



January 9, 2009

TO: Our Customers, Distributors and Partners

After careful work during the past three months, we have taken several actions as we start 2009 to continue positioning Genworth for the future and to move through the troubled economic and financial market environments that we all feel. Previously, we announced various steps in support of our work to maintain sound capital and liquidity positions for the company. We continue to execute these actions and will update the market on our next earnings call in February. This week's moves centered on three areas:

- Refinements of our strategic market focus;
- Organizational moves and streamlining to support our strategic focus; and
- Reductions in force to size the business to today's economic realities and our strategies, while maintaining our commitment to meet the needs of our distributors and policyholders.

Our refinements of our strategic focus are aimed at concentrating on those market segments that we see as the most attractive and the best fit with our strengths, profitability targets, and risk appetite. Our organizational moves are aimed at making the business more responsive and agile in the markets we serve. Finally, our employment reductions reflect economic and other market realities—so we are taking global employment back to our 2004 levels.

Our value proposition remains strong—consumers' need for financial security is more important than ever, and our products and services help them meet those needs. We remain committed to our policyholders and distribution partners and will continue investing in key distribution relationships, product lines, and service capabilities.

I'd like to share an overview of our focus:

#### **U.S. Retirement and Protection**

We are further refining our position as a specialist provider of retirement and protection solutions. We will focus on maintaining appropriate capital levels that support targeted retirement and protection products across life insurance, long term care insurance, and annuity offerings—and we are committed to growing our Wealth Management business. In several areas, we will continue to expand. For example, we will leverage our leadership in long term care insurance (LTC) to grow LTC-related product lines and services, as well as offerings that bundle other products with long term care insurance to provide consumers the flexibility they want and need. In addition, we compete well in wealth management through independent advisors, in middle market life insurance, group annuities, and Medicare supplement coverage.

In other areas, we remain committed, but must refocus. We will continue to sell variable and fixed deferred annuities, but will do so more selectively, through the channels, distributors, and advisors that are aligned with our refined strategy and risk appetite. We will maintain our focus on providing fixed immediate annuities to the middle market.

Service for policyholders, key advisors, and distributors will be an even more critical priority, reflecting our strong commitment to serving their needs now and in the future. Supporting all these strategies, we have shifted to a streamlined functional organization that brings together business teams into integrated product, marketing and distribution, and service groups.

#### **U.S. Mortgage Insurance**

In the United States, economic factors such as increasing unemployment, declining home prices, and the lack of credit significantly impact the volume of mortgage originations, as well as

homebuyers' abilities to maintain their mortgage obligations. The U.S. Mortgage Insurance team has been responding to these realities, while simultaneously shifting to a business model that delivers higher returns, with a lower risk profile.

We'll maintain our focus on insuring high-quality single mortgages supported by the tightened underwriting standards and increased pricing that we introduced in late 2007 and continued throughout 2008. To manage capital strategically and maintain appropriate buffers through this unprecedented housing market cycle, we will balance new business production focus with our outlook on claim and loss development. To this end, we'll reinforce our efforts as an industry leader in mitigating losses and helping people avoid foreclosure and keep their homes.

### **International**

We are aligning our International businesses around geographies with the most attractive market and regulatory conditions for profitable growth, while managing economic, product, and underwriting risks. In International Mortgage Insurance, we are positioning our established platforms in Canada, Australia, Europe, and Mexico to grow in a disciplined and careful fashion, while responding to reduced mortgage origination levels and our risk management activities. In addition, we are curtailing our investment in growing mortgage insurance in emerging markets, reflecting the uncertainty of global market conditions. In Lifestyle Protection Insurance, we will continue to focus in Europe and grow in select new markets.

### **Investments**

Our Investments team, under our new Chief Investment Officer Ron Joelson, is focused on investing in high-quality, fixed-income instruments that provide a regular, stable income stream; managing our exposures and liquidity; and enhancing our risk management capabilities. For more information on our Investments portfolio and strategy, please refer to our [Investments Overview](#).

As we finalized our strategic plans, we had to make tough choices. Reductions in workforce levels are without question the most difficult to make. We have completed discussions with approximately 1,000 of our 7,300 employees at all levels around the world whose jobs have been impacted. We have reduced discretionary spending across the company in a number of areas and taken other expense steps in this environment to support our business and enable investing in the future. Together, these cost actions will help reduce pretax operating expenses by approximately \$100 million to \$150 million on an annual basis. In addition, we will not pay or will significantly reduce certain leadership bonuses, and I communicated to our Board of Directors that I should not receive any bonus compensation.

These decisions are part of a multi-faceted approach to manage through this environment, including actions to maintain appropriate liquidity, maintain appropriate capital levels in our operating companies to support our policyholders and distributors, maximize our capital flexibility, and prepare for future events that could come our way. For more information, I invite you to visit [genworth.com/answers](http://genworth.com/answers).

As we manage through these challenging times, we remain committed to our vision to help people achieve financial security, and to the distribution partners who rely on us. We move forward with this positive vision for the future and a commitment to make it happen. Thank you for your confidence in Genworth.

A handwritten signature in black ink, appearing to be the initials 'RJ' or similar, written in a cursive style.