



February 17, 2009

A message to our distribution partners, shareholders, regulators and employees...

On Friday February 13, Moody's Investor Service announced a series of multiple notch downgrades for all U.S. mortgage insurance companies, including downgrading Genworth's U.S. Mortgage Insurance businesses to "Baa2 (BBB)" from "Aa3" with "a developing outlook." Moody's currently views Genworth's U. S. Mortgage Insurance capital adequacy **"as being consistent with a rating in the A rating category"**. Based on our discussions with Moody's, we believe that their methodology placed an insignificant weighting to Genworth's capital level, and in arriving at their ultimate rating, they placed more emphasis on their views of how the mortgage finance market may evolve with private mortgage insurance playing a less prominent role. Moody's downgraded the entire U. S. mortgage insurance industry, and ignored the critical role of private mortgage insurance in today's emerging mortgage finance market.

The role of mortgage insurance in the return to a properly functioning housing market has never been more important and clear. While today's weak economic environment and continued deterioration in housing fundamentals has pressured earnings and led to an appropriate debate and reassessment of the entire mortgage finance model, there is no question that mortgage insurance enables safe, secure low down-payment lending—especially for first-time homebuyers. Those same buyers will be key drivers of demand that will lead us out of today's weakened economy.

Genworth and the other mortgage insurance companies are uniquely aligned with the interests of homebuyers, lenders and the investors in home mortgages:

- Genworth maintains claims-paying ability in excess of our target "AA" rating stress levels. Our risk-to-capital ratio is 14.5:1, well below the regulatory capital requirement of 25:1. Genworth Mortgage Insurance has more than \$950 million in excess statutory capital. At the end of Q4 2008, our claims-paying resources (including capital reserves, captive trusts and loss reserves) were at \$3.3 billion against a total Risk-in-Force of \$36.1 billion
- Genworth's portfolio performance continues to outperform the industry with a fourth quarter primary delinquency rate of 8.4 percent against an industry delinquency rate of 12.3 percent.
- Private mortgage insurers put private capital at risk, and because of our strong regulatory capital requirements, including a required 50 percent contingency reserve against every dollar of premium earned, there is clear transparency to the capital available to meet our claims-paying obligations.

- Private mortgage insurers provide capital relief to our lender partners and to the government sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, that stands in front of the new explicit support that is being called upon by the government and taxpayers.
- Private mortgage insurers independently underwrite mortgage loans, something that was lost in the recent years of mortgage excess and led so many borrowers to take out mortgages that they could not afford. Our goal is not only to help enable responsible homeownership, but to also ensure borrowers get a mortgage on terms that will allow them to stay in their homes. This is critical to creating the investor confidence required to restore a healthy housing market.
- Private mortgage insurers work directly with mortgage servicers and homebuyers experiencing financial set backs to do everything possible to help them avoid foreclosure.

Genworth Mortgage Insurance has been aggressive and proactive in responding to the unprecedented economic crisis, and our actions have significantly strengthened the mortgage insurance model. We have prudently tightened underwriting guidelines and do not allow risks that are inappropriate for first-time homebuyers, we improved pricing and re-invigorated the role of our independent underwriting function, and we continue to insure Fannie Mae and Freddie Mac loans.

The U.S. Federal government has taken important steps necessary for housing to recover, and is expected to announce even more aggressive programs aimed at foreclosure avoidance and restoring a liquid and sound housing finance system. The GSEs and mortgage insurers will play a significant and important role in this recovery, and we will continue to be at the forefront of these vital initiatives. The strength of the private mortgage insurance industry model that provides counter cyclical capital and has been tested through multiple housing cycles (and the current environment is no exception) will be critical to the success of this effort. Genworth Mortgage Insurance and our 500+ U. S. employees are passionately committed to this task and we look forward to engaging with the GSEs, our distribution partners and policy makers to take the private mortgage insurance industry forward.



Kevin Schneider
President, Genworth U.S. Mortgage Insurance