Retirement Income
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Genworth Financial Announces Profitable Third Quarter

By Editor Test *Tue, Nov 3, 2009*

After losing $258 million in the third quarter of 2008, Genworth reported net income of $45 million in the same period this year, before provision for non-controlling interests.

For the third quarter of 2009, Genworth Financial reported net income of $45 million, before provision for non-controlling interests, compared with a net loss of $258 million in the third quarter of 2008, the company said in a release. Net operating income before provision for non-controlling interests for the third quarter of 2009 was $106 million, compared with $220 million a year earlier.

Retirement income fee-based earnings increased to $16 million from lower DAC (deferred acquisition cost) amortization attributable to positive equity market performance during the quarter. This was partially offset by lower fees from a decline in average AUM (assets under management) for the variable annuity product and higher taxes. On a sequential basis, earnings increased $5 million from $11 million as a result of improved equity market performance and lower taxes.

Total VA sales grew 41% sequentially to $217 million. Recently, Genworth launched RetireReady One, a more streamlined retirement income VA product with improved risk characteristics and flexible features that enable a more customized guaranteed income strategy.

The retirement income spread-based business had a net operating loss of $8 million compared to income of $16 million in the prior year. In the prior year, earnings included a $15 million tax benefit that did not recur. Earnings in the current period reflected lower investment income associated with holding higher cash balances and $5 million of unfavorable DAC unlocking related to a refinement of assumptions for spreads. A significant portion of these higher cash balances is targeted for reinvestment as noted previously. Total spread-based AUM remained relatively flat sequentially ending at $19.5 billion.

Genworth’s fixed annuity production in the quarter was down significantly and reflected a less attractive spread environment and a cautious stance regarding interest rates and related investment strategies. Going forward, fixed annuity production will remain targeted with a focus on risk-adjusted returns.