

**Rating Action: [Genworth Mortgage Insurance Corporation](#)**

**Moody's downgrades Genworth Mortgage Insurance Corporation to Aa3; outlook is negative**

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New York, June 30, 2008 -- Moody's Investors Service has downgrade to Aa3, from Aa2, the insurance financial strength ratings of Genworth Mortgage Insurance Corporation (GMICO) and supported affiliates, reflecting its weakened credit profile as a result of historically high mortgage defaults and uncertainty about ultimate losses, mitigated in part by the group's limited exposure to the highest risk mortgage products, robust capital adequacy, and ownership by a strong and diversified parent. The rating agency added that the firm is well positioned to take advantage of current new business opportunities given its strong credit profile relative to peers. The rating outlook is negative.

Moody's said that franchise strength and the ability to withstand cyclical downturns are key factors in its analysis of a mortgage insurer's business and financial profile. U.S. mortgage insurers derive a substantial portion of their franchise strength from the value that they provide to government-sponsored enterprises involved in residential mortgage finance (the GSEs) by allowing them to participate in the high-loan-to-value portion of the mortgage market. GMICO insures approximately 16% of the loan market and is a significant counterparty to the GSEs. Moody's said that GMICO and other mortgage insurers have benefited from the GSEs' increasing penetration of the mortgage origination market, resulting in higher new business volume, improving underwriting criteria and greater pricing power.

In evaluating capital adequacy, Moody's has segmented the insured portfolio by vintage, delivery channel (flow, bulk, pool) and borrower quality. Portfolio loss estimates were derived using a stochastic simulation model which applies estimates of expected and stress losses for each strata of risk. The model also incorporates the impact of projected premiums on the insured portfolio, as well as the benefit of reinsurance provided by mortgage lender captives and through other third-party reinsurance arrangements. Capital resources, net of support to international affiliates, were then compared to the present value of projected net losses using a standard benchmark for capital adequacy at a range of rating levels. Moody's also considered the company's capital position relative to regulatory capital requirements.

Moody's said that the performance of GMICO's insured portfolio has deteriorated, but that the firm's limited exposure to some of the highest-risk mortgage insurance products such as subprime and second mortgages, and its substantial use of captive reinsurance, has significantly moderated losses relative to certain other mortgage insurers. For GMICO's mortgage insurance portfolio overall, capital adequacy on a risk-adjusted basis is consistent with Moody's double-A metrics, and the company is currently well within regulatory limits.

Moody's added that GMICO benefits from its ownership by a strong and diversified insurance holding company (Genworth Financial, Inc., rated A2 for senior unsecured debt) that could provide financial support if needed. The global mortgage insurance business represents approximately fifty percent of the group's normalized operating earnings, with the US mortgage insurance platform accounting for about a third of aggregate net income for the global mortgage insurance operations.

The rating outlook for GMICO and its supported affiliates is negative, reflecting the view that likely future revenues generated from the company's strengthened market position and support from its parent do not entirely mitigate the uncertainty relating to the ultimate performance of its insured book.

Moody's downgraded the following ratings, the outlook remains negative:

Genworth Mortgage Insurance Corporation -- insurance financial strength to Aa3, from Aa2;

Genworth Residential Mortgage Insurance Corporation of NC -- insurance financial strength to Aa3, from Aa2;

Genworth Financial Assurance Corporation -- insurance financial strength to Aa3, from Aa2;

Genworth Financial Mortgage Insurance Ltd (UK) -- insurance financial strength to Aa3, from Aa2;

Genworth Financial Mortgage Insurance Pty Limited (Australia) -- insurance financial strength to Aa3, from Aa2.

The ratings of Genworth Seguros de Credito a la Vivienda S.A. (Mexico) were affirmed -- insurance financial strength at A2 with a negative outlook, national scale rating at Aaa.mx with a stable outlook.

Genworth Mortgage Insurance Corporation, based in Raleigh, North Carolina, is the lead writer of mortgage insurance in the group's U.S. operations. Private Residential Mortgage Insurance Corporation, also based in Raleigh, writes residential mortgage insurance on lot loans. Both companies are owned by Genworth Financial Inc. (rated A2 for senior unsecured debt), a publicly traded company [NYSE: GNW] headquartered in Richmond, Virginia, USA.

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