GENWORTH FINANCIAL INC
Form 10-Q
November 08, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2016

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 001-32195

GENWORTH FINANCIAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**80-0873306**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
6620 West Broad Street Richmond, Virginia	**23230**
(Address of Principal Executive Offices)	**(Zip Code)**

(804) 281-6000

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of October 28, 2016, 498,369,894 shares of Class A Common Stock, par value $0.001 per share, were outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in millions, except per share amounts)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	$ 63,780	$ 58,197
Equity securities available-for-sale, at fair value	590	310
Commercial mortgage loans	6,017	6,170
Restricted commercial mortgage loans related to securitization entities	134	161
Policy loans	1,751	1,568
Other invested assets	2,676	2,309
Restricted other invested assets related to securitization entities, at fair value	312	413
Total investments	75,260	69,128
Cash and cash equivalents	3,078	5,965
Accrued investment income	677	653
Deferred acquisition costs	3,982	4,398
Intangible assets and goodwill	258	357
Reinsurance recoverable	17,542	17,245
Other assets	570	520
Deferred tax asset		155
Separate account assets	7,485	7,883
Assets held for sale		127
Total assets	$ 108,852	$ 106,431
Liabilities and equity		
Liabilities:		
Future policy benefits	$ 37,405	$ 36,475
Policyholder account balances	25,867	26,209
Liability for policy and contract claims	8,869	8,095
Unearned premiums	3,464	3,308
Other liabilities ($2 and $46 of other liabilities are related to securitization entities)	3,280	3,004

Borrowings related to securitization entities ($11 and $81 are at fair value)	78	179
Non-recourse funding obligations	310	1,920
Long-term borrowings	4,194	4,570
Deferred tax liability	1,151	24
Separate account liabilities	7,485	7,883
Liabilities held for sale		127
Total liabilities	92,103	91,794
Commitments and contingencies		
Equity:		
Class A common stock, $0.001 par value; 1.5 billion shares authorized; 587 million and 586 million shares issued as of September 30, 2016 and December 31, 2015, respectively; 498 million shares outstanding as of September 30, 2016 and December 31, 2015	1	1
Additional paid-in capital	11,959	11,949
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	2,836	1,236
Net unrealized gains (losses) on other-than-temporarily impaired securities	24	18
Net unrealized investment gains (losses)	2,860	1,254
Derivatives qualifying as hedges	2,493	2,045
Foreign currency translation and other adjustments	(151)	(289)
Total accumulated other comprehensive income (loss)	5,202	3,010
Retained earnings	409	564
Treasury stock, at cost (88 million shares as of September 30, 2016 and December 31, 2015)	(2,700)	(2,700)
Total Genworth Financial, Inc. s stockholders equity	14,871	12,824
Noncontrolling interests	1,878	1,813
Total equity	16,749	14,637
Total liabilities and equity	$ 108,852	$ 106,431

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in millions, except per share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Revenues:				
Premiums	$ 1,108	$ 1,145	$ 3,029	$ 3,422
Net investment income	805	783	2,373	2,357
Net investment gains (losses)	20	(51)	31	(59)
Policy fees and other income	217	223	738	672
Total revenues	2,150	2,100	6,171	6,392
Benefits and expenses:				
Benefits and other changes in policy reserves	1,662	1,290	3,715	3,714
Interest credited	173	179	523	540
Acquisition and operating expenses, net of deferrals	269	314	990	876
Amortization of deferred acquisition costs and intangibles	94	563	305	759
Interest expense	77	105	262	315
Total benefits and expenses	2,275	2,451	5,795	6,204
Income (loss) from continuing operations before income taxes	(125)	(351)	376	188
Provision (benefit) for income taxes	222	(134)	355	27
Income (loss) from continuing operations	(347)	(217)	21	161
Income (loss) from discontinued operations, net of taxes	15	(21)	(25)	(334)
Net loss	(332)	(238)	(4)	(173)
Less: net income attributable to noncontrolling interests	48	46	151	150
Net loss available to Genworth Financial, Inc. s common stockholders	$ (380)	$ (284)	$ (155)	$ (323)
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ (0.79)	$ (0.53)	$ (0.26)	$ 0.02
Diluted	$ (0.79)	$ (0.53)	$ (0.26)	$ 0.02

Net loss available to Genworth Financial, Inc. s common stockholders per common share:				
Basic	$ (0.76)	$ (0.57)	$ (0.31)	$ (0.65)
Diluted	$ (0.76)	$ (0.57)	$ (0.31)	$ (0.65)
Weighted-average common shares outstanding:				
Basic	498.3	497.4	498.3	497.3
Diluted	498.3	497.4	498.3	499.0
Supplemental disclosures:				
Total other-than-temporary impairments	$ (2)	$ (10)	$ (35)	$ (13)
Portion of other-than-temporary impairments included in other comprehensive income (loss)		1		1
Net other-than-temporary impairments	(2)	(9)	(35)	(12)
Other investments gains (losses)	22	(42)	66	(47)
Total net investment gains (losses)	$ 20	$ (51)	$ 31	$ (59)

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in millions)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Net loss	$ (332)	$ (238)	$ (4)	$ (173)
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities not other-than-temporarily impaired	72	87	1,624	(728)
Net unrealized gains (losses) on other-than-temporarily impaired securities	5		6	
Derivatives qualifying as hedges	54	217	448	60
Foreign currency translation and other adjustments	(1)	(302)	223	(619)
Total other comprehensive income (loss)	130	2	2,301	(1,287)
Total comprehensive income (loss)	(202)	(236)	2,297	(1,460)
Less: comprehensive income (loss) attributable to noncontrolling interests	64	(121)	260	(145)
Total comprehensive income (loss) available to Genworth Financial, Inc. s common stockholders	$ (266)	$ (115)	$ 2,037	$ (1,315)

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in millions)

(Unaudited)

	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 equity
Balances as of December 31, 2015	$ 1	$ 11,949	$ 3,010	$ 564	$ (2,700)	$ 12,824	$ 1,813	$ 14,637
Return of capital to noncontrolling interests							(70)	(70)
Comprehensive income (loss):								
Net income (loss)				(155)		(155)	151	(4)
Other comprehensive income (loss), net of taxes			2,192			2,192	109	2,301
Total comprehensive income (loss)						2,037	260	2,297
Dividends to noncontrolling interests							(126)	(126)
Stock-based compensation expense and exercises and other		10				10	1	11
Balances as of September 30, 2016	$ 1	$ 11,959	$ 5,202	$ 409	$ (2,700)	$ 14,871	$ 1,878	$ 16,749
Balances as of December 31, 2014	$ 1	$ 11,997	$ 4,446	$ 1,179	$ (2,700)	$ 14,923	$ 1,874	$ 16,797
Additional sale of subsidiary shares to noncontrolling interests		(65)	24			(41)	267	226
Repurchase of subsidiary shares							(17)	(17)

Comprehensive income (loss):								
Net income (loss)				(323)		(323)	150	(173)
Other comprehensive income (loss), net of taxes			(992)			(992)	(295)	(1,287)
Total comprehensive income (loss)						(1,315)	(145)	(1,460)
Dividends to noncontrolling interests							(145)	(145)
Stock-based compensation expense and exercises and other		12				12	3	15
Balances as of September 30, 2015	$ 1	$ 11,944	$ 3,478	$ 856	$ (2,700)	$ 13,579	$ 1,837	$ 15,416

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in millions)

(Unaudited)

	Nine months ended September 30, 2016	2015
Cash flows from operating activities:		
Net loss	$ (4)	$ (173)
Less loss from discontinued operations, net of taxes	25	334
Adjustments to reconcile net loss to net cash from operating activities:		
Gain on sale of businesses	(26)	
Amortization of fixed maturity securities discounts and premiums and limited partnerships	(112)	(80)
Net investment losses (gains)	(31)	59
Charges assessed to policyholders	(574)	(586)
Acquisition costs deferred	(124)	(226)
Amortization of deferred acquisition costs and intangibles	305	759
Deferred income taxes	173	(117)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	759	(247)
Stock-based compensation expense	25	14
Change in certain assets and liabilities:		
Accrued investment income and other assets	(258)	(133)
Insurance reserves	691	1,270
Current tax liabilities	44	(71)
Other liabilities, policy and contract claims and other policy-related balances	905	352
Cash from operating activities held for sale		3
Net cash from operating activities	1,798	1,158
Cash flows from investing activities:		
Proceeds from maturities and repayments of investments:		
Fixed maturity securities	2,646	3,389
Commercial mortgage loans	555	640
Restricted commercial mortgage loans related to securitization entities	27	27
Proceeds from sales of investments:		
Fixed maturity and equity securities	4,064	1,333
Purchases and originations of investments:		
Fixed maturity and equity securities	(8,758)	(6,836)
Commercial mortgage loans	(405)	(678)
Other invested assets, net	(138)	(39)

Policy loans, net	(80)	23
Proceeds from sale of businesses, net of cash transferred	39	
Cash from investing activities held for sale		(22)
Net cash from investing activities	(2,050)	(2,163)
Cash flows from financing activities:		
Deposits to universal life and investment contracts	1,028	1,693
Withdrawals from universal life and investment contracts	(1,463)	(1,677)
Redemption of non-recourse funding obligations	(1,620)	(45)
Proceeds from issuance of long-term debt		150
Repayment and repurchase of long-term debt	(362)	(120)
Repayment of borrowings related to securitization entities	(37)	(26)
Proceeds from sale of subsidiary shares to noncontrolling interests		226
Repurchase of subsidiary shares		(17)
Return of capital to noncontrolling interests	(70)	
Dividends paid to noncontrolling interests	(126)	(145)
Other, net	(49)	(25)
Cash from financing activities held for sale		(33)
Net cash from financing activities	(2,699)	(19)
Effect of exchange rate changes on cash and cash equivalents (includes $ and $(8) related to businesses held for sale)	36	(86)
Net change in cash and cash equivalents	(2,915)	(1,110)
Cash and cash equivalents at beginning of period	5,993	4,918
Cash and cash equivalents at end of period	3,078	3,808
Less cash and cash equivalents held for sale at end of period		142
Cash and cash equivalents of continuing operations at end of period	$ 3,078	$ 3,666

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Formation of Genworth and Basis of Presentation

Genworth Holdings, Inc. (Genworth Holdings) (formerly known as Genworth Financial, Inc.) was incorporated in Delaware in 2003 in preparation for an initial public offering of Genworth s 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, and was renamed Genworth Financial, Inc. (Genworth Financial) upon the completion of the reorganization.

The accompanying unaudited condensed financial statements include on a consolidated basis the accounts of Genworth Financial and the affiliate companies in which it holds a majority voting interest or where it is the primary beneficiary of a variable interest entity (VIE). All intercompany accounts and transactions have been eliminated in consolidation.

References to Genworth, the Company, we or our in the accompanying unaudited condensed consolidated financial statements and these notes thereto are, unless the context otherwise requires, to Genworth Financial on a consolidated basis.

We operate our business through the following five operating segments:

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

- ***Canada Mortgage Insurance.*** We offer flow mortgage insurance and also provide bulk mortgage insurance that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk in Canada.

- ***Australia Mortgage Insurance.*** In Australia, we offer flow mortgage insurance and selectively provide bulk mortgage insurance that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk.

- ***U.S. Life Insurance.*** We offer long-term care insurance products as well as service traditional life insurance and fixed annuity products in the United States.

Runoff. The Runoff segment includes the results of non-strategic products which are no longer actively sold but we continue to service our existing blocks of business. 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 and guaranteed investment contracts.

In addition to our five operating business segments, 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 certain smaller international mortgage insurance businesses and discontinued operations.

On May 9, 2016, Genworth Mortgage Insurance Corporation (GMICO), our wholly-owned indirect subsidiary, completed the sale of our European mortgage insurance business. As the held-for-sale criteria were

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

satisfied during the fourth quarter of 2015, our European mortgage insurance business, included in Corporate and Other activities, has been reported as held for sale and its financial position is separately reported for all periods presented. All prior periods reflected herein have been re-presented on this basis. See note 14 for additional information.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and rules and regulations of the U.S. Securities and Exchange Commission (SEC). 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. These unaudited condensed consolidated financial statements include all adjustments (including normal recurring adjustments) considered necessary by management to present a fair statement of the financial position, results of operations and cash flows for the periods presented. The results reported in these unaudited condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and related notes contained in our 2015 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

On October 21, 2016, we entered into a definitive agreement with China Oceanwide Holdings Group Co., Ltd. (China Oceanwide) under which China Oceanwide has agreed to acquire all of our outstanding common stock for a total transaction value of approximately $2.7 billion, or $5.43 per share in cash. The acquisition will be completed through Asia Pacific Global Capital Co. Ltd., one of China Oceanwide s investment platforms. The transaction is subject to approval by our stockholders as well as other closing conditions, including the receipt of required regulatory approvals.

(2) Accounting Changes

Accounting Pronouncement Recently Adopted

On January 1, 2016, we adopted new accounting guidance related to consolidation. The new guidance primarily impacts limited partnerships and similar legal entities, evaluation of fees paid to a decision maker as a variable interest, the effect of fee arrangements and related parties on the primary beneficiary determination and certain investment funds. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In September 2016, the Financial Accounting Standards Board (the FASB) issued new guidance related to the statement of cash flows classification of certain cash payments and cash receipts. The guidance will reduce diversity in practice related to eight specific cash flow issues. The new guidance is effective for us on January 1, 2018, with early adoption permitted. We are in the process of determining the impact from this guidance on our consolidated financial statements.

In June 2016, the FASB issued new guidance related to accounting for credit losses on financial instruments. The guidance requires that entities recognize an allowance equal to its estimate of lifetime expected credit losses and applies to most debt instruments not measured at fair value, which would primarily include our commercial mortgage loans and reinsurance receivables. The new guidance retains most of the existing impairment guidance for available-for-sale debt securities but amends the presentation of credit losses to be presented as an allowance as opposed to a write-down and permits the reversal of credit losses when reassessing

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

changes in the credit losses each reporting period. The new guidance is effective for us on January 1, 2020, with early adoption permitted beginning January 1, 2019. Upon adoption, a cumulative effect adjustment in retained earnings as of the beginning of the year of adoption will be recorded. We are in the process of determining the impact from this guidance on our consolidated financial statements.

In March 2016, the FASB issued new accounting guidance related to the accounting for stock compensation. The guidance primarily simplifies the accounting for employee share-based payment transactions, including a new requirement to record all of the income tax effects at settlement or expiration through the income statement, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for us on January 1, 2017, with early adoption permitted. We are in the process of determining the impact from this guidance on our consolidated financial statements.

In March 2016, the FASB issued new accounting guidance related to transition to the equity method of accounting. The guidance eliminates the retrospective application of the equity method of accounting when obtaining significant influence over a previously held investment. The guidance requires that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The guidance is effective for us on January 1, 2017, with early adoption permitted. We do not expect any significant impact from this guidance on our consolidated financial statements.

In March 2016, the FASB issued new accounting guidance related to the assessment of contingent put and call options in debt instruments. The guidance clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. The guidance is effective for us on January 1, 2017, with early adoption permitted. We are in the process of determining the impact from this guidance on our consolidated financial statements.

In March 2016, the FASB issued new accounting guidance related to the effect of derivative contract novations on existing hedge accounting relationships. The guidance clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The guidance is effective for us on January 1, 2017, with early adoption permitted. This guidance is consistent with our accounting for derivative contract novations and, accordingly, we do not expect any impact on our consolidated financial statements.

In February 2016, the FASB issued new accounting guidance related to the accounting for leases. The new guidance generally requires lessees to recognize both a right-to-use asset and a corresponding liability on the balance sheet. The guidance is effective for us on January 1, 2019, with early adoption permitted. We are still in the process of evaluating the impact this guidance will have on our consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(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)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Weighted-average common shares used in basic earnings (loss) per common share calculations	498.3	497.4	498.3	497.3
Potentially dilutive securities:				
Stock options, restricted stock units and stock appreciation rights				1.7
Weighted-average common shares used in diluted earnings (loss) per common share calculations (1)	498.3	497.4	498.3	499.0
Income (loss) from continuing operations:				
Income (loss) from continuing operations	$ (347)	$ (217)	$ 21	$ 161
Less: income from continuing operations attributable to noncontrolling interests	48	46	151	150
Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	$ (395)	$ (263)	$ (130)	$ 11
Basic per common share	$ (0.79)	$ (0.53)	$ (0.26)	$ 0.02
Diluted per common share	$ (0.79)	$ (0.53)	$ (0.26)	$ 0.02
Income (loss) from discontinued operations:				
Income (loss) from discontinued operations, net of taxes	$ 15	$ (21)	$ (25)	$ (334)
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	$ 15	$ (21)	$ (25)	$ (334)
Basic per common share	$ 0.03	$ (0.04)	$ (0.05)	$ (0.67)

Diluted per common share	$ 0.03	$ (0.04)	$ (0.05)	$ (0.67)
Net loss:				
Income (loss) from continuing operations	$ (347)	$ (217)	$ 21	$ 161
Income (loss) from discontinued operations, net of taxes	15	(21)	(25)	(334)
Net loss	(332)	(238)	(4)	(173)
Less: net income attributable to noncontrolling interests	48	46	151	150
Net loss available to Genworth Financial, Inc. s common stockholders	$ (380)	$ (284)	$ (155)	$ (323)
Basic per common share	$ (0.76)	$ (0.57)	$ (0.31)	$ (0.65)
Diluted per common share	$ (0.76)	$ (0.57)	$ (0.31)	$ (0.65)

(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 for the three months ended September 30, 2016 and 2015 and the nine months ended September 30, 2016, 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, 2016 and 2015 and the nine months ended September 30, 2016, as the inclusion of shares for stock options, restricted stock units and stock appreciation rights of 2.2 million, 1.3 million and 1.8 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 for the three months ended September 30, 2016 and 2015 and the nine months ended September 30, 2016, dilutive potential weighted-average common shares outstanding would have been 500.5 million, 498.7 million and 500.1 million, respectively.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(4) Investments

(a) Net Investment Income

Sources of net investment income were as follows for the periods indicated:

(Amounts in millions)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Fixed maturity securities taxable	$ 655	$ 647	$ 1,930	$ 1,924
Fixed maturity securities non-taxable	3	3	9	9
Commercial mortgage loans	79	84	237	252
Restricted commercial mortgage loans related to securitization entities	3	3	8	10
Equity securities	8	3	20	11
Other invested assets	34	26	105	103
Restricted other invested assets related to securitization entities		1	3	3
Policy loans	38	33	107	101
Cash, cash equivalents and short-term investments	5	3	16	10
Gross investment income before expenses and fees	825	803	2,435	2,423
Expenses and fees	(20)	(20)	(62)	(66)
Net investment income	$ 805	$ 783	$ 2,373	$ 2,357

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(b) Net Investment Gains (Losses)

The following table sets forth net investment gains (losses) for the periods indicated:

(Amounts in millions)	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Available-for-sale securities:				
Realized gains	$ 39	$ 14	$ 205	$ 49
Realized losses	(24)	(18)	(75)	(36)
Net realized gains (losses) on available-for-sale securities	15	(4)	130	13
Impairments:				
Total other-than-temporary impairments	(2)	(10)	(35)	(13)
Portion of other-than-temporary impairments included in other comprehensive income (loss)		1		1
Net other-than-temporary impairments	(2)	(9)	(35)	(12)
Trading securities	(4)	12	40	2
Commercial mortgage loans	(1)	1	1	5
Net gains (losses) related to securitization entities	2	(1)	(51)	9
Derivative instruments [(1)]	10	(53)	(52)	(79)
Contingent consideration adjustment		2	(2)	2
Other		1		1
Net investment gains (losses)	$ 20	$ (51)	$ 31	$ (59)

(1) 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 three months ended September 30, 2016 and 2015 was $293 million and $186 million, respectively, which was approximately 95% and 93%, respectively, of book value. The aggregate fair value of securities sold at a loss during the nine months ended September 30, 2016 and 2015 was $833 million and $470 million, respectively, which was approximately 93% and 94%, respectively, of book value.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 other comprehensive income (loss) (OCI) as of and for the periods indicated:

(Amounts in millions)	As of or for the three months ended September 30, 2016	As of or for the three months ended September 30, 2015	As of or for the nine months ended September 30, 2016	As of or for the nine months ended September 30, 2015
Beginning balance	$ 62	$ 75	$ 64	$ 83
Additions:				
Other-than-temporary impairments not previously recognized			1	
Reductions:				
Securities sold, paid down or disposed	(8)	(9)	(11)	(17)
Ending balance	$ 54	$ 66	$ 54	$ 66

(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 the dates indicated:

(Amounts in millions)	September 30, 2016	December 31, 2015
Net unrealized gains (losses) on investment securities:		
Fixed maturity securities	$ 6,621	$ 3,140
Equity securities	(2)	(10)
Subtotal	6,619	3,130
Adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves	(2,045)	(1,070)
Income taxes, net	(1,595)	(711)
Net unrealized investment gains (losses)	2,979	1,349
Less: net unrealized investment gains (losses) attributable to noncontrolling interests	119	95
	$ 2,860	$ 1,254

Net unrealized investment gains (losses) attributable to Genworth Financial, Inc.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 periods indicated:

(Amounts in millions)	As of or for the three months ended September 30, 2016	2015
Beginning balance	$ 2,789	$ 1,628
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	228	70
Adjustment to deferred acquisition costs	(17)	32
Adjustment to present value of future profits	3	(5)
Adjustment to sales inducements	(6)	9
Adjustment to benefit reserves	(81)	23
Provision for income taxes	(41)	(50)
Change in unrealized gains (losses) on investment securities	86	79
Reclassification adjustments to net investment (gains) losses, net of taxes of $4 and $(5)	(9)	8
Change in net unrealized investment gains (losses)	77	87
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	6	(16)
Ending balance	$ 2,860	$ 1,731

(Amounts in millions)	As of or for the nine months ended September 30, 2016	2015
Beginning balance	$ 1,254	$ 2,453
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	3,584	(1,393)
Adjustment to deferred acquisition costs	(291)	102
Adjustment to present value of future profits	(26)	45
Adjustment to sales inducements	(46)	12
Adjustment to benefit reserves	(612)	111

Provision for income taxes	(917)	396
Change in unrealized gains (losses) on investment securities	1,692	(727)
Reclassification adjustments to net investment (gains) losses, net of taxes of $33 and $	(62)	(1)
Change in net unrealized investment gains (losses)	1,630	(728)
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	24	(6)
Ending balance	$ 2,860	$ 1,731

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(d) Fixed Maturity and Equity Securities

As of September 30, 2016, 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	$ 5,416	$ 1,288	$	$ (1)	$	$ 6,703
State and political subdivisions	2,491	350		(17)		2,824
Non-U.S. government	2,052	175				2,227
U.S. corporate:						
Utilities	4,073	678		(2)		4,749
Energy	2,124	177		(22)		2,279
Finance and insurance	5,711	615	23	(9)		6,340
Consumer non-cyclical	4,190	689		(1)		4,878
Technology and communications	2,486	248		(8)		2,726
Industrial	1,181	114		(4)		1,291
Capital goods	1,876	319				2,195
Consumer cyclical	1,506	158		(4)		1,660
Transportation	1,077	138				1,215
Other	335	27				362
Total U.S. corporate	24,559	3,163	23	(50)		27,695
Non-U.S. corporate:						
Utilities	899	64		(2)		961
Energy	1,281	129		(15)		1,395
Finance and insurance	2,458	201		(1)		2,658
Consumer non-cyclical	768	55		(1)		822
Technology and communications	968	80		(1)		1,047
Industrial	955	68		(5)		1,018
Capital goods	545	36		(1)		580
Consumer cyclical	490	15				505

Transportation	605	81		(3)		683
Other	3,039	305		(5)		3,339
Total non-U.S. corporate	12,008	1,034		(34)		13,008
Residential mortgage-backed	4,418	396	11	(2)		4,823
Commercial mortgage-backed	2,983	192	2	(4)		3,173
Other asset-backed	3,324	28	1	(26)		3,327
Total fixed maturity securities	57,251	6,626	37	(134)		63,780
Equity securities	599	26		(35)		590
Total available-for-sale securities	$ 57,850	$ 6,652	$ 37	$ (169)	$	$ 64,370

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(Unaudited)

As of December 31, 2015, 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	$ 5,487	$ 732	$	$ (16)	$	$ 6,203
State and political subdivisions	2,287	181		(30)		2,438
Non-U.S. government	1,910	110		(5)		2,015
U.S. corporate:						
Utilities	3,355	364		(26)		3,693
Energy	2,560	103		(162)		2,501
Finance and insurance	5,268	392	15	(43)		5,632
Consumer non-cyclical	3,755	371		(30)		4,096
Technology and communications	2,108	123		(38)		2,193
Industrial	1,164	53		(44)		1,173
Capital goods	1,774	188		(12)		1,950
Consumer cyclical	1,602	95		(22)		1,675
Transportation	1,023	75		(12)		1,086
Other	385	22		(5)		402
Total U.S. corporate	22,994	1,786	15	(394)		24,401
Non-U.S. corporate:						
Utilities	815	37		(9)		843
Energy	1,700	64		(78)		1,686
Finance and insurance	2,327	152	2	(8)		2,473
Consumer non-cyclical	746	24		(18)		752
Technology and communications	978	36		(26)		988
Industrial	1,063	19		(96)		986
Capital goods	602	19		(17)		604
Consumer cyclical	522	8		(4)		526
Transportation	559	52		(6)		605
Other	2,574	187		(25)		2,736

Total non-U.S. corporate	11,886	598	2	(287)		12,199
Residential mortgage-backed	4,777	330	11	(17)		5,101
Commercial mortgage-backed	2,492	84	3	(20)		2,559
Other asset-backed	3,328	11	1	(59)		3,281
Total fixed maturity securities	55,161	3,832	32	(828)		58,197
Equity securities	325	8		(23)		310
Total available-for-sale securities	$ 55,486	$ 3,840	$ 32	$ (851)	$	$ 58,507

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GENWORTH FINANCIAL, INC.

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(Unaudited)

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 September 30, 2016:

	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**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**Number of securities**
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 300	$ (1)	6	$	$		$ 300	$ (1)	6
State and political subdivisions	92	(1)	14	143	(16)	12	235	(17)	26
U.S. corporate	808	(18)	120	693	(32)	104	1,501	(50)	224
Non-U.S. corporate	261	(6)	48	414	(28)	56	675	(34)	104
Residential mortgage-backed	67	(1)	22	57	(1)	30	124	(2)	52
Commercial mortgage-backed	234	(3)	34	27	(1)	10	261	(4)	44
Other asset-backed	433	(4)	70	356	(22)	68	789	(26)	138
Subtotal, fixed maturity securities	2,195	(34)	314	1,690	(100)	280	3,885	(134)	594
Equity securities	94	(5)	191	123	(30)	47	217	(35)	238
Total for securities in an unrealized loss position	$ 2,289	$ (39)	505	$ 1,813	$ (130)	327	$ 4,102	$ (169)	832
% Below cost fixed maturity securities:									
<20% Below cost	$ 2,195	$ (34)	314	$ 1,604	$ (69)	270	$ 3,799	$ (103)	584
20%-50% Below cost				86	(31)	10	86	(31)	10
Total fixed maturity securities	2,195	(34)	314	1,690	(100)	280	3,885	(134)	594
% Below cost equity securities:									
<20% Below cost	93	(4)	181	55	(10)	22	148	(14)	203
20%-50% Below cost	1	(1)	10	68	(20)	25	69	(21)	35
Total equity securities	94	(5)	191	123	(30)	47	217	(35)	238

Total for securities in an unrealized loss position	$ 2,289	$ (39)	505	$ 1,813	$ (130)	327	$ 4,102	$ (169)	832
Investment grade	$ 2,098	$ (25)	297	$ 1,351	$ (100)	245	$ 3,449	$ (125)	542
Below investment grade	191	(14)	208	462	(30)	82	653	(44)	290
Total for securities in an unrealized loss position	$ 2,289	$ (39)	505	$ 1,813	$ (130)	327	$ 4,102	$ (169)	832

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GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of September 30, 2016:

	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**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**Number of securities**
Description of Securities									
U.S. corporate:									
Utilities	$ 113	$ (1)	22	$ 23	$ (1)	4	$ 136	$ (2)	26
Energy	112	(7)	13	290	(15)	46	402	(22)	59
Finance and insurance	227	(3)	32	108	(6)	16	335	(9)	48
Consumer non-cyclical	108	(1)	15				108	(1)	15
Technology and communications	101	(2)	15	138	(6)	19	239	(8)	34
Industrial	34	(1)	6	108	(3)	13	142	(4)	19
Consumer cyclical	113	(3)	17	26	(1)	6	139	(4)	23
Subtotal, U.S. corporate securities	808	(18)	120	693	(32)	104	1,501	(50)	224
Non-U.S. corporate:									
Utilities	16	(1)	2	14	(1)	1	30	(2)	3
Energy	72	(1)	11	122	(14)	22	194	(15)	33
Finance and insurance	72	(1)	15				72	(1)	15
Consumer non-cyclical	49	(1)	5				49	(1)	5
Technology and communications				28	(1)	3	28	(1)	3
Industrial	26	(1)	6	103	(4)	15	129	(5)	21
Capital goods				34	(1)	3	34	(1)	3
Transportation				49	(3)	4	49	(3)	4
Other	26	(1)	9	64	(4)	8	90	(5)	17
Subtotal, non-U.S. corporate securities	261	(6)	48	414	(28)	56	675	(34)	104
Total for corporate securities in an unrealized loss position	$ 1,069	$ (24)	168	$ 1,107	$ (60)	160	$ 2,176	$ (84)	328

As indicated in the tables 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 increased market volatility, mostly concentrated in our corporate securities. 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 September 30, 2016.

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

Of the $69 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 BBB- and approximately 65% of the unrealized losses were related to investment grade securities as of September 30, 2016. These unrealized losses were predominantly attributable to corporate securities including variable rate securities purchased in a higher rate and lower spread environment. The average fair value percentage below cost for these

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securities was approximately 4% as of September 30, 2016. 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 September 30, 2016:

	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:								
State and political subdivisions	$ 9	$ (3)	2%	1	$	$	%	
U.S. corporate:								
Energy	13	(4)	2	1				
Finance and insurance	12	(3)	2	1				
Total U.S. corporate	25	(7)	4	2				
Structured securities:								
Other asset-backed	43	(17)	10	4				
Total structured securities	43	(17)	10	4				
Total	$ 77	$ (27)	16%	7	$	$	%	

	Below Investment Grade							
	20% to 50%				Greater than 50%			
(Dollar amounts in millions)	Fair value	Gross unrealized losses	% of total gross unrealized	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized	Number of securities

			losses				**losses**	
Fixed maturity securities:								
U.S. corporate:								
Energy	$ 4	$	(2)	1%	1	$	$	%
Total U.S. corporate	4		(2)	1	1			
Non-U.S. corporate:								
Energy	3		(1)	1	1			
Total non-U.S. corporate	3		(1)	1	1			
Structured securities:								
Other asset-backed	2		(1)	1	1			
Total structured securities	2		(1)	1	1			
Total	$ 9	$	(4)	3%	3	$	$	%

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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.

U.S. corporate

As indicated above, $9 million of gross unrealized losses were related to U.S. corporate fixed maturity securities that have been in an unrealized loss position for more than 12 months and were more than 20% below cost. Of the total unrealized losses for U.S. corporate fixed maturity securities, $6 million, or 67%, related to the energy sector and $3 million, or 33%, related to the finance and insurance sector. Ongoing low oil prices and market volatility adversely impacted the fair value of these securities.

We expect that our investments in U.S. corporate securities will continue to perform in accordance with our expectations about the amount and timing of estimated cash flows. Although we do not anticipate such events, it is reasonably possible that issuers of our investments in U.S. corporate securities may perform worse than current expectations. Such events may lead us to recognize write-downs within our portfolio of U.S. corporate securities in the future.

Structured Securities

Of the $18 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, none 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 consider 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 use 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 flows expected to be collected. These estimates reflect projections for future delinquencies, prepayments,

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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 September 30, 2016.

Despite the considerable analysis and rigor employed on our structured securities, it is reasonably possible that the underlying collateral of these investments may 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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(Unaudited)

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, 2015:

	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**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**Number of securities**
Description of Securities									
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	$ 883	$ (16)	32	$	$		$ 883	$ (16)	32
State and political subdivisions	464	(15)	81	163	(15)	17	627	(30)	98
Non-U.S. government	366	(5)	49				366	(5)	49
U.S. corporate	5,836	(332)	817	466	(62)	83	6,302	(394)	900
Non-U.S. corporate	3,016	(170)	400	486	(117)	87	3,502	(287)	487
Residential mortgage-backed	756	(10)	88	103	(7)	38	859	(17)	126
Commercial mortgage-backed	780	(19)	116	39	(1)	13	819	(20)	129
Other asset-backed	1,944	(22)	349	336	(37)	55	2,280	(59)	404
Subtotal, fixed maturity securities	14,045	(589)	1,932	1,593	(239)	293	15,638	(828)	2,225
Equity securities	153	(23)	64				153	(23)	64
Total for securities in an unrealized loss position	$ 14,198	$ (612)	1,996	$ 1,593	$ (239)	293	$ 15,791	$ (851)	2,289
% Below cost fixed maturity securities:									
<20% Below cost	$ 13,726	$ (472)	1,877	$ 1,259	$ (78)	238	$ 14,985	$ (550)	2,115
20%-50% Below cost	319	(116)	54	316	(139)	50	635	(255)	104
>50% Below cost		(1)	1	18	(22)	5	18	(23)	6
Total fixed maturity securities	14,045	(589)	1,932	1,593	(239)	293	15,638	(828)	2,225
% Below cost equity securities:									
<20% Below cost	133	(18)	56				133	(18)	56

20%-50% Below cost	20	(5)	8				20	(5)	8
Total equity securities	153	(23)	64				153	(23)	64
Total for securities in an unrealized loss position	$ 14,198	$ (612)	1,996	$ 1,593	$ (239)	293	$ 15,791	$ (851)	2,289
Investment grade	$ 13,342	$ (524)	1,834	$ 1,245	$ (135)	225	$ 14,587	$ (659)	2,059
Below investment grade	856	(88)	162	348	(104)	68	1,204	(192)	230
Total for securities in an unrealized loss position	$ 14,198	$ (612)	1,996	$ 1,593	$ (239)	293	$ 15,791	$ (851)	2,289

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The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of December 31, 2015:

	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**	**Number of securities**	**Fair value**	**Gross unrealized losses**	**Number of securities**
Description of Securities									
U.S. corporate:									
Utilities	$ 485	$ (25)	74	$ 14	$ (1)	7	$ 499	$ (26)	81
Energy	1,162	(134)	163	131	(28)	22	1,293	(162)	185
Finance and insurance	1,142	(35)	160	94	(8)	15	1,236	(43)	175
Consumer non-cyclical	836	(26)	107	51	(4)	10	887	(30)	117
Technology and communications	658	(36)	95	23	(2)	5	681	(38)	100
Industrial	476	(33)	64	44	(11)	9	520	(44)	73
Capital goods	293	(10)	48	26	(2)	4	319	(12)	52
Consumer cyclical	427	(18)	60	63	(4)	10	490	(22)	70
Transportation	273	(10)	38	20	(2)	1	293	(12)	39
Other	84	(5)	8				84	(5)	8
Subtotal, U.S. corporate securities	5,836	(332)	817	466	(62)	83	6,302	(394)	900
Non-U.S. corporate:									
Utilities	130	(6)	20	32	(3)	6	162	(9)	26
Energy	589	(48)	71	127	(30)	20	716	(78)	91
Finance and insurance	478	(7)	77	30	(1)	8	508	(8)	85
Consumer non-cyclical	261	(14)	27	37	(4)	4	298	(18)	31
Technology and communications	324	(15)	37	33	(11)	9	357	(26)	46
Industrial	495	(54)	67	110	(42)	18	605	(96)	85
Capital goods	154	(8)	22	41	(9)	9	195	(17)	31
Consumer cyclical	155	(4)	20				155	(4)	20
Transportation	147	(6)	17				147	(6)	17
Other	283	(8)	42	76	(17)	13	359	(25)	55
Subtotal, non-U.S. corporate securities	3,016	(170)	400	486	(117)	87	3,502	(287)	487

Total for corporate securities in an unrealized loss position	$ 8,852	$ (502)	1,217	$ 952	$ (179)	170	$ 9,804	$ (681)	1,387

GENWORTH FINANCIAL, INC.

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The scheduled maturity distribution of fixed maturity securities as of September 30, 2016 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	$ 1,752	$ 1,775
Due after one year through five years	10,704	11,309
Due after five years through ten years	12,300	13,129
Due after ten years	21,770	26,244
Subtotal	46,526	52,457
Residential mortgage-backed	4,418	4,823
Commercial mortgage-backed	2,983	3,173
Other asset-backed	3,324	3,327
Total	$ 57,251	$ 63,780

As of September 30, 2016, $10,260 million of our investments (excluding mortgage-backed and asset-backed securities) were subject to certain call provisions.

As of September 30, 2016, securities issued by finance and insurance, utilities and consumer non-cyclical industry groups represented approximately 22%, 14% and 14%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio.

As of September 30, 2016, 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.

(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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(Unaudited)

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 the dates indicated:

	September 30, 2016		December 31, 2015	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Property type:				
Retail	$ 2,099	35%	$ 2,116	34%
Industrial	1,544	26	1,562	25
Office	1,421	23	1,516	24
Apartments	449	7	465	8
Mixed use	232	4	234	4
Other	287	5	294	5
Subtotal	6,032	100%	6,187	100%
Unamortized balance of loan origination fees and costs	(2)		(2)	
Allowance for losses	(13)		(15)	
Total	$ 6,017		$ 6,170	

	September 30, 2016		December 31, 2015	
(Amounts in millions)	**Carrying value**	**% of total**	**Carrying value**	**% of total**
Geographic region:				
Pacific	$ 1,563	27%	$ 1,581	26%
South Atlantic	1,506	25	1,574	25
Middle Atlantic	886	15	890	14
Mountain	549	9	585	10
West North Central	443	7	416	7
East North Central	382	6	386	6
West South Central	305	5	294	5
New England	208	3	268	4

East South Central	190	3	193	3
Subtotal	6,032	100%	6,187	100%
Unamortized balance of loan origination fees and costs	(2)		(2)	
Allowance for losses	(13)		(15)	
Total	$ 6,017		$ 6,170	

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

(Amounts in millions)	September 30, 2016 31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	$	$	$ 5	$ 5	$ 2,094	$ 2,099
Industrial			12	12	1,532	1,544
Office			4	4	1,417	1,421
Apartments					449	449
Mixed use					232	232
Other					287	287
Total recorded investment	$	$	$ 21	$ 21	$ 6,011	$ 6,032
% of total commercial mortgage loans	%	%	%	%	100%	100%

(Amounts in millions)	December 31, 2015 31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	$	$	$	$	$ 2,116	$ 2,116
Industrial					1,562	1,562
Office	6		5	11	1,505	1,516
Apartments					465	465
Mixed use					234	234
Other					294	294
Total recorded investment	$ 6	$	$ 5	$ 11	$ 6,176	$ 6,187
% of total commercial mortgage loans	%	%	%	%	100%	100%

As of September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015.

We evaluate the impairment of commercial mortgage loans on an individual loan basis. As of September 30, 2016, 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 the loans was expected to be recoverable.

During the nine months ended September 30, 2016 and the year ended December 31, 2015, we modified or extended 10 and 21 commercial mortgage loans, respectively, with a total carrying value of $63 million and $110 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, but one loan with a carrying value $1 million at the time of modification was considered a troubled debt restructuring. This loan was impaired in the third quarter and the recorded investment was less than $1 million as of September 30, 2016.

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(Unaudited)

The following table sets forth the allowance for credit losses and recorded investment in commercial mortgage loans as of or for the periods indicated:

(Amounts in millions)	**Three months ended September 30, 2016**	**Three months ended September 30, 2015**	**Nine months ended September 30, 2016**	**Nine months ended September 30, 2015**
Allowance for credit losses:				
Beginning balance	$ 13	$ 18	$ 15	$ 22
Charge-offs		(1)	(4)	(4)
Provision			2	(1)
Ending balance	$ 13	$ 17	$ 13	$ 17
Ending allowance for individually impaired loans	$	$	$	$
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	$ 13	$ 17	$ 13	$ 17
Recorded investment:				
Ending balance	$ 6,032	$ 6,151	$ 6,032	$ 6,151
Ending balance of individually impaired loans	$ 17	$ 19	$ 17	$ 19
Ending balance of loans not individually impaired that were evaluated collectively for impairment	$ 6,015	$ 6,132	$ 6,015	$ 6,132

As of September 30, 2016, we had individually impaired commercial mortgage loans included within the retail property type with a recorded investment of $5 million, an unpaid principal balance of $7 million, charge-offs of $2 million and an average recorded investment of $3 million.

As of December 31, 2015, we had an individually impaired commercial mortgage loan included within the industrial property type with a recorded investment of $14 million, an unpaid principal balance of $15 million and charge-offs of $1 million, which were recorded in the first quarter of 2014. As of December 31, 2015, this loan had interest income of $1 million. In the second quarter of 2016, we recorded additional charge-offs of $2 million related to this loan. As of September 30, 2016, the individually impaired loan within the industrial property type had a recorded investment of $12 million, an unpaid principal balance of $15 million and total charge-offs of $3 million.

As of December 31, 2015, we had an individually impaired commercial mortgage loan included within the office property type with a recorded investment of $5 million, an unpaid principal balance of $6 million and charge-offs of $1 million, which were recorded in the third quarter of 2015.

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

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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.

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

	September 30, 2016					
(Amounts in millions)	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% [1]	Total
Property type:						
Retail	$ 763	$ 495	$ 812	$ 29	$	$ 2,099
Industrial	631	436	451	24	2	1,544
Office	420	315	645	31	10	1,421
Apartments	194	75	175	5		449
Mixed use	68	88	76			232
Other	61	30	196			287
Total recorded investment	$ 2,137	$ 1,439	$ 2,355	$ 89	$ 12	$ 6,032
% of total	36%	24%	39%	1%	%	100%
Weighted-average debt service coverage ratio	2.22	1.87	1.61	0.91	0.07	1.87

(1) Included $12 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 112%.

December 31, 2015

(Amounts in millions)	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% [1]	Total
Property type:						
Retail	$ 785	$ 417	$ 800	$ 103	$ 11	$ 2,116
Industrial	515	478	499	65	5	1,562
Office	493	341	580	83	19	1,516
Apartments	196	66	182	21		465
Mixed use	56	48	124	3	3	234
Other	54	55	185			294
Total recorded investment	$ 2,099	$ 1,405	$ 2,370	$ 275	$ 38	$ 6,187
% of total	34%	23%	38%	4%	1%	100%
Weighted-average debt service coverage ratio	2.13	1.82	1.57	1.12	0.55	1.79

(1) Included $38 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 123%.

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(Unaudited)

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

	September 30, 2016					
(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	$ 73	$ 200	$ 420	$ 827	$ 579	$ 2,099
Industrial	86	126	246	578	508	1,544
Office	103	79	172	620	447	1,421
Apartments	19	19	43	216	152	449
Mixed use	2	9	20	113	88	232
Other	1	148	57	58	23	287
Total recorded investment	$ 284	$ 581	$ 958	$ 2,412	$ 1,797	$ 6,032
% of total	5%	10%	15%	40%	30%	100%
Weighted-average loan-to-value	64%	62%	60%	57%	45%	55%

	December 31, 2015					
(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	$ 67	$ 221	$ 433	$ 882	$ 513	$ 2,116
Industrial	94	181	208	672	407	1,562
Office	85	114	265	699	346	1,509
Apartments	6	41	74	199	145	465
Mixed use	3	11	28	135	57	234
Other		58	146	60	30	294
Total recorded investment	$ 255	$ 626	$ 1,154	$ 2,647	$ 1,498	$ 6,180
% of total	4%	10%	19%	43%	24%	100%
Weighted-average loan-to-value	74%	64%	58%	58%	43%	56%

As of September 30, 2016, we did not have any floating rate commercial mortgage loans. As of December 31, 2015, we had floating rate commercial mortgage loans of $7 million.

(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.

(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 and whereby the changes in fair value are recorded in current period income (loss). The trading securities comprise asset-backed securities, including highly rated bonds that are primarily backed by credit card receivables.

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In June 2016, we amended and exercised a clean-up call on our consolidated securitization entity writing off our residual interest and settling the outstanding debt of $70 million. As a result of this transaction, we recorded $64 million of realized investment losses related to the write-off of our residual interest in those entities and a $64 million gain related to the early extinguishment of debt which was included in other income. There was no impact to net income.

In addition, the policy loan securitization entities in which we previously held a residual interest were not required to be consolidated in our balance sheets. In June 2016, we repurchased $134 million of policy loans from those entities. The policy loans are now included in our consolidated balance sheet.

(h) Limited Partnerships or Similar Entities

Investments in partnerships or similar entities are generally considered VIEs when the equity group lacks sufficient financial control. Generally, these investments are limited partner or non-managing member equity investments in a widely held fund that is sponsored and managed by a reputable asset manager. We are not the primary beneficiary of any VIE investment in a limited partnership or similar entity. As of September 30, 2016 and December 31, 2015, the total carrying value of these investments was $171 million and $165 million, respectively. Our maximum exposure to loss is equal to the outstanding carrying value and future funding commitments. We have not contributed, and do not plan to contribute, any additional financial or other support outside of what is contractually obligated.

(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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(Unaudited)

The following table sets forth our positions in derivative instruments as of the dates indicated:

	Derivative assets			Derivative liabilities		
		Fair value			Fair value	
(Amounts in millions)	Balance sheet classification	September 30, 2016	December 31, 2015	Balance sheet classification	September 30, 2016	December 31, 2015
Derivatives designated as hedges						
Cash flow hedges:						
Interest rate swaps	Other invested assets	$ 735	$ 629	Other liabilities	$ 89	$ 37
Inflation indexed swaps	Other invested assets			Other liabilities		33
Foreign currency swaps	Other invested assets	6	8	Other liabilities		
Total cash flow hedges		741	637		89	70
Total derivatives designated as hedges		741	637		89	70
Derivatives not designated as hedges						
Interest rate swaps	Other invested assets	525	425	Other liabilities	308	183
Interest rate swaps related to securitization entities	Restricted other invested assets			Other liabilities		30
Foreign currency swaps	Other invested assets			Other liabilities	5	27
Credit default swaps	Other invested assets		1	Other liabilities		
Credit default swaps related to securitization entities	Restricted other invested assets			Other liabilities	2	14
Equity index options	Other invested assets	61	30	Other liabilities		
Financial futures				Other liabilities		

	Other invested assets					
Equity return swaps	Other invested assets		2	Other liabilities	5	1
Other foreign currency contracts	Other invested assets	4	17	Other liabilities	32	34
GMWB embedded derivatives	Reinsurance recoverable (1)	24	17	Policyholder account balances (2)	439	352
Fixed index annuity embedded derivatives	Other assets			Policyholder account balances (3)	364	342
Indexed universal life embedded derivatives	Reinsurance recoverable			Policyholder account balances (4)	13	10
Total derivatives not designated as hedges		614	492		1,168	993
Total derivatives		$ 1,355	$ 1,129		$ 1,257	$ 1,063

(1) Represents embedded derivatives associated with the reinsured portion of our guaranteed minimum withdrawal benefits (GMWB) liabilities.

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

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

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

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

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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, 2015	Additions	Maturities/ terminations	September 30, 2016
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	$ 11,214	$ 9,414	$ (9,587)	$ 11,041
Inflation indexed swaps	Notional	571	1	(572)	
Foreign currency swaps	Notional	35			35
Total cash flow hedges		11,820	9,415	(10,159)	11,076
Total derivatives designated as hedges		11,820	9,415	(10,159)	11,076
Derivatives not designated as hedges					
Interest rate swaps	Notional	4,932		(253)	4,679
Interest rate swaps related to securitization entities	Notional	67		(67)	
Foreign currency swaps	Notional	162	133	(97)	198
Credit default swaps	Notional	144		(5)	139
Credit default swaps related to securitization entities	Notional	312			312
Equity index options	Notional	1,080	2,346	(1,097)	2,329
Financial futures	Notional	1,331	5,393	(5,255)	1,469
Equity return swaps	Notional	134	211	(184)	161
Other foreign currency contracts	Notional	1,656	1,551	(535)	2,672
Total derivatives not designated as hedges		9,818	9,634	(7,493)	11,959
Total derivatives		$ 21,638	$ 19,049	$ (17,652)	$ 23,035

(Number of policies)	Measurement	December 31,	Additions	Maturities/ terminations	September 30,

		2015			2016
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	36,146		(2,179)	33,967
Fixed index annuity embedded derivatives	Policies	17,482	647	(462)	17,667
Indexed universal life embedded derivatives	Policies	982	167	(48)	1,101

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.

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The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended September 30, 2016:

(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	$ 115	$ 27	Net investment income	$ 2	Net investment gains (losses)
Interest rate swaps hedging liabilities	(2)		Interest expense		Net investment gains (losses)
Foreign currency swaps	(1)		Net investment income		Net investment gains (losses)
Total	$ 112	$ 27		$ 2	

[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 three months ended September 30, 2015:

(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	$ 344	$ 22	Net investment income	$ 4	Net investment gains (losses)
Interest rate swaps hedging liabilities	(23)		Interest expense		Net investment gains (losses)

Inflation indexed swaps		32		(5)	Net investment income	1	Net investment gains (losses)
Forward bond purchase commitments				1	Net investment income		Net investment gains (losses)
Total	$	353	$	18		$ 5	

(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 nine months ended September 30, 2016:

(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	$ 839	$ 80	Net investment income	$ 13	Net investment gains (losses)
Interest rate swaps hedging assets		1	Net investment gains (losses)		Net investment gains (losses)
Interest rate swaps hedging liabilities	(52)		Interest expense		Net investment gains (losses)
Inflation indexed swaps	(5)	2	Net investment income		Net investment gains (losses)
Inflation indexed swaps		7	Net investment gains (losses)		Net investment gains (losses)
Foreign currency swaps	(2)		Net investment income		Net investment gains (losses)
Total	$ 780	$ 90		$ 13	

(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 nine months ended September 30, 2015:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from	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)

		OCI				
Interest rate swaps hedging assets	$ 135	$ 61	Net investment income	$ 1	Net investment gains (losses)
Interest rate swaps hedging liabilities	(14)		Interest expense		Net investment gains (losses)
Inflation indexed swaps	29	(2)	Net investment income	1	Net investment gains (losses)
Foreign currency swaps	2		Net investment income		Net investment gains (losses)
Forward bond purchase commitments		1	Net investment income		Net investment gains (losses)
Total	$ 152	$ 60		$ 2	

(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 tables provide 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 periods indicated:

(Amounts in millions)	**Three months ended September 30, 2016**	**2015**
Derivatives qualifying as effective accounting hedges as of July 1	$ 2,439	$ 1,913
Current period increases (decreases) in fair value, net of deferred taxes of $(40) and $(124)	72	229
Reclassification to net (income) loss, net of deferred taxes of $9 and $6	(18)	(12)
Derivatives qualifying as effective accounting hedges as of September 30	$ 2,493	$ 2,130

(Amounts in millions)	**Nine months ended September 30, 2016**	**2015**
Derivatives qualifying as effective accounting hedges as of January 1	$ 2,045	$ 2,070
Current period increases (decreases) in fair value, net of deferred taxes of $(273) and $(53)	507	99
Reclassification to net (income) loss, net of deferred taxes of $31 and $21	(59)	(39)
Derivatives qualifying as effective accounting hedges as of September 30	$ 2,493	$ 2,130

The total of derivatives designated as cash flow hedges of $2,493 million, net of taxes, recorded in stockholders equity as of September 30, 2016 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, $83 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. During the three months ended September 30, 2016, there were immaterial amounts reclassified to net income (loss) in connection with forecasted transactions that were no longer considered probable of occurring. During the nine months ended September 30, 2016, we reclassified $6 million to net income (loss) 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 three and nine months ended September 30, 2016 and 2015.

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

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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.

The following tables provide the pre-tax gain (loss) recognized in net income (loss) for the effects of derivatives not designated as hedges for the periods indicated:

	Three months ended September 30,		Classification of gain (loss) recognized
(Amounts in millions)	**2016**	**2015**	**in net income (loss)**
Interest rate swaps	$ (1)	$ (12)	Net investment gains (losses)
Interest rate swaps related to securitization entities		(5)	Net investment gains (losses)
Credit default swaps related to securitization entities	2	(1)	Net investment gains (losses)
Equity index options	9	6	Net investment gains (losses)
Financial futures	(35)	13	Net investment gains (losses)
Equity return swaps	(9)	11	Net investment gains (losses)
Other foreign currency contracts	(2)	4	Net investment gains (losses)
Foreign currency swaps	(1)	(9)	Net investment gains (losses)
Forward bond purchase commitments		13	Net investment gains (losses)

GMWB embedded derivatives		60		(117)	Net investment gains (losses)
Fixed index annuity embedded derivatives		(16)		31	Net investment gains (losses)
Indexed universal life embedded derivatives		3		2	Net investment gains (losses)
Total derivatives not designated as hedges	$	10	$	(64)	

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(Amounts in millions)	Nine months ended September 30, 2016	2015	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps	$ 7	$ (13)	Net investment gains (losses)
Interest rate swaps related to securitization entities	(10)	(5)	Net investment gains (losses)
Credit default swaps		1	Net investment gains (losses)
Credit default swaps related to securitization entities	16	10	Net investment gains (losses)
Equity index options	5	(11)	Net investment gains (losses)
Financial futures	(9)	(18)	Net investment gains (losses)
Equity return swaps	(2)	3	Net investment gains (losses)
Other foreign currency contracts	(6)	10	Net investment gains (losses)
Foreign currency swaps	6	(17)	Net investment gains (losses)
Forward bond purchase commitments		13	Net investment gains (losses)
GMWB embedded derivatives	(58)	(68)	Net investment gains (losses)
Fixed index annuity embedded derivatives	(22)	14	Net investment gains (losses)
Indexed universal life embedded derivatives	6	5	Net investment gains (losses)
Total derivatives not designated as hedges	$ (67)	$ (76)	

Derivative Counterparty Credit Risk

Most of our derivative arrangements require the posting of collateral by the counterparty 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 the dates indicated:

(Amounts in millions)	September 30, 2016 Derivatives assets (1)	Derivatives liabilities (2)	Net derivatives	December 31, 2015 Derivatives assets (1)	Derivatives liabilities (2)	Net derivatives

Amounts presented in the balance sheet:						
Gross amounts recognized	$ 1,368	$ 462	$ 906	$ 1,135	$ 320	$ 815
Gross amounts offset in the balance sheet						
Net amounts presented in the balance sheet	1,368	462	906	1,135	320	815
Gross amounts not offset in the balance sheet:						
Financial instruments [3]	(338)	(338)		(231)	(231)	
Collateral received	(1,005)		(1,005)	(642)		(642)
Collateral pledged		(354)	354		(263)	263
Over collateralization	64	231	(167)	3	174	(171)
Net amount	$ 89	$ 1	$ 88	$ 265	$	$ 265

(1) Included $37 million and $24 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives as of September 30, 2016 and December 31, 2015, respectively.

(2) Included $23 million and $6 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 September 30, 2016 and December 31, 2015, 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 downgrade provisions had been triggered as a result of downgrades of our counterparties, we could have claimed up to $89 million and $265 million as of September 30, 2016 and December 31, 2015, respectively, or have been required to disburse up to $1 million as of September 30, 2016. There were no amounts that we would have been required to disburse as a result of our credit rating downgrades as of December 31, 2015. 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:

	September 30, 2016			December 31, 2015		
(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			39		
Total credit default swaps on single name reference entities	$ 39	$	$	$ 39	$	$

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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 the dates indicated:

	September 30, 2016			December 31, 2015		
(Amounts in millions)	**Notional value**	**Assets**	**Liabilities**	**Notional value**	**Assets**	**Liabilities**
Original index tranche attachment/detachment point and maturity:						
7% - 15% matures in less than one year [1]	$ 100	$	$	$ 100	$ 1	$
Total credit default swap index tranches	100			100	1	
Customized credit default swap index tranches related to securitization entities:						
Portion backing third-party borrowings maturing 2017 [2]	12		1	12		2
Portion backing our interest maturing 2017 [3]	300		1	300		12
Total customized credit default swap index tranches related to securitization entities	312		2	312		14
Total credit default swaps on index tranches	$ 412	$	$ 2	$ 412	$ 1	$ 14

(1) The current attachment/detachment as of September 30, 2016 and December 31, 2015 was 7% 15%.
(2) Original notional value was $39 million.
(3) Original notional value was $300 million.

(6) Fair Value of Financial Instruments

Assets and liabilities that are reflected in the accompanying unaudited condensed 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.

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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 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.

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

	September 30, 2016					
			Fair value			
(Amounts in millions)	**Notional amount**	**Carrying amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:						
Commercial mortgage loans	$ (1)	$ 6,017	$ 6,491	$	$	$ 6,491
Restricted commercial mortgage loans	(1)	134	151			151
Other invested assets	(1)	429	442		342	100
Liabilities:						
Long-term borrowings (2)	(1)	4,194	3,661		3,511	150
Non-recourse funding obligations (2)	(1)	310	181			181
Borrowings related to securitization entities	(1)	67	69		69	
Investment contracts	(1)	16,792	18,027		5	18,022
Other firm commitments:						
Commitments to fund limited partnerships	188					
Ordinary course of business lending commitments	149					

	December 31, 2015					
			Fair value			
(Amounts in millions)	**Notional amount**	**Carrying amount**	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets:						
Commercial mortgage loans	$ (1)	$ 6,170	$ 6,476	$	$	$ 6,476
Restricted commercial mortgage loans	(1)	161	179			179
Other invested assets	(1)	273	279		197	82
Liabilities:						
Long-term borrowings (2)	(1)	4,570	3,518		3,343	175
Non-recourse funding obligations (2)	(1)	1,920	1,401			1,401
Borrowings related to securitization entities	(1)	98	104		104	
Investment contracts	(1)	17,258	17,910		5	17,905
Other firm commitments:						
Commitments to fund limited partnerships	131					
Ordinary course of business lending commitments	40					

(1) These financial instruments do not have notional amounts.
(2) See note 9 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 fair value of fixed maturity, equity and trading securities are estimated primarily based on information derived from third-party pricing services (pricing services), internal models and/or third-party broker provided

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prices (broker quotes), which use a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. In general, a market approach is utilized if there is readily available and relevant market activity for an individual security. In certain cases where market information is not available for a specific security but is available for similar securities, a security is valued using that market information for similar securities, which is also a market approach. When market information is not available for a specific security or is available but such information is less relevant or reliable, an income approach or a combination of a market and income approach is utilized. For securities with optionality, such as call or prepayment features (including mortgage-backed or asset-backed securities), an income approach may be used. In addition, a combination of the results from market and income approaches may be used to estimate fair value. These valuation techniques may change from period to period, based on the relevance and availability of market data.

We utilize certain third-party data providers when determining fair value. We consider information obtained from pricing services as well as 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 evaluate changes in fair value that are greater than certain pre-defined thresholds 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 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. When available, we also evaluate the prices sampled as compared to other public prices. If a variance greater than a pre-defined threshold is noted, additional review of the price is executed to ensure accuracy. 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.

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For private fixed maturity securities, we utilize an income approach where we obtain public bond spreads and utilize those in an internal model to determine fair value. Other inputs to the model include rating and weighted-average life, as well as sector which is used to assign the spread. 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. 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 and value all private fixed maturity securities at par that have less than 12 months to maturity. 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. If a pricing variance greater than a pre-defined threshold is noted, additional review of the price is executed to ensure accuracy. At the end of each month, all internally modeled prices are compared to the prior month prices with an evaluation of all securities with a month-over-month change greater than a pre-defined threshold. 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. We classify 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. Additionally, for broker quotes on certain structured securities, we validate prices received against other publicly available pricing sources. Broker quotes are typically based on an income approach given the lack of available market data. 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 determine fair value using an income approach. We analyze a sample each month to assess reasonableness given then-current market conditions. 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.

A summary of the inputs used for our fixed maturity, equity and trading securities based on the level in which instruments are classified is included below. We have combined certain classes of instruments together as the nature of the inputs is similar.

Level 1 measurements

Equity securities. The primary inputs to the valuation of exchange-traded equity securities include quoted prices for the identical instrument.

Level 2 measurements

Fixed maturity securities

Third-party pricing services: In estimating the fair value of fixed maturity securities, approximately 92% of our portfolio is priced using third-party pricing sources. These pricing services utilize industry-standard valuation techniques that include market-based approaches, income-based approaches, a combination of market-based and income-based approaches or other proprietary, internally generated

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models as part of the valuation processes. These third-party pricing vendors maximize the use of publicly available data inputs to generate valuations for each asset class. Priority and type of inputs used may change frequently as certain inputs may be more direct drivers of valuation at the time of pricing. Examples of significant inputs incorporated by third-party pricing services may include sector and issuer spreads, seasoning, capital structure, security optionality, collateral data, prepayment assumptions, default assumptions, delinquencies, debt covenants, benchmark yields, trade data, dealer quotes, credit ratings, maturity and weighted-average life. We conduct regular meetings with our third-party pricing services for the purpose of understanding the methodologies, techniques and inputs used by the third-party pricing providers.

The following table presents a summary of the significant inputs used by our third-party pricing services for certain fair value measurements of fixed maturity securities that are classified as Level 2 as of September 30, 2016:

(Amounts in millions)	Fair value	Primary methodologies	Significant inputs
U.S. government, agencies and government-sponsored enterprises	$ 6,701	Price quotes from trading desk, broker feeds	Bid side prices, trade prices, Option Adjusted Spread (OAS) to swap curve, Bond Market Association OAS, Treasury Curve, Agency Bullet Curve, maturity to issuer spread
State and political subdivisions	$ 2,780	Multi-dimensional attribute-based modeling systems, third-party pricing vendors	Trade prices, material event notices, Municipal Market Data benchmark yields, broker quotes
Non-U.S. government	$ 2,210	Matrix pricing, spread priced to benchmark curves, price quotes from market makers	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research publications, third-party pricing sources
U.S. corporate	$ 24,564	Multi-dimensional attribute-based modeling systems, broker quotes, price quotes from market makers, internal models, OAS-based models	Bid side prices to Treasury Curve, Issuer Curve, which includes sector, quality, duration, OAS percentage and change for spread matrix, trade prices, comparative transactions, Trade Reporting and Compliance Engine (TRACE) reports
Non-U.S. corporate	$ 11,093	Multi-dimensional attribute-based modeling systems, OAS-based	Benchmark yields, trade prices, broker quotes, comparative transactions, issuer spreads, bid-offer spread, market research

			models, price quotes from market makers	publications, third-party pricing sources
Residential mortgage-backed	$	4,786	OAS-based models, To Be Announced pricing models, single factor binomial models, internally priced	Prepayment and default assumptions, aggregation of bonds with similar characteristics, including collateral type, vintage, tranche type, weighted-average life, weighted-average loan age, issuer program and delinquency ratio, pay up and pay down factors, TRACE reports
Commercial mortgage-backed	$	3,145	Multi-dimensional attribute-based modeling systems, pricing matrix, spread matrix priced to swap curves, Trepp commercial mortgage-backed securities analytics model	Credit risk, interest rate risk, prepayment speeds, new issue data, collateral performance, origination year, tranche type, original credit ratings, weighted-average life, cash flows, spreads derived from broker quotes, bid side prices, spreads to daily updated swaps curves, TRACE reports
Other asset-backed	$	3,177	Multi-dimensional attribute-based modeling systems, spread matrix priced to swap curves, price quotes from market makers, internal models	Spreads to daily updated swaps curves, spreads derived from trade prices and broker quotes, bid side prices, new issue data, collateral performance, analysis of prepayment speeds, cash flows, collateral loss analytics, historical issue analysis, trade data from market makers, TRACE reports

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Internal models: A portion of our state and political subdivisions, non-U.S. government, U.S. corporate and non-U.S. corporate securities are valued using internal models. The fair value of these fixed maturity securities were $8 million, $17 million, $626 million and $326 million, respectively, as of September 30, 2016. Internally modeled securities are primarily private fixed maturity securities where we use market observable inputs such as an interest rate yield curve, published credit spreads for similar securities based on the external ratings of the instrument and related industry sector of the issuer. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps and liquidity premiums are established using inputs from market participants.

Equity securities. The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active.

Level 3 measurements

Fixed maturity securities

Internal models: A portion of our U.S. government, agencies and government-sponsored enterprises, non-U.S. government, U.S. corporate, non-U.S. corporate, residential mortgage-backed, commercial mortgage-backed and other asset-backed securities are valued using internal models. The primary inputs to the valuation of the bond population include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, duration, call provisions, issuer rating, benchmark yields and credit spreads. Certain private fixed maturity securities are valued using an internal model using market observable inputs such as interest rate yield curve, as well as published credit spreads for similar securities where there are no external ratings of the instrument and include a significant unobservable input. Additionally, we may apply certain price caps and liquidity premiums in the valuation of private fixed maturity securities. Price caps are established using inputs from market participants. For structured securities, the primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon, weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads. The fair value of our Level 3 fixed maturity securities priced using internal models was $3,618 million as of September 30, 2016.

Broker quotes: A portion of our state and political subdivisions, U.S. corporate, non-U.S. corporate, residential mortgage-backed, commercial mortgage-backed and other asset-backed securities are valued using broker quotes. Broker quotes are obtained from third-party providers that have current market knowledge to provide a reasonable price for securities not routinely priced by third-party pricing services.

Brokers utilized for valuation of assets are reviewed annually. The fair value of our Level 3 fixed maturity securities priced by broker quotes was $729 million as of September 30, 2016.

Equity securities. The primary inputs to the valuation include broker quotes where the underlying inputs are unobservable and for internal models, structure of the security and issuer rating.

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

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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 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.

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 have not recorded 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.

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.

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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. 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.

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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 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 September 30, 2016 and December 31, 2015, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of $88 million and $79 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

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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 have 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 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 have 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

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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 by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

	September 30, 2016			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 6,703	$	$ 6,701	$ 2
State and political subdivisions	2,824		2,788	36
Non-U.S. government	2,227		2,227	
U.S. corporate:				
Utilities	4,749		4,187	562
Energy	2,279		2,077	202
Finance and insurance	6,340		5,520	820
Consumer non-cyclical	4,878		4,775	103
Technology and communications	2,726		2,673	53
Industrial	1,291		1,213	78
Capital goods	2,195		2,059	136
Consumer cyclical	1,660		1,395	265
Transportation	1,215		1,091	124
Other	362		200	162
Total U.S. corporate	27,695		25,190	2,505
Non-U.S. corporate:				
Utilities	961		592	369
Energy	1,395		1,170	225
Finance and insurance	2,658		2,444	214
Consumer non-cyclical	822		678	144
Technology and communications	1,047		966	81
Industrial	1,018		906	112
Capital goods	580		407	173
Consumer cyclical	505		434	71
Transportation	683		510	173
Other	3,339		3,312	27
Total non-U.S. corporate	13,008		11,419	1,589

Residential mortgage-backed	4,823		4,786	37
Commercial mortgage-backed	3,173		3,145	28
Other asset-backed	3,327		3,177	150
Total fixed maturity securities	63,780		59,433	4,347
Equity securities	590	520	24	46
Other invested assets:				
Trading securities	384		384	
Derivative assets:				
Interest rate swaps	1,260		1,260	
Foreign currency swaps	6		6	
Equity index options	61			61
Other foreign currency contracts	4		3	1
Total derivative assets	1,331		1,269	62
Securities lending collateral	417		417	
Total other invested assets	2,132		2,070	62
Restricted other invested assets related to securitization entities	312		181	131
Reinsurance recoverable [1]	24			24
Separate account assets	7,485	7,485		
Total assets	$ 74,323	$ 8,005	$ 61,708	$ 4,610

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

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	December 31, 2015			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	$ 6,203	$	$ 6,200	$ 3
State and political subdivisions	2,438		2,403	35
Non-U.S. government	2,015		2,015	
U.S. corporate:				
Utilities	3,693		3,244	449
Energy	2,501		2,248	253
Finance and insurance	5,632		4,917	715
Consumer non-cyclical	4,096		3,987	109
Technology and communications	2,193		2,158	35
Industrial	1,173		1,112	61
Capital goods	1,950		1,770	180
Consumer cyclical	1,675		1,436	239
Transportation	1,086		980	106
Other	402		220	182
Total U.S. corporate	24,401		22,072	2,329
Non-U.S. corporate:				
Utilities	843		556	287
Energy	1,686		1,434	252
Finance and insurance	2,473		2,282	191
Consumer non-cyclical	752		583	169
Technology and communications	988		926	62
Industrial	986		902	84
Capital goods	604		391	213
Consumer cyclical	526		455	71
Transportation	605		461	144
Other	2,736		2,664	72
Total non-U.S. corporate	12,199		10,654	1,545
Residential mortgage-backed	5,101		4,985	116
Commercial mortgage-backed	2,559		2,549	10
Other asset-backed	3,281		2,139	1,142

Total fixed maturity securities	58,197		53,017	5,180
Equity securities	310	270	2	38
Other invested assets:				
Trading securities	447		447	
Derivative assets:				
Interest rate swaps	1,054		1,054	
Foreign currency swaps	8		8	
Credit default swaps	1			1
Equity index options	30			30
Equity return swaps	2		2	
Other foreign currency contracts	17		14	3
Total derivative assets	1,112		1,078	34
Securities lending collateral	347		347	
Total other invested assets	1,906		1,872	34
Restricted other invested assets related to securitization entities	413		181	232
Reinsurance recoverable [1]	17			17
Separate account assets	7,883	7,883		
Total assets	$ 68,726	$ 8,153	$ 55,072	$ 5,501

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

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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:

(Amounts in millions)	Beginning balance as of July 1, 2016	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 [1]	Transfer out of Level 3 [1]	Ending balance as of September 30, 2016	Total gains (losses) included in net income (loss) attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 2	$	$	$	$	$	$	$	$	$ 2	$
State and political subdivisions	36	1							(1)	36	1
U.S. corporate:											
Utilities	552	1	4	54	(6)		(1)	1	(43)	562	
Energy	208		3				(8)		(1)	202	
Finance and insurance	775	4	14	27	(5)		(32)	37		820	5
Consumer non-cyclical	102		1	5	(5)					103	
Technology and communications	40	1		12						53	1
Industrial	78									78	
Capital goods	135		1							136	1
Consumer cyclical	254			19	(5)		(1)	1	(3)	265	
Transportation	129		1				(6)			124	
Other	147						(1)	16		162	
Total U.S. corporate	2,420	6	24	117	(21)		(49)	55	(47)	2,505	7

Non-U.S. corporate:											
Utilities	331		1	52	(5)				(10)	369	
Energy	234		9	8	(9)		(17)			225	
Finance and insurance	201		3	11	(1)					214	
Consumer non-cyclical	168	2	(1)	3	(3)		(37)	12		144	
Technology and communications	80		1	2	(2)					81	
Industrial	95		2	17	(17)			15		112	
Capital goods	212	1	(2)				(5)		(33)	173	1
Consumer cyclical	71									71	
Transportation	186	1	(1)				(14)	1		173	
Other	29	(2)	2		(12)			10		27	(2)
Total non-U.S. corporate	1,607	2	14	93	(49)		(73)	38	(43)	1,589	(1)
Residential mortgage-backed	96				(45)		(8)	5	(11)	37	
Commercial mortgage-backed	33		(3)						(2)	28	
Other asset-backed	198	(6)	7		(5)		(5)	25	(64)	150	(6)
Total fixed maturity securities	4,392	3	42	210	(120)		(135)	123	(168)	4,347	1
Equity securities	44			2						46	
Other invested assets:											
Derivative assets:											
Equity index options	57	9		15			(20)			61	
Other foreign currency contracts	1									1	
Total derivative assets	58	9		15			(20)			62	
Total other invested assets	58	9		15			(20)			62	
Restricted other invested assets related to securitization entities	131									131	
Reinsurance recoverable [2]	26	(3)				1				24	(3)
Total Level 3 assets	$ 4,651	$ 9	$ 42	$ 227	$ (120)	$ 1	$ (155)	$ 123	$ (168)	$ 4,610	$ (2)

[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, as well as changes in the industry sectors assigned to specific securities.

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

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(Amounts in millions)	Beginning balance as of July 1, 2015	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 (1)	Transfer out of Level 3 (1)	Ending balance as of September 30, 2015	Total gains (losses) included in net income (loss) attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 3	$	$	$	$	$	$	$	$	$ 3	$
State and political subdivisions	40	1	(1)						(5)	35	1
Non-U.S. government	5								(5)		
U.S. corporate:											
Utilities	448		1	23				8	(17)	463	
Energy	269		(3)				(1)			265	
Finance and insurance	629	4	(3)	55			(3)		(20)	662	3
Consumer non-cyclical	108		(1)				(2)		(10)	95	
Technology and communications	33	1	1						(1)	34	1
Industrial	36		1	28						65	
Capital goods	165		(2)	27						190	
Consumer cyclical	296	1	(2)	30			(28)	10		307	
Transportation	121		(1)				(1)		(9)	110	
Other	166		2				(1)	19		186	
Total U.S. corporate	2,271	6	(7)	163			(36)	37	(57)	2,377	4
Non-U.S. corporate:											
Utilities	326			18						344	
Energy	305		(3)				(23)			279	
Finance and insurance	218		1	15						234	
Consumer non-cyclical	169						(11)		(1)	157	

Technology and communications	42									42	
Industrial	125						(4)		(33)	88	
Capital goods	237		(2)				(5)			230	
Consumer cyclical	73		(2)					16		87	
Transportation	154						(8)			146	
Other	75		(2)							73	
Total non-U.S. corporate	1,724		(8)	33			(51)	16	(34)	1,680	
Residential mortgage-backed	132		(3)	6			(2)	9	(72)	70	
Commercial mortgage-backed	25		(1)						(13)	11	
Other asset-backed	1,360		(7)	34	(14)		(50)	77	(94)	1,306	2
Total fixed maturity securities	5,560	7	(27)	236	(14)		(139)	139	(280)	5,482	7
Equity securities	41				(4)			1		38	
Other invested assets:											
Derivative assets:											
Credit default swaps	1									1	
Equity index options	12	6					(3)			15	5
Total derivative assets	13	6					(3)			16	5
Total other invested assets	13	6					(3)			16	5
Restricted other invested assets related to securitization entities	230	1								231	1
Reinsurance recoverable [2]	10	9								19	9
Total Level 3 assets	$ 5,854	$ 23	$ (27)	$ 236	$ (18)	$	$ (142)	$ 140	$ (280)	$ 5,786	$ 22

(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, as well as changes in the industry sectors assigned to specific securities.

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

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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, 2016	Included in net income (loss)	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 (1)	Transfer out of Level 3 (1)	Ending balance as of September 30, 2016	Total gains (losses) included in net income (loss) attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 3	$	$	$	$	$	$ (1)	$	$	$ 2	$
State and political subdivisions	35	2	(1)	7					(7)	36	2
U.S. corporate:											
Utilities	449	1	28	101	(6)		(9)	68	(70)	562	
Energy	253		(1)				(10)	7	(47)	202	
Finance and insurance	715	12	58	54	(14)		(59)	72	(18)	820	11
Consumer non-cyclical	109		7	5	(18)					103	
Technology and communications	35	2	4	12						53	2
Industrial	61		5					12		78	
Capital goods	180	1	6		(10)				(41)	136	1
Consumer cyclical	239	4	9	44	(5)		(42)	19	(3)	265	
Transportation	106	1	9	17			(14)	5		124	1
Other	182	1	1				(5)	16	(33)	162	1
Total U.S. corporate	2,329	22	126	233	(53)		(139)	199	(212)	2,505	16

Non-U.S. corporate:											
Utilities	287		9	62	(5)			26	(10)	369	
Energy	252		33	8	(11)		(31)		(26)	225	
Finance and insurance	191	2	11	11	(1)					214	2
Consumer non-cyclical	169	2	9	3	(3)		(48)	12		144	
Technology and communications	62		6	18	(5)					81	
Industrial	84		7	17	(20)			24		112	
Capital goods	213	1	7				(15)		(33)	173	1
Consumer cyclical	71		2				(2)			71	
Transportation	144	1	3				(14)	39		173	
Other	72	(2)	4		(12)		(7)	10	(38)	27	(2)
Total non-U.S. corporate	1,545	4	91	119	(57)		(117)	111	(107)	1,589	1
Residential mortgage-backed	116		2	51	(45)		(13)	13	(87)	37	
Commercial mortgage-backed	10		1	23			(4)		(2)	28	
Other asset-backed	1,142	(16)	3	12	(25)		(19)	66	(1,013)	150	(16)
Total fixed maturity securities	5,180	12	222	445	(180)		(293)	389	(1,428)	4,347	3
Equity securities	38			8						46	
Other invested assets:											
Derivative assets:											
Credit default swaps	1						(1)				
Equity index options	30	5		51			(25)			61	(4)
Other foreign currency contracts	3	(2)		1			(1)			1	(2)
Total derivative assets	34	3		52			(27)			62	(6)
Total other invested assets	34	3		52			(27)			62	(6)
Restricted other invested assets related to securitization entities	232	(55)					(46)			131	9
Reinsurance recoverable [2]	17	5				2				24	5
Total Level 3 assets	$ 5,501	$ (35)	$ 222	$ 505	$ (180)	$ 2	$ (366)	$ 389	$ (1,428)	$ 4,610	$ 11

[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, as well as changes in the industry sectors assigned to specific

securities. Most significantly, the majority of the transfers out of Level 3 related to a reclassification of collateralized loan obligation securities previously valued using a broker priced source to now being valued using third-party pricing services.

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

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(Unaudited)

(Amounts in millions)	Beginning balance as of January 1, 2015	Total realized and unrealized gains (losses) Included in net income (loss)	Included in OCI	Purchases	Sales	Issuances	Settlements	Transfer into Level 3 [1]	Transfer out of Level 3 [1]	Ending balance as of September 30, 2015	Total gains (losses) included in net income (loss) attributable to assets still held
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	$ 4	$	$	$	$	$	$ (1)	$	$	$ 3	$
State and political subdivisions	30	2	8	5					(10)	35	2
Non-U.S. government	7		(1)				(1)		(5)		
U.S. corporate:											
Utilities	444		(9)	38			(2)	10	(18)	463	
Energy	285		(7)	4	(4)		(5)		(8)	265	
Finance and insurance	616	12	(25)	83			(28)	47	(43)	662	10
Consumer non-cyclical	140	2					(37)		(10)	95	
Technology and communications	45	2	(2)						(11)	34	2
Industrial	36		1	28						65	
Capital goods	166		(3)	28	(1)					190	
Consumer cyclical	363	1	(3)	39			(36)	10	(67)	307	
Transportation	153	1	(3)	7			(30)		(18)	110	1
Other	171	1					(5)	19		186	1
Total U.S. corporate	2,419	19	(51)	227	(5)		(143)	86	(175)	2,377	14
Non-U.S. corporate:											
Utilities	328		(2)	18						344	
Energy	324	(1)	(5)		(9)		(30)			279	(1)
Finance and insurance	221	2	(3)	21			(3)		(4)	234	2

Consumer non-cyclical	197		2				(41)		(1)	157	
Technology and communications	42							1	(1)	42	
Industrial	131			7			(18)	1	(33)	88	
Capital goods	237		(2)				(5)			230	
Consumer cyclical	89		(1)					16	(17)	87	
Transportation	154						(8)			146	
Other	81		3				(11)	1	(1)	73	
Total non-U.S. corporate	1,804	1	(8)	46	(9)		(116)	19	(57)	1,680	1
Residential mortgage-backed	65		(3)	37			(7)	50	(72)	70	
Commercial mortgage-backed	5		(1)	9			(1)	13	(14)	11	
Other asset-backed	1,420	3	10	129	(22)		(234)	141	(141)	1,306	2
Total fixed maturity securities	5,754	25	(46)	453	(36)		(503)	309	(474)	5,482	19
Equity securities	34			1	(5)			8		38	
Other invested assets:											
Derivative assets:											
Credit default swaps	3						(2)			1	
Equity index options	17	(11)		12			(3)			15	(8)
Total derivative assets	20	(11)		12			(5)			16	(8)
Total other invested assets	20	(11)		12			(5)			16	(8)
Restricted other invested assets related to securitization entities	230	1								231	1
Reinsurance recoverable [(2)]	13	5				1				19	5
Total Level 3 assets	$ 6,051	$ 20	$ (46)	$ 466	$ (41)	$ 1	$ (508)	$ 317	$ (474)	$ 5,786	$ 17

(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, as well as changes in the industry sectors assigned to specific securities.

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

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(Unaudited)

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 periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
(Amounts in millions)	**2016**	**2015**	**2016**	**2015**
Total realized and unrealized gains (losses) included in net income (loss):				
Net investment income	$ 11	$ 9	$ (33)	$ 30
Net investment gains (losses)	(2)	14	(2)	(10)
Total	$ 9	$ 23	$ (35)	$ 20
Total gains (losses) included in net income (loss) attributable to assets still held:				
Net investment income	$ 9	$ 8	$ 23	$ 23
Net investment gains (losses)	(11)	14	(12)	(6)
Total	$ (2)	$ 22	$ 11	$ 17

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.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents a summary of the significant unobservable inputs used for certain asset fair value measurements that are based on internal models and classified as Level 3 as of September 30, 2016:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range	Weighted-average
Fixed maturity securities:					
U.S. corporate:					
Utilities	Internal models	$ 537	Credit spreads	94bps - 315bps	158bps
Energy	Internal models	65	Credit spreads	113bps - 359bps	183bps
Finance and insurance	Internal models	746	Credit spreads	92bps - 528bps	253bps
Consumer non-cyclical	Internal models	103	Credit spreads	107bps - 326bps	189bps
Technology and communications	Internal models	53	Credit spreads	295bps - 390bps	372bps
Industrial	Internal models	49	Credit spreads	139bps - 346bps	229bps
Capital goods	Internal models	136	Credit spreads	70bps - 291bps	136bps
Consumer cyclical	Internal models	240	Credit spreads	70bps - 313bps	188bps
Transportation	Internal models	115	Credit spreads	87bps - 292bps	170bps
Other	Internal models	131	Credit spreads	84bps - 187bps	116bps
Total U.S. corporate	Internal models	$ 2,175	Credit spreads	70bps - 528bps	200bps
Non-U.S. corporate:					
Utilities	Internal models	$ 369	Credit spreads	94bps - 192bps	135bps
Energy	Internal models	153	Credit spreads	117bps - 221bps	165bps
Finance and insurance	Internal models	204	Credit spreads	90bps - 255bps	146bps
Consumer non-cyclical	Internal models	132	Credit spreads	70bps - 254bps	158bps
Technology and communications	Internal models	81	Credit spreads	117bps - 254bps	191bps
Industrial	Internal models	103	Credit spreads	132bps - 254bps	195bps
Capital goods	Internal models	124	Credit spreads	117bps - 221bps	155bps
Consumer cyclical	Internal models	71	Credit spreads	110bps - 186bps	150bps
Transportation	Internal models	145	Credit spreads	95bps - 243bps	141bps
Other	Internal models	14	Credit spreads	105bps - 916bps	345bps
Total non-U.S. corporate	Internal models	$ 1,396	Credit spreads	70bps - 916bps	155bps

Derivative assets:

Equity index options	Discounted cash flows	$	61	Equity index volatility	% - 26%	17%
Other foreign currency contracts	Discounted cash flows	$	1	Foreign exchange rate volatility	9% - 12%	11%

Certain classes of instruments classified as Level 3 are excluded above 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.

GENWORTH FINANCIAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following tables set forth our liabilities by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

	September 30, 2016			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives [(1)]	$ 439	$	$	$ 439
Fixed index annuity embedded derivatives	364			364
Indexed universal life embedded derivatives	13			13
Total policyholder account balances	816			816
Derivative liabilities:				
Interest rate swaps	397		397	
Foreign currency swaps	5		5	
Credit default swaps related to securitization entities	2		2	
Equity return swaps	5		5	
Other foreign currency contracts	32		32	
Total derivative liabilities	441		441	
Borrowings related to securitization entities	11			11
Total liabilities	$ 1,268	$	$ 441	$ 827

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

	December 31, 2015			
(Amounts in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives [(1)]	$ 352	$	$	$ 352
Fixed index annuity embedded derivatives	342			342
Indexed universal life embedded derivatives	10			10

Total policyholder account balances	704			704
Derivative liabilities:				
Interest rate swaps	220		220	
Interest rate swaps related to securitization entities	30		30	
Inflation indexed swaps	33		33	
Foreign currency swaps	27		27	
Credit default swaps related to securitization entities	14			14
Equity return swaps	1		1	
Other foreign currency contracts	34		34	
Total derivative liabilities	359		345	14
Borrowings related to securitization entities	81			81
Total liabilities	$ 1,144	$	$ 345	$ 799

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

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GENWORTH FINANCIAL, INC.

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(Unaudited)

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:

(Amounts in millions)	Beginning balance as of July 1, 2016	Total realized and unrealized (gains) losses 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 September 30, 2016	Total (gains) losses included in net (income) loss attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 494	$ (63)	$	$	$	$ 8	$	$	$	$ 439	$ (59)
Fixed index annuity embedded derivatives	351	16					(3)			364	16
Indexed universal life embedded derivatives	13	(3)				3				13	(3)
Total policyholder account balances	858	(50)				11	(3)			816	(46)
Borrowings related to securitization entities	11									11	
Total Level 3 liabilities	$ 869	$ (50)	$	$	$	$ 11	$ (3)	$	$	$ 827	$ (46)

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

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GENWORTH FINANCIAL, INC.

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(Unaudited)

(Amounts in millions)	**Beginning balance as of July 1, 2015**	**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 September 30, 2015**	**Total (gains) losses included in net (income) loss attributable to liabilities still held**
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 255	$ 126	$	$	$	$ 9	$	$	$	$ 390	$ 124
Fixed index annuity embedded derivatives	322	(31)				14	(1)			304	(31)
Indexed universal life embedded derivatives	9	(2)				3				10	(2)
Total policyholder account balances	586	93				26	(1)			704	91
Derivative liabilities:											
Credit default swaps related to securitization entities	8	1		1						10	1
Total derivative liabilities	8	1		1						10	1
Borrowings related to securitization entities	84	(4)								80	(4)
Total Level 3 liabilities	$ 678	$ 90	$	$ 1	$	$ 26	$ (1)	$	$	$ 794	$ 88

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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:

(Amounts in millions)	Beginning balance as of January 1, 2016	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 September 30, 2016	Total (gains) losses included in net (income) loss attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 352	$ 63	$	$	$	$ 24	$	$	$	$ 439	$ 72
Fixed index annuity embedded derivatives	342	22				10	(10)			364	22
Indexed universal life embedded derivatives	10	(6)				9				13	(6)
Total policyholder account balances	704	79				43	(10)			816	88
Derivative liabilities:											
Credit default swaps related to securitization entities	14	(13)					2		(3)		
Total derivative liabilities	14	(13)					2		(3)		
Borrowings related to securitization entities	81	(65)					(5)			11	
Total Level 3 liabilities	$ 799	$ 1	$	$	$	$ 43	$ (13)	$	$ (3)	$ 827	$ 88

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Amounts in millions)	Beginning balance as of January 1, 2015	Total realized and unrealized (gains) losses 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 September 30, 2015	Total (gains) losses included in net (income) loss attributable to liabilities still held
Policyholder account balances:											
GMWB embedded derivatives [1]	$ 291	$ 73	$	$	$	$ 26	$	$	$	$ 390	$ 75
Fixed index annuity embedded derivatives	276	(14)				47	(5)			304	(14)
Indexed universal life embedded derivatives	7	(5)				8				10	(5)
Total policyholder account balances	574	54				81	(5)			704	56
Derivative liabilities:											
Credit default swaps related to securitization entities	17	(10)		3						10	(10)
Total derivative liabilities	17	(10)		3						10	(10)
Borrowings related to securitization entities	85	(6)				1				80	(6)
Total Level 3 liabilities	$ 676	$ 38	$	$ 3	$	$ 82	$ (5)	$	$	$ 794	$ 40

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

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 periods indicated:

(Amounts in millions)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Total realized and unrealized (gains) losses included in net (income) loss:				
Net investment income	$	$	$	$
Net investment (gains) losses	(50)	90	1	38
Total	$ (50)	$ 90	$ 1	$ 38
Total (gains) losses included in net (income) loss attributable to liabilities still held:				
Net investment income	$	$	$	$
Net investment (gains) losses	(46)	88	88	40
Total	$ (46)	$ 88	$ 88	$ 40

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.

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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.

The following table presents a summary of the significant unobservable inputs used for certain liability fair value measurements that are based on internal models and classified as Level 3 as of September 30, 2016:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range	Weighted-average
Policyholder account balances:					
			Withdrawal utilization rate	% - 99%	68%
			Lapse rate	% - 15%	6%
			Non-performance risk (credit spreads)	40bps - 85bps	71bps
GMWB embedded derivatives [1]	Stochastic cash flow model	$439	Equity index volatility	15% - 24%	21%
Fixed index annuity embedded derivatives	Option budget method	$364	Expected future interest credited	% - 2%	2%
Indexed universal life embedded derivatives	Option budget method	$13	Expected future interest credited	4% - 9%	6%

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

(7) Deferred Acquisition Costs

The following table presents the activity impacting deferred acquisition costs (DAC) for the dates indicated:

As of or for the nine months ended September 30,

(Amounts in millions)	**2016**	**2015**
Unamortized beginning balance	$ 4,569	$ 5,200
Impact of foreign currency translation	8	(20)
Costs deferred	124	228
Amortization, net of interest accretion	(257)	(266)
Impairment		(455)
Unamortized ending balance	4,444	4,687
Accumulated effect of net unrealized investment (gains) losses	(462)	(246)
Ending balance	$ 3,982	$ 4,441

GENWORTH FINANCIAL, INC.

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(Unaudited)

We regularly review DAC to determine if it is recoverable from future income. In the second quarter of 2016, we performed our loss recognition testing and determined that we had a premium deficiency in our fixed immediate annuity products. The results of the test were primarily driven by the low interest rate environment in the second quarter of 2016. As a result, as of June 30, 2016, we wrote off the entire DAC balance for our fixed immediate annuity products of $14 million through amortization and increased our future policy benefit reserves by $18 million. In the third quarter of 2016, driven by aging of the in-force and the low interest rate environment, we determined that an additional premium deficiency existed in our fixed immediate annuity products that resulted in a further increase to our future policy benefit reserves of $6 million. As of September 30, 2016, we believe all of our other businesses had sufficient future income and therefore the related DAC was recoverable.

On September 30, 2015, Genworth Life and Annuity Insurance Company (GLAIC), our indirect wholly-owned subsidiary, entered into a Master Agreement (the Master Agreement) for a life block transaction with Protective Life Insurance Company (Protective Life). Pursuant to the Master Agreement, GLAIC and Protective Life agreed to enter into a reinsurance agreement (the Reinsurance Agreement), under the terms of which Protective Life would coinsure certain term life insurance business of GLAIC, net of third-party reinsurance. The Reinsurance Agreement was entered into in January 2016. In connection with entering into the Master Agreement, we recorded a DAC impairment of $455 million as a result of loss recognition testing of certain term life insurance policies as part of this life block transaction.

(8) Liability for Policy and Contract Claims

The following table sets forth our recorded liability for policy and contract claims by business as of the dates indicated:

(Amounts in millions)	September 30, 2016	December 31, 2015
Long-term care insurance	$ 7,654	$ 6,749
U.S. mortgage insurance	658	849
Australia mortgage insurance	215	165
Life insurance	195	202
Canada mortgage insurance	112	87
Runoff	16	18
Fixed annuities	12	18
Other mortgage insurance	7	7
Total liability for policy and contract claims	$ 8,869	$ 8,095

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.

GENWORTH FINANCIAL, INC.

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(Unaudited)

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)	As of or for the nine months ended September 30, 2016	2015
Beginning balance	$ 6,749	$ 6,216
Less reinsurance recoverables	(2,055)	(1,926)
Net beginning balance	4,694	4,290
Incurred related to insured events of:		
Current year	1,546	1,241
Prior years	378	6
Total incurred	1,924	1,247
Paid related to insured events of:		
Current year	(82)	(75)
Prior years	(1,160)	(1,050)
Total paid	(1,242)	(1,125)
Interest on liability for policy and contract claims	188	172
Net ending balance	5,564	4,584
Add reinsurance recoverables	2,090	1,999
Ending balance	$ 7,654	$ 6,583

As of September 30, 2016, the liability for policy and contract claims increased $905 million in our long-term care insurance business largely from the completion of our annual review of assumptions in the third quarter of 2016 which increased reserves by $460 million and increased reinsurance recoverables by $25 million. The increase was also attributable to aging and growth of the in-force block and higher severity on new claims in the current year. Based on our annual review of our long-term care insurance claim reserves, which included an additional year of claims experience since our last annual review in the third quarter of 2015, we updated several assumptions and methodologies primarily impacting claim termination rates, benefit utilization rates and incurred but not reported reserves. The primary impact of assumption changes was from an overall lowering of claim termination rate assumptions for longer duration claims, particularly for reimbursement claims. We also updated our claim termination rate assumptions to reflect differences between product types, separating our indemnity and reimbursement blocks that were previously combined, and modestly refined our utilization rate assumptions and methodologies as well as refined our methodology primarily related to the calculation of incurred but not reported reserves to better reflect the aging of the in-force blocks.

For the nine months ended September 30, 2016, the incurred amount of $378 million related to insured events of prior years increased largely as a result of the completion of our annual review of our long-term care insurance claim reserves, as described above, which resulted in recording higher reserves of $305 million, net of reinsurance recoverables of $25 million. In addition, we recorded $39 million of unfavorable adjustments in the second quarter of 2016, which included refinements to the calculations of claim reserves.

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(Unaudited)

(9) Borrowings and Other Financings

(a) Short-Term Borrowings

Revolving Credit Facilities

On May 20, 2016, Genworth MI Canada Inc. (Genworth Canada), our majority-owned subsidiary, entered into a CAD$100 million senior unsecured revolving credit facility, which matures on May 20, 2019. Any borrowings under Genworth Canada s credit facility will bear interest at a rate per annum equal to, at the option of Genworth Canada, either a fixed rate or a variable rate pursuant to the terms of the credit agreement. Genworth Canada s credit facility includes customary representations, warranties, covenants, terms and conditions. As of September 30, 2016, there was no amount outstanding under Genworth Canada s credit facility.

In April 2016, Genworth Holdings terminated its $300 million multicurrency revolving credit facility, prior to its September 26, 2016 maturity date. There were no amounts outstanding under the credit facility at the time of termination.

(b) Long-Term Borrowings

The following table sets forth total long-term borrowings as of the dates indicated:

(Amounts in millions)	**September 30, 2016**	**December 31, 2015**
Genworth Holdings [1]		
8.625% Senior Notes, due 2016	$	$ 298
6.52% Senior Notes, due 2018	597	598
7.70% Senior Notes, due 2020	397	397
7.20% Senior Notes, due 2021	381	389
7.625% Senior Notes, due 2021	705	724
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 Subordinated Notes, due 2066	598	598
Subtotal	3,774	4,100
Bond consent fees	(40)	
Deferred borrowing charges	(20)	(21)

Total Genworth Holdings		3,714		4,079
Canada [2]				
5.68% Senior Notes, due 2020		210		199
4.24% Senior Notes, due 2024		122		116
Subtotal		332		315
Deferred borrowing charges		(2)		(2)
Total Canada		330		313
Australia [3]				
Floating Rate Junior Notes, due 2021				36
Floating Rate Junior Notes, due 2025		153		146
Subtotal		153		182
Deferred borrowing charges		(3)		(4)
Total Australia		150		178
Total	$	4,194	$	4,570

(1) We have the option to redeem all or a portion of the 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.

(2) Senior notes issued by Genworth Canada, our majority-owned subsidiary.

(3) Subordinated floating rate notes issued by Genworth Financial Mortgage Insurance Pty Limited, our indirect wholly-owned subsidiary.

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Genworth Holdings

In January 2016, Genworth Holdings redeemed $298 million of its 8.625% senior notes due 2016 issued in December 2009 (the 2016 Notes) and paid a make-whole premium of approximately $20 million pre-tax in addition to accrued and unpaid interest.

During the three months ended March 31, 2016, we also repurchased $28 million principal amount of Genworth Holdings notes with various maturity dates for a pre-tax gain of $4 million and paid accrued and unpaid interest thereon.

On March 18, 2016, Genworth Holdings received the requisite consents, pursuant to a solicitation of consents (the Consent Solicitation), to amend the indenture dated as of June 15, 2004, by and between Genworth Holdings and The Bank of New York Mellon Trust Company, N.A. (the Trustee), as successor to JP Morgan Chase Bank, N.A., as amended and supplemented from time to time (as so amended and supplemented, the Senior Notes Indenture) and the indenture dated as of November 14, 2006, by and between Genworth Holdings and the Trustee, as amended and supplemented from time to time (as so amended and supplemented, the Subordinated Notes Indenture and together with the Senior Notes Indenture, the Indentures).

On March 18, 2016, Genworth Holdings, Genworth Financial, as guarantor, and the Trustee entered into Supplemental Indenture No. 12 to the Senior Notes Indenture and the Third Supplemental Indenture to the Subordinated Notes Indenture (the Supplemental Indentures) that amended the Senior Notes Indenture and the Subordinated Notes Indenture, respectively, to (i) exclude Genworth Life Insurance Company and Genworth Life Insurance Company of New York, which operate our long-term care insurance business, from the event of default provisions of the Indentures (such amendment also previously excluded Brookfield Life and Annuity Insurance Company Limited until it merged into Genworth Life Insurance Company in October 2016) and (ii) clarify that one or more transactions disposing of any or all of the Genworth Holdings long-term care and other life insurance businesses and assets (a Life Sale) would not constitute a disposition of all or substantially all of Genworth Holdings assets under the Indentures, provided that in order to rely on that clarification, the assets of our U.S. Mortgage Insurance segment would be contributed to Genworth Holdings and 80% of any Net Cash Proceeds, as defined in the Supplemental Indentures, to us from any Life Sale would be used to reduce outstanding indebtedness.

The Supplemental Indentures became operative on March 22, 2016 upon the payment of the applicable consent fees payable under the terms of the Consent Solicitation. We paid total fees related to the Consent Solicitation of approximately $61 million, including bond consent fees of $43 million, which were deferred, as well as broker, advisor and investment banking fees of $18 million, which were expensed, in the first quarter of 2016.

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Australia

In June 2016, Genworth Financial Mortgage Insurance Pty Limited, our indirect majority-owned subsidiary, redeemed all of its outstanding AUD$50 million of subordinated floating rate notes with an interest rate of three-month Bank Bill Swap reference rate plus a margin of 4.75% due 2021.

(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 the dates indicated:

(Amounts in millions) Issuance	September 30, 2016	December 31, 2015
River Lake Insurance Company [a], due 2033	$	$ 570
River Lake Insurance Company [b], due 2033		405
River Lake Insurance Company II [a], due 2035		192
River Lake Insurance Company II [b], due 2035		453
Rivermont Life Insurance Company I [a], due 2050	315	315
Subtotal	315	1,935
Deferred borrowing charges	(5)	(15)
Total	$ 310	$ 1,920

(a) Accrual of interest based on one-month London Interbank Offered Rate (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.

During the three months ended March 31, 2016, in connection with a life block transaction, River Lake Insurance Company, our indirect wholly-owned subsidiary, redeemed $975 million of its total outstanding floating rate subordinated notes due in 2033 and River Lake Insurance Company II, our indirect wholly-owned subsidiary, redeemed $645 million of its total outstanding floating rate subordinated notes due in 2035 for a pre-tax loss of $9 million from the write-off of deferred borrowing costs.

(d) Repurchase agreements and securities lending activity

Repurchase agreements

We previously had a repurchase program in which we sold an investment security at a specified price and agreed to repurchase that security at another specified price at a later date. Repurchase agreements were treated as collateralized financing transactions and were carried at the amounts at which the securities were subsequently reacquired, including accrued interest, as specified in the respective agreement. The market value of securities to be repurchased were monitored and collateral levels adjusted where appropriate to protect the parties against credit exposure. Cash received was invested in fixed maturity securities. As of December 31, 2015, the fair value of securities pledged under the repurchase program was $231 million and the repurchase obligation of $229 million was included in other liabilities in the consolidated balance sheet. As of September 30, 2016, the fair value of securities pledged under the repurchase program and the repurchase obligation was zero as they matured during the three months ended June 30, 2016.

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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 value of the loaned securities. 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 National Association of Insurance Commissioners, U.S. and foreign government securities, U.S. government agency securities, asset-backed securities and corporate debt securities. As of September 30, 2016 and December 31, 2015, the fair value of securities loaned under our securities lending program in the United States was $401 million and $334 million, respectively. As of September 30, 2016 and December 31, 2015, the fair value of collateral held under our securities lending program in the United States was $417 million and $347 million, respectively, and the offsetting obligation to return collateral of $417 million and $347 million, respectively, was included in other liabilities in the consolidated balance sheets. We did not have any non-cash collateral provided by the borrowers in our securities lending program in the United States as of September 30, 2016 and December 31, 2015.

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 because it 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 September 30, 2016 and December 31, 2015, the fair value of securities loaned under our securities lending program in Canada was $364 million and $340 million, respectively.

Risks associated with repurchase agreements and securities lending programs

Our repurchase agreement and securities lending programs expose us to liquidity risk if we did not have enough cash or collateral readily available to return to the counterparty when required to do so under the agreements. We manage this risk by regularly monitoring our available sources of cash and collateral to ensure we can meet short-term liquidity demands under normal and stressed scenarios.

We are also exposed to credit risk in the event of default of our counterparties or changes in collateral values. This risk is significantly reduced because our programs require over collateralization and collateral exposures are trued up on a daily basis. We manage this risk by using multiple counterparties and ensuring that changes in required collateral are monitored and adjusted daily. We also monitor the creditworthiness, including credit ratings, of our counterparties on a regular basis.

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Contractual maturity

The following tables present the remaining contractual maturity of the agreements as of the dates indicated:

	September 30, 2016				
(Amounts in millions)	**Overnight and continuous**	**Up to 30 days**	**31 - 90 days**	**Greater than 90 days**	**Total**
Repurchase agreements:					
U.S. government, agencies and government-sponsored enterprises	$	$	$	$	$
Securities lending:					
Fixed maturity securities:					
U.S. government, agencies and government-sponsored enterprises	78				78
Non-U.S. government	61				61
U.S. corporate	163				163
Non-U.S. corporate	110				110
Subtotal, fixed maturity securities	412				412
Equity securities	5				5
Total securities lending	417				417
Total repurchase agreements and securities lending	$ 417	$	$	$	$ 417

	December 31, 2015				
(Amounts in millions)	**Overnight and continuous**	**Up to 30 days**	**31 - 90 days**	**Greater than 90 days**	**Total**
Repurchase agreements:					
U.S. government, agencies and government-sponsored enterprises	$	$ 58	$ 25	$ 146	$ 229
Securities lending:					
Fixed maturity securities:					
	18				18

U.S. government, agencies and government-sponsored enterprises								
Non-U.S. government	39							39
U.S. corporate	95							95
Non-U.S. corporate	190							190
Subtotal, fixed maturity securities	342							342
Equity securities	5							5
Total securities lending	347							347
Total repurchase agreements and securities lending	$ 347	$	58	$	25	$	146	$ 576

GENWORTH FINANCIAL, INC.

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(10) Income Taxes

The reconciliation of the federal statutory tax rate to the effective income tax rate was as follows for the periods indicated:

	Three months ended September 30,				Nine months ended September 30,			
(Amounts in millions)	**2016**		**2015**		**2016**		**2015**	
Pre-tax income (loss)	$ (125)		$ (351)		$ 376		$ 188	
Statutory U.S. federal income tax rate	$ (44)	35.0%	$ (123)	35.0%	$ 132	35.0%	$ 66	35.0%
Increase (reduction) in rate resulting from:								
State income tax, net of federal income tax effect			(1)	0.4	1	0.2	3	1.4
Benefit on tax favored investments	1	(0.7)	(9)	2.5	(2)	(0.5)	(14)	(7.2)
Effect of foreign operations	5	(3.9)	(3)	0.8	(12)	(3.3)	(33)	(17.5)
Non-deductible expenses	(1)	0.5			(1)	(0.1)	1	0.6
Interest on uncertain tax positions			1	(0.2)			1	0.4
Valuation allowance	265	(212.9)			240	63.8		
Stock-based compensation	2	(1.8)	2	(0.5)	5	1.4	4	2.0
Loss on sale of business					(1)	(0.2)		
Other, net	(6)	4.8	(1)	0.1	(7)	(1.8)	(1)	(0.4)
Effective rate	$ 222	(179.0)%	$ (134)	38.1%	$ 355	94.5%	$ 27	14.3%

The effective tax rate for the three and nine months ended September 30, 2016 was impacted by a valuation allowance of $265 million recorded on deferred tax assets. In light of our latest financial projections, including the projected impact to current and future earnings associated with higher expected claim costs in our long-term care insurance business as a result of our annual claim reserves review in the third quarter of 2016 and sustained low interest rates, we recorded a valuation allowance related to foreign tax credits that we no longer expect to realize. The financial projections did not include any benefits or aspects of the announced transaction with China Oceanwide nor did they assume any charges associated with tax attribute limitations that would occur with a change in ownership. The effective tax rate for the nine months ended September 30, 2016 was also impacted by the reversal of a deferred tax valuation allowance related to our mortgage insurance business in Europe due to taxable gains supporting the recognition of these deferred tax assets in the current year.

(11) Segment Information

Beginning in the fourth quarter of 2015, we changed how we review our operating businesses and no longer have separate reporting divisions. Under our new structure, we have the following five operating business segments: U.S. Mortgage Insurance; Canada Mortgage Insurance; Australia Mortgage Insurance; U.S Life Insurance (which includes our long-term care insurance, life insurance and fixed annuities businesses); and Runoff (which includes the results of non-strategic products which are no longer actively sold). In addition to our five operating business segments, 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 certain smaller international mortgage insurance businesses and discontinued operations. Financial information has been updated for all periods to reflect the reorganized segment reporting structure.

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We allocate our consolidated provision for income taxes to our operating segments. Our allocation methodology applies a specific tax rate to the pre-tax income (loss) of each segment, which is then adjusted in each segment to reflect the tax attributes of items unique to that segment such as foreign income. The difference between the consolidated provision for income taxes and the sum of the provision for income taxes in each segment is reflected in Corporate and Other activities. The annually-determined tax rates and adjustments to each segment s provision for income taxes are estimates which are subject to review and could change from year to year.

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) available to Genworth Financial, Inc. s common stockholders. We define net operating income (loss) available to Genworth Financial, Inc. s common stockholders 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, restructuring costs 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, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and restructuring costs are also excluded from net operating income (loss) because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from net operating income (loss) available to Genworth Financial, Inc. s common stockholders if, in our opinion, they are not indicative of overall operating trends.

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) available to Genworth Financial, Inc. s common stockholders, and measures that are derived from or incorporate net operating income (loss) available to Genworth Financial, Inc. s common stockholders, 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) available to Genworth Financial, Inc. s common stockholders 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) available to Genworth Financial, Inc. s common stockholders have occurred in the past and could, and in some cases will, recur in the future. Net operating income (loss) available to Genworth Financial, Inc. s common stockholders 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) available to Genworth Financial, Inc. s common stockholders may differ from the definitions used by other companies.

Adjustments to reconcile net income (loss) attributable to Genworth Financial, Inc. s common stockholders and net operating income (loss) available to Genworth Financial, Inc. s common stockholders assume a 35% tax

GENWORTH FINANCIAL, INC.

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rate (unless otherwise indicated) 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.

In June 2016, we completed the sale of our term life insurance new business platform and recorded a pre-tax gain of $12 million. In May 2016, we completed the sale of our mortgage insurance business in Europe and recorded an additional pre-tax loss of $2 million. In the first quarter of 2016, we recorded an estimated pre-tax loss of $7 million and a tax benefit of $27 million related to the planned sale of our mortgage insurance business in Europe. We recognized a tax charge of $7 million in the third quarter of 2015 from potential business portfolio changes related to the sale of this business. These transactions were excluded from net operating income (loss) available to Genworth Financial, Inc. s common stockholders for the periods presented as they related to a gain (loss) on the sale of businesses.

In June 2016, we settled restricted borrowings of $70 million related to a securitization entity and recorded a $64 million pre-tax gain related to the early extinguishment of debt. In January 2016, we paid a pre-tax make-whole expense of $20 million related to the early redemption of Genworth Holdings 2016 Notes. We also repurchased $28 million principal amount of Genworth Holdings notes with various maturity dates for a pre-tax gain of $4 million in the first quarter of 2016. In the third quarter of 2015, we paid an early redemption payment of approximately $1 million, net of the portion attributable to noncontrolling interests, related to the early redemption of Genworth Financial Mortgage Insurance Pty Limited s notes that were scheduled to mature in 2021. In the third quarter of 2015, we also repurchased approximately $50 million principal amount of Genworth Holdings, Inc. s notes with various maturity dates for a pre-tax loss of $1 million. These transactions were excluded from net operating income (loss) available to Genworth Financial, Inc. s common stockholders for the periods presented as they related to a gain (loss) on the early extinguishment of debt.

In the first quarter of 2016, we completed a life block transaction resulting in a pre-tax loss of $9 million in connection with the early extinguishment of non-recourse funding obligations. In the third quarter of 2015, we recorded a pre-tax DAC impairment of $455 million on certain term life insurance policies in connection with entering into an agreement to complete a life block transaction.

In the third, second and first quarters of 2016, we recorded a pre-tax expense of $2 million, $5 million and $15 million, respectively, related to restructuring costs as part of an expense reduction plan as we evaluate and appropriately size our organizational needs and expenses. In the second quarter of 2015, we also recorded a pre-tax expense of $3 million related to restructuring costs.

There were no infrequent or unusual items excluded from net operating income (loss) available to Genworth Financial, Inc. s common stockholders during the periods presented other than fees incurred during the first quarter of 2016 related to Genworth Holdings bond consent solicitation of $18 million for broker, advisor and investment banking fees.

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The following is a summary of revenues for our segments and Corporate and Other activities for the periods indicated:

(Amounts in millions)	**Three months ended September 30, 2016**	**2015**	**Nine months ended September 30, 2016**	**2015**
Revenues:				
U.S. Mortgage Insurance segment	$ 186	$ 161	$ 537	$ 497
Canada Mortgage Insurance segment	156	124	463	429
Australia Mortgage Insurance segment	115	122	333	360
U.S. Life Insurance segment:				
Long-term care insurance	980	949	3,051	2,769
Life insurance	418	455	953	1,419
Fixed annuities	218	221	613	683
U.S. Life Insurance segment	1,616	1,625	4,617	4,871
Runoff segment	84	53	218	209
Corporate and Other activities	(7)	15	3	26
Total revenues	$ 2,150	$ 2,100	$ 6,171	$ 6,392

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The following is a summary of net operating income (loss) available to Genworth Financial, Inc. s common stockholders for our segments and Corporate and Other activities and a reconciliation of net operating income (loss) available to Genworth Financial, Inc. s common stockholders for our segments and Corporate and Other activities to net loss available to Genworth Financial, Inc. s common stockholders for the periods indicated:

(Amounts in millions)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Net operating income (loss) available to Genworth Financial, Inc. s common stockholders:				
U.S. Mortgage Insurance segment	$ 67	$ 37	$ 189	$ 138
Canada Mortgage Insurance segment	36	38	107	115
Australia Mortgage Insurance segment	14	21	48	80
U.S. Life Insurance segment:				
Long-term care insurance	(270)	(10)	(199)	10
Life insurance	48	31	110	93
Fixed annuities	15	19	28	75
U.S. Life Insurance segment	(207)	40	(61)	178
Runoff segment	12	(4)	22	16
Corporate and Other activities	(327)	(68)	(484)	(190)
Net operating income (loss) available to Genworth Financial, Inc. s common stockholders	(405)	64	(179)	337
Adjustments to net operating income (loss) available to Genworth Financial, Inc. s common stockholders:				
Net investment gains (losses), net [1]	18	(33)	38	(29)
Gains (losses) on sale of businesses			3	
Gains (losses) on early extinguishment of debt, net [2]		(2)	48	(2)
Gains (losses) from life block transactions		(455)	(9)	(455)
Expenses related to restructuring	(2)		(22)	(3)
Fees associated with bond consent solicitation			(18)	
Taxes on adjustments	(6)	163	9	163

Income (loss) from continuing operations available to Genworth Financial, Inc. s common stockholders	(395)	(263)	(130)	11
Add: income from continuing operations attributable to noncontrolling interests	48	46	151	150
Income (loss) from continuing operations	(347)	(217)	21	161
Income (loss) from discontinued operations, net of taxes	15	(21)	(25)	(334)
Net loss	(332)	(238)	(4)	(173)
Less: net income attributable to noncontrolling interests	48	46	151	150
Net loss available to Genworth Financial, Inc. s common stockholders	$			