September 25, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Financial Instruments: Disclosures about Liquidity Risk and Interest Rate Risk (File Reference 2012-200)

Genworth Financial, Inc. ("Genworth") appreciates the opportunity to comment on the Financial Accounting Standards Board ("FASB" or the "Board") Exposure Draft on Disclosures about Liquidity Risk and Interest Rate Risk (the "Proposal").

Genworth is a leading financial security company dedicated to providing insurance, wealth management, investment and financial solutions to more than 15 million customers, with a presence in more than 25 countries. We have investments and insurance liabilities that are considered financial instruments and would be included within the scope of the proposed disclosures.

While we support providing investors meaningful information on liquidity and interest rate risk, we do not support the proposed liquidity and interest rate risk disclosures as they will not provide decision-useful information, are overly prescriptive, and would be extremely burdensome to prepare. The proposed disclosures are not consistent with how we monitor, measure and manage interest rate and liquidity risk across our businesses. For public companies, the proposed disclosures could create further confusion for users due to the bases, scope and amounts presented within the proposed disclosures that differ from what is presented in existing MD&A disclosures for liquidity and interest rate risk. Further, we do not believe interest rate risk and liquidity risk disclosures should be included within financial statement footnotes due to the forward-looking nature that is inherent in evaluating these risks.

We recommend the Board work with the SEC to identify whether targeted improvements to existing MD&A disclosures could address user feedback to have more information related to liquidity or interest rate risk. By evaluating potential improvements to MD&A disclosures, entities would be able to incorporate forward-looking information that is provided protections under SEC safe harbor provisions, which specifically does not apply to information disclosed in financial statements.

If targeted improvements to existing MD&A disclosures are made, we recommend that a principle is used to identify when certain information is relevant for disclosure. This approach should allow management judgment to be utilized when determining what risks are relevant and what level of aggregation/disaggregation is appropriate to enable a user's understanding of the risk and any relevant metrics used by management that may summarize the risk.
Below we provide additional perspective that support our views expressed above.

Risk Management Practices
Risk management analysis focuses on areas where risks are relevant and significant as a result of the current operating environment, regulatory capital requirements, and/or economic risks associated with a particular business or product line. This analysis is an adaptive process that cannot be easily standardized and quantified across enterprises without compromising the usefulness of the information presented, or without overburdening the user with an immense amount of detail and disaggregation.

Even when information could be quantified in standard disclosures, the information presented would include significant underlying assumptions that would not be easily comparable without making numerous detailed assumptions available. In addition, risk management is not constrained by the measurement attributes or carrying value of existing assets and liabilities in evaluating the relevant risks. As a result, the evaluation of risk is not directly linked to the book value of existing assets and liabilities and incorporates additional elements such as future premiums, future investment income, and reinvestment assumptions that are typically not captured in the balance sheet as of the reporting date.

In evaluating the proposed disclosures compared to our existing risk management practices and reporting, we found very few consistencies between our internal reporting and the proposed disclosures. Where there were some similarities, the information reviewed by management was summarized differently.

For example, the proposed Liquidity Maturity Gap analysis would require details showing time intervals. While we evaluate asset-liability matching for certain product lines as part of our risk management practices and as a part of our annual regulatory requirements, we do not summarize the results of this analysis in a standardized chart similar the proposed disclosure. While this type of analysis is relevant for certain products, asset-liability matching is not a significant risk that is evaluated for other insurance business lines, such as, mortgage insurance.

While the proposed disclosures would require a Repricing Gap analysis for investments and liabilities with contractual interest rates, this disclosure would still include insurance liabilities that do not have contractual interest rates. As a result, virtually all of our investments would be presented in the proposed disclosures even though very few of our insurance liabilities have contractual interest crediting features. Additionally, for some of these products with contractual interest crediting features, we have discretion in determining the rate established for policyholders, which significantly mitigates repricing risk. As a result, this type of repricing risk is not a significant risk for most of our insurance businesses.

Similarly for the Interest Rate sensitivity on net income and equity, the mixed measurement attribute model that currently exists for an insurer’s assets and liabilities would not sufficiently capture the interest rate risk associated with certain businesses or products lines. Our evaluation of interest rate risk varies by business and/or product line and is not simply focused on the impact directly to our financial statements. Furthermore, our evaluation of interest rate risk incorporates the impact of our derivatives (even those where hedge accounting is not applied) in order to evaluate the risk before and after incorporating the impact from derivatives.
The differing ways interest rate and liquidity risk is managed requires a more flexible approach in reporting information relevant to the risk and should not result in aggregating risk metrics for businesses that are distinctly different or where such risk is not significant/relevant.

Implementation & Effective Date
There were several aspects of the proposal that were not well defined or that created uncertainty in what information is required to be included in the proposed disclosures. As a result, it is difficult to determine how much time would be necessary to implement the proposed disclosures if the Board decides to move forward with the project.

Despite these uncertainties, we evaluated the potential impact on our costs and resources to produce the proposed disclosures and noted significant barriers to implementation that would need to be overcome. For example, the interest rate sensitivity showing the impacts on net income and equity would require a significant amount of cost and strain on existing resources. In order to generate the impact on net income and equity, we would need to incorporate the direct impacts of each scenario into complex actuarial models and processes related to deferred acquisition costs (DAC) amortization for account value products where DAC amortization is updated each period with assumption unlocking.

Initial estimates indicate that existing resources and systems would not be sufficient to produce the results of such sensitivities until a date after the requirement for our quarterly SEC filings. Accordingly, we would need to increase staffing and evaluate system changes to produce the proposed disclosures, which represent a significant cost that would otherwise not be incurred absent the proposed disclosures. While the proposed interest rate sensitivity is the most operationally complex and burdensome disclosure, the other proposed disclosures would also require additional resources and system evaluations or modifications.

Given the overlap with information necessary to provide the proposed disclosures and the information that may be necessary to measure insurance liabilities under the insurance contracts standard, we recommend the Board delay their re-deliberations until the insurance contracts project is finalized. If re-deliberations are not delayed, we would urge the Board to consider an effective date that is more than two years after the finalization to allow sufficient time to implement the necessary system and procedural changes as well as adequately staff for any new disclosures.

We appreciate the opportunity to comment on the Proposal. If there are any questions regarding the content of this letter or you wish to discuss our comments and recommendations, please contact me at (804) 281-6321 or Matt Farney, our global accounting policy leader, at (804) 662-2447.

Sincerely,

Kelly Groh
Senior Vice President, Financial Reporting and Operations; Chief Accounting Officer