

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

Genworth Financial, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from Eric Berg with Barclays Capital.

Eric Berg - Barclays Capital

My first question concerns your relationship with your distributors and in general the perception of third parties. It's encouraging to see that the lapse rate did not change in your fixed annuity business; that is encouraging, but in this difficult period how are you doing in terms of maintaining relationships with your major distributors of life insurance and annuities? Are you on the shelf, are you off the shelf? How does that stand? Then I have one follow up.

Pam Schutz

Let me start before I talk about specific distributor relationships and talk about our overall strategy and our results in the quarter. The first quarter sales results really reflect our refined strategy to focus on Main Street Life, our wealth management business and long-term care. , and we are pleased with the results in the quarter. If you look at our investment products, including annuities and wealth management, we sold over \$1.2 billion. If you look at our premium based products of life and long-term care, we roughly sold \$103 million.

Despite the market contraction in long-term care, we are pleased with our progress. Our career system held up well and we continue to make progress on getting new accounts in long-term care. We also had solid performance in our BGA channel and low face term and continue to outperform the market in wealth management.

In our annuity business in particular we have narrowed our focus to a smaller footprint, really focusing on the independent channels and select distributors. However, we are projecting that we will do between \$1.5 billion and \$2 billion in sales. With respect to our distribution, obviously our ratings have impacted certain channels and certain distributors, but that has largely been in the annuity side in bank (inaudible). Overall, we are really pleased with how we are positioned and our growth going forward.

Eric Berg - Barclays Capital

My next question is to Joel and that has to do with something that you dwelled on a little bit, this accounting for the hybrids. My understanding is that under US GAAP the equity method, in particular under guidance from the SEC as laid out in the letter that I think it wrote to the FASB last October,

that you don't need to use the equity method unless the securities have been downgraded to below investment grade status. Is that what happened in this instance or did you go to the equity method of impairment, equity impairment method for other reasons than downgrade? Thanks.

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.