

2008

## Genworth Financial: A Company in Transition

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2008

## A Company in Transition

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This case was prepared from various referenced sources and was developed solely for classroom discussion; the case is not intended to serve as an endorsement, source of primary data or an illustration of either effective or ineffective handling of a business situation. The authors gratefully acknowledge information and insights provided by Mr. Scott McKay, Senior Vice President of Genworth Financial.

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## TABLE OF CONTENTS

<b>A COMPANY IN TRANSITION</b> .....	3
<b>“NEXT ACT” ORIGIN</b> .....	3
<b>INTRODUCING GENWORTH’S “NEXT ACT” STRATEGY TO THE ORGANIZATION</b> .....	5
<b>KEY ACTIONS REQUIRED</b> .....	6
<b>OVERVIEW / BUSINESS SEGMENTS</b> .....	7
<b>MAJOR PRODUCTS AND SERVICES</b> .....	7
<b>HISTORY</b> .....	8
<b>PRE 2004</b> .....	8
<b>GENWORTH 2004-2006</b> .....	8
<b>GENWORTH IN TRANSITION 2007-BEYOND</b> .....	8
<b>“NEXT ACT”- THE TRANSITION STRATEGY</b> .....	8
<b>STRATEGIC PLANNING PROCESS AT GENWORTH</b> .....	9
<b>RETIREMENT AND PROTECTION SEGMENT</b> .....	10
<b>STRATEGIC PLANNING IN THE RETIREMENT AND PROTECTION SEGMENT</b> .....	11
<b>IBM- A COMPANY IN TRANSITION / TRANSFORMATION</b> .....	13
<b>NEXT STEPS FOR GENWORTH</b> .....	14
<b>WORKS CITED</b> .....	15
<b>EXHIBIT 1: GENWORTH FINANCIAL REVENUE/OPERATING INCOME EARNINGS PER SHARE 2005-2007</b> .....	16
<b>EXHIBIT 2: GENWORTH FINANCIAL / OPERATING INCOME BREAKOUT BY SEGMENT (BY DOLLAR AND PRECENT)</b> .....	17
<b>EXHIBIT 3: GENWORTH BUYER CHAIN</b> .....	18
<b>EXHIBIT 4: STRAGEIC PLANNING PROCESS AT GENWORTH</b> .....	19
<b>EXHIBIT 5: RETIREMENT AND PROTECTION SEGMENT- REVENUE/NET INCOME BREAKOUT FOR 2005-2007 ON A BUSINESS UNIT BASIS</b> .....	20
<b>EXHIBIT 6: OVERVIEW OF BUSINESS UNITS IN RETIREMENT/PROTECTION SEGMENT</b> .....	21
<b>EXHIBIT 7: STRATEGIC FRAMEWORK</b> .....	22
<b>EXHIBIT 8: GLOSSARY OF TERMS</b> .....	23

## **GENWORTH FINANCIAL**

### **A COMPANY IN TRANSITION:**

In 2008, Genworth Financial sought to transition itself from being primarily an insurance company to a provider of financial security. The mechanism to achieve this transition was Genworth's "Next Act" strategy. Of prime concern to Genworth was implementing this strategy in its Retirement and Protection segment. To do this, a significant effort was required by the various business units in this segment.

### **"NEXT ACT" ORIGIN**

In May 2004, Genworth Financial was created through an initial public offering (IPO) from its parent, General Electric (G.E.). Although it was the largest IPO of 2004, the offering resulted in only 30 percent public ownership. Over the next two years, Genworth enjoyed solid financial performance (see Exhibit 1) and established credibility as a well run public company. In concert with building a strong business, Genworth executed over \$10B of secondary offerings and stock buybacks resulting in 100 percent public ownership by year 2006. Genworth was then a stand alone company, with a reputation for execution, an organization proud of its accomplishments and poised for future growth.

During the summer of 2006, Mike Fraizer, Chairman and CEO of Genworth, initiated the "Next Act" corporate strategy. The name came from recognition that the first act was building the company under G.E.; the second act was achieving independence, and the next act, the strategy for future growth.

Recognizing the significant difference between operating as a G.E. portfolio business versus the growth and competitive advantage goals expected of Genworth as a stand alone public company, Fraizer gathered 20 senior executives to develop the "Next Act" vision and strategy. He asked the team to assess its portfolio of businesses and consider directionally where adjustments should be made. The organization was also assessed to determine if it was properly aligned with current markets.

The team conducted the following key steps:

- Assessed the environment, the competition, and internal strengths and weaknesses of Genworth.
- Studied consumers to discover how they felt about financial security – and how Genworth could help.
- Assessed business and financial models to see if they were correctly positioned to face the challenges and opportunities ahead.
- Studied the Genworth organization, to determine if the right model was in place to attract, retain and build the talent and bench strength needed for the future.

The environmental assessment yielded the following:

- Aging populations
- Inadequate savings and protection
- Disappearing defined benefit pensions
- Rising healthcare costs
- An inexorable shift in responsibility for ensuring financial security onto the individual and away from corporations and governments

Looking at consumers, the team probed deeply into feelings about financial security – the issues, needs and fears arising from this changing environment. Here, they found:

- Consumers were experiencing increasing financial volatility
- Consumers faced increasing uncertainty
- The path to financial security was becoming ever-more complex
- The shifting environment was leaving consumers fearful about their financial health at multiple stages of life, from household formation through retirement.

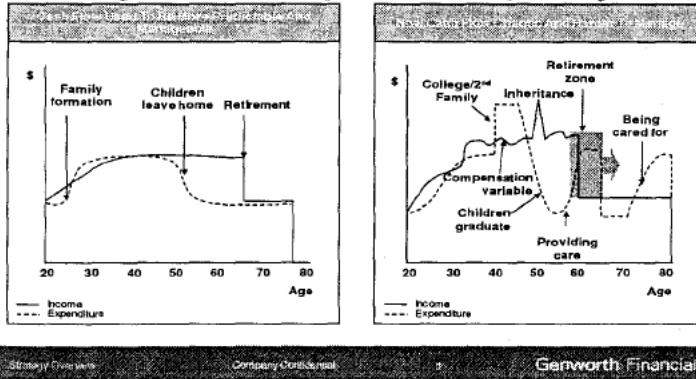
The environmental and consumer studies, coupled with an internal assessment of strengths and weaknesses, led the team to identify a global consumer mega-trend that Genworth could use to gain competitive advantage in the financial services industry; specifically, Genworth could help solve the financial security needs of consumers.

A new kind of company would be required to achieve this mission. A company that offered different products and services, used new distribution channels, and had enhanced capabilities to address the increased financial volatility and complexity faced by consumers today.

The reality in today's environment is for consumers to fund more education, health care, long term care and retirement costs while governments and employers exit these obligations. This environment also exposes consumers to more volatility in their employment situations such as the need to manage government costs (taxes) and health care. It is more complex because consumers must manage interest rate, equity, longevity, health and inflation risks.

The following chart depicts the impact of the changing environment on the cash flow of consumers during their life. These changes offer a financial security company like Genworth the opportunity to help consumers manage cash flow; help them fund unexpected or increasing expenses; and then provide options to replace traditional sources of support from employers or governments.

## Consumers Face Increasing Cash Flow Volatility, Uncertainty, and Complexity



Using this information, the Genworth team produced the framework that became the “Next Act” strategy. The framework consisted of 6 parts – Vision, Strategic Goals, Key Capabilities, Values, Segments and Business Mix.

### INTRODUCING GENWORTH’S “NEXT ACT” STRATEGY TO THE ORGANIZATION

At Genworth’s 2007 Annual Leadership Meeting, Mike Fraizer, in assessing the future and the “Next Act” strategy -- posed a simple question: “*What will people say about Genworth five years from now?*”

The multiple choice responses offered were:

- “*Genworth: What a great dividend stock for ‘widows & orphans.’ Some clear gems in the business. What more could one ask?*”

Or

- “*Genworth....a well run insurance company that was a nice “tuck in” acquisition for \_\_\_\_\_ (fill in the blank). A modest premium was paid, but was easily recovered by expenses saved in the consolidation.*”

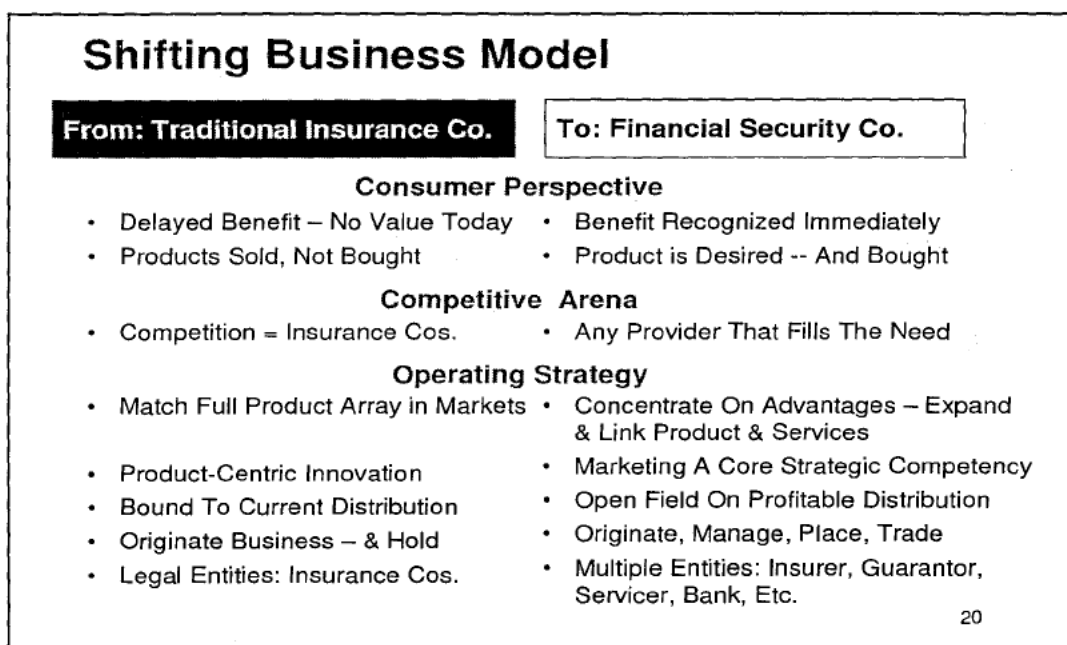
Or:

- “*Genworth – What a breakaway company! Innovative, unassailable value proposition! They forever changed the way people think about insurance – from a last resort to a clear source of financial security!*”

The resounding answer was “Genworth – What a Breakaway Company.” Therefore, the need to implement “Next Act” was clearly a priority.

## KEY ACTIONS REQUIRED

The key actions to execute the “Next Act” strategy and provide the shift in business model from a traditional insurance company to a financial security company are as follows:



This shift is underway, transformation into a financial security company is ongoing, and work continues on:

- Deeper understanding of **consumers**, how they view financial service providers and how they address their financial security needs.
- **Disciplined innovation**: Developing systematic rigor and core capabilities needed for sustained, game-changing innovation and commercial success.
- Understanding the most profitable and high-growth **distribution relationships**. Delivering what distributors require, with simple, streamlined and integrated service that makes Genworth the clear preferred partner of choice.
- Maintaining and expanding our **capital markets strategic vision**, leading capabilities and technological strength.
- **Being People Driven** – Being a best-in-class employer that can attract and retain the skilled talent needed to build bench strength and take Genworth forward into the future. Offer training to develop strategic skills, innovation skills, while fostering diversity and career development.
- **Speed** – being fast enough at commercializing ideas to stay ahead of the competition.

- **Risk** – skillfully taking on smart risks that can deliver greater growth and returns.
- **Brand** – being known in the U.S. and around the world as a company that is not afraid to drive transformational change.

**Ultimately, Genworth’s Goal Is To Deliver Financial Security to Customers Throughout Their Lifetimes.**

### **OVERVIEW / BUSINESS SEGMENTS**

Genworth Financial, Inc. (NYSE: GNW) is a leading Fortune 500 global company. Genworth, which traces its roots back to 1871, is headquartered in Richmond, Virginia, and has more than \$114 billion in assets and employs approximately 7,000 people in more than 25 countries. Genworth’s products and services help meet the investment, protection, retirement, and lifestyle needs of more than 15 million customers. In fiscal 2007, it had \$59.6 billion assets under management.

Genworth operates through three segments: US Retirement and Protection, International and U.S. Mortgage Insurance, with Retirement and Protection contributing 50% of operating income in fiscal 2007. (See Exhibit 2 for segment breakdown).

### **MAJOR PRODUCTS AND SERVICES**

Genworth’s products and services are offered through financial intermediaries, advisors, independent distributors, and sales specialists (see Exhibit 3 Buyer Chain).

Genworth’s key products and services include the following:

- Life insurance
- Long term care insurance
- Annuities
- Investment services
- Mortgage insurance
- Employee benefits
- Payment protection insurance
- Retirement income and investments
- Personal accident insurance
- Product purchase protection



## **HISTORY**

### **Pre 2004**

Prior to its IPO, Genworth was the “insurance arm” of GE and grew very rapidly in the 1990s via a series of acquisitions including the Life Insurance Company of Virginia and First Colony Life Insurance Co. During this time, it was a major contributor to GE earnings.

### **Genworth 2004-2006**

From the inception of its IPO in May 2004 through the end of fiscal 2006, Genworth Financial enjoyed operating and financial results that outperformed the insurance and financial services industries.

Financially, net income grew to over \$1.3 billion and earnings per share to \$2.89 in 2006. From 2004 through 2006, earnings per share growth increased by over 12% per annum. At the end of fiscal 2006, the share price was \$34, up over 80% from the IPO price of \$19.50 in 2004.

Operationally, the company drove core growth and made strategic acquisitions and divestitures to improve overall performance. Also, international expansion accelerated, with a presence in over 25 countries resulting. Growth platforms and leadership positions in fee based retirement, wealth management, and life insurance were strengthened and investments were made in service and technology platforms. Clearly, Genworth was a company on the rise.

### **Genworth in Transition: 2007- Beyond**

“We believe that great companies change before they have to. That’s why Genworth has embarked on an exciting new phase that will define us for years to come.”

Michael Fraizer made this statement in Genworth’s 2006 annual report. In spite of Genworth’s outstanding success from 2004 through 2006, Fraizer recognized that change was necessary at Genworth. The insurance industry was transitioning to either traditional insurance or financial security firms. He clearly saw Genworth as the latter if it could combat commoditization through a focus on consumer solutions.

### **“NEXT ACT”- THE TRANSITION STRATEGY**

“Next Act” was the strategic platform or corporate strategy that Genworth rolled out in January 2007 to transition into a financial services firm. As part of Next Act, four (4) strategic goals were established:

1. Consumer Wanted- Knowledge of consumer wants and needs is vital to any company so that it can deliver the products and services desired by its consumers. Consumers include individuals, groups, and companies that buy insurance or financial services. To achieve the consumer wanted goal, Genworth needed these capabilities:
  - Deep consumer understanding
  - Consumer segmentation
  - Product and service innovation

- Ease of interaction
  - Measure- “Simple, Fast, Reliable”
2. Distributor Preferred- Examples of distributors are firms such as banks, agents, and brokers, who take products and services from a company like Genworth, and through intermediaries, produce and distribute such products and services to consumers. Distributor preferred means that Genworth wants to be the distribution partner of choice by offering products, services, delivery methods, new technology, and complete solutions. To achieve this goal, Genworth needed these capabilities:
- Deep producer understanding
  - Own distributor value chains
  - Actively manage channels
  - Product and service innovation
  - Ease of interaction
  - Measure- “Simple, Fast, Reliable”
3. Capital and Risk Leadership- To achieve this goal, a leadership position in accessing the capital markets to manage risk, improve returns, and broaden the portfolio of solutions is necessary. Capabilities include:
- Leadership Mindset- traditional insurance vs. financial security
  - Integrated global capability
  - Partnership with businesses
4. People Driven- To achieve this goal, Genworth desired to be a company driven by and for its people by helping associates develop their leadership, strategic, and technical skills. Capabilities necessary include:
- Lead: Create great people leaders at all levels
  - Develop: Provide opportunities to learn and grow
  - Engage: Inspire proud and passionate associates
  - Reward: recognize excellent performance
  - Value: enable and respect associates’ contributions

## **STRATEGIC PLANNING PROCESS AT GENWORTH**

Strategic planning at Genworth serves two purposes. First, it creates a language of change: the Context, What, Where, Why, and then How framework prioritizes discussions around market backed thinking, deepens discussions by increasing “strategic edge,” and stimulates bigger thinking by stretching horizon lines beyond 1 year to 3+ years. Secondly, it is a tool to help leaders feel more empowered by educating them on the Genworth vision and helping each leader understand what makes a good “Genworth Business,” therefore increasing their ability to act.

The strategic planning process at Genworth consists of the corporate strategy (Next Act) being communicated to the business segments and business units within the segments (Exhibit 4). Using Next Act as a starting point, the business segments and units study the external

environment (industry, customers, and competition) and determine the opportunities and threats existing in each business. They then determine the internal strengths and capabilities existing in the businesses to capitalize on the external opportunities.

Strategies are then developed via the process of “marrying” external opportunities with internal strengths. The developed strategies are then studied by teams within the business units to determine what resources and capabilities are necessary to deploy or implement the strategies; specifically a determination of marketing, product, distribution, service, and integrated functional resources and capabilities needed.

The strategies are then discussed with Corporate for review and approval with Corporate then making capital commitments and allocations.

### **RETIREMENT AND PROTECTION SEGMENT**

The Retirement and Protection segment was formed in 2006 and represents Genworth’s largest with fiscal 2007 revenues of \$7.6 billion and operating income of \$762 million (Exhibit 2). It employs 3,900 associates and roughly 2000 full time associates through service provider relationships and has a distribution network of over 2000 outlets including banks, brokers, dedicated sales specialists, independent producers and advisors, affinity partners, and other financial institutions.

Retirement and wealth accumulation products include fixed and variable deferred and immediate individual annuities, group variable annuities offered through retirement plans, a variety of managed account programs, financial planning services and mutual funds.

Protection products include life insurance, long term care insurance, Medicare supplement insurance and a linked benefits product that combines long term insurance with universal life insurance. Additionally, wellness and care coordination services are offered to long term care policy holders.

The Retirement and Protections segment consists of five (5) business units:

1. Managed money
2. Retirement income
3. Institutional
4. Life insurance
5. Long term care insurance

The financial performance of these business units from fiscal 2005 to 2007 is contained in Exhibit 5. An overview of each business unit consisting of products, distributors, customers, industry factors, and sources of competitive advantage is contained in Exhibit 6. Additional information in each business unit is as follows:

**Managed Money-** This business has \$21.6 billion of assets under management. It offers products and services including portfolios of individual securities, mutual funds, and exchange traded funds that support financial advisors in dealing with affluent individual investors. In 2006, it expanded its presence in the managed account service provider market with the

acquisition of AssetMark. The combined resources of Genworth Financial Assets Management (GFAM) and AssetMark have provided a leading industry position in this business.

**Retirement Income-** This business helps consumers create income streams for life or for a specified period of time. It targets individuals who are focused on building a retirement plan or are moving from the accumulation to the distribution plan of retirement planning. It offers an assortment of fee based retail products including variable and fixed annuities and single premium immediate annuities.

**Institutional-** This business offers FABN's (Fundamental Agreement Backing Notes) and GIC's (Guaranteed Investment Contracts) which are deposit-type products that pay a guaranteed return to the contract holder on specified dates. These specialized products are sold to institutional customers for use in retirement plans and money market funds.

**Life Insurance-** This business works with over 200 financial institutions to offer insurance covering loss of life with riders that address illness, accidents, and disability. Principal products are term life and universal life. Underwriting and pricing are significant drivers in life insurance. Genworth retains most of the risk it underwrites.

**Long Term Care-** This business provides insurance protection against the high and escalating cost of long term care provided in the insured's home or in assisted living or nursing facilities. In July 2007, AARP selected Genworth to be a provider of long term care insurance to its 39 million members. This relationship will provide access to two new distribution channels, telephone and the internet with direct access to customers.

## **STRATEGIC PLANNING IN THE RETIREMENT AND PROTECTION SEGMENT**

Starting with the Next Act corporate strategy, the Retirement and Protection Segment in conjunction with its five (5) business units is charged with developing and deploying specific strategies for each business. To assist in this exercise, a framework consisting of 4 distinct phases (See Exhibit 7) is used by the business.

- Context
- What
- Where and Why
- How

The Context, What, Where and Why phases involve formulating or developing the specific strategies. For example, determining market and industry trends, competitive activities, and other external activities; then determining the internal capabilities that each business possesses.

The How phase involves deployment or implementation, specifically the resources and capabilities necessary within the business to execute on the developed strategies.

A hypothetical example of how the process may work is as follows:

1. Assume after a study of the Context, What, and Where/Why phases, a strategy emerges to offer Latinos products and services for the Managed Money, Retirement

Income, Life Insurance, and Long Term Care business units based on the following inputs:

- a. The strategy is consumer driven based on market research indicating that young Latinos are underinsured and older and affluent Latinos are not being targeted for Managed Money, Retirement Income, and Long Term Care products and services. Clearly, a consumer wanted opportunity.
  - b. The magnitude of the opportunity is huge given the projected increase in the Hispanic population in the U.S.
  - c. The business units have the resources and capabilities to develop the specific products and services necessary to satisfy the consumer.
  - d. A distribution network of Latino producers and distributors can be assembled. A distribution preferred opportunity.
  - e. Best place to roll out strategy is California.
  - f. Strong financial returns are projected for all the business units specifically Life Insurance.
2. To deploy or implement this strategy, the Life Insurance business unit must do the following:
- a. Determine specific strategies needed in marketing, product, distribution, service, and other integrated functions; specifically the existing capabilities and resources in these areas and what is needed additionally.
  - b. For example
    - i. Marketing
      - Brand and Product Positioning
      - Segmentation- Spanish Website
    - ii. Product
      - Features
      - Differences/ Competitive Advantage
      - Pricing
    - iii. Distribution
      - Account Development
      - California Producers
      - Hispanic Focus
    - iv. Service
      - Program
      - Follow up
      - Cost Structure

v. Integrated Functional Strategies

- Talent development and Training (Human Resources)
- Technology Programs (Information Technology)
- Investment Programs (Finance)

**IBM- A COMPANY IN TRANSITION / TRANSFORMATION**

There are many examples of companies that have changed their corporate strategies because of industry, competitor, or internal considerations. Consider what has happened at IBM since 1990, specifically, the company undergoing two separate and successful transitions/transformations.

- a. 1990 to 2002- During this period, IBM successfully transitioned itself from a manufacturer of IT hardware to one of the largest business and IT solution providers in the world. Key success factors were the creation of the IBM Global Services Division and its venture into the management consulting and technology services industries. This transformation strategy was driven by the fact that higher growth was occurring in IT solutions than in hardware. To help drive the implementation of this strategy, IBM made several acquisitions, including Lotus in 1995, to further strengthen its software portfolio and range of solutions.
- b. 2002 to 2008- In 2002, IBM established a new corporate strategy based on the concept of “On Demand Business.” Basically, IBM was attempting to transition itself into the business service sector of the IT industry. The two major segments of this sector were:
  1. Consulting and Technology Integration Services- This sector was expected to grow by 6 to 9% in the 2000's. However high end consulting companies focusing on business strategy, operating management, and human resource management were expected to grow by 15 to 20 % during the same period.
  2. Outsourcing- Traditionally, this segment involved the contracting of IT related operations, including data centers and maintenance applications. In the future, outsourcing will extend to cover the non-IT aspect of business operations, including finance, accounting, employee benefits, and payroll. This is referred to as business process outsourcing (BPO) and in some instances, companies have outsourced their design, engineering, and human resource functions to other companies.

To implement the “On Demand Business” strategy, IBM made several key acquisitions, including PricewaterhouseCoopers Consulting in 2002. Besides acquisitions, IBM leveraged alliances with companies in different fields to expand business coverage and knowledge.

The shift to the “On Demand Business” strategy was not an easy execution for IBM. In 2005, IBM's stock price fell to 2002 levels and many analysts questioned whether the “New Strategy” was right for IBM. Interestingly, the stock price has rebounded to a record high in 2008 and IBM has been praised by Wall Street for its strategic decisions. Perhaps, the biggest

endorsement for IBM's "On Demand" business strategy was the announcement on May 16, 2008 that Hewlett Packard (an old IBM rival in computer hardware) planned to acquire Electronic Data Systems (EDS), a technology services provider.

### **NEXT STEPS FOR GENWORTH**

The leadership team at Genworth was confident that the "Next Act" strategy would work, although the transition required both time and patience. However, they also recognized that Wall Street was impatient and expected "the future to be now."

Developing and implementing strategies for the US Retirement and Protection segment was key to future success; specifically, determining

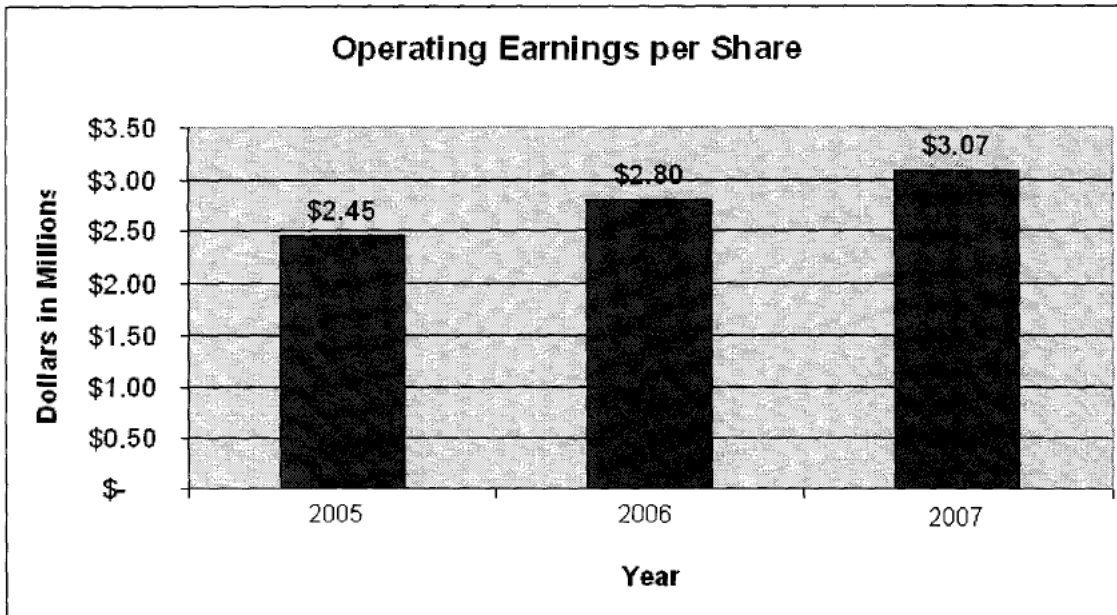
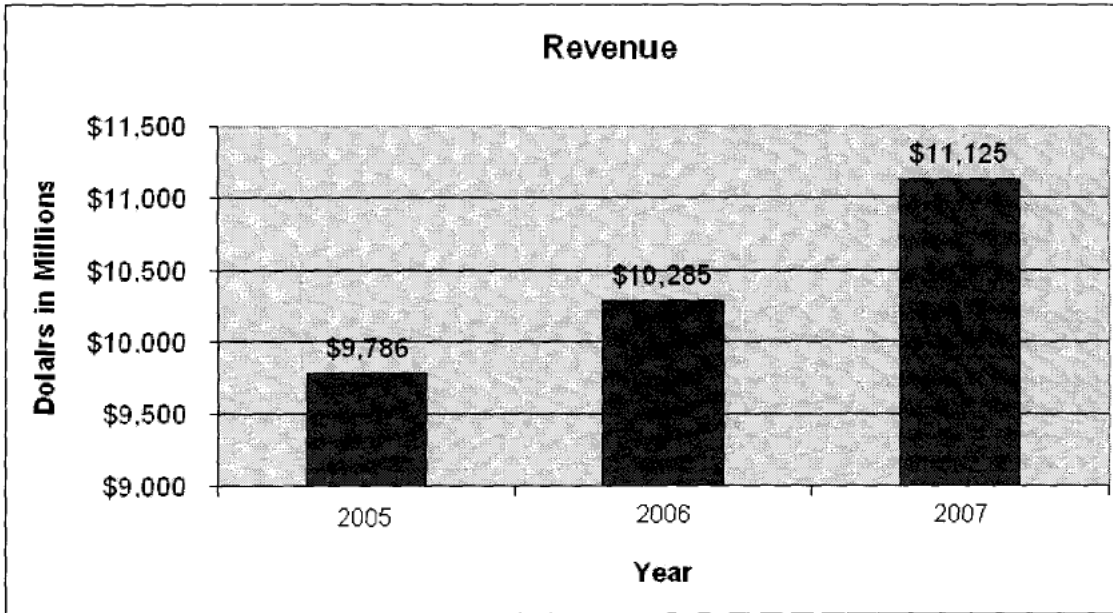
1. What consumer financial security needs was Genworth best positioned to address?
2. What consumer financial security needs were compelling business opportunities that Genworth should address to achieve its "Your Financial Security Company" vision within 3 years?
3. Which current products and services were compatible with the future vision? What new products and services should be offered?
4. What critical new capabilities were necessary to achieve competitive advantage?
5. What should the leadership team use as the "Rally Cry" to energize associates?
6. What "Key Metrics" should be used to keep score for the organization through the transformation?

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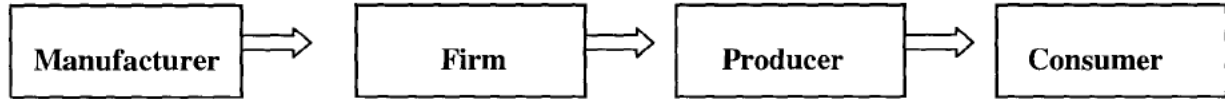
**EXHIBIT 1: GENWORTH FINANCIAL REVENUE/OPERATING EARNINGS PER SHARE 2005-2007**



**EXHIBIT 2: GENWORTH FINANCIAL / OPERATING INCOME BREAKOUT BY SEGMENT (BY DOLLARS AND PERCENT)**

<b>Segment</b>	<i>Dollars (\$M)</i>		
	2005	2006	2007
Retirement and Protection	\$ 694	\$ 703	\$ 762
International	\$ 359	\$ 468	\$ 585
U.S. Mortgage Insurance	\$ 238	\$ 259	\$ 167
Corporate and Other	\$ (104)	\$ (113)	\$ (141)
<b>Total</b>	<b>\$1,187</b>	<b>\$1,317</b>	<b>\$1,373</b>
	<i>Percent (%)</i>		
Retirement and Protection	54%	49%	50%
International	28%	33%	39%
U.S. Mortgage Insurance	18%	18%	11%
Source 2007 10K			

**EXHIBIT 3: GENWORTH BUYER CHAIN**



**Genworth**

- Developer of  
-products/services

**Accounting Firms**

**Banks**  
-Offer  
products/services  
to producers

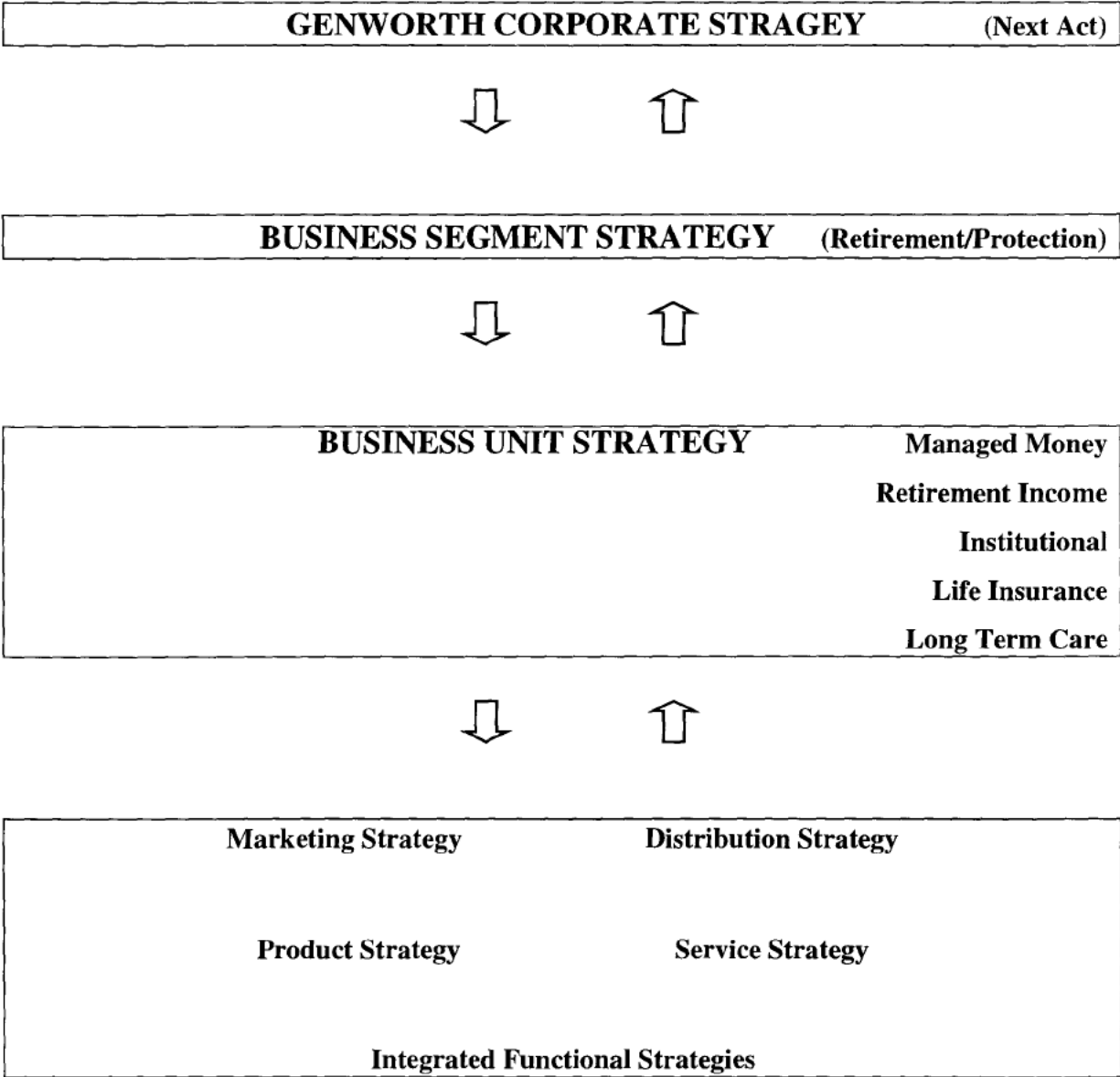
**Distributor**

**Firms**  
**Individuals**  
- recommend  
sell products

**Firms**

**Individuals**  
- accept or  
decline

**EXHIBIT 4: STRAGEIC PLANNING PROCESS AT GENWORTH**



Source- Genworth, Internal Company Document

**EXHIBIT 5: RETIREMENT AND PROTECTION SEGMENT- REVENUE/NET  
INCOME BREAKOUT FOR 2005-2007  
ON A BUSINESS UNIT BASIS (AMOUNT IN MILLIONS)**

<b><u>Business Unit</u></b>	<b><u>Revenue</u></b>		
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Managed Money	\$ 336	\$ 199	\$ 132
Retirement Income	\$ 1,912	\$ 2,161	\$ 2,338
Institutional	\$ 516	\$ 572	\$ 442
Life insurance	\$ 1,959	\$ 1,807	\$ 1,623
Long-term care insurance	\$ 2,836	\$ 2,626	\$ 2,347
<b>Total Revenues for segment</b>	<b>\$ 7,559</b>	<b>\$ 7,365</b>	<b>\$ 6,882</b>
		<b><u>Net Income</u></b>	
Managed Money	\$ 44	\$ 20	\$ 10
Retirement Income	\$ 212	\$ 175	\$ 200
Institutional	\$ 43	\$ 42	\$ 37
Life insurance	\$ 310	\$ 313	\$ 275
Long-term care insurance	\$ 153	\$ 153	\$ 172
Total Net Operating Income	\$ 762	\$ 703	\$ 694
Net Investment gains (losses), net of taxes and other adjustments	\$ (197)	\$ (30)	\$ -
<b>Total Net Income for segment</b>	<b>\$ 656</b>	<b>\$ 673</b>	<b>\$ 694</b>

Source- 2007- 10K

**EXHIBIT 6: OVERVIEW OF BUSINESS UNITS IN RETIREMENT/PROTECTION SEGMENT**

<b>Business Unit</b>	<b>Products</b>	<b>Distributors</b>	<b>Targeted Customers</b>	<b>Industry Competition</b>	<b>Business Unit Competitive Advantage</b>
<b>Managed Money</b>	Portfolios -individual securities -mutual funds -exchange traded funds	-5500 independent investment advisors -2400 financial professionals	Affluent individual investors	-10 largest companies control 95% of assets -compete on service, price, products, and convenience	-custodial source of trust company -AssetMark acquisition and technology
<b>Retirement Income</b>	-variable annuities -fixed annuities -single premium immediate annuities	-banks -national brokerage firms -independent brokers/dealers	-investors building a retirement plan -investors moving from accumulation to distribution	-fragmented industry -life insurance firms provide single premium immediate annuity	-long term relationships with distributors help control customers
<b>Institutional</b>	FABNs (Funding Agreement Banking Notes) -GICs (Guaranteed Investment Contracts)	-investment banks -specialized brokers -direct investment managers	-institutions -retirement plans -401k -pensions -ERISA	-industry specialization -highly rated insurance companies	-price -credit quality -liquidity
<b>Life Insurance</b>	-term insurance -life insurance	-independent brokerage general agencies (IBGA) -Affluent market producer groups	-individuals 25 to 55 age -target preferred risk category -good family history	-industry is fragmented -top 10 insurance companies control 47% of market -banks and private equity are players	-longevity of business -service -underwriting expertise -capital markets leadership
<b>Long Term Care</b>	-individual long term care -group long term care	-130,000 appointed independent producers -1,200 dedicated sales specialists	-individual, group -age 50+ -desiring protection from medical costs	-top 10 insurance firms dominate industry	-pioneer -AARP relationship -pricing flexibility -internal service support

**EXHIBIT 7: STRATEGIC FRAMEWORK**

<b><u>PHASE</u></b>	<b><u>ACTIVITIES</u></b>
<b>CONTEXT</b>	<b>Market: Size; Trends; Velocity; Profit &amp; Competitive Dynamics; Our Position, Capabilities and Financial Goals</b>
<b>WHAT</b>	<b>Best Opportunities; Timeframes Basis of Differentiation: Products, Service, Distribution/ Delivery Characteristics, Technology</b>
<b>WHERE &amp; WHY</b>	<b>Focus: Markets and Segments; Geographies; Distribution</b>
<b>HOW</b>	<b>Execution Approach: HR Needs; Capabilities—Build vs. buy Choice; Role of Capital Markets; Brand Building, Etc.</b>

Source- Genworth, Internal Company Document

## **EXHIBIT 8: GLOSSARY OF TERMS**

- **Actuary**- an insurance professional whose job is to estimate statistical risks, set premium levels, and analyze other technical aspects of insurance.
- **Agent**- a person who sells insurance policies as a representative of the insurer. An independent agent represents two or more underwriters, while an exclusive agent may be an employee or commissioned representative of a single company.
- **Annuity**- a contract providing income at regular intervals for a specified period, such as a set number of years or the lifetime of the annuitant. Payouts for an annuity can be immediate or deferred, as well as fixed or variable, and premiums can be single, multiple, and/or flexible.
- **Broker**- a producer that deals with either agents or underwriting companies to arrange insurance coverage for clients. Legally, a broker represents the buyer of insurance rather than the underwriting company.
- **Brokerage General Agencies (BGA)**- distributors of term life insurance policies from manufacturers such as Genworth.
- **Disability income insurance**- health insurance that provides periodic payments to replace income, actually or presumptively lost, when the insured is unable to work due to sickness or injury.
- **Fixed annuity**- an annuity that provides a fixed payment (usually a fixed rate of interest) that will be paid on the principle deposited in the annuity.
- **Guaranteed investment contract (GIC)**- a product offered by life insurance companies that guarantees a specified rate of return over the life of the contract. Corporations sometimes offer GIC's as part of a 401 (k) plan.
- **Guaranteed minimum death benefit (GMDB)**- an option offered with some variable life policies that guarantees the death benefit regardless of the cash value of the policy.
- **Guaranteed minimum income benefit (GMIB)**- an option offered with some variable annuities whereby the annuitant is entitled to a particular minimum level of annuity



payments, even if the account value does not support that particular level of payments (e.g. due to investment losses).

- **Long-term care (LTC) insurance-** a policy that reimburses daily health and social service expenses incurred when the insured is confined to a nursing care facility.
- **Managing general agent (MGA)-** a special type of producer that, unlike other persons or firms selling insurance, often has “binding authority” in certain insurance and reinsurance markets. MGA’s have contractual agreements whereby they can accept entire books of business on behalf of insurance and reinsurance underwriters.
- **Net operating income-** after-tax income before net realized investment gains or losses. Analysts most commonly use this measure of insurer profitability when modeling future earnings of an insurer.
- **Net Premiums written-** premium income brought in by insurance companies, directly or through reinsurance, minus payments made for business reinsured.
- **Mutual insurance company-** an insurance company that has no capital stock, but is owned by its policyholders, which also elect its governing body. Earnings of the mutual company belong to the policyholders and may be distributed to them in the form of policy dividends or reduced premiums.
- **Ordinary life insurance-** a whole life policy that requires premiums continuously as long as the insured lives; also called straight life insurance.
- **Permanent life insurance-** a term loosely applied to life insurance other than group and term; usually, cash value life insurance such as whole life.
- **Policy dividend-** the return of part of the premium for a policy issued on a participating basis.
- **Premium-** the payment, or one of the periodic payments, which a policyholder agrees to make for an insurance policy.
- **Primary insurer-** an insurance company that, either through an independent insurance agent or a broker, provides coverage in the outside market. The buyers of primary insurance are consumers.

- **Producer-** a person or firm that sells insurance. A producer may be an agent or a broker.
- **Term Life Insurance-** provides coverage with guaranteed level premiums for a specified period of time and generally has no buildup of cash value.
- **Universal life insurance-** provides permanent protection for the life of the insured and may include a buildup of cash value.
- **Variable annuity (VA)-** a type of annuity under which the amount of each benefit payment is not guaranteed or specified in the contract. Rather, benefit payments fluctuate depending on the investment results of the assets held in the account.
- **Variable life (VL)-** life insurance that is similar to whole life in that its premiums are fixed. The variable aspects are the death benefit and the cash surrender value. The death benefit is based on the value of assets being the contract at the time the benefit is paid, above a guaranteed minimum. The cash value is similarly determined, but no minimum is guaranteed. The assets underlying variable life policies' benefits are usually held in separate accounts.
- **Whole Life-** life insurance that may be kept in-force for a person's whole life and pays a benefit upon the person's death. Premiums may be payable for a specified number of years (limited payment life) or for life (straight life), although typically only to age 100. (See term insurance.)

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SUGGESTED TOPICS: Ledbury and shirts; Luxury Merchandise: Custom Apparel and shirts; Men's Clothing: US;Apparel:US; Online Men's Clothing; Shirts and Men's clothing; Online Shopping—Marketing Strategies; Online Shirt Sales; Changing Role of Men; Luxury Goods; Shopping for Pleasure; Luxury Goods Market (date); Custom Shirts;

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