

A.M. Best Places Ratings of Genworth Financial Inc. and Its Subsidiaries Under Review With Negative Implications

by Business-Wire

OLDWICK, N.J.--(BUSINESS WIRE)--A.M. Best Co. has placed the financial strength rating (FSR) of A (Superior) and issuer credit ratings (ICR) of 'aa-' of the key life/health insurance subsidiaries of Genworth Financial, Inc. (Genworth) (Richmond, VA) [NYSE: GNW] under review with negative implications. Concurrently, A.M. Best has placed the ICR of 'aa-' and existing debt ratings of Genworth under review with negative implications. (Please see link below for a detailed listing of the companies and ratings.)

These rating actions reflect the deterioration in the statutory capital of Genworth's life/health entities as of mid-year 2008, which A.M. Best expects to be further pressured by material investment impairments during the second half of the year. A.M. Best recognizes that the first half deterioration and investment pressures to date have been offset by completed capital projects and a capital contribution in third quarter 2008. Additionally, A.M. Best views Genworth's financial flexibility as being limited by the decline in value of its common stock, continued dislocation in the capital markets and the uncertainty surrounding its U.S. mortgage operations. Furthermore, potential pressure on interest coverage is of concern due to an expected decline in earnings and the potential for higher capital costs from the need to fund \$1.1 billion of maturing debt in mid-2009. A.M. Best believes that further negative implications exist for the cost and availability of funding for Regulation XXX and AXXX reserves.

While A.M. Best recognizes that Genworth is actively pursuing a variety of solutions to solve the financial impact of these issues, the ultimate outcome of these efforts within the context of the current market environment is unclear. Hence, A.M. Best is evaluating the potential impact of these events on the ratings of Genworth and its life/health insurance subsidiaries.

Source: A.M. Best Company

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