	32.55

2,504	$ 12.86	2,501	$ 12.86

(1) Average contractual life remaining in years.
(2) These shares have an aggregate intrinsic value of $2 million each for total options outstanding and exercisable options.

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The following table summarizes the status of our other equity-based awards as of December 31, 2014 and 2013:

	RSUs		DSUs		SARs	
(Awards in thousands)	**Number of awards**	**Weighted-average grant date fair value**	**Number of awards**	**Weighted-average fair value**	**Number of awards**	**Weighted-average grant date fair value**
Balance as of January 1, 2013	2,280	$ 12.97	690	$ 8.74	10,359	$ 4.44
Granted	2,018	$ 9.27	98	$ 12.17	4,604	$ 3.40
Exercised	(985)	$ 14.75	(209)	$ 4.73	(1,618)	$ 5.97
Terminated	(426)	$ 10.01		$	(980)	$ 2.91
Balance as of January 1, 2014	2,887	$ 10.21	579	$ 9.43	12,365	$ 4.00
Granted	1,226	$ 15.00	113	$ 12.98	2,960	$ 3.05
Exercised	(938)	$ 10.06	(58)	$ 6.65	(1,353)	$ 3.88
Terminated	(262)	$ 12.16		$	(1,905)	$ 5.23
Balance as of December 31, 2014	2,913	$ 12.09	634	$ 9.96	12,067	$ 3.62

As of December 31, 2014 and 2013, total unrecognized stock-based compensation expense related to non-vested awards not yet recognized was $35 million and $30 million, respectively. This expense is expected to be recognized over a weighted-average period of two years.

There was $20 million and $19 million in cash received from stock options exercised in 2014 and 2013, respectively. New shares were issued to settle all exercised awards. The actual tax benefit realized for the tax deductions from the exercise of share-based awards was $11 million and $10 million as of December 31, 2014 and 2013, respectively.

In connection with the IPO of Genworth Canada in July 2009, our indirect subsidiary, Genworth Canada, granted stock options and other equity-based awards to its Canadian employees. The following table summarizes the status of Genworth Canada s stock option activity and other equity-based awards as of December 31, 2014 and 2013:

(Shares and Awards in thousands)	**Stock options Shares subject to option**	**RSUs & PSUs Number of**	**DSUs Number of awards**	**Executive deferred stock units (EDSUs) Number of awards**

		awards		
Balance as of January 1, 2013	1,027	143	34	
Granted	100	106	11	20
Exercised	(91)	(66)		
Terminated	(49)	(6)		
Balance as of January 1, 2014	987	177	45	20
Granted	114	93	9	1
Exercised	(93)	(67)		
Terminated	(6)			
Balance as of December 31, 2014	1,002	203	54	21

As of December 31, 2014 and 2013, all of the stock options, RSUs, PSUs and DSUs, were vested. As of December 31, 2014 and 2013, all of the EDSUs outstanding were unvested. The EDSUs were introduced in 2013 as part of a share-based compensation plan intended for executive level employees entitling them to receive an

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amount equal to the fair value of Genworth Canada stock. For the years ended December 31, 2014, 2013 and 2012, we recorded stock-based compensation expense of $6 million, $11 million and $3 million, respectively. For the years ended December 31, 2014, 2013 and 2012, we estimated total unrecognized expense of $3 million, $3 million and $1 million, respectively, related to these awards.

In connection with the IPO of Genworth Mortgage Insurance Australia Limited (Genworth Australia) in May 2014, our indirect subsidiary, Genworth Australia, granted stock options and other equity-based awards to its Australian employees. As of December 31, 2014, Genworth Australia had outstanding 2,803,025 of restricted share rights, of which 99,250 shares were vested and 2,703,775 shares were unvested. During 2014, 4,901 shares were exercised. For the year ended December 31, 2014, we recorded stock-based compensation expense of $2 million and we estimated total unrecognized expense of $5 million related to these awards.

(17) Fair Value of Financial Instruments

Assets and liabilities that are reflected in the accompanying consolidated financial statements at fair value are not included in the following disclosure of fair value. Such items include cash and cash equivalents, investment securities, separate accounts, securities held as collateral and derivative instruments. Other financial assets and liabilities those not carried at fair value are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. The fair value estimates are made at a specific point in time, based upon available market information and judgments about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets.

The basis on which we estimate fair value is as follows:

Commercial mortgage loans. Based on recent transactions and/or discounted future cash flows, using current market rates. Given the limited availability of data related to transactions for similar instruments, we typically classify these loans as Level 3.

Restricted commercial mortgage loans. Based on recent transactions and/or discounted future cash flows, using current market rates. Given the limited availability of data related to transactions for similar instruments, we typically classify these loans as Level 3.

Other invested assets. Primarily represents short-term investments and limited partnerships accounted for under the cost method. The fair value of short-term investments typically does not include significant unobservable inputs and approximate our amortized cost basis. As a result, short-term investments are classified as Level 2. Limited partnerships are valued based on comparable market transactions, discounted future cash flows, quoted market prices

and/or estimates using the most recent data available for the underlying instrument. Cost method limited partnerships typically include significant unobservable inputs as a result of being relatively illiquid with limited market activity for similar instruments and are classified as Level 3.

Long-term borrowings. We utilize available market data when determining fair value of long-term borrowings issued in the United States and Canada, which includes data on recent trades for the same or similar financial instruments. Accordingly, these instruments are classified as Level 2 measurements. In cases where market data is not available such as our long-term borrowings in Australia, we use broker quotes for which we

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consider the valuation methodology utilized by the third party, but the valuation typically includes significant unobservable inputs. Accordingly, we classify these borrowings where fair value is based on our consideration of broker quotes as Level 3 measurements.

Non-recourse funding obligations. We use an internal model to determine fair value using the current floating rate coupon and expected life/final maturity of the instrument discounted using the floating rate index and current market spread assumption, which is estimated based on recent transactions for these instruments or similar instruments as well as other market information or broker provided data. Given these instruments are private and very little market activity exists, our current market spread assumption is considered to have significant unobservable inputs in calculating fair value and, therefore, results in the fair value of these instruments being classified as Level 3.

Borrowings related to securitization entities. Based on market quotes or comparable market transactions. Some of these borrowings are publicly traded debt securities and are classified as Level 2. Certain borrowings are not publicly traded and are classified as Level 3.

Investment contracts. Based on expected future cash flows, discounted at current market rates for annuity contracts or institutional products. Given the significant unobservable inputs associated with policyholder behavior and current market rate assumptions used to discount the expected future cash flows, we classify these instruments as Level 3 except for certain funding agreement-backed notes that are traded in the marketplace as a security and are classified as Level 2.

The following represents our estimated fair value of financial assets and liabilities that are not required to be carried at fair value as of December 31:

	2014					
			Fair value			
(Amounts in millions)	**Notional amount**	**Carrying amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:						
Commercial mortgage loans	$ [1]	$ 6,100	$ 6,573	$	$	$ 6,573
Restricted commercial mortgage loans [2]	[1]	201	228			228
Other invested assets	[1]	374	385		300	85
Liabilities:						
Long-term borrowings [3]	[1]	4,639	4,300		4,181	119
Non-recourse funding obligations [3]	[1]	1,996	1,438			1,438
Borrowings related to securitization entities [2]	[1]	134	146		146	
Investment contracts	[1]	17,497	18,023		7	18,016
Other firm commitments:						

Commitments to fund limited partnerships	53
Ordinary course of business lending commitments	155

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	2013					
			Fair value			
(Amounts in millions)	**Notional amount**	**Carrying amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:						
Commercial mortgage loans	$ [1]	$ 5,899	$ 6,137	$	$	$ 6,137
Restricted commercial mortgage loans [2]	[1]	233	258			258
Other invested assets	[1]	307	311		221	90
Liabilities:						
Long-term borrowings [3]	[1]	5,161	5,590		5,460	130
Non-recourse funding obligations [3]	[1]	2,038	1,459			1,459
Borrowings related to securitization entities [2]	[1]	167	182		182	
Investment contracts	[1]	17,330	17,827		86	17,741
Other firm commitments:						
Commitments to fund limited partnerships	65					
Ordinary course of business lending commitments	138					

(1) These financial instruments do not have notional amounts.

(2) See note 18 for additional information related to consolidated securitization entities.

(3) See note 13 for additional information related to borrowings.

Recurring Fair Value Measurements

We have fixed maturity, equity and trading securities, derivatives, embedded derivatives, securities held as collateral, separate account assets and certain other financial instruments, which are carried at fair value. Below is a description of the valuation techniques and inputs used to determine fair value by class of instrument.

Fixed maturity, equity and trading securities

The valuations of fixed maturity, equity and trading securities are determined using a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. For all exchange-traded equity securities, the valuations are classified as Level 1.

We utilize certain third-party data providers when determining fair value. We consider information obtained from third-party pricing services (pricing services) as well as third-party broker provided prices, or broker quotes, in our determination of fair value. Additionally, we utilize internal models to determine the valuation of securities using an income approach where the inputs are based on third-party provided market inputs. While we consider the valuations provided by pricing services and broker quotes to be of high quality, management determines the fair value of our investment securities after considering all relevant and available information. We also use various methods to obtain an understanding of the valuation methodologies and procedures used by third-party data providers to ensure

sufficient understanding to evaluate the valuation data received, including an understanding of the assumptions and inputs utilized to determine the appropriate fair value. For pricing services, we analyze the prices provided by our primary pricing services to other readily available pricing services and perform a detailed review of the assumptions and inputs from each pricing service to determine the appropriate fair value when pricing differences exceed certain thresholds. We also evaluate changes in fair value that are greater than 10% each month to further aid in our review of the accuracy of fair value measurements and our understanding of changes in fair value, with more detailed reviews performed by the asset managers responsible

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for the related asset class associated with the security being reviewed. A pricing committee provides additional oversight and guidance in the evaluation and review of the pricing methodologies used to value our investment portfolio.

In general, we first obtain valuations from pricing services. If a price is not supplied by a pricing service, we will typically seek a broker quote for public or private fixed maturity securities. In certain instances, we utilize price caps for broker quoted securities where the estimated market yield results in a valuation that may exceed the amount that we believe would be received in a market transaction. For certain private fixed maturity securities where we do not obtain valuations from pricing services, we utilize an internal model to determine fair value since transactions for identical securities are not readily observable and these securities are not typically valued by pricing services. For all securities, excluding certain private fixed maturity securities, if neither a pricing service nor broker quotes valuation is available, we determine fair value using internal models.

For pricing services, we obtain an understanding of the pricing methodologies and procedures for each type of instrument. Additionally, on a monthly basis we review a sample of securities, examining the pricing service s assumptions to determine if we agree with the service s derived price. In general, a pricing service does not provide a price for a security if sufficient information is not readily available to determine fair value or if such security is not in the specific sector or class covered by a particular pricing service. Given our understanding of the pricing methodologies and procedures of pricing services, the securities valued by pricing services are typically classified as Level 2 unless we determine the valuation process for a security or group of securities utilizes significant unobservable inputs, which would result in the valuation being classified as Level 3.

For private fixed maturity securities, we utilize an internal model to determine fair value and utilize public bond spreads by sector, rating and maturity to develop the market rate that would be utilized for a similar public bond. We then add an additional premium, which represents an unobservable input, to the public bond spread to adjust for the liquidity and other features of our private placements. We utilize the estimated market yield to discount the expected cash flows of the security to determine fair value. In certain instances, we utilize price caps for securities where the estimated market yield results in a valuation that may exceed the amount that would be received in a market transaction. When a security does not have an external rating, we assign the security an internal rating to determine the appropriate public bond spread that should be utilized in the valuation. To evaluate the reasonableness of the internal model, we review a sample of private fixed maturity securities each month. In that review we compare the modeled prices to the prices of similar public securities in conjunction with analysis on current market indicators. While we generally consider the public bond spreads by sector and maturity to be observable inputs, we evaluate the similarities of our private placement with the public bonds, any price caps utilized, liquidity premiums applied, and whether external ratings are available for our private placements to determine whether the spreads utilized would be considered observable inputs. During the second quarter of 2012, we began classifying private securities without an external rating and public bond spread as Level 3. In general, increases (decreases) in credit spreads will decrease (increase) the fair value for our fixed maturity securities.

For broker quotes, we consider the valuation methodology utilized by the third party and analyze a sample each month to assess reasonableness given then current market conditions. As the valuation typically includes significant unobservable inputs, we classify the securities where fair value is based on our consideration of broker quotes as Level 3 measurements.

For remaining securities priced using internal models, we maximize the use of observable inputs but typically utilize significant unobservable inputs to determine fair value. Accordingly, the valuations are typically classified as Level 3.

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Restricted other invested assets related to securitization entities

We have trading securities related to securitization entities that are classified as restricted other invested assets and are carried at fair value. The trading securities represent asset-backed securities. The valuation for trading securities is determined using a market approach and/or an income approach depending on the availability of information. For certain highly rated asset-backed securities, there is observable market information for transactions of the same or similar instruments, which is provided to us by a third-party pricing service and is classified as Level 2. For certain securities that are not actively traded, we determine fair value after considering third-party broker provided prices or discounted expected cash flows using current yields for similar securities and classify these valuations as Level 3.

Securities lending and derivative counterparty collateral

The fair value of securities held as collateral is primarily based on Level 2 inputs from market information for the collateral that is held on our behalf by the custodian. We determine fair value after considering prices obtained by third-party pricing services.

Contingent consideration

We have certain contingent purchase price payments and receivables related to acquisitions and sales that are recorded at fair value each period. Fair value is determined using an income approach whereby we project the expected performance of the business and compare our projections of the relevant performance metric to the thresholds established in the purchase or sale agreement to determine our expected payments or receipts. We then discount these expected amounts to calculate the fair value as of the valuation date. We evaluate the underlying projections used in determining fair value each period and update these underlying projections when there have been significant changes in our expectations of the future business performance. The inputs used to determine the discount rate and expected payments or receipts are primarily based on significant unobservable inputs and result in the fair value of the contingent consideration being classified as Level 3. An increase in the discount rate or a decrease in expected payments or receipts will result in a decrease in the fair value of contingent consideration.

Separate account assets

The fair value of separate account assets is based on the quoted prices of the underlying fund investments and, therefore, represents Level 1 pricing.

Derivatives

We consider counterparty collateral arrangements and rights of set-off when evaluating our net credit risk exposure to our derivative counterparties. Accordingly, we are permitted to include consideration of these arrangements when determining whether any incremental adjustment should be made for both the counterparty s and our non-performance risk in measuring fair value for our derivative instruments. As a result of these counterparty arrangements, we

determined that any adjustment for credit risk would not be material and we do not record any incremental adjustment for our non-performance risk or the non-performance risk of the derivative counterparty for our derivative assets or liabilities. We determine fair value for our derivatives using an income approach with internal models based on relevant market inputs for each derivative instrument. We also compare the fair value determined using our internal model to the valuations provided by our derivative counterparties with any significant differences or changes in valuation being evaluated further by our derivatives professionals that are familiar with the instrument and market inputs used in the valuation.

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Interest rate swaps. The valuation of interest rate swaps is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an observable input, and results in the derivative being classified as Level 2. For certain interest rate swaps, the inputs into the valuation also include the total returns of certain bonds that would primarily be considered an observable input and result in the derivative being classified as Level 2. For certain other swaps, there are features that provide an option to the counterparty to terminate the swap at specified dates. The interest rate volatility input used to value these options would be considered a significant unobservable input and results in the fair value measurement of the derivative being classified as Level 3. These options to terminate the swap by the counterparty are based on forward interest rate swap curves and volatility. As interest rate volatility increases, our valuation of the derivative changes unfavorably.

Interest rate swaps related to securitization entities. The valuation of interest rate swaps related to securitization entities is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an observable input, and results in the derivative being classified as Level 2.

Inflation indexed swaps. The valuation of inflation indexed swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, the current consumer price index and the forward consumer price index curve, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Foreign currency swaps. The valuation of foreign currency swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and foreign currency exchange rates, both of which are considered an observable input, and results in the derivative being classified as Level 2.

Credit default swaps. We have both single name credit default swaps and index tranche credit default swaps. For single name credit default swaps, we utilize an income approach to determine fair value based on using current market information for the credit spreads of the reference entity, which is considered observable inputs based on the reference entities of our derivatives and results in these derivatives being classified as Level 2. For index tranche credit default swaps, we utilize an income approach that utilizes current market information related to credit spreads and expected defaults and losses associated with the reference entities that comprise the respective index associated with each derivative. There are significant unobservable inputs associated with the timing and amount of losses from the reference entities as well as the timing or amount of losses, if any, that will be absorbed by our tranche. Accordingly, the index tranche credit default swaps are classified as Level 3. As credit spreads widen for the underlying issuers comprising the index, the change in our valuation of these credit default swaps will be unfavorable.

Credit default swaps related to securitization entities. Credit default swaps related to securitization entities represent customized index tranche credit default swaps and are valued using a similar methodology as described above for index tranche credit default swaps. We determine fair value of these credit default swaps after considering both the valuation methodology described above as well as the valuation provided by the derivative counterparty. In addition to the valuation methodology and inputs described for index tranche credit default swaps, these customized credit default

swaps contain a feature that permits the securitization entity to provide the par value of underlying assets in the securitization entity to settle any losses under the credit default swap. The valuation of this settlement feature is dependent upon the valuation of the underlying assets and the timing and amount of any expected loss on the credit default swap, which is considered a significant unobservable input.

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Accordingly, these customized index tranche credit default swaps related to securitization entities are classified as Level 3. As credit spreads widen for the underlying issuers comprising the customized index, the change in our valuation of these credit default swaps will be unfavorable.

Equity index options. We have equity index options associated with various equity indices. The valuation of equity index options is determined using an income approach. The primary inputs into the valuation represent forward interest rate volatility and time value component associated with the optionality in the derivative, which are considered significant unobservable inputs in most instances. The equity index volatility surface is determined based on market information that is not readily observable and is developed based upon inputs received from several third-party sources. Accordingly, these options are classified as Level 3. As equity index volatility increases, our valuation of these options changes favorably.

Financial futures. The fair value of financial futures is based on the closing exchange prices. Accordingly, these financial futures are classified as Level 1. The period end valuation is zero as a result of settling the margins on these contracts on a daily basis.

Equity return swaps. The valuation of equity return swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and underlying equity index values, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Forward bond purchase commitments. The valuation of forward bond purchase commitments is determined using an income approach. The primary input into the valuation represents the current bond prices and interest rates, which are generally considered an observable input, and results in the derivative being classified as Level 2.

Other foreign currency contracts. We have certain foreign currency options classified as other foreign currency contracts. The valuation of foreign currency options is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, foreign currency exchange rates, forward interest rate, foreign currency exchange rate volatility, foreign equity index volatility and time value component associated with the optionality in the derivative. As a result of the significant unobservable inputs associated with the forward interest rate, foreign currency exchange rate volatility and foreign equity index volatility inputs, the derivative is classified as Level 3. As foreign currency exchange rate volatility and foreign equity index volatility increases, the change in our valuation of these options will be favorable for purchase options and unfavorable for options sold. We also have foreign currency forward contracts where the valuation is determined using an income approach. The primary inputs into the valuation represent the forward foreign currency exchange rates, which are generally considered observable inputs and results in the derivative being classified as Level 2.

GMWB embedded derivatives

We are required to bifurcate an embedded derivative for certain features associated with annuity products and related reinsurance agreements where we provide a GMWB to the policyholder and are required to record the GMWB

embedded derivative at fair value. The valuation of our GMWB embedded derivative is based on an income approach that incorporates inputs such as forward interest rates, equity index volatility, equity index and fund correlation, and policyholder assumptions such as utilization, lapse and mortality. In addition to these inputs, we also consider risk and expense margins when determining the projected cash flows that would be determined by another market participant. While the risk and expense margins are considered in determining fair value, these inputs do not have a significant impact on the valuation. We determine fair value using an internal

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model based on the various inputs noted above. The resulting fair value measurement from the model is reviewed by the product actuarial, risk and finance professionals each reporting period with changes in fair value also being compared to changes in derivatives and other instruments used to mitigate changes in fair value from certain market risks, such as equity index volatility and interest rates.

For GMWB liabilities, non-performance risk is integrated into the discount rate. Our discount rate used to determine fair value of our GMWB liabilities includes market credit spreads above U.S. Treasury rates to reflect an adjustment for the non-performance risk of the GMWB liabilities. As of December 31, 2014 and 2013, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of $74 million and $46 million, respectively.

To determine the appropriate discount rate to reflect the non-performance risk of the GMWB liabilities, we evaluate the non-performance risk in our liabilities based on a hypothetical exit market transaction as there is no exit market for these types of liabilities. A hypothetical exit market can be viewed as a hypothetical transfer of the liability to another similarly rated insurance company which would closely resemble a reinsurance transaction. Another hypothetical exit market transaction can be viewed as a hypothetical transaction from the perspective of the GMWB policyholder. In determining the appropriate discount rate to incorporate non-performance risk of the GMWB liabilities, we also considered the impacts of state guarantees embedded in the related insurance product as a form of inseparable third-party guarantee. We believe that a hypothetical exit market participant would use a similar discount rate as described above to value the liabilities.

For equity index volatility, we determine the projected equity market volatility using both historical volatility and projected equity market volatility with more significance being placed on projected near-term volatility and recent historical data. Given the different attributes and market characteristics of GMWB liabilities compared to equity index options in the derivative market, the equity index volatility assumption for GMWB liabilities may be different from the volatility assumption for equity index options, especially for the longer dated points on the curve.

Equity index and fund correlations are determined based on historical price observations for the fund and equity index.

For policyholder assumptions, we use our expected lapse, mortality and utilization assumptions and update these assumptions for our actual experience, as necessary. For our lapse assumption, we adjust our base lapse assumption by policy based on a combination of the policyholder s current account value and GMWB benefit.

We classify the GMWB valuation as Level 3 based on having significant unobservable inputs, with equity index volatility and non-performance risk being considered the more significant unobservable inputs. As equity index volatility increases, the fair value of the GMWB liabilities will increase. Any increase in non-performance risk would increase the discount rate and would decrease the fair value of the GMWB liability. Additionally, we consider lapse and utilization assumptions to be significant unobservable inputs. An increase in our lapse assumption would decrease the fair value of the GMWB liability, whereas an increase in our utilization rate would increase the fair value.

Fixed index annuity embedded derivatives

We offer fixed indexed annuity products where interest is credited to the policyholder s account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows

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above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Indexed universal life embedded derivatives

We offer indexed universal life products where interest is credited to the policyholder s account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Borrowings related to securitization entities

We record certain borrowings related to securitization entities at fair value. The fair value of these borrowings is determined using either a market approach or income approach, depending on the instrument and availability of market information. Given the unique characteristics of the securitization entities that issued these borrowings as well as the lack of comparable instruments, we determine fair value considering the valuation of the underlying assets held by the securitization entities and any derivatives, as well as any unique characteristics of the borrowings that may impact the valuation. After considering all relevant inputs, we determine fair value of the borrowings using the net valuation of the underlying assets and derivatives that are backing the borrowings. Accordingly, these instruments are classified as Level 3. Increases in the valuation of the underlying assets or decreases in the derivative liabilities will result in an increase in the fair value of these borrowings.

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The following tables set forth our assets and liabilities by class of instrument that are measured at fair value on a recurring basis as of December 31:

	2014			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 6,000	$	$ 5,996	$ 4
Tax-exempt	362		362	
Government non-U.S.	2,106		2,099	7
U.S. corporate	27,200		24,752	2,448
Corporate non-U.S.	15,132		13,327	1,805
Residential mortgage-backed	5,240		5,165	75
Commercial mortgage-backed	2,702		2,697	5
Other asset-backed	3,705		2,285	1,420
Total fixed maturity securities	62,447		56,683	5,764
Equity securities	282	244	4	34
Other invested assets:				
Trading securities	241		241	
Derivative assets:				
Interest rate swaps	1,091		1,091	
Foreign currency swaps	6		6	
Credit default swaps	4		1	3
Equity index options	17			17
Other foreign currency contracts	14		14	
Total derivative assets	1,132		1,112	20
Securities lending collateral	289		289	
Total other invested assets	1,662		1,642	20
Restricted other invested assets related to securitization entities [(1)]	411		181	230
Reinsurance recoverable [(2)]	13			13

Separate account assets	9,208	9,208		
Total assets	$ 74,023	$ 9,452	$ 58,510	$ 6,061
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives [3]	$ 291	$	$	$ 291
Fixed index annuity embedded derivatives	276			276
Indexed universal life embedded derivatives	7			7
Total policyholder account balances	574			574
Derivative liabilities:				
Interest rate swaps	204		204	
Interest rate swaps related to securitization entities [1]	26		26	
Inflation indexed swaps	42		42	
Foreign currency swaps	7		7	
Credit default swaps related to securitization entities [1]	17			17
Equity return swaps	1		1	
Other foreign currency contracts	13		13	
Total derivative liabilities	310		293	17
Borrowings related to securitization entities [1]	85			85
Total liabilities	$ 969	$	$ 293	$ 676

(1) See note 18 for additional information related to consolidated securitization entities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

(3) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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	2013			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 4,810	$	$ 4,805	$ 5
Tax-exempt	295		295	
Government non-U.S.	2,146		2,123	23
U.S. corporate	25,035		22,635	2,400
Corporate non-U.S.	15,071		13,252	1,819
Residential mortgage-backed	5,225		5,120	105
Commercial mortgage-backed	2,898		2,892	6
Other asset-backed	3,149		1,983	1,166
Total fixed maturity securities	58,629		53,105	5,524
Equity securities	341	256	7	78
Other invested assets:				
Trading securities	239		205	34
Derivative assets:				
Interest rate swaps	436		436	
Foreign currency swaps	4		4	
Credit default swaps	11		1	10
Equity index options	12			12
Other foreign currency contracts	8		5	3
Total derivative assets	471		446	25
Securities lending collateral	187		187	
Derivatives counterparty collateral	70		70	
Total other invested assets	967		908	59
Restricted other invested assets related to securitization entities [(1)]	391		180	211
Reinsurance recoverable [(2)]	(1)			(1)
Separate account assets	10,138	10,138		
Total assets	$ 70,465	$ 10,394	$ 54,200	$ 5,871

Liabilities				
Policyholder account balances:				
GMWB embedded derivatives [3]	$ 96	$	$	$ 96
Fixed index annuity embedded derivatives	143			143
Total policyholder account balances	239			239
Derivative liabilities:				
Interest rate swaps	575		575	
Interest rate swaps related to securitization entities [1]	16		16	
Inflation indexed swaps	60		60	
Foreign currency swaps	2		2	
Credit default swaps related to securitization entities [1]	32			32
Equity return swaps	1		1	
Forward bond purchase commitments	13		13	
Other foreign currency contracts	4		3	1
Total derivative liabilities	703		670	33
Borrowings related to securitization entities [1]	75			75
Total liabilities	$ 1,017	$	$ 670	$ 347

(1) See note 18 for additional information related to consolidated securitization entities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

(3) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers between levels at the beginning fair value for the reporting period in which the changes occur. Given the types of assets classified as Level 1, which primarily represents mutual fund investments, we typically do not have any transfers between Level 1 and Level 2 measurement categories and did not have any such transfers during any period presented.

Our assessment of whether or not there were significant unobservable inputs related to fixed maturity securities was based on our observations obtained through the course of managing our investment portfolio, including interaction with other market participants, observations related to the availability and consistency of pricing and/or rating, and understanding of general market activity such as new issuance and the level of secondary market trading for a class of securities. Additionally, we considered data obtained from third-party pricing sources to determine whether our estimated values incorporate significant unobservable inputs that would result in the valuation being classified as Level 3.

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The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

		Total realized and unrealized gains (losses)									
(Amounts in millions)	**Beginning balance as of January 1, 2014**	**Included in net income (loss)**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of December 31, 2014**	**Total gains (losses) included in net income (loss) attributable to assets still held**
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 5	$	$	$	$	$	$ (1)	$	$	$ 4	$
Government non-U.S.	23			3			(2)		(17)	7	
U.S. corporate [1]	2,400	27	57	211	(60)		(253)	272	(206)	2,448	12
Corporate non-U.S.	1,819	4	9	282	(123)		(222)	97	(61)	1,805	2
Residential mortgage-backed	105		(3)	16	(23)		(13)	24	(31)	75	
Commercial mortgage-backed	6		2				(2)	7	(8)	5	
Other asset-backed [1]	1,166	5	(3)	298	(15)		(181)	244	(94)	1,420	1
Total fixed maturity securities	5,524	36	62	810	(221)		(674)	644	(417)	5,764	15
Equity securities	78			1	(38)				(7)	34	
Other invested assets:											
Trading securities	34						(3)		(31)		

Derivative assets:											
Credit default swaps	10						(7)			3	
Equity index options	12	(31)		36						17	(28)
Other foreign currency contracts	3	(2)			(1)						
Total derivative assets	25	(33)		36	(1)		(7)			20	(28)
Total other invested assets	59	(33)		36	(1)		(10)		(31)	20	(28)
Restricted other invested assets related to securitization entities [2]	211	19								230	18
Reinsurance recoverable [3]	(1)	11				3				13	11
Total Level 3 assets	$ 5,871	$ 33	$ 62	$ 847	$ (260)	$ 3	$ (684)	$ 644	$ (455)	$ 6,061	$ 16

[1] The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

[2] See note 18 for additional information related to consolidated securitization entities.

[3] Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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		Total realized and unrealized gains (losses)									
(Amounts in millions)	**Beginning balance as of January 1, 2013**	**Included in net income (loss)**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of December 31, 2013**	**Total gains (losses) included in net income (loss) attributable to assets still held**
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 9	$	$	$	$	$	$ (4)	$	$	$ 5	$
Government non-U.S.	9		1				(3)	16		23	
U.S. corporate [1]	2,683	18	(15)	178	(151)		(349)	195	(159)	2,400	13
Corporate non-U.S. [1]	1,983	4	(24)	120	(33)		(220)	76	(87)	1,819	2
Residential mortgage-backed	157	(9)	7		(8)		(29)	14	(27)	105	
Commercial mortgage-backed	35	(5)	(1)				(32)	11	(2)	6	(4)
Other asset-backed [1]	864	4	10	200	(49)		(89)	246	(20)	1,166	4
Total fixed maturity securities	5,740	12	(22)	498	(241)		(726)	558	(295)	5,524	15
Equity securities	99	2		1	(24)					78	
Other invested assets:											
Trading securities	76	7			(40)		(9)			34	2
Derivative assets:											
Interest rate swaps	2	(1)					(1)				(1)
Credit default swaps	7	12					(9)			10	6
Equity index options	25	(43)		39			(9)			12	(40)
		(1)		4						3	(1)

Other foreign currency contracts											
Total derivative assets	34	(33)		43			(19)			25	(36)
Total other invested assets	110	(26)		43	(40)		(28)			59	(34)
Restricted other invested assets related to securitization entities [(2)]	194	(1)		19			(20)	19		211	(1)
Other assets [(3)]	9						(9)				
Reinsurance recoverable [(4)]	10	(14)				3				(1)	(14)
Total Level 3 assets	$ 6,162	$ (27)	$ (22)	$ 561	$ (305)	$ 3	$ (783)	$ 577	$ (295)	$ 5,871	$ (34)

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

(2) See note 18 for additional information related to consolidated securitization entities.

(3) Represents contingent receivables associated with recent business dispositions.

(4) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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		Total realized and unrealized gains (losses)									
(Amounts in millions)	**Beginning balance as of January 1, 2012**	**Included in net income (loss)**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of December 31, 2012**	**Total gains (losses) included in net income (loss) attributable to assets still held**
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 13	$	$	$	$	$	$	$ 9	$ (13)	$ 9	$
Government non-U.S.	10						(1)			9	
U.S. corporate [1]	2,511	12	118	147	(122)		(214)	726	(495)	2,683	14
Corporate non-U.S. [1]	1,284	3	92	269	(29)		(186)	711	(161)	1,983	2
Residential mortgage-backed [1]	95	(7)	14	20	(17)		(31)	86	(3)	157	(7)
Commercial mortgage-backed	39	(2)	5		(1)		(2)	3	(7)	35	(1)
Other asset-backed [1]	271	(2)	45	350	(46)		(94)	369	(29)	864	2
Total fixed maturity securities	4,223	4	274	786	(215)		(528)	1,904	(708)	5,740	10
Equity securities	98	1	(2)	10	(8)					99	
Other invested assets:											
Trading securities	264	13		24	(72)		(125)	4	(32)	76	15
Derivative assets:											
Interest rate swaps	5						(3)			2	
Credit default swaps		12					(5)			7	12
Equity index options	39	(59)		55			(10)			25	(42)
Other foreign currency contracts	9	(11)		3			(1)				(11)

Total derivative assets	53	(58)		58			(19)			34	(41)
Total other invested assets	317	(45)		82	(72)		(144)	4	(32)	110	(26)
Restricted other invested assets related to securitization entities [2]	176	18		100	(100)					194	13
Other assets [3]		(7)				16				9	(7)
Reinsurance recoverable [4]	16	(9)				3				10	(9)
Total Level 3 assets	$ 4,830	$ (38)	$ 272	$ 978	$ (395)	$ 19	$ (672)	$ 1,908	$ (740)	$ 6,162	$ (19)

(1) The transfers into and out of Level 3 were primarily related to private fixed rate U.S. corporate and private fixed rate corporate non-U.S. securities and resulted from a change in the observability of the additional premium to the public bond spread to adjust for the liquidity and other features of our private placements and resulted in unobservable inputs having a significant impact on certain valuations for transfers in or no longer having significant impact on certain valuations for transfers out. During the second quarter of 2012, we began classifying private securities without an external rating as Level 3, which resulted in a significant number of securities being transferred into Level 3. The transfers into Level 3 for structured securities primarily related to securities that were recently purchased and initially classified as Level 2 based on market data that existed at the time of purchase and subsequent valuation included significant unobservable inputs.

(2) See note 18 for additional information related to consolidated securitization entities.

(3) Represents contingent receivables associated with recent business dispositions.

(4) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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The following table presents the gains and losses included in net income (loss) from assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Total realized and unrealized gains (losses) included in net income (loss):			
Net investment income	$ 43	$ 35	$ 32
Net investment gains (losses)	(10)	(62)	(70)
Total	$ 33	$ (27)	$ (38)
Total gains (losses) included in net income (loss) attributable to assets still held:			
Net investment income	$ 19	$ 33	$ 25
Net investment gains (losses)	(3)	(67)	(44)
Total	$ 16	$ (34)	$ (19)

The amount presented for unrealized gains (losses) included in net income (loss) for available-for-sale securities represents impairments and accretion on certain fixed maturity securities.

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The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

		Total realized and unrealized (gains) losses									
(Amounts in millions)	**Beginning balance as of January 1, 2014**	**Included in net (income) loss**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of December 31, 2014**	**Total (gains) losses included in net (income) loss attributable to liabilities still held**
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 96	$ 158	$	$	$	$ 37	$	$	$	$ 291	$ 160
Fixed index annuity embedded derivatives	143	27				108	(2)			276	27
Indexed universal life embedded derivatives		1				6				7	1
Total policyholder account balances	239	186				151	(2)			574	188
Derivative liabilities:											
Credit default swaps related to securitization entities [2]	32	(19)		4						17	(19)
Other foreign currency contracts	1	1			(2)						
Total derivative liabilities	33	(18)		4	(2)					17	(19)
Borrowings related to securitization entities [2]	75	9				1				85	9

Total Level 3 liabilities	$ 347	$ 177	$	$ 4	$ (2)	$ 152	$ (2)	$	$	$ 676	$ 178

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.
(2) See note 18 for additional information related to consolidated securitization entities.

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		Total realized and unrealized (gains) losses									
(Amounts in millions)	**Beginning balance as of January 1, 2013**	**Included in net (income) loss**	**Included in OCI**	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Transfer into Level 3**	**Transfer out of Level 3**	**Ending balance as of December 31, 2013**	**Total (gains) losses included in net (income) loss attributable to liabilities still held**
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 350	$ (291)	$	$	$	$ 37	$	$	$	$ 96	$ (289)
Fixed index annuity embedded derivatives	27	18				98				143	18
Total policyholder account balances	377	(273)				135				239	(271)
Derivative liabilities:											
Credit default swaps	1	(1)									(1)
Credit default swaps related to securitization entities [2]	104	(77)		5						32	(77)
Equity index options		1					(1)				1
Other foreign currency contracts		(2)		3						1	(2)
Total derivative liabilities	105	(79)		8			(1)			33	(79)
Borrowings related to securitization entities [2]	62	13								75	13
Total Level 3 liabilities	$ 544	$ (339)	$	$ 8	$	$ 135	$ (1)	$	$	$ 347	$ (337)

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.
(2) See note 18 for additional information related to consolidated securitization entities.

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(Amounts in millions)	Beginning balance as of January 1, 2012	Total realized and unrealized (gains) losses Included in net (income) loss	Total realized and unrealized (gains) losses Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of December 31, 2012	Total (gains) losses included in net (income) loss attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 492	$ (179)	$	$	$	$ 37	$	$	$	$ 350	$ (175)
Fixed index annuity embedded derivatives	4	1				22				27	1
Total policyholder account balances	496	(178)				59				377	(174)
Derivative liabilities:											
Credit default swaps	57	(43)		2			(15)			1	(40)
Credit default swaps related to securitization entities [2]	177	(76)		3						104	(76)
Total derivative liabilities	234	(119)		5			(15)			105	(116)
	48	14								62	14

Borrowings related to securitization entities [2]											
Total Level 3 liabilities	$ 778	$ (283)	$	$ 5	$	$ 59	$ (15)	$	$	$ 544	$ (276)

[1] Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.
[2] See note 18 for additional information related to consolidated securitization entities.

The following table presents the gains and losses included in net (income) loss from liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the years ended December 31:

(Amounts in millions)	**2014**	**2013**	**2012**
Total realized and unrealized (gains) losses included in net (income) loss:			
Net investment income	$	$	$
Net investment (gains) losses	177	(339)	(283)
Total	$ 177	$ (339)	$ (283)
Total (gains) losses included in net (income) loss attributable to liabilities still held:			
Net investment income	$	$	$
Net investment (gains) losses	178	(337)	(276)
Total	$ 178	$ (337)	$ (276)

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Purchases, sales, issuances and settlements represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases, sales and settlements of fixed maturity, equity and trading securities and purchases, issuances and settlements of derivative instruments.

Issuances presented for GMWB embedded derivative liabilities are characterized as the change in fair value associated with the product fees recognized that are attributed to the embedded derivative to equal the expected future benefit costs upon issuance. Issuances for fixed index annuity and indexed universal life embedded derivative liabilities represent the amount of the premium received that is attributed to the value of the embedded derivative. Settlements of embedded derivatives are characterized as the change in fair value upon exercising the embedded derivative instrument, effectively representing a settlement of the embedded derivative instrument. We have shown these changes in fair value separately based on the classification of this activity as effectively issuing and settling the embedded derivative instrument with all remaining changes in the fair value of these embedded derivative instruments being shown separately in the category labeled included in net (income) loss in the tables presented above.

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Certain classes of instruments classified as Level 3 are excluded below as a result of not being material or due to limitations in being able to obtain the underlying inputs used by certain third-party sources, such as broker quotes, used as an input in determining fair value. The following table presents a summary of the significant unobservable inputs used for certain fair value measurements that are based on internal models and classified as Level 3 as of December 31, 2014:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range (weighted-average)
Assets				
Fixed maturity securities:				
U.S. corporate	Internal models	$ 2,234	Credit spreads	76bps -463bps (197bps)
Corporate non-U.S.	Internal models	1,588	Credit spreads	81bps - 808bps (178bps)
Derivative assets:				
Credit default swaps [1]	Discounted cash flows	3	Credit spreads	bps - 25bps (7bps)
Equity index options	Discounted cash flows	17	Equity index volatility	14% - 23% (20%)
Liabilities				
Policyholder account balances:				
			Withdrawal utilization rate	% - 98%
			Lapse rate	% - 15%
			Non-performance risk (credit spreads)	40bps - 85bps (70bps)
GMWB embedded derivatives [2]	Stochastic cash flow model	291	Equity index volatility	17% - 24% (21%)
Fixed index annuity embedded derivatives	Option budget method	276	Expected future interest credited	% - 3% (2%)
Indexed universal life embedded derivatives	Option budget method	7	Expected future interest credited	3% - 9% (6%)

[1] Unobservable input valuation based on the current market credit default swap premium.

[2] Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

(18) Variable Interest and Securitization Entities

VIEs are generally entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest. We evaluate VIEs to determine whether we are the primary beneficiary and are required to consolidate the assets and liabilities of the entity. The determination of the primary beneficiary for a VIE can be complex and requires management judgment regarding the expected results of the entity and who directs the activities of the entity that most significantly impact the economic results of the VIE.

(a) Asset Securitizations

We have used former affiliates and third-party entities to facilitate asset securitizations. Disclosure requirements related to off-balance sheet arrangements encompass a broader array of arrangements than those at risk for consolidation. These arrangements include transactions with term securitization entities, as well as transactions with conduits that are sponsored by third parties.

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The following table summarizes the total securitized assets as of December 31:

(Amounts in millions)	2014	2013
Receivables secured by:		
Other assets	$ 142	$ 147
Total securitized assets not required to be consolidated	142	147
Total securitized assets required to be consolidated	300	314
Total securitized assets	$ 442	$ 461

We do not have any additional exposure or guarantees associated with these securitization entities.

There has been no new asset securitization activity in 2014 or 2013.

(b) Securitization and Variable Interest Entities Required To Be Consolidated

For VIEs related to asset securitization transactions, we consolidate two securitization entities as a result of our involvement in the entities design or having certain decision making ability regarding the assets held by the securitization entity. These securitization entities were designed to have significant limitations on the types of assets owned and the types and extent of permitted activities and decision making rights. The two securitization entities that are consolidated comprise one securitization entity backed by commercial mortgage loans and one backed by residual interests in certain policy loan securitization entities.

For the commercial mortgage loan securitization entity, our primary economic interest represents the excess interest of the commercial mortgage loans and the subordinated notes of the securitization entity.

Our primary economic interest in the policy loan securitization entity represents the excess interest received from the residual interest in certain policy loan securitization entities and the floating rate obligation issued by the securitization entity, where our economic interest is not expected to be material in any future years. Upon consolidation, we elected fair value option for the assets and liabilities for the securitization entity.

For VIEs related to certain investments, we were required to consolidate three securitization entities as a result of having certain decision making rights related to instruments held by the entities. Upon consolidation, we elected fair value option for the assets and liabilities for the securitization entity.

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The following table shows the assets and liabilities that were recorded for the consolidated securitization entities as of December 31:

(Amounts in millions)	**2014**	**2013**
Assets		
Investments:		
Restricted commercial mortgage loans	$ 201	$ 233
Restricted other invested assets:		
Trading securities	411	391
Total restricted other invested assets	411	391
Total investments	612	624
Cash and cash equivalents	1	1
Accrued investment income	1	1
Total assets	$ 614	$ 626
Liabilities		
Other liabilities:		
Derivative liabilities	$ 43	$ 48
Other liabilities	2	2
Total other liabilities	45	50
Borrowings related to securitization entities	219	242
Total liabilities	$ 264	$ 292

The assets and other instruments held by the securitization entities are restricted and can only be used to fulfill the obligations of the securitization entity. Additionally, the obligations of the securitization entities do not have any recourse to the general credit of any other consolidated subsidiaries.

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The following table shows the activity presented in our consolidated statement of income related to the consolidated securitization entities for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Revenues:			
Net investment income:			
Restricted commercial mortgage loans	$ 14	$ 23	$ 29
Restricted other invested assets	5	4	4
Total net investment income	19	27	33
Net investment gains (losses):			
Trading securities	15	(4)	23
Derivatives	10	86	72
Borrowings related to securitization entities recorded at fair value	(9)	(13)	(14)
Total net investment gains (losses)	16	69	81
Other income			1
Total revenues	35	96	115
Expenses:			
Interest expense	10	16	21
Acquisition and operating expenses			1
Total expenses	10	16	22
Income before income taxes	25	80	93
Provision for income taxes	9	27	33
Net income	$ 16	$ 53	$ 60

(c) Borrowings Related To Consolidated Securitization Entities

Borrowings related to securitization entities were as follows as of December 31:

	2014		2013	
(Amounts in millions)	Principal amount	Carrying value	Principal amount	Carrying value
GFCM LLC, due 2035, 5.2541%	$ 21	$ 21	$ 54	$ 54
GFCM LLC, due 2035, 5.7426%	113	113	113	113
Marvel Finance 2007-4 LLC, due 2017 [(1), (2)]	12	12	12	12
Genworth Special Purpose Five, LLC, due 2040 [(1), (2)]	NA[(3)]	73	NA[(3)]	63
Total	$ 146	$ 219	$ 179	$ 242

(1) Accrual of interest based on three-month LIBOR that resets every three months plus a fixed margin.

(2) Carrying value represents fair value as a result of electing fair value option for these liabilities.

(3) Principal amount not applicable. Notional balance was $115 million as of December 31, 2014 and 2013.

These borrowings are required to be paid down as principal is collected on the restricted investments held by the securitization entities and accordingly the repayment of these borrowings follows the maturity or prepayment, as permitted, of the restricted investments.

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(19) Insurance Subsidiary Financial Information and Regulatory Matters

Dividends

Our insurance company subsidiaries are restricted by state and foreign laws and regulations as to the amount of dividends they may pay to their parent without regulatory approval in any year, the purpose of which is to protect affected insurance policyholders or contractholders, not stockholders. Any dividends in excess of limits are deemed extraordinary and require approval. Based on estimated statutory results as of December 31, 2014, in accordance with applicable dividend restrictions, our subsidiaries could pay dividends of approximately $0.5 billion to us in 2015 without obtaining regulatory approval, and the remaining net assets are considered restricted. While the $0.5 billion is unrestricted, we do not expect our insurance subsidiaries to pay dividends to us in 2015 at this level as they retain capital for growth and to meet capital requirements and desired thresholds. As of December 31, 2014, Genworth Financial s and Genworth Holdings subsidiaries had restricted net assets of $14.4 billion and $14.5 billion, respectively. There are no regulatory restrictions on the ability of Genworth Financial to pay dividends. Our Board of Directors has suspended the payment of dividends on our common stock indefinitely. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will be dependent on many factors including the receipt of dividends from our operating subsidiaries, our financial condition and operating results, the capital requirements of our subsidiaries, legal requirements, regulatory constraints, our credit and financial strength ratings and such other factors as the Board of Directors deems relevant.

Our domestic insurance subsidiaries paid dividends of $108 million (none of which were deemed extraordinary), $418 million (none of which were deemed extraordinary) and $374 million ($175 million of which were deemed extraordinary) during 2014, 2013 and 2012, respectively. Our international insurance subsidiaries paid dividends of $630 million, $317 million and $240 million during 2014, 2013 and 2012, respectively.

U.S. domiciled insurance subsidiaries statutory financial information

Our U.S. domiciled insurance subsidiaries file financial statements with state insurance regulatory authorities and the NAIC that are prepared on an accounting basis prescribed or permitted by such authorities. Statutory accounting practices differ from U.S. GAAP in several respects, causing differences in reported net income (loss) and stockholders equity.

Permitted statutory accounting practices encompass all accounting practices not so prescribed but that have been specifically allowed by state insurance authorities. Our U.S. domiciled insurance subsidiaries have no material permitted accounting practices, except for River Lake Insurance Company VI (River Lake VI), River Lake Insurance Company VII (River Lake VII), River Lake Insurance Company VIII (River Lake VIII), River Lake Insurance Company IX (River Lake IX), River Lake Insurance Company X ((River Lake X), together with River Lake VI, River Lake VII, River Lake VIII and River Lake IX, the SPFCs) and Genworth Life Insurance Company of New York (GLICNY). The permitted practices of the SPFCs were an essential element of their design and were expressly included in their plans of operation and in the licensing orders issued by their domiciliary state regulators and without

those permitted practices, these entities could be subject to regulatory action. Accordingly, we believe that the permitted practices will remain in effect for so long as we maintain the SPFCs. The permitted practices were as follows:

River Lake IX and River Lake X were granted a permitted accounting practice from the state of Vermont to carry its excess of loss reinsurance agreement with Brookfield Life and Annuity Insurance Company, and Hannover Life Reassurance Company Of America, respectively, as an admitted asset.

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River Lake VII and River Lake VIII were granted a permitted accounting practice from the state of Vermont to carry their reserves on a basis similar to U.S. GAAP.

River Lake VI was granted a permitted accounting practice from the State of Delaware to carry its excess of loss reinsurance agreement with The Canada Life Assurance Company as an admitted asset.

GLICNY received a permitted practice from New York to exempt certain of its investments from a NAIC structured security valuation and ratings process.

The impact of these permitted practices on our combined U.S. domiciled life insurance subsidiaries statutory capital and surplus was $365 million and $450 million as of December 31, 2014 and 2013, respectively. If they had not used a permitted practice, no regulatory event would have been triggered.

The tables below include the combined statutory net income (loss) and statutory capital and surplus for our U.S. domiciled insurance subsidiaries:

(Amounts in millions)	Years ended December 31, 2014	2013	2012
Combined statutory net income (loss):			
Life insurance subsidiaries, excluding captive life reinsurance subsidiaries	$ (179)	$ 359	$ 378
Mortgage insurance subsidiaries	198	85	(137)
Combined statutory net income (loss), excluding captive reinsurance subsidiaries	19	444	241
Captive life insurance subsidiaries	(281)	(102)	(478)
Combined statutory net income (loss)	$ (262)	$ 342	$ (237)

(Amounts in millions)	As of December 31, 2014	2013
Combined statutory capital and surplus:		
Life insurance subsidiaries, excluding captive life reinsurance subsidiaries	$ 2,560	$ 2,777
Mortgage insurance subsidiaries	1,792	1,226
Combined statutory capital and surplus	$ 4,352	$ 4,003

The statutory net income (loss) from our captive life reinsurance subsidiaries relates to the reinsurance of term and universal life insurance statutory reserves assumed from our U.S. domiciled life insurance companies. These reserves are, in turn, funded through the issuance of surplus notes (non-recourse funding obligations) to third parties or secured by a third-party letter of credit or excess of loss reinsurance treaties with third parties. Accordingly, the life insurance subsidiaries combined statutory net income (loss) and distributable income (loss) are not affected by the statutory net income (loss) of the captives, except to the extent dividends are received from the captives. The combined statutory capital and surplus of our life insurance subsidiaries does not include the capital and surplus of our captive life reinsurance subsidiaries of $1,057 million and $1,101 million as of December 31, 2014 and 2013, respectively. Capital and surplus of our captive life reinsurance subsidiaries, excluding River Lake VI, River Lake VII, River Lake VIII, River Lake IX and River Lake X, include surplus notes (non-recourse funding obligations) as further described in note 13.

The NAIC has adopted RBC requirements to evaluate the adequacy of statutory capital and surplus in relation to risks associated with: (i) asset risk; (ii) insurance risk; (iii) interest rate and equity market risk; and

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(iv) business risk. The RBC formula is designated as an early warning tool for the states to identify possible undercapitalized companies for the purpose of initiating regulatory action. In the course of operations, we periodically monitor the RBC level of each of our life insurance subsidiaries. As of December 31, 2014 and 2013, each of our life insurance subsidiaries exceeded the minimum required RBC levels. The consolidated RBC ratio of our U.S. domiciled life insurance subsidiaries was approximately 435% and 485% of the company action level as of December 31, 2014 and 2013, respectively.

In 2012, the NAIC adopted revised statutory reserving requirements for new and in-force secondary guarantee universal life business subject to Actuarial Guideline 38 (more commonly known as AG 38) provisions, effective December 31, 2012. These requirements reflected an agreement reached and developed by a NAIC Joint Working Group which included regulators from several states, including New York. The financial impact related to the revised statutory reserving requirements on our in-force reserves subject to the new guidance was not significant as of December 31, 2012. On September 11, 2013, the New York Department of Financial Services (the NYDFS) announced that it no longer supported the agreement reached by the NAIC Working Group and that it would require New York licensed companies to use an alternative interpretation of AG 38 for universal life insurance products with secondary guarantees. In December 2014, we finalized our discussions with the NYDFS about its alternative interpretation and recorded $70 million and $80 million of additional statutory reserves as of December 31, 2014 and 2013, respectively.

In addition, as a result of our annual statutory cash flow testing of our long-term care insurance business in 2014, our New York insurance subsidiary recorded $39 million of additional statutory reserves in the fourth quarter of 2014 and will record an aggregate of $156 million of additional statutory reserves over the next four years.

For regulatory purposes, our U.S. mortgage insurance subsidiaries are required to maintain a statutory contingency reserve. Annual additions to the statutory contingency reserve must equal the greater of: (i) 50% of earned premiums or (ii) the required level of policyholders position, as defined by state insurance laws. These contingency reserves generally are held until the earlier of: (i) the time that loss ratios exceed 35% or (ii) 10 years. The statutory contingency reserves for our U.S. mortgage insurance subsidiaries were approximately $193 million and $59 million, respectively, as of December 31, 2014 and 2013 and, were included in the table above containing combined statutory capital and surplus balances.

Mortgage insurers are not subject to the NAIC s RBC requirements but certain states and other regulators impose another form of capital requirement on mortgage insurers requiring maintenance of a risk-to-capital ratio not to exceed 25:1. Fifteen other states maintain similar risk-to-capital requirements.

As of December 31, 2014, GMICO s risk-to-capital ratio under the current regulatory framework as established under North Carolina law and enforced by the North Carolina Department of Insurance (NCDOI), GMICO s domestic insurance regulator, was approximately 14.3:1, compared with a risk-to-capital ratio of approximately 19.3:1 as of December 31, 2013. In December 2013, Genworth Holdings issued $400 million senior notes in anticipation of increased capital requirements expected to be imposed by the GSEs in connection with the revised private mortgage

insurance eligibility requirements (PMIERs). Following the issuance of the senior notes in December 2013, Genworth Financial contributed $100 million of the proceeds to GMICO, our primary U.S. mortgage insurance subsidiary, and contributed $300 million to Genworth Mortgage Holdings, LLC, a U.S. mortgage insurance holding company. In May 2014, Genworth Mortgage Holdings, LLC contributed the $300 million to GMICO.

The NCDOI s current regulatory framework by which GMICO s risk-to-capital ratio is calculated differs from the capital requirement methodology that is in the revised draft PMIERs. GMICO s ongoing risk-to-capital

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ratio will depend principally on the magnitude of future losses incurred by GMICO, the effectiveness of ongoing loss mitigation activities, new business volume and profitability, as well as the amount of policy lapses and the amount of additional capital that is generated within the business or capital support (if any) that we provide. Our estimate of the amount and timing of future losses and these foregoing factors are inherently uncertain, require significant judgment and may change significantly over time.

On July 10, 2014, the Federal Housing Finance Agency (the FHFA) released publicly a draft of the revised PMIERs. These requirements, as drafted, contemplate an effective date for compliance 180 days after the final publication date and final publication currently is anticipated to be towards the end of the first quarter or beginning of the second quarter of 2015. In addition, the requirements permit a transition period, subject to GSE approval, of two years from the publication date to meet the required capital levels. We provided comments on September 8, 2014 pursuant to the public request for input and we will continue to work with the FHFA and GSEs in an effort to have appropriate refinements made before the new requirements are finalized.

The amount of additional capital that we believe will be required to meet the Net Asset Requirements, as defined in the revised draft PMIERs, and operate our business is dependent upon, among other things, (i) the extent the final PMIERs as ultimately adopted differ materially from the current draft, including with respect to the amount and timing of additional capital requirements and the amount of capital credit provided to various types of assets; (ii) the way the requirements are applied and interpreted by the GSEs and FHFA as and after they are implemented; (iii) the future performance of the U.S. housing market; (iv) our generating and having expected U.S. mortgage insurance business earnings, available assets and risk-based required assets (including as they relate to the value of the shares of our Canadian mortgage insurance subsidiary that are owned by our U.S. mortgage insurance business as a result of share price and foreign exchange movements or otherwise), reducing risk in-force and reducing delinquencies as anticipated, and writing anticipated amounts and types of new U.S. mortgage insurance business; and (v) our projected overall financial performance, capital and liquidity levels being as anticipated.

We currently believe we have a variety of sources we could utilize to satisfy these capital requirements and currently intend to utilize primarily reinsurance (or similar) transactions, together with cash available at the holding company, to satisfy them. Our use of reinsurance or similar transactions depends upon, among other things, the availability of the markets for these transactions, the costs and other terms of reinsurance or the other transactions, the GSEs approach to, and the capital treatment for, these reinsurance or the other transactions, the performance of the U.S. mortgage insurance business, and the absence of unforeseen developments. Another potential capital source includes, but is not limited to, the issuance of securities by Genworth Financial or Genworth Holdings.

We currently intend that our U.S. mortgage insurance business will meet the additional capital requirements contained in the revised draft PMIERs by the anticipated effective date. We will seek to utilize the transition period provided for in the draft guidelines if we do not comply by the anticipated effective date (subject to GSE approval).

On January 31, 2013, our European mortgage insurance subsidiaries received a $21 million cash capital contribution. We then subsequently contributed the shares of our European mortgage insurance subsidiaries with an estimated value

of $230 million to our U.S. mortgage insurance subsidiaries to increase the statutory capital in those companies.

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International insurance subsidiaries statutory financial information

Our international insurance subsidiaries also prepare financial statements in accordance with local regulatory requirements. As of December 31, 2014 and 2013, combined local statutory capital and surplus for our international insurance subsidiaries was $6,968 million and $8,248 million, respectively. Combined local statutory net income (loss) for our international insurance subsidiaries was $(65) million, $605 million and $1,190 million for the years ended December 31, 2014, 2013 and 2012, respectively. The regulatory authorities in these international jurisdictions generally establish supervisory solvency requirements. Our international insurance subsidiaries had combined surplus levels that exceeded local solvency requirements by $2,506 million and $3,435 million as of December 31, 2014 and 2013, respectively.

Our international insurance subsidiaries do not have any material accounting practices that differ from local regulatory requirements other than one of our insurance subsidiaries domiciled in Bermuda, which was granted approval from the Bermuda Monetary Authority to record a parental guarantee as statutory capital related to an internal reinsurance agreement. The amount recorded as statutory capital is equal to the excess of NAIC statutory reserves less the economic reserves up to the amount of the guarantee resulting in an increase in statutory capital of $205 million and $359 million as of December 31, 2014 and 2013, respectively.

Certain of our insurance subsidiaries have securities on deposit with various state or foreign government insurance departments in order to comply with relevant insurance regulations. See note 4(d) for additional information related to these deposits. Additionally, under the terms of certain reinsurance agreements that our life insurance subsidiaries have with external parties, we pledged assets in either separate portfolios or in trust for the benefit of external reinsurers. These assets support the reserves ceded to those external reinsurers. See note 9 for additional information related to these pledged assets under reinsurance agreements. Certain of our U.S. life insurance subsidiaries are also members of regional FHLBs and the FHLBs have been granted a lien on certain of our invested assets to collateralize our obligations. See note 10 for additional information related to these pledged assets with the FHLBs.

Guarantees of obligations

In addition to the guarantees discussed in notes 18 and 22, we have provided guarantees to third parties for the performance of certain obligations of our subsidiaries. We estimate that our potential obligations under such guarantees, other than the Rivermont I guarantee, were $28 million and $30 million as of December 31, 2014 and 2013, respectively. We provide a limited guarantee to Rivermont I, an indirect subsidiary, which is accounted for as a derivative carried at fair value and is eliminated in consolidation. As of December 31, 2014, the fair value of this derivative was $5 million. As of December 31, 2013, the fair value of this derivative was zero. We also provide an unlimited guarantee for the benefit of policyholders for the payment of valid claims by our mortgage insurance subsidiary located in the United Kingdom. However, based on risk in-force as of December 31, 2014, we believe our U.K. mortgage insurance subsidiary has sufficient reserves and capital to cover its policyholder obligations.

Fifty percent of our in-force long-term care insurance business (excluding policies assumed from a non-affiliate third-party reinsurer) of GLIC, a Delaware insurance company and our indirect wholly-owned subsidiary, is reinsured to Brookfield Life and Annuity Insurance Company Limited (BLAIC), a Bermuda insurance company and our indirect wholly-owned subsidiary. Brookfield Life Assurance Company Limited (Brookfield), a Bermuda insurance company and our indirect wholly-owned subsidiary, has guaranteed BLAIC s performance of its obligations under that reinsurance agreement. As of December 31, 2014, Brookfield directly or indirectly owns 66.2% of our Australian mortgage insurance subsidiaries, 40.6% of our Canadian

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mortgage insurance subsidiary and 100% of our lifestyle protection insurance business. As a result of Brookfield s guarantee, adverse developments in our reinsured long-term care insurance business (including the recent increases in our reserves of that business) have adversely impacted BLAIC s financial condition, which could, in turn, adversely impact Brookfield s willingness or ability to pay dividends to Genworth Holdings.

(20) Segment Information

(a) Operating Segment Information

We operate through three divisions: U.S. Life Insurance, Global Mortgage Insurance and Corporate and Other. Under these divisions, there are five operating business segments. The U.S. Life Insurance Division includes the U.S. Life Insurance segment. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The Corporate and Other Division includes the International Protection and Runoff segments and Corporate and Other activities. Our operating business segments are as follows: (1) U.S. Life Insurance, which includes our long-term care insurance, life insurance and fixed annuities businesses; (2) International Mortgage Insurance, which includes mortgage insurance-related products and services; (3) U.S. Mortgage Insurance, which includes mortgage insurance-related products and services; (4) International Protection, which includes our lifestyle protection insurance business; and (5) Runoff, which includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of: funding agreements, FABNs and GICs.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other businesses that are managed outside of our operating segments, including discontinued operations.

We use the same accounting policies and procedures to measure segment income (loss) and assets as our consolidated net income (loss) and assets. Our chief operating decision maker evaluates segment performance and allocates resources on the basis of net operating income (loss). We define net operating income (loss) as income (loss) from continuing operations excluding the after-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and infrequent or unusual non-operating items. Gains (losses) on insurance block transactions are defined as gains (losses) on the early extinguishment of non-recourse funding obligations, early termination fees for other financing restructuring and/or resulting gains (losses) on reinsurance restructuring for certain blocks of business. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Goodwill impairments and gains (losses) on the sale

of businesses, the early extinguishment of debt and insurance block transactions are also excluded from net operating income (loss) because in our opinion, they are not indicative of overall operating trends. Other non-operating items are also excluded from net operating income (loss) if, in our opinion, they are not indicative of overall operating trends.

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In the fourth quarter of 2014, we recorded goodwill impairments of $129 million, net of taxes, in our long-term care insurance business and $145 million, net of taxes, in our life insurance business. In the third quarter of 2014, we recorded goodwill impairments of $167 million, net of taxes, in our long-term care insurance business and $350 million, net of taxes, in our life insurance business. We recorded a goodwill impairment of $86 million, net of taxes, related to our lifestyle protection insurance business in the third quarter of 2012.

The following transactions were excluded from net operating income (loss) for the periods presented as they related to the gain or loss on the early extinguishment of debt. In the second quarter of 2014, we paid an early redemption payment of approximately $2 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Canada s notes that were scheduled to mature in 2015. In the third quarter of 2013, we paid a make-whole expense of approximately $20 million, net of taxes, related to the early redemption of Genworth Holdings 2015 Notes. In the fourth quarter of 2012, we repurchased principal of approximately $100 million of Genworth Holdings notes that were scheduled to mature in June 2014 for a loss of $4 million, net of taxes. In the fourth quarter of 2012, we also repurchased $20 million of non-recourse funding obligations resulting in a gain of approximately $3 million, net of taxes.

In the third quarter of 2012, we completed a life block transaction resulting in a loss of $6 million, net of taxes. In January 2012, we also completed a life block transaction resulting in a loss of approximately $41 million, net of taxes.

There were no infrequent or unusual items excluded from net operating income (loss) during the periods presented other than the following items. There was $66 million net tax impact in the fourth quarter of 2014 from potential business portfolio changes. Although no decisions have been made, we recognized a tax charge of $174 million in the fourth quarter of 2014 associated with our Australian mortgage insurance business as we can no longer assert our intent to permanently reinvest earnings in that business. In addition, in the fourth quarter of 2014, we recognized a net $108 million of tax benefit in our lifestyle protection insurance business primarily from an internal debt restructuring related to the planned sale of that business. Also, in the second quarter of 2013, we recorded a $13 million, net of taxes, expense related to restructuring costs.

While some of these items may be significant components of net income (loss) available to Genworth Financial, Inc. s common stockholders in accordance with U.S. GAAP, we believe that net operating income (loss), and measures that are derived from or incorporate net operating income (loss), are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses net operating income (loss) as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from net operating income (loss) have occurred in the past and could, and in some cases will, recur in the future. Net operating income (loss) is not a substitute for net income (loss) available to Genworth Financial, Inc. s common stockholders determined in accordance with U.S. GAAP. In addition, our definition of net operating income (loss) may differ from the definitions used by other companies.

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

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The following is a summary of our segments and Corporate and Other activities as of or for the years ended December 31:

2014 **(Amounts in millions)**	**U.S. Life Insurance**	**International Mortgage Insurance**	**U.S. Mortgage Insurance**	**International Protection**	**Runoff**	**Corporate and Other**	**Total**
Premiums	$ 3,169	$ 950	$ 578	$ 731	$ 3	$	$ 5,431
Net investment income	2,665	303	59	101	129	(15)	3,242
Net investment gains (losses)	41	1			(66)	4	(20)
Insurance and investment product fees and other	712	(14)	2	5	209	(2)	912
Total revenues	6,587	1,240	639	837	275	(13)	9,565
Benefits and other changes in policy reserves	5,820	204	357	202	37		6,620
Interest credited	618				119		737
Acquisition and operating expenses, net of deferrals	658	223	140	462	84	18	1,585
Amortization of deferred acquisition costs and intangibles	345	59	7	118	39	3	571
Goodwill impairment	849						849
Interest expense	87	31		46	1	314	479
Total benefits and expenses	8,377	517	504	828	280	335	10,841
Income (loss) from continuing operations before income taxes	(1,790)	723	135	9	(5)	(348)	(1,276)
Provision (benefit) for income taxes	(385)	358	44	(107)	(19)	(119)	(228)
Income (loss) from continuing operations	(1,405)	365	91	116	14	(229)	(1,048)
Income (loss) from discontinued operations, net of taxes							
Net income (loss)	(1,405)	365	91	116	14	(229)	(1,048)

Less: net income attributable to noncontrolling interests		196					196
Net income (loss) available to Genworth Financial, Inc. s common stockholders	$ (1,405)	$ 169	$ 91	$ 116	$ 14	$ (229)	$ (1,244)
Total assets	$ 82,906	$ 8,815	$ 2,324	$ 1,833	$ 12,971	$ 2,509	$ 111,358

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2013 (Amounts in millions)	U.S. Life Insurance	International Mortgage Insurance	U.S. Mortgage Insurance	International Protection	Runoff	Corporate and Other	Total
Premiums	$ 2,957	$ 996	$ 554	$ 636	$ 5	$	$ 5,148
Net investment income	2,621	333	60	119	139	(1)	3,271
Net investment gains (losses)	(3)	32		27	(58)	(35)	(37)
Insurance and investment product fees and other	755		2	4	216	44	1,021
Total revenues	6,330	1,361	616	786	302	8	9,403
Benefits and other changes in policy reserves	3,975	317	412	159	32		4,895
Interest credited	619				119		738
Acquisition and operating expenses, net of deferrals	658	241	144	433	81	102	1,659
Amortization of deferred acquisition costs and intangibles	384	60	6	106	6	7	569
Interest expense	97	33		42	2	318	492
Total benefits and expenses	5,733	651	562	740	240	427	8,353
Income (loss) from continuing operations before income taxes	597	710	54	46	62	(419)	1,050
Provision (benefit) for income taxes	213	184	17	7	13	(110)	324
Income (loss) from continuing operations	384	526	37	39	49	(309)	726
Loss from discontinued operations, net of taxes						(12)	(12)
Net income (loss)	384	526	37	39	49	(321)	714
Less: net income attributable to noncontrolling interests		154					154
Net income (loss) available to Genworth Financial, Inc. s common	$ 384	$ 372	$ 37	$ 39	$ 49	$ (321)	$ 560

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Total assets	$ 77,261	$ 9,194	$ 2,361	$ 2,061	$ 14,062	$ 3,106	$ 108,045

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2012 (Amounts in millions)	U.S. Life Insurance	International Mortgage Insurance	U.S. Mortgage Insurance	International Protection	Runoff	Corporate and Other	Total
Premiums	$ 2,789	$ 1,016	$ 549	$ 682	$ 5	$	$ 5,041
Net investment income	2,594	375	68	131	145	30	3,343
Net investment gains (losses)	(8)	16	36	6	24	(47)	27
Insurance and investment product fees and other	875	1	23	3	207	120	1,229
Total revenues	6,250	1,408	676	822	381	103	9,640
Benefits and other changes in policy reserves	3,950	516	725	150	37		5,378
Interest credited	643				132		775
Acquisition and operating expenses, net of deferrals	677	55	143	483	79	157	1,594
Amortization of deferred acquisition costs and intangibles	477	64	5	113	51	12	722
Goodwill impairment				89			89
Interest expense	86	36		45	1	308	476
Total benefits and expenses	5,833	671	873	880	300	477	9,034
Income (loss) from continuing operations before income taxes	417	737	(197)	(58)	81	(374)	606
Provision (benefit) for income taxes	143	188	(83)	1	23	(134)	138
Income (loss) from continuing operations	274	549	(114)	(59)	58	(240)	468
Income from discontinued operations, net of taxes						57	57
Net income (loss)	274	549	(114)	(59)	58	(183)	525
Less: net income attributable to noncontrolling interests		200					200
Net income (loss) available to Genworth Financial, Inc. s common	$ 274	$ 349	$ (114)	$ (59)	$ 58	$ (183)	$ 325

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(b) Revenues of Major Product Groups

The following is a summary of revenues of major product groups for our segments and Corporate and Other activities for the years ended December 31:

(Amounts in millions)	2014	2013	2012
Revenues:			
U.S. Life Insurance segment:			
Long-term care insurance	$ 3,523	$ 3,316	$ 3,207
Life insurance	1,981	1,982	1,926
Fixed annuities	1,083	1,032	1,117
U.S. Life Insurance segment s revenues	6,587	6,330	6,250
International Mortgage Insurance segment:			
Canada	669	760	786
Australia	537	555	567
Other Countries	34	46	55
International Mortgage Insurance segment s revenues	1,240	1,361	1,408
U.S. Mortgage Insurance segment s revenues	639	616	676
International Protection segment s revenues	837	786	822
Runoff segment s revenues	275	302	381
Corporate and Other s revenues	(13)	8	103
Total revenues	$ 9,565	$ 9,403	$ 9,640

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(c) Net Operating Income (Loss)

The following is a summary of net operating income (loss) for our segments and Corporate and Other activities for the years ended December 31:

(Amounts in millions)	**2014**	**2013**	**2012**
U.S. Life Insurance segment:			
Long-term care insurance	$ (815)	$ 129	$ 101
Life insurance	74	173	151
Fixed annuities	100	92	82
U.S. Life Insurance segment s net operating income (loss)	(641)	394	334
International Mortgage Insurance segment:			
Canada	170	170	234
Australia	200	228	142
Other Countries	(25)	(37)	(34)
International Mortgage Insurance segment s net operating income	345	361	342
U.S. Mortgage Insurance segment s net operating income (loss)	91	37	(138)
International Protection segment s net operating income	8	24	24
Runoff segment s net operating income	48	66	46
Corporate and Other s net operating loss	(232)	(266)	(205)
Net operating income (loss)	(381)	616	403
Net investment gains (losses), net	(4)	(11)	(1)
Goodwill impairment, net	(791)		(86)
Gains (losses) on early extinguishment of debt, net	(2)	(20)	(1)
Gains (losses) from life block transactions, net			(47)
Tax impact from potential business portfolio changes	(66)		
Expenses related to restructuring, net		(13)	
Income (loss) from discontinued operations, net of taxes		(12)	57
Net income (loss) available to Genworth Financial, Inc. s common stockholders	(1,244)	560	325

Add: net income attributable to noncontrolling interests	196	154	200
Net income (loss)	$ (1,048)	$ 714	$ 525

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(d) Geographic Segment Information

We conduct our operations in the following geographic regions: (1) United States (2) Canada (3) Australia and (4) Other Countries.

The following is a summary of geographic region activity as of or for the years ended December 31:

2014

(Amounts in millions)	United States	Canada	Australia	Other Countries	Total
Total revenues	$ 7,488	$ 669	$ 537	$ 871	$ 9,565
Income (loss) from continuing operations	$ (1,529)	$ 307	$ 83	$ 91	$ (1,048)
Net income (loss)	$ (1,529)	$ 307	$ 83	$ 91	$ (1,048)
Total assets	$ 100,710	$ 4,922	$ 3,495	$ 2,231	$ 111,358

2013

(Amounts in millions)	United States	Canada	Australia	Other Countries	Total
Total revenues	$ 7,256	$ 760	$ 555	$ 832	$ 9,403
Income from continuing operations	$ 161	$ 336	$ 227	$ 2	$ 726
Net income	$ 149	$ 336	$ 227	$ 2	$ 714
Total assets	$ 96,790	$ 5,313	$ 3,419	$ 2,523	$ 108,045

2012

(Amounts in millions)	United States	Canada	Australia	Other Countries	Total
Total revenues	$ 7,410	$ 786	$ 567	$ 877	$ 9,640

Income (loss) from continuing operations	$	(22)	$	439	$	140	$	(89)	$	468
Net income (loss)	$	35	$	439	$	140	$	(89)	$	525

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(21) Quarterly Results of Operations (unaudited)

Our unaudited quarterly results of operations for the year ended December 31, 2014 are summarized in the table below.

	Three months ended			
(Amounts in millions, except per share amounts)	**March 31, 2014**	**June 30, 2014**	**September 30, 2014**	**December 31, 2014**
Total revenues	$ 2,322	$ 2,415	$ 2,404	$ 2,424
Total benefits and expenses [1]	$ 2,016	$ 2,102	$ 3,376	$ 3,347
Income (loss) from continuing operations [2]	$ 219	$ 228	$ (787)	$ (708)
Net income (loss) [2]	$ 219	$ 228	$ (787)	$ (708)
Net income attributable to noncontrolling interests	$ 35	$ 52	$ 57	$ 52
Net income (loss) available to Genworth Financial, Inc. s common stockholders [2]	$ 184	$ 176	$ (844)	$ (760)
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ 0.37	$ 0.35	$ (1.70)	$ (1.53)
Diluted	$ 0.37	$ 0.35	$ (1.70)	$ (1.53)
Net income (loss) available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ 0.37	$ 0.35	$ (1.70)	$ (1.53)
Diluted	$ 0.37	$ 0.35	$ (1.70)	$ (1.53)
Weighted-average common shares outstanding:				
Basic	495.8	496.6	496.6	496.7
Diluted [3]	502.7	503.6	496.6	496.7

(1)

During the fourth quarter of 2014, we completed our annual loss recognition testing of our long-term care insurance business which resulted in additional expenses of $735 million. During the fourth quarter of 2014, we also recorded goodwill impairments of $299 million in our U.S. Life Insurance segment. In the fourth quarter of 2014, we recorded a correction of $49 million in our life insurance business related to reserves on a reinsurance transaction. Our long-term care insurance claim reserves also increased in the fourth quarter of 2014 as a result of a $67 million unfavorable correction related to claims in course of settlement arising in connection with the implementation of our updated assumptions and methodologies as part of our comprehensive claims review completed in the third quarter of 2014, partially offset by a $43 million favorable refinement of assumptions for claim termination rates.

(2) During the fourth quarter of 2014, we completed our annual loss recognition testing of our long-term care insurance business which resulted in additional charges of $478 million, net of taxes. During the fourth quarter of 2014, we also recorded goodwill impairments of $274 million, net of taxes, in our U.S. Life Insurance segment. There was a $66 million net tax impact in the fourth quarter of 2014 from potential business portfolio changes. As we consider potential business portfolio changes, we recognized a charge of $174 million in the fourth quarter of 2014 associated with our Australian mortgage insurance business as we can no longer assert our intent to permanently reinvest earnings in that business. In addition, in the fourth quarter of 2014, we recognized a net $108 million of tax benefits in our lifestyle protection insurance business primarily from an internal debt restructuring related to the planned sale of that business. We recorded a correction of $32 million, net of taxes, in our life insurance business related to reserves on a reinsurance transaction in the fourth quarter of 2014. Our long-term care insurance claim reserves also increased in the fourth quarter of 2014 as a result of a $44 million unfavorable correction related to claims in course of settlement arising in connection with the implementation of our updated assumptions and methodologies as part of our comprehensive claims review completed in the third quarter of 2014, partially offset by a $28 million favorable refinement of assumptions for claim termination rates.

(3) Under applicable accounting guidance, companies in a loss position are required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share. Therefore, as a result of our loss from continuing operations available to Genworth Financial, Inc. s common stockholders and net loss available to Genworth Financial, Inc. s common stockholders for the three months ended September 30, 2014 and December 31, 2014, we were required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share for the three months ended September 30, 2014 and December 31, 2014, as the inclusion of shares for stock options, restricted stock units and stock appreciation rights of 5.4 million and 3.2 million, respectively, would have been antidilutive to the calculation. If we had not incurred a loss from continuing operations available to Genworth Financial, Inc. s common stockholders and net loss available to Genworth Financial, Inc. s common stockholders for the three months ended September 30, 2014 and December 31, 2014, dilutive potential weighted-average common shares outstanding would have been 502.0 million and 499.9 million, respectively.

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Our unaudited quarterly results of operations for the year ended December 31, 2013 are summarized in the table below.

	Three months ended			
(Amounts in millions, except per share amounts)	**March 31, 2013**	**June 30, 2013**	**September 30, 2013**	**December 31, 2013**
Total revenues	$ 2,303	$ 2,371	$ 2,317	$ 2,412
Total benefits and expenses	$ 2,066	$ 2,124	$ 2,066	$ 2,097
Income from continuing operations	$ 161	$ 174	$ 146	$ 245
Income (loss) from discontinued operations, net of taxes	$ (20)	$ 6	$ 2	$
Net income	$ 141	$ 180	$ 148	$ 245
Net income attributable to noncontrolling interests	$ 38	$ 39	$ 40	$ 37
Net income available to Genworth Financial, Inc. s common stockholders	$ 103	$ 141	$ 108	$ 208
Income from continuing operations available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ 0.25	$ 0.27	$ 0.21	$ 0.42
Diluted	$ 0.25	$ 0.27	$ 0.21	$ 0.42
Net income available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ 0.21	$ 0.29	$ 0.22	$ 0.42
Diluted	$ 0.21	$ 0.28	$ 0.22	$ 0.41
Weighted-average common shares outstanding:				
Basic	492.5	493.4	494.0	494.7
Diluted	496.8	497.5	499.3	501.2

(22) Commitments and Contingencies

(a) Litigation and Regulatory Matters

We face the risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In our insurance operations, we are, have been, or may become subject to class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, increases to in-force long-term care insurance premiums, payment of contingent or other sales commissions, claims payments and procedures, product design, product disclosure, administration, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits, charging excessive or impermissible fees on products, recommending unsuitable products to customers, our pricing structures and business practices in our mortgage insurance businesses, such as captive reinsurance arrangements with lenders and contract underwriting services, violations of the Real Estate Settlement and Procedures Act of 1974 (RESPA) or related state anti-inducement laws, and mortgage insurance policy rescissions and curtailments, and breaching fiduciary or other duties to customers, including but not limited to breach of customer information. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts which may remain unknown for substantial periods of time. In our investment-related operations, we are subject to litigation involving commercial disputes

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with counterparties. We are also subject to litigation arising out of our general business activities such as our contractual and employment relationships. In addition, we are also subject to various regulatory inquiries, such as information requests, subpoenas, books and record examinations and market conduct and financial examinations from state, federal and international regulators and other authorities. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, 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, financial condition or results of operations.

In August 2014, Genworth Financial, Inc., its current chief executive officer and its current chief financial officer were named in a putative class action lawsuit captioned *Manuel Esguerra v. Genworth Financial, Inc.*, *et al*, in the United States District Court for the Southern District of New York. Plaintiff alleged securities law violations involving certain disclosures in 2013 and 2014 concerning Genworth s long-term care insurance reserves. The lawsuit sought unspecified compensatory damages, costs and expenses, including counsel fees and expert fees. In October 2014, a putative class action lawsuit captioned *City of Pontiac General Employees Retirement System v. Genworth Financial, Inc.*, *et al*, was filed in the United States District Court for the Eastern District of Virginia. This lawsuit names the same defendants, alleges the same securities law violations, seeks the same damages and covers the same class as the *Esguerra* lawsuit. Following the filing of the *City of Pontiac* lawsuit, the *Esguerra* lawsuit was voluntarily dismissed without prejudice allowing the *City of Pontiac* lawsuit to proceed. In the *City of Pontiac* lawsuit, the United States District Court for the Eastern District of Virginia appointed Her Majesty the Queen in Right of Alberta and Fresno County Employees Retirement Association as lead plaintiffs and designated the caption of the action as *In re Genworth Financial, Inc. Securities Litigation.* On December 22, 2014, the lead plaintiffs filed an amended complaint. On February 5, 2015, we filed a motion to dismiss plaintiffs amended complaint. We intend to vigorously defend this action.

In April 2014, Genworth Financial, Inc., its former chief executive officer and its current chief financial officer were named in a putative class action lawsuit captioned *City of Hialeah Employees Retirement System v. Genworth Financial, Inc.*, *et al*, in the United States District Court for the Southern District of New York. Plaintiff alleges securities law violations involving certain disclosures in 2012 concerning Genworth s Australian mortgage insurance business, including our plans for an initial public offering of the business. The lawsuit seeks unspecified damages, costs and attorneys fees and such equitable/injunctive relief as the court may deem proper. The United States District Court for the Southern District of New York appointed City of Hialeah Employees Retirement System and New Bedford Contributory Retirement System as lead plaintiffs and designated the caption of the action as *In re Genworth Financial, Inc. Securities Litigation.* On October 3, 2014, the lead plaintiffs filed an amended complaint. On December 2, 2014, we filed a motion to dismiss plaintiffs amended complaint. On February 2, 2015, the plaintiffs filed a memorandum of law in opposition to our motion to dismiss. We intend to vigorously defend this action.

In early 2006 as part of an industry-wide review, one of our U.S. mortgage insurance subsidiaries received an administrative subpoena from the Minnesota Department of Commerce, which has jurisdiction over insurance matters, with respect to our reinsurance arrangements, including captive reinsurance transactions with lender-affiliated reinsurers. Since 2006, the Minnesota Department of Commerce has periodically requested additional information.

We are engaged in discussions with the Minnesota Department of Commerce to resolve the review and we will continue to cooperate as appropriate with respect to any follow-up requests or inquiries. Inquiries from other regulatory bodies with respect to the same subject matter have been resolved or dormant for a number of years.

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Beginning in December 2011 and continuing through January 2013, one of our U.S. mortgage insurance subsidiaries was named along with several other mortgage insurance participants and mortgage lenders as a defendant in twelve putative class action lawsuits alleging that certain captive reinsurance arrangements were in violation of RESPA. Those cases are captioned as follows: *Samp, et al. v. JPMorgan Chase Bank, N.A., et al.,* United States District Court for the Central District of California; *White, et al., v. The PNC Financial Services Group, Inc., et al.,* United States District Court for the Eastern District of Pennsylvania; *Menichino, et al. v. Citibank NA, et al.,* United States District Court for the Western District of Pennsylvania; *McCarn, et al. v. HSBC USA, Inc., et al.*, United States District Court for the Eastern District of California; *Manners, et al., v. Fifth Third Bank, et al.*, United States District Court for the Western District of Pennsylvania; *Riddle, et al. v. Bank of America Corporation, et al.*, United States District Court for the Eastern District of Pennsylvania; *Rulison et al. v. ABN AMRO Mortgage Group, Inc. et al.*, United States District Court for the Southern District of New York; *Barlee, et al. v. First Horizon National Corporation, et al.*, United States District Court for the Eastern District of Pennsylvania; *Cunningham, et al. v. M&T Bank Corp., et al.*, United States District Court for the Middle District of Pennsylvania; *Orange, et al. v. Wachovia Bank, N.A., et al.*, United States District Court for the Central District of California; *Hill et al. v. Flagstar Bank, FSB, et al.,* United States District Court for the Eastern District of Pennsylvania; and *Moriba Ba, et al. v. HSBC USA, Inc., et al.,* United States District Court for the Eastern District of Pennsylvania. Plaintiffs allege that captive reinsurance arrangements with providers of private mortgage insurance whereby a mortgage lender through captive reinsurance arrangements received a portion of the borrowers private mortgage insurance premiums were in violation of RESPA and unjustly enriched the defendants for which plaintiffs seek declaratory relief and unspecified monetary damages, including restitution. The *McCarn* case was dismissed by the court with prejudice as to our subsidiary and certain other defendants on November 9, 2012. On July 3, 2012, the *Rulison* case was voluntarily dismissed by the plaintiffs. The *Barlee* case was dismissed by the court with prejudice as to our subsidiary and certain other defendants on February 27, 2013. The *Manners* case was dismissed by voluntary stipulation in March 2013. In early May 2013, the *Samp* and *Orange* cases were dismissed with prejudice as to our subsidiary. Plaintiffs appealed both of those dismissals, but have since withdrawn those appeals. The *White* case was dismissed by the court without prejudice on June 20, 2013, and on July 5, 2013 plaintiffs filed a second amended complaint again naming our U.S. mortgage insurance subsidiary as a defendant. The *Menichino* case was dismissed by the court without prejudice as to our subsidiary and certain other defendants on July 19, 2013. Plaintiffs filed a second amended complaint again naming our U.S. mortgage insurance subsidiary as a defendant and we moved to dismiss the second amended complaint. In the *Riddle*, *Hill*, *Ba* and *Cunningham* cases, the defendants motions to dismiss were denied, but the court in the *Riddle*, *Hill* and *Cunningham* cases limited discovery to issues surrounding whether the case should be dismissed on statute of limitations grounds. In the *Hill* case, on December 17, 2013, we moved for summary judgment dismissing the complaint. The court granted our motion, and in July 2014, the *Hill* plaintiffs filed a notice of appeal with the Third Circuit Court of Appeals. In the *Riddle* case, in late November 2013, the United States District Court for the Eastern District of Pennsylvania granted our motion for summary judgment dismissing the case. Plaintiffs appealed the dismissal. In October 2014, the Third Circuit Court of Appeals upheld the dismissal of the Riddle action. On January 30, 2015, our U.S. mortgage insurance subsidiary and all named plantiffs in the cases still pending as of such date entered into a settlement agreement that we expect will result in the dismissal of all actions as to our subsidiary. This settlement will not have any impact on our financial position or results of operations.

In December 2009, one of our former non-insurance subsidiaries, one of the former subsidiary s officers and Genworth Financial, Inc. (now known as Genworth Holdings, Inc.) were named in a putative class action lawsuit captioned *Michael J. Goodman and Linda Brown v. Genworth Financial Wealth Management, Inc. et al*., in the United States District Court for the Eastern District of New York. Plaintiffs allege securities law and other violations involving the selection of mutual funds by our former subsidiary on behalf of certain of its Private Client Group clients. The lawsuit seeks unspecified monetary damages and other relief. In response to our motion

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to dismiss the complaint in its entirety, the court granted the motion to dismiss the state law fiduciary duty claim and denied the motion to dismiss the remaining federal claims. The District Court denied plaintiffs motion to certify a class on April 15, 2014. On April 29, 2014, plaintiffs filed a motion with the Second Circuit Court of Appeals for permission to appeal the District Court s denial of their motion to certify a class, which we opposed. On July 9, 2014, the Second Circuit Court of Appeals denied plaintiffs motion. We will continue to vigorously defend this action.

In April 2012, two of our U.S. mortgage insurance subsidiaries were named as respondents in two arbitrations, one brought by Bank of America, N.A. and one brought by Countrywide Home Loans, Inc. and Bank of America, N.A. as claimants. Claimants alleged breach of contract and breach of the covenant of good faith and fair dealing and sought a declaratory judgment relating to our denial, curtailment and rescission of mortgage insurance coverage. In June 2012, our U.S. mortgage insurance subsidiaries responded to the arbitration demands and asserted numerous counterclaims against the claimants. On December 31, 2013, the parties reached an agreement to resolve that portion of both arbitrations involving rescission practices, which settlement took effect in the second quarter of 2014. As a result, the arbitration demands and counterclaims related to that portion of both arbitrations involving rescission practices were dismissed in the third quarter of 2014. In October 2014, the parties executed a definitive settlement agreement to settle all remaining claims in the arbitrations. Implementation of the settlement to resolve the remaining claims was subject to the consent of the GSEs. The settlement provides that our U.S. mortgage insurance subsidiaries will remit a portion of the previously curtailed claim amounts to Bank of America, N.A. and will agree to certain limits on future curtailment activity for loans that are part of the settlement. The consents of the GSEs were obtained in January 2015, and therefore, the parties will move to dismiss all remaining matters in the arbitration.

In addition to the negotiated settlement with Bank of America, N.A. discussed above, we have resolved a matter involving a second servicer s dispute with us on loss mitigation. This second dispute did not involve any formal legal proceeding, as is the case with other discussions we have had from time to time with other lenders and servicers over disputed loss mitigation activities. During the third quarter of 2014, we recorded an aggregate increase in our claim reserves for our U.S. mortgage insurance business of $53 million principally to provide for the anticipated financial impact in connection with the settlement of the Bank of America, N.A. arbitration, as well as the second dispute, both of which were settled for amounts which in the aggregate were included within the claim reserve mentioned above.

At this time, we cannot determine or predict the ultimate outcome of any of the pending legal and regulatory matters specifically identified above or the likelihood of potential future legal and regulatory matters against us. Except as disclosed above, we also are not able to provide an estimate or range of reasonably possible losses related to these matters. Therefore, we cannot ensure that the current investigations and proceedings will not have a material adverse effect on our business, financial condition or results of operations. In addition, it is possible that related investigations and proceedings may be commenced in the future, and we could become subject to additional unrelated investigations and lawsuits. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal precedents and industry-wide regulations or practices that could adversely affect our business, financial condition and results of operations.

(b) Commitments

As of December 31, 2014, we were committed to fund $53 million in limited partnership investments, $128 million in U.S. commercial mortgage loan investments and $27 million in private placement investments.

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In connection with the issuance of non-recourse funding obligations by Rivermont I, Genworth entered into a liquidity commitment agreement with the third-party trusts in which the floating rate notes have been deposited. The liquidity agreement may require that Genworth issue to the trusts either a loan or a letter of credit (LOC), at maturity of the notes (2050), in the amount equal to the then market value of the assets supporting the notes held in the trust. Any loan or LOC issued is an obligation of the trust and shall accrue interest at LIBOR plus a margin. In consideration for entering into this agreement, Genworth received, from Rivermont I, a one-time commitment fee of approximately $2 million. The maximum potential amount of future obligation under this agreement is approximately $95 million.

(23) Changes In Accumulated Other Comprehensive Income (Loss)

The following tables show the changes in accumulated other comprehensive income (loss), net of taxes, by component as of and for the periods indicated:

(Amounts in millions)	Net unrealized investment gains (losses) [1]	Derivatives qualifying as hedges [2]	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2014	$ 926	$ 1,319	$ 297	$ 2,542
OCI before reclassifications	1,595	788	(537)	1,846
Amounts reclassified from (to) OCI	(12)	(37)		(49)
Current period OCI	1,583	751	(537)	1,797
Balances as of December 31, 2014 before noncontrolling interests	2,509	2,070	(240)	4,339
Less: change in OCI attributable to noncontrolling interests	56		(163)	(107)
Balances as of December 31, 2014	$ 2,453	$ 2,070	$ (77)	$ 4,446

[1] Net of adjustments to DAC, PVFP, sales inducements and benefit reserves. See note 4 for additional information.
[2] See note 5 for additional information.

(Amounts in millions)	Total

	Net unrealized investment gains (losses) [1]	Derivatives qualifying as hedges [2]	Foreign currency translation and other adjustments	
Balances as of January 1, 2013	$ 2,638	$ 1,909	$ 655	$ 5,202
OCI before reclassifications	(1,772)	(561)	(442)	(2,775)
Amounts reclassified from (to) OCI	21	(29)		(8)
Current period OCI	(1,751)	(590)	(442)	(2,783)
Balances as of December 31, 2013 before noncontrolling interests	887	1,319	213	2,419
Less: change in OCI attributable to noncontrolling interests	(39)		(84)	(123)
Balances as of December 31, 2013	$ 926	$ 1,319	$ 297	$ 2,542

(1) Net of adjustments to DAC, PVFP, sales inducements and benefit reserves. See note 4 for additional information.
(2) See note 5 for additional information.

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(Amounts in millions)	Net unrealized investment gains (losses) [1]	Derivatives qualifying as hedges [2]	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2012	$ 1,485	$ 2,009	$ 553	$ 4,047
OCI before reclassifications	1,106	(77)	126	1,155
Amounts reclassified from (to) OCI	50	(23)		27
Current period OCI	1,156	(100)	126	1,182
Balances as of December 31, 2012 before noncontrolling interests	2,641	1,909	679	5,229
Less: change in OCI attributable to noncontrolling interests	3		24	27
Balances as of December 31, 2012	$ 2,638	$ 1,909	$ 655	$ 5,202

(1) Net of adjustments to DAC, PVFP, sales inducements and benefit reserves. See note 4 for additional information.

(2) See note 5 for additional information.

The foreign currency translation and other adjustments balance included $37 million, $6 million and $26 million, respectively, net of taxes of $14 million, $1 million and $15 million, respectively, related to a net unrecognized postretirement benefit obligation as of December 31, 2014, 2013 and 2012. Amount also included taxes of $(10) million, $39 million and $58 million, respectively, related to foreign currency translation adjustments as of December 31, 2014, 2013 and 2012.

The following table shows reclassifications out of accumulated other comprehensive income (loss), net of taxes, for the periods presented:

(Amounts in millions)	Amount reclassified from accumulated other comprehensive income (loss) Years ended December 31, 2014	2013	2012	Affected line item in the consolidated statements of income
Net unrealized investment (gains) losses:				
	$ (19)	$ 33	$ 77	Net investment (gains) losses

Unrealized (gains) losses on investments [1]							
Provision for income taxes		7		(12)		(27)	Provision for income taxes
Total	$	(12)	$	21	$	50	
Derivatives qualifying as hedges:							
Interest rate swaps hedging assets	$	(63)	$	(47)	$	(40)	Net investment income
Interest rate swaps hedging assets		(2)		(1)		(2)	Net investment (gains) losses
Interest rate swaps hedging liabilities		(1)		(2)		(2)	Interest expense
Inflation indexed swaps		9		5		9	Net investment income
Provision for income taxes		20		16		12	Provision for income taxes
Total	$	(37)	$	(29)	$	(23)	

(1) Amounts exclude adjustments to DAC, PVFP, sales inducements and benefit reserves.

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(24) Noncontrolling Interests

Canada

In July 2009, Genworth Canada, our indirect subsidiary, completed the IPO of its common shares and Brookfield Life Assurance Company Limited (Brookfield), our indirect wholly-owned subsidiary, beneficially owned 57.5% of the common shares of Genworth Canada.

We currently hold approximately 57.3% of the outstanding common shares of Genworth Canada on a consolidated basis. In addition, Brookfield has the right, exercisable at its discretion, to purchase for cash these common shares of Genworth Canada from our U.S. mortgage insurance companies at the then-current market price. Brookfield also has a right of first refusal with respect to the transfer of these common shares of Genworth Canada by our U.S. mortgage insurance companies.

During 2014, Genworth Canada repurchased 1.9 million shares for CAD$75 million through a Normal Course Issuer Bid (NCIB) authorized by its board for up to 4.7 million shares. We participated in the NCIB in order to maintain our overall ownership percentage at its current level and received $38 million in cash.

During 2013, Genworth Canada repurchased 3.9 million shares for CAD$105 million through a NCIB authorized by its board for up to 4.9 million shares. We participated in the NCIB in order to maintain our overall ownership percentage at its then-current level and received $58 million in cash.

In 2014, 2013 and 2012, dividends of $69 million, $52 million and $50 million, respectively, were paid to the noncontrolling interests of Genworth Canada.

Australia

On May 15, 2014, Genworth Australia, a holding company for Genworth s Australian mortgage insurance business, priced its initial public offering of 220,000,000 of its ordinary shares at an initial public offering price of AUD$2.65 per ordinary share. The offering closed on May 21, 2014. Following completion of the offering, Genworth Financial beneficially owns 66.2% of the ordinary shares of Genworth Australia.

The net proceeds of the offering were used by Genworth Australia to repay a portion of certain intercompany funding arrangements with our subsidiaries and those funds were then distributed to Genworth Holdings. The gross proceeds of the offering (before payment of fees and expenses) were approximately $541 million. Fees and expenses in connection with the offering were approximately $27 million, including approximately $3 million paid in 2013.

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Consistent with applicable accounting guidance, changes in noncontrolling interests that do not result in a change of control are accounted for as equity transactions. When there are changes in noncontrolling interests of a subsidiary that do not result in a change of control, any difference between carrying value and fair value related to the change in ownership is recorded as an adjustment to stockholders equity. A summary of the changes in ownership interests and the effect on stockholders equity as a result of the initial public offering of Genworth Australia was as follows for the year ended December 31:

(Amounts in millions)	**2014**
Net loss available to Genworth Financial, Inc. s common stockholders	$ (1,244)
Transfers to the noncontrolling interests:	
Decrease in Genworth Financial, Inc. s additional paid-in capital for initial sale of Genworth Australia shares to noncontrolling interests	(145)
Net transfers to noncontrolling interests	(145)
Change from net loss available to Genworth Financial, Inc. s common stockholders and transfers to noncontrolling interests	$ (1,389)

In 2014, dividends of $6 million were paid to the noncontrolling interests of Genworth Australia.

(25) Discontinued Operations

On March 27, 2013, we announced that we had agreed to sell our wealth management business to AqGen Liberty Acquisition, Inc., a subsidiary of AqGen Liberty Holdings LLC, a partnership of Aquiline Capital Partners and Genstar Capital. Historically, this business had been reported as a separate segment. As a result of the sale agreement, this business was accounted for as discontinued operations and its financial position, results of operations and cash flows were separately reported for all periods presented. Also included in discontinued operations was our tax and advisor unit, Genworth Financial Investment Services (GFIS), which was part of our wealth management business until the closing of its sale on April 2, 2012 as discussed below.

Summary operating results of discontinued operations were as follows for the years ended December 31:

(Amounts in millions)	**2013**	**2012**
Revenues	$ 211	$ 387
Income (loss) before income taxes	$ (5)	$ 110

Provision for income taxes	7	53
Income (loss) from discontinued operations, net of taxes	$ (12)	$ 57

On December 31, 2010, we acquired the operating assets of Altegris Capital, LLC. (Altegris) as part of our wealth management business which provided a platform of alternative investments, including hedge funds and managed futures products. Under the terms of the agreement, we paid approximately $40 million at closing and we could have been obligated to pay additional performance-based payments of up to $88 million during the five-year period following closing. In 2012, we made a payment of $18 million related to the contingent consideration as a result of Altegris achieving certain performance targets.

On August 29, 2008, we acquired Quantuvis Consulting, Inc. (Quantuvis), an investment advisor consulting business, as part of our wealth management business for $3 million plus potential contingent consideration of up to $3 million. Quantuvis was included in the sale of our wealth management business in 2013 as discussed below.

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On August 30, 2013, we completed the sale of our wealth management business for approximately $412 million with net proceeds of approximately $360 million. During the three months ended March 31, 2013, in connection with the agreement to sell the wealth management business, we recognized a goodwill impairment of $13 million as a result of the carrying value for the business exceeding fair value. Additionally, we agreed to settle our contingent consideration liability related to our purchase of Altegris for approximately $40 million, which resulted in a loss of approximately $5 million from the change in fair value of this liability. In accordance with the accounting guidance for groups of assets that are held-for-sale, we recorded an additional loss of approximately $9 million to record the carrying value of the business at its fair value less costs to sell. During the three months ended September 30, 2013, we recognized an additional after-tax loss on the sale of $2 million at closing, which was based on carrying value and working capital at close, as well as expenses associated with the sale.

On April 2, 2012, we completed the sale of our tax and accounting financial advisor unit, GFIS, for approximately $79 million, plus contingent consideration, to Cetera Financial Group. The contingent consideration was recorded at fair value upon disposition and provides the opportunity for us to receive additional future payments of up to approximately $25 million based on achieving certain revenue goals. The fair value of this contingent consideration receivable was recorded in Corporate and Other activities and remains a component of continuing operations. We recognized an after-tax gain of $13 million related to the sale, which was included in income from discontinued operations, net of taxes.

(26) Condensed Consolidating Financial Information

Genworth Financial provides a full and unconditional guarantee to the trustee of Genworth Holdings outstanding senior notes and the holders of the senior notes, on an unsecured unsubordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, each outstanding series of senior notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior notes indenture in respect of such senior notes. Genworth Financial also provides a full and unconditional guarantee to the trustee of Genworth Holdings outstanding subordinated notes and the holders of the subordinated notes, on an unsecured subordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, the outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the subordinated notes indenture in respect of the subordinated notes.

The following condensed consolidating financial information of Genworth Financial and its direct and indirect subsidiaries have been prepared pursuant to rules regarding the preparation of consolidating financial information of Regulation S-X. The condensed consolidating financial information has been prepared as if the guarantee had been in place during the periods presented herein.

The condensed consolidating financial information presents the condensed consolidating balance sheet information as of December 31, 2014 and 2013 and the condensed consolidating income statement information, condensed consolidating comprehensive income statement information and condensed consolidating cash flow statement

information for the years ended December 31, 2014, 2013 and 2012.

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The condensed consolidating financial information reflects Genworth Financial (Parent Guarantor), Genworth Holdings (Issuer) and each of Genworth Financial s other direct and indirect subsidiaries (the All Other Subsidiaries) on a combined basis, none of which guarantee the senior notes or subordinated notes, as well as the eliminations necessary to present Genworth Financial s financial information on a consolidated basis and total consolidated amounts.

The accompanying condensed consolidating financial information is presented based on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the subsidiaries cumulative results of operations, capital contributions and distributions, and other changes in equity. Elimination entries include consolidating and eliminating entries for investments in subsidiaries and intercompany activity.

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The following table presents the condensed consolidating balance sheet information as of December 31, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	$	$ 150	$ 62,497	$ (200)	$ 62,447
Equity securities available-for-sale, at fair value			282		282
Commercial mortgage loans			6,100		6,100
Restricted commercial mortgage loans related to securitization entities			201		201
Policy loans			1,501		1,501
Other invested assets		14	2,287	(5)	2,296
Restricted other invested assets related to securitization entities, at fair value			411		411
Investments in subsidiaries	14,895	15,003		(29,898)	
Total investments	14,895	15,167	73,279	(30,103)	73,238
Cash and cash equivalents		953	3,965		4,918
Accrued investment income			689	(4)	685
Deferred acquisition costs			5,042		5,042
Intangible assets			272		272
Goodwill			16		16
Reinsurance recoverable			17,346		17,346
Other assets	2	207	425	(1)	633
Intercompany notes receivable	9	267	395	(671)	
Separate account assets			9,208		9,208
Total assets	$ 14,906	$ 16,594	$ 110,637	$ (30,779)	$ 111,358
Liabilities and stockholders equity					
Liabilities:					
Future policy benefits	$	$	$ 35,915	$	$ 35,915
Policyholder account balances			26,043		26,043
Liability for policy and contract claims			8,043		8,043
Unearned premiums			3,986		3,986

Other liabilities	3	251	3,361	(11)	3,604
Intercompany notes payable		604	267	(871)	
Borrowings related to securitization entities			219		219
Non-recourse funding obligations			1,996		1,996
Long-term borrowings		4,151	488		4,639
Deferred tax liability	(20)	(970)	1,898		908
Separate account liabilities			9,208		9,208
Total liabilities	(17)	4,036	91,424	(882)	94,561
Stockholders equity:					
Common stock	1				1
Additional paid-in capital	11,997	9,162	17,080	(26,242)	11,997
Accumulated other comprehensive income (loss)	4,446	4,449	4,459	(8,908)	4,446
Retained earnings	1,179	(1,053)	(4,205)	5,258	1,179
Treasury stock, at cost	(2,700)				(2,700)
Total Genworth Financial, Inc. s stockholders equity	14,923	12,558	17,334	(29,892)	14,923
Noncontrolling interests			1,879	(5)	1,874
Total stockholders equity	14,923	12,558	19,213	(29,897)	16,797
Total liabilities and stockholders equity	$ 14,906	$ 16,594	$ 110,637	$ (30,779)	$ 111,358

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Years Ended December 31, 2014, 2013 and 2012

The following table presents the condensed consolidating balance sheet information as of December 31, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	$	$ 150	$ 58,679	$ (200)	$ 58,629
Equity securities available-for-sale, at fair value			341		341
Commercial mortgage loans			5,899		5,899
Restricted commercial mortgage loans related to securitization entities			233		233
Policy loans			1,434		1,434
Other invested assets		91	1,595		1,686
Restricted other invested assets related to securitization entities, at fair value			391		391
Investments in subsidiaries	14,358	14,929		(29,287)	
Total investments	14,358	15,170	68,572	(29,487)	68,613
Cash and cash equivalents		1,219	2,995		4,214
Accrued investment income			682	(4)	678
Deferred acquisition costs			5,278		5,278
Intangible assets			399		399
Goodwill			867		867
Reinsurance recoverable			17,219		17,219
Other assets	(2)	276	367	(2)	639
Intercompany notes receivable	8	248	393	(649)	
Separate account assets			10,138		10,138
Total assets	$ 14,364	$ 16,913	$ 106,910	$ (30,142)	$ 108,045
Liabilities and stockholders equity					
Liabilities:					
Future policy benefits	$	$	$ 33,705	$	$ 33,705
Policyholder account balances			25,528		25,528
Liability for policy and contract claims			7,204		7,204
Unearned premiums			4,107		4,107

Other liabilities	(3)	365	3,739	(5)	4,096
Intercompany notes payable		601	248	(849)	
Borrowings related to securitization entities			242		242
Non-recourse funding obligations			2,038		2,038
Long-term borrowings		4,636	525		5,161
Deferred tax liability	(26)	(796)	1,028		206
Separate account liabilities			10,138		10,138
Total liabilities	(29)	4,806	88,502	(854)	92,425
Stockholders equity:					
Common stock	1				1
Additional paid-in capital	12,127	9,297	17,215	(26,512)	12,127
Accumulated other comprehensive income (loss)	2,542	2,507	2,512	(5,019)	2,542
Retained earnings	2,423	303	(2,551)	2,248	2,423
Treasury stock, at cost	(2,700)				(2,700)
Total Genworth Financial, Inc. s stockholders equity	14,393	12,107	17,176	(29,283)	14,393
Noncontrolling interests			1,232	(5)	1,227
Total stockholders equity	14,393	12,107	18,408	(29,288)	15,620
Total liabilities and stockholders equity	$ 14,364	$ 16,913	$ 106,910	$ (30,142)	$ 108,045

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Years Ended December 31, 2014, 2013 and 2012

The following table presents the condensed consolidating income statement information for the year ended December 31, 2014:

(Amounts in millions)	**Parent Guarantor**	**Issuer**	**All Other Subsidiaries**	**Eliminations**	**Consolidated**
Revenues:					
Premiums	$	$	$ 5,431	$	$ 5,431
Net investment income	(2)		3,259	(15)	3,242
Net investment gains (losses)		4	(24)		(20)
Insurance and investment product fees and other		(4)	917	(1)	912
Total revenues	(2)		9,583	(16)	9,565
Benefits and expenses:					
Benefits and other changes in policy reserves			6,620		6,620
Interest credited			737		737
Acquisition and operating expenses, net of deferrals	21		1,564		1,585
Amortization of deferred acquisition costs and intangibles			571		571
Goodwill impairment			849		849
Interest expense		321	174	(16)	479
Total benefits and expenses	21	321	10,515	(16)	10,841
Income (loss) from continuing operations before income taxes and equity in income (loss) of subsidiaries	(23)	(321)	(932)		(1,276)
Provision (benefit) for income taxes	(8)	(112)	(104)	(4)	(228)
Equity in income (loss) of subsidiaries	(1,229)	(1,147)		2,376	
Income (loss) from continuing operations	(1,244)	(1,356)	(828)	2,380	(1,048)
Income from discontinued operations, net of taxes					
Net income (loss)	(1,244)	(1,356)	(828)	2,380	(1,048)

Less: net income attributable to noncontrolling interests			196		196
Net income (loss) available to Genworth Financial, Inc. s common stockholders	$ (1,244)	$ (1,356)	$ (1,024)	$ 2,380	$ (1,244)

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The following table presents the condensed consolidating income statement information for the year ended December 31, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$	$	$ 5,148	$	$ 5,148
Net investment income	(1)	1	3,286	(15)	3,271
Net investment gains (losses)		6	(43)		(37)
Insurance and investment product fees and other			1,025	(4)	1,021
Total revenues	(1)	7	9,416	(19)	9,403
Benefits and expenses:					
Benefits and other changes in policy reserves			4,895		4,895
Interest credited			738		738
Acquisition and operating expenses, net of deferrals	33	32	1,594		1,659
Amortization of deferred acquisition costs and intangibles			569		569
Interest expense		322	189	(19)	492
Total benefits and expenses	33	354	7,985	(19)	8,353
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(34)	(347)	1,431		1,050
Provision (benefit) for income taxes	13	(120)	431		324
Equity in income of subsidiaries	607	796		(1,403)	
Income from continuing operations	560	569	1,000	(1,403)	726
Income (loss) from discontinued operations, net of taxes		(29)	17		(12)
Net income	560	540	1,017	(1,403)	714
Less: net income attributable to noncontrolling interests			154		154

Net income available to Genworth Financial, Inc. s common stockholders	$ 560	$ 540	$ 863	$ (1,403)	$ 560

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The following table presents the condensed consolidating income statement information for the year ended December 31, 2012:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	$	$	$ 5,041	$	$ 5,041
Net investment income		1	3,357	(15)	3,343
Net investment gains (losses)		(29)	56		27
Insurance and investment product fees and other		(1)	1,234	(4)	1,229
Total revenues		(29)	9,688	(19)	9,640
Benefits and expenses:					
Benefits and other changes in policy reserves			5,378		5,378
Interest credited			775		775
Acquisition and operating expenses, net of deferrals	7	8	1,579		1,594
Amortization of deferred acquisition costs and intangibles			722		722
Goodwill impairment			89		89
Interest expense		315	179	(18)	476
Total benefits and expenses	7	323	8,722	(18)	9,034
Income (loss) from continuing operations before income taxes and equity in income (loss) of subsidiaries	(7)	(352)	966	(1)	606
Provision (benefit) for income taxes	(3)	(110)	251		138
Equity in income (loss) of subsidiaries	329	636	(38)	(927)	
Income from continuing operations	325	394	677	(928)	468
Income from discontinued operations, net of taxes			57		57
Net income	325	394	734	(928)	525
			200		200

Less: net income attributable to noncontrolling interests										
Net income available to Genworth Financial, Inc. s common stockholders	$	325	$	394	$	534	$	(928)	$	325

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The following table presents the condensed consolidating comprehensive income statement information for the year ended December 31, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ (1,244)	$ (1,356)	$ (828)	$ 2,380	$ (1,048)
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	1,539	1,510	1,573	(3,049)	1,573
Net unrealized gains (losses) on other-than-temporarily impaired securities	10	11	10	(21)	10
Derivatives qualifying as hedges	751	751	794	(1,545)	751
Foreign currency translation and other adjustments	(339)	(273)	(537)	612	(537)
Total other comprehensive income (loss)	1,961	1,999	1,840	(4,003)	1,797
Total comprehensive income (loss)	717	643	1,012	(1,623)	749
Less: comprehensive income attributable to noncontrolling interests			32		32
Total comprehensive income (loss) available to Genworth Financial, Inc. s common stockholders	$ 717	$ 643	$ 980	$ (1,623)	$ 717

The following table presents the condensed consolidating comprehensive income statement information for the year ended December 31, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 560	$ 540	$ 1,017	$ (1,403)	$ 714
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(1,778)	(1,733)	(1,817)	3,511	(1,817)

Net unrealized gains (losses) on other-than-temporarily impaired securities	66	65	66	(131)	66
Derivatives qualifying as hedges	(590)	(590)	(615)	1,205	(590)
Foreign currency translation and other adjustments	(358)	(335)	(442)	693	(442)
Total other comprehensive income (loss)	(2,660)	(2,593)	(2,808)	5,278	(2,783)
Total comprehensive income (loss)	(2,100)	(2,053)	(1,791)	3,875	(2,069)
Less: comprehensive income attributable to noncontrolling interests			31		31
Total comprehensive income (loss) available to Genworth Financial, Inc. s common stockholders	$ (2,100)	$ (2,053)	$ (1,822)	$ 3,875	$ (2,100)

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The following table presents the condensed consolidating comprehensive income statement information for the year ended December 31, 2012:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income	$ 325	$ 394	$ 734	$ (928)	$ 525
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	1,075	1,046	1,078	(2,121)	1,078
Net unrealized gains (losses) on other-than-temporarily impaired securities	78	78	78	(156)	78
Derivatives qualifying as hedges	(100)	(100)	(98)	198	(100)
Foreign currency translation and other adjustments	102	81	126	(183)	126
Total other comprehensive income (loss)	1,155	1,105	1,184	(2,262)	1,182
Total comprehensive income (loss)	1,480	1,499	1,918	(3,190)	1,707
Less: comprehensive income attributable to noncontrolling interests			227		227
Total comprehensive income (loss) available to Genworth Financial, Inc. s common stockholders	$ 1,480	$ 1,499	$ 1,691	$ (3,190)	$ 1,480

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The following table presents the condensed consolidating cash flow statement information for the year ended December 31, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	$ (1,244)	$ (1,356)	$ (828)	$ 2,380	$ (1,048)
Adjustments to reconcile net income (loss) to net cash from operating activities:					
Equity in (income) loss from subsidiaries	1,229	1,147		(2,376)	
Dividends from subsidiaries		630	(630)		
Amortization of fixed maturity discounts and premiums and limited partnerships			(97)		(97)
Net investment losses (gains)		(4)	24		20
Charges assessed to policyholders			(777)		(777)
Acquisition costs deferred			(473)		(473)
Amortization of deferred acquisition costs and intangibles			571		571
Goodwill impairment			849		849
Deferred income taxes	4	(146)	(341)	(4)	(487)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments		1	205		206
Stock-based compensation expense	21		9		30
Change in certain assets and liabilities:					
Accrued investment income and other assets	(4)	(9)	(117)	1	(129)
Insurance reserves			3,212		3,212
Current tax liabilities	(2)	(77)	(101)		(180)
Other liabilities, policy and contract claims and other policy-related balances	11	91	645	(6)	741
Net cash from operating activities	15	277	2,151	(5)	2,438
Cash flows from investing activities:					
Proceeds from maturities and repayments of investments:					
Fixed maturity securities		150	5,214		5,364
Commercial mortgage loans			765		765

Restricted commercial mortgage loans related to securitization entities			32		32
Proceeds from sales of investments:					
Fixed maturity and equity securities			2,490		2,490
Purchases and originations of investments:					
Fixed maturity and equity securities		(150)	(9,342)		(9,492)
Commercial mortgage loans			(967)		(967)
Other invested assets, net			(45)	5	(40)
Policy loans, net			12		12
Intercompany notes receivable	(1)	(19)	(2)	22	
Capital contributions to subsidiaries	(12)		12		
Net cash from investing activities	(13)	(19)	(1,831)	27	(1,836)
Cash flows from financing activities:					
Deposits to universal life and investment contracts			2,993		2,993
Withdrawals from universal life and investment contracts			(2,588)		(2,588)
Redemption and repurchase of non-recourse funding obligations			(42)		(42)
Proceeds from the issuance of long-term debt			144		144
Repayment and repurchase of long-term debt		(485)	(136)		(621)
Repayment of borrowings related to securitization entities			(32)		(32)
Proceeds from intercompany notes payable		3	19	(22)	
Repurchase of subsidiary shares			(28)		(28)
Dividends paid to noncontrolling interests			(75)		(75)
Dividends paid to parent					
Proceeds from the sale of subsidiary shares to noncontrolling interests			517		517
Other, net	(2)	(42)	(19)		(63)
Net cash from financing activities	(2)	(524)	753	(22)	205
Effect of exchange rate changes on cash and cash equivalents			(103)		(103)
Net change in cash and cash equivalents		(266)	970		704
Cash and cash equivalents at beginning of period		1,219	2,995		4,214
Cash and cash equivalents at end of period	$	$ 953	$ 3,965	$	$ 4,918

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The following table presents the condensed consolidating cash flow statement information for the year ended December 31, 2013:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income	$ 560	$ 540	$ 1,017	$ (1,403)	$ 714
Less (income) loss from discontinued operations, net of taxes		29	(17)		12
Adjustments to reconcile net income to net cash from operating activities:					
Equity in earnings from subsidiaries	(607)	(796)		1,403	
Dividends from subsidiaries	535	376	(497)	(414)	
Amortization of fixed maturity discounts and premiums and limited partnerships			(97)		(97)
Net investment losses (gains)		(6)	43		37
Charges assessed to policyholders			(812)		(812)
Acquisition costs deferred			(457)		(457)
Amortization of deferred acquisition costs and intangibles			569		569
Deferred income taxes	24	(138)	35		(79)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments		1	(60)		(59)
Stock-based compensation expense	26		15		41
Change in certain assets and liabilities:					
Accrued investment income and other assets	2	67	(112)		(43)
Insurance reserves			2,256		2,256
Current tax liabilities	3	45	240		288
Other liabilities, policy and contract claims and other policy-related balances	(4)	(11)	(1,024)		(1,039)
Cash from operating activities discontinued operations			68		68
Net cash from operating activities	539	107	1,167	(414)	1,399

Cash flows from investing activities:

Proceeds from maturities and repayments of investments:					
Fixed maturity securities			5,040		5,040
Commercial mortgage loans			896		896
Restricted commercial mortgage loans related to securitization entities			60		60
Proceeds from sales of investments:					
Fixed maturity and equity securities		150	4,286		4,436
Purchases and originations of investments:					
Fixed maturity and equity securities		(150)	(10,655)		(10,805)
Commercial mortgage loans			(873)		(873)
Other invested assets, net			89		89
Policy loans, net			242		242
Intercompany notes receivable	(8)	(3)	95	(84)	
Capital contributions to subsidiaries	(531)	(1)	532		
Proceeds from sale of a subsidiary, net of cash transferred		425	(60)		365
Cash from investing activities discontinued operations		(30)			(30)
Net cash from investing activities	(539)	391	(348)	(84)	(580)
Cash flows from financing activities:					
Deposits to universal life and investment contracts			2,999		2,999
Withdrawals from universal life and investment contracts			(3,269)		(3,269)
Redemption and repurchase of non-recourse funding obligations			(28)		(28)
Proceeds from the issuance of long-term debt		793			793
Repayment and repurchase of long-term debt		(365)			(365)
Repayment of borrowings related to securitization entities			(108)		(108)
Proceeds from intercompany notes payable		(87)	3	84	
Repurchase of subsidiary shares			(43)		(43)
Dividends paid to noncontrolling interests			(52)		(52)
Dividends paid to parent		(414)		414	
Other, net		(49)	(24)		(73)
Cash from financing activities discontinued operations			(3)		(3)