Genworth MI Canada Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Third Quarter ended September 30, 2009

October 29, 2009

Formation of the Company

Genworth MI Canada Inc. (the "Company") completed its initial public offering ("IPO") on July 7, 2009. Immediately prior to completion of the IPO, the Company acquired all of the issued and outstanding common shares of Genworth Canada Holdings I Limited in exchange for newly-issued common shares of the Company. The Company also acquired all of the issued and outstanding common shares of Genworth Canada Holdings II Limited, the holder of the Class B preferred shares of Genworth Financial Mortgage Insurance Company Canada, in exchange for newly-issued common shares.

Prior to the acquisitions of Genworth Canada Holdings I Limited and Genworth Canada Holdings II Limited, the Company as at June 30, 2009 had a share capital of $2.

As there is no substantial change in the ownership interests of Genworth Canada Holdings I Limited, the Company has carried forward the basis of measurement of the assets and liabilities as reflected in Genworth Canada Holdings I Limited's financial statements for the quarter ended September 30, 2009.

The full three and nine month results and prior period comparative results for the Company reflect the consolidation of the Company and its subsidiaries Genworth Canada Holdings I Limited and Genworth Canada Holdings II Limited, including the subsidiary of Genworth Canada Holdings I Limited, Genworth Financial Mortgage Insurance Company Canada.

Management's Discussion and Analysis

The following Board approved Management's Discussion & Analysis of financial condition and results of operations ("MD&A") is prepared for the three and nine months ended September 30, 2009 and 2008. The discussion should be read in conjunction with the unaudited financial statements of the Company which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Interpretation

Unless the context otherwise requires, all references in this MD&A to "Genworth Canada" or the "Company" refer to Genworth MI Canada Inc. and its subsidiaries and, to the extent that references in this MD&A are made to matters undertaken by a predecessor in interest to Genworth Canada or its subsidiaries, include such predecessor in interest.

Forward-Looking Statements

This document contains forward looking statements that involve certain risks. The Company's actual results could differ materially from these forward-looking statements. For more information, please read "Special Note Regarding Forward-Looking Statements" at the end of this document.

Non-GAAP Financial Measures

To supplement its financial statements, the Company uses select non-GAAP financial measures. Non-GAAP measures used by the Company to analyze performance include underwriting ratios such as loss ratio, expense ratio and combined ratio as well as other performance measures such as operating income and return on operating income. The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-GAAP measures do not have standardized meaning and are unlikely to be comparable to any similar measure presented by other companies. These measures are defined in the Company's glossary which is posted on the Company's website at www.investor.genworthmicanada.ca which can be accessed by clicking on the "Glossary of Terms" link in the Investor Resources subsection on the left navigation bar.

Overall Performance

Business Background

Genworth Canada is the largest private residential mortgage insurer in Canada and has been providing private mortgage insurance in Canada since 1995. The Company has built a broad underwriting and distribution platform across the country that provides customer-focused products and support services to the vast majority of Canada's residential mortgage lenders and originators. Today, Genworth Canada underwrites mortgage insurance for residential properties in all provinces and territories of Canada and has the leading market share among private mortgage insurers. Based on $722 million gross premiums written, the Company estimates that its share of the high loan-to-value residential mortgage insurance market was 30% at the end of 2008, the most recent period for which industry-wide gross written premiums is available. CMHC, a crown corporation, is the Company's only major competitor.

Seasonality

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and sales, underwriting and administrative expenses are relatively stable from quarter-to-quarter, premiums written may vary each quarter. These variations are driven by the level of mortgage originations and related mortgage insurance policies written, which peak in the spring and summer months. Losses on claims vary from quarter-to-quarter primarily as the result of prevailing economic conditions, as well as the characteristics, of the insurance in-force portfolio such as size and age

Outlook

The mortgage insurance business is affected by changes in employment and other economic and housing market trends, including interest rate trends, home price appreciation, mortgage origination volume, and levels of mortgage delinquencies as well as changes in regulatory environments.

In the third quarter, housing market activity increased in response to improving housing affordability and consumer confidence fueled by low mortgage interest rates. Economists generally agree that the strong third quarter housing market activity was heavily influenced by pent-up demand from fourth quarter 2008 and first quarter 2009.

The Company expects that the volume of high loan-to-value originations in the fourth quarter of 2009 will be in line with third quarter 2009. The Company continues to focus on growing its market share through a number of customer-focused sales and service strategies.

Job losses and home prices are key drivers of losses on claims, and the majority of losses on claims for a given book of business typically occur two to four years after a mortgage is originated. Our mortgage insurance pricing is based on a full economic cycle including periods of rising unemployment and declining home prices similar to current economic conditions. After several years of strong economic conditions, our loss ratios are now marginally higher than our average target pricing loss ratio over a full economic cycle. The unemployment rate has risen from 6.1% in September 2008 to 8.7% in August 2009, before declining to 8.4% in September 2009. Management remains cautious and believes further job losses in the fourth quarter of 2009 are possible. Accordingly, management estimates that loss ratios will remain at or above the target pricing loss ratio in the near term.

The Company had $2.0 billion in unearned premium reserves as of September 30, 2009, and based on the Company's current premium recognition curve, approximately 90% of this amount is scheduled to be earned into revenues as net premiums earned over the next five years. Premiums are earned into revenues based on the expected loss emergence pattern as derived from actuarial analysis of historical loss development.

Results of Operations

Selected Financial Data

The following table sets forth certain financial information for the three and nine months ended September 30, 2009 and 2008.

(in millions, unless otherwise specified)	For the quarter ended Sept 30, 2009	For the quarter ended Sept 30, 2008	For the nine months ended Sept 30, 2009	For the nine months ended Sept 30, 2008
Income Statement Data				
Net premiums written	$ 104	$ 223	$ 250	$ 554
Underwriting revenues:				
Net premiums earned	154	133	455	380
Impact of change in first quarter premium recognition curve[1]	-	-	100	-
Underwriting revenues	154	133	555	380
Losses on claims and expenses:				
Losses on claims	64	36	195	102
Sales, underwriting and administrative expenses	24	18	73	52
Net underwriting income	66	79	286	226
Investment income	49	46	143	156
Income before income taxes	115	124	428	380
Net income[2]	79	85	291	262
Net operating income[2]	$ 75	$ 85	$ 286	$ 249
Key Ratios and Other Items				
Insurance in force	219,927	204,939	219,927	204,939
New insurance written	5,051	9,197	12,701	24,081
Loss ratio[3]	42%	27%	35%	27%
Expense ratio[3]	15%	13%	13%	14%
Combined ratio[3]	57%	41%	48%	40%
Operating return on equity[2]	12%	17%	17%	18%
MCT ratio	147%	123%	147%	123%
Delinquency ratio	0.28%	0.22%	0.28%	0.22%
Severity	27%	27%	27%	26%
Earnings per Common Share (basic)	$0.67	$0.76	$2.56	$2.36
Earnings per Common Share (diluted)	$0.67	$0.76	$2.56	$2.36
Operating Earnings per Common Share (basic)	$0.64	$0.76	$2.51	$2.24
Operating Earnings per Common Share (diluted)	$0.63	$0.76	$2.51	$2.24
Weighted average number of shares outstanding				
Basic	116,767,391	111,629,884	113,606,593	111,108,846
Diluted	117,580,016	111,629,884	113,880,445	111,108,846

Notes: Amounts may not total due to rounding.

(1) Includes $100 million impact of change in premium recognition curve for the quarter ended March 31, 2009.

(2) Excluding the impact of changes to the premium recognition curve, net income, net operating income and operating return on equity for the nine months ended September 30, 2009 would have been $228 million, $222 million and 13%, respectively.

(3) Excluding the impact of changes to the premium recognition curve, loss ratio, expense ratio and combined ratio for the nine months ended September 30, 2009 would have been 43%, 15% and 58%, respectively

Third Quarter Highlights

- Unearned premium reserves of $2.0 billion which will be recognized over time based on the expected premium recognition curve
- Net income of $79 million and net operating income of $75 million
- Net premiums written of $104 million up $22 million over the second quarter 2009 and down $119 million over the third quarter 2008
- Minimum capital test ratio of 147%, a 7-point improvement over the second quarter 2009 and a 24-point improvement over the third quarter 2008
- Combined ratio of 57%, a 5-point improvement over the second quarter 2009 reflecting lower losses on claims in the third quarter 2009 and an increase of 16 points over the third quarter 2008

The following table sets forth the quarterly results of operations for the Company's business:

	For the quarter ended Sept 30,		Increase (decrease) and percentage change	
(in millions, unless otherwise specified)	**2009**	**2008**	**Q2'09 vs. Q2'08**	
Net premiums written	$ 104	$ 223	$ (119)	(53)%
Underwriting revenues:				
Net premiums earned	$ 154	$ 133	$ 21	16%
Fees and other income	-	-	-	-
Underwriting revenues	154	133	21	16%
Losses on claims and expenses:				
Losses on claims	64	36	28	76%
Sales, underwriting and administrative	24	18	6	36%
Total losses on claims and expenses	88	54	33	62%
Net underwriting income	66	79	(13)	(16)%
Investment income:				
Interest, net of investment expenses	42	46	(4)	(11)%
Gain (loss) on investments[1]	6	-	6	NM
Guarantee fund earnings	1	-	1	NM
Total investment income	49	46	3	6%
Intercompany interest expense	-	(1)	1	NM
Income before income taxes	115	124	(9)	(8)%
Provision for income taxes	36	39	(3)	(8)%
Net income	79	85	(6)	(7)%
Adjustment to net income:				
Loss (gain) on investments, net of taxes	(4)	-	(4)	NM
Net operating income	$ 75	$ 85	$ (10)	(12)%
Effective tax rate	32%	32%	-	- pts
Operating Return on Equity	12%	17%	-	(5) pts

Notes: Amounts may not total due to rounding.
The Company defines "NM" as not meaningful for increases or decreases greater than 200%.
(1) Includes realized gain (loss) on sale of AFS and unrealized gain (loss) on HFT investments.

Third Quarter 2009 compared to Third Quarter 2008

High loan-to-value new insurance written decreased by $3.4 billion, or 41%, to $4.9 billion in the third quarter of 2009 as compared to the prior year period. This decrease was driven by the smaller high loan-to-value mortgage market in a challenging economic environment and the decline of the Company's market share.

Net premiums written decreased by $119 million, or 53%, to $104 million in the third quarter of 2009 as compared to the prior year period. Of this decrease, approximately $72 million was driven by a smaller high loan-to-value market size and reduced market share. The remainder of the decrease resulted from a higher proportion of refinance business and the elimination of the 40-year amortization and 100% loan-to-value products in the fourth quarter 2008 which led to a decline in the average premium rate for the quarter.

Net premiums earned increased by $21 million, or 16%, to $154 million in the third quarter of 2009 as compared to the prior year period. The increase was due to seasoning of the Company's large 2007 and 2008 books of business and the impact of updating of the premium recognition curve for the most recent loss emergence pattern in the third quarter.

Losses on claims increased by $28 million, or 76%, to $64 million in the third quarter of 2009 as compared to the prior year period. The number of new reported delinquencies increased by approximately 25% in the third quarter 2009 as compared to the prior period In addition, the average reserve per delinquent loan increased 31% to $70,300 as compared to the prior year period. These increases were driven primarily by the Company's 2007 and 2008 books of business, which had higher loan balances and higher severity rates as they entered their peak loss periods in a challenging economic environment. Loss mitigation efforts partially offset the increase in losses on claims, as the Company approved 1,329 workouts in the third quarter of 2009 as compared to 168 in the prior year period. While not all workouts would have ultimately resulted in claims, loss mitigation activities including workouts have positively impacted losses on claims.

Sales, underwriting and administrative costs increased $6 million, or 36%, to $24 million in the third quarter of 2009 as compared to the prior year period. Of the $6 million increase, $3 million was related to the amortization of deferred policy acquisition costs related to higher premiums earned. The timing of corporate overhead payments in 2008 drove $2 million of the variance and the remaining $1 million were costs associated with becoming a public company.

Total investment income increased by $3 million, or 6%, to $49 million in the third quarter of 2009 as compared to the prior year period. The increase was primarily attributable to a $6 million improved unrealized loss position on held for trading ("HFT") investments partially offset by a decrease in interest income and realized capital gains. Interest income in the general portfolio decreased by $4 million as a 9% increase in invested assets was mostly offset by the lower book yield on the portfolio of 4.0% in the third quarter of 2009, as compared to 4.8% in the prior year period. The lower book yield was a result of the shortening of the portfolio's duration to manage risk and capital in difficult market conditions. Portfolio duration at September 30, 2009 was 3.2 years compared to 4.3 years in the prior year period.

Guarantee fund earnings increased by $1 million during the third quarter of 2009 due to lower exit fees resulting from lower premiums written as compared to the prior year period.

The effective tax rate was 32% in the third quarter of 2009, unchanged from the prior year period.

Net income decreased by $6 million, or 7% to $79 million in the third quarter of 2009 as compared to the prior year period. The decrease in net income was primarily driven by an increase in losses on claims in third quarter 2009 that was partially offset by higher net premiums earned and an improving unrealized gain position on HFT investments. Net operating income decreased by $10 million, or 12%, to $75 million during the third quarter of 2009. The net operating income decrease was due to an increase in losses on claims partially offset by higher net premiums earned.

Year to date highlights

- Unearned premium reserves of $2.0 billion which will be recognized over time based on the expected premium recognition curve
- Net income of $291 million and net operating income of $286 million
- Net premiums written of $250 million
- Minimum capital test ratio of 147%
- Combined ratio of 58% excluding the impact of changes to the premium recognition curve

The following table sets forth the year to date results of operations for the Company's business:

(in millions, unless otherwise specified)	For the nine months ended Sept 30, 2009	2008	Increase (decrease) and percentage change YTD 2009 vs. YTD 2008	
Net premiums written	$ 250	$ 554	$ (304)	(55)%
Underwriting revenues:				
Net premiums earned	455	380	75	20%
Impact of change in premium recognition curve[1]	100	-	100	NM
Fees and other income	-	-	-	-
Underwriting revenues	555	380	175	46%
Losses on claims and expenses:				
Losses on claims	195	102	94	92%
Sales, underwriting and administrative	73	52	21	41%
Total losses on claims and expenses	268	154	114	74%
Net underwriting income	286	226	60	26%
Investment income:				
Interest, net of investment expenses	131	135	(4)	(3)%
Gain (loss) on investments[2]	8	20	(12)	(60)%
Guarantee Fund earnings	4	1	3	NM
Total Investment income	143	156	(13)	(8)%
Intercompany interest expense	(1)	(2)	1	NM
Income before income taxes	428	380	48	13%
Provision for income taxes	136	118	18	15%
Net income[3]	291	262	29	11%
Adjustment to net income:				
Loss (gain) on investments, net of taxes	(6)	(14)	8	NM
Net operating income[3]	$ 286	$ 249	$ 37	15%
Effective tax rate	32%	31%	-	1 pt
Operating Return on Equity[3]	17%	18%	-	(1) pts

Notes: Amounts may not total due to rounding.
The Company defines "NM" as not meaningful for increases or decreases greater than 200%.
(1) Includes $100 million impact of change in premium recognition curve for quarter ended March 31, 2009
(2) Includes realized gain (loss) on sale of AFS and unrealized gain (loss) on HFT investments.
(3) Excluding impact of changes to the premium recognition curve, net income, net operating income and operating return on equity for the nine months ended September 30, 2009 would have been $228 million, $222 million and 13% respectively..

Nine months ended September 30, 2009 compared to Nine months ended September 30, 2008

High loan-to-value new insurance written decreased by $8.8 billion, or 42%, to $12.0 billion for the nine months ended September 30, 2009 as compared to the prior year period. This decrease was driven by the smaller mortgage market in a challenging economic environment and the decline of the Company's market share.

Net premiums written decreased by $304 million, or 55%, to $250 million for the nine months ended September 30, 2009 as compared to the prior year period. Of this decrease, approximately $182 million was driven by a smaller high loan-to-value market size and reduced market share. The remainder of the decrease resulted from a higher proportion of refinance business and the elimination of the 40-year amortization and 100% loan-to-value products in the fourth quarter 2008 which led to a decline in the average premium rate for the quarter.

Net premiums earned increased by $175 million, or 46% to $555 million for the nine months ended September 30, 2009 as compared to the prior year period. The Company conducts regular actuarial studies of its actual multi-year loss experience which over the course of late 2007 and all of 2008 indicated a change in the pattern of loss emergence. This implied an acceleration of net premiums earned recognition as compared to the premium recognition curve prescribed by the Office of the Superintendent of Financial Institutions ("OSFI") which was established by actuarial studies in 2000 and was used by the Company through 2008. The Company has held periodic discussions with OSFI, and received its acceptance of the adoption of the revised premium recognition curve which more properly reflects current loss emergence. Effective with the first quarter 2009, the Company updated its premium recognition curve to reflect its current experience resulting in an increase in net premiums earned for the period of $100 million cumulative through March 31, 2009. Excluding the $100 million, the remaining $75 million increase in net premiums earned relates primarily to seasoning of the Company's 2007 and 2008 books of business.

Losses on claims increased by $94 million, or 92%, to $195 million in the nine months ended September 30, 2009 as compared to the prior year period. New reported delinquencies in the nine months ended September 30, 2009 increased by approximately 25% over the prior year period. In addition, the average reserve per delinquent loan increased by 31% to $64,000 for the nine months ended September 30, 2009 as compared to the prior year period. These increases were driven primarily by the Company's 2007 and 2008 books of business, which had higher loan balances and higher severity rates as they entered their peak loss periods in a challenging economic environment and housing market. Loss mitigation efforts partially offset the increase in losses on claims, as the Company approved 3,229 workouts in the nine months ended September 30, 2009 as compared to 455 workouts in the prior year period. While not all workouts would have ultimately resulted in claims, loss mitigation activities including workouts have positively impacted losses on claims.

Sales, underwriting and administrative costs increased by $21 million, or 41%, to $73 million for the nine months ended September 30, 2009 as compared to the prior year period. Of the $21 million increase, $14 million was related to the amortization of deferred policy acquisition costs related to the adjustment of the premium recognition curve and higher premiums earned from the normal seasoning of the Company's insurance in-force. Of the remaining $7 million, $5 million was driven by relative timing of corporate overhead payments in 2008, $1 million were costs associated with becoming a public company and $1 million was related to increased operating costs.

Total investment income decreased by $13 million, or 8%, to $143 million for the nine months ended September 30, 2009 as compared to the prior year period. The decrease was primarily attributable to lower net realized investment gains in 2009 of $26 million. In 2008, the Company realized the gains as it restructured its portfolio to reduce duration and interest rate sensitivities. The decrease in realized investment gains is partially offset by an improvement in the unrealized loss position of HFT investments of $14 million. Interest income in the general portfolio was down $4 million as a 9% increase in invested assets was offset by a lower book yield on the portfolio of 4.2% for the nine months ended September 30, 2009 compared to 4.6% in the prior year period. The book yield was lower as a result of the shortening of the portfolio's duration to appropriately manage risk and capital in difficult market conditions. Portfolio duration at September 30, 2009 is down to 3.2 years compared to 4.3 years in the prior year period.

The increase in guarantee fund earnings of $3 million for the nine months ended September 30, 2009 was due to lower exit fees resulting from lower premiums written as compared to the prior year period.

The effective tax rate was 32% for the nine months ended September 30, 2009 compared to 31% in the prior year period. This increase was primarily due to the impact of the enactment of new tax legislation in March 2009.

Net income increased by $29 million, or 11%, to $291 million from $262 million in the prior year period. Net operating income increased by $37 million, or 15%, to $286 million from $249 million in the prior year period. The increase in both net income and net operating income was due primarily to a change in the premium recognition curve of $63 million in the first quarter, net of the related increase in amortization of deferred policy acquisition costs and applicable taxes. Excluding the impact from the change in premium recognition curve, increased losses on claims from the seasoning of the Company's 2007 and 2008 books of business resulted in a decrease in the net income that was partially offset by an increase in the net premiums earned from the seasoning of the Company's insurance in force.

Loss and expense ratios

	For the quarters ended Sept 30,		For the nine months ended Sept 30,		Increase (decrease)	
	2009	2008	2009[1]	2008	Q3'09 vs. Q3'08	YTD'09 vs. YTD'08
Loss ratio……..	42%	27%	35%	27%	15 pts	8 pts
Expense ratio……	15%	14%	13%	14%	1 pts	(1) pts
Combined ratio….	57%	41%	48%	40%	16 pts	8 pts

Note:
(1) Excluding the impact of changes to the premiums earned recognition pattern in the first quarter, the Loss Ratio, Expense Ratio and Combined Ratio at September 30, 2009 would have been 43%, 15% and 58%, respectively.

Third quarter 2009 compared to third quarter 2008

The loss ratio increased 15 points to 42% for the quarter ended September 30, 2009. This increase was a result of larger books of business, specifically 2007 and 2008 that have entered or are entering into peak loss periods in a challenging economy and housing market, characterized by declining house prices in most markets and high levels of unemployment.

The expense ratio increased 1 point to 15% for the quarter ended September 30, 2009 reflecting modest increases in sales, underwriting and administrative expenses from increased compensation and corporate overhead costs offset by an increase in net premiums earned.

Nine months ended September 30, 2009 compared to nine months ended September 30, 2008

The loss ratio increased 8 points to 35% for the nine months ended September 30, 2009. This increase was a result of larger books of business, specifically, the 2007 and 2008 books that have entered or are entering into peak loss periods in a challenging economy and housing market. The Company updated its premium recognition curve to reflect its current experience, resulting in an increase in net premiums earned for the period of $100 million in the first quarter 2009. Excluding the $100 million increase in net premiums earned from the change in the premium recognition curve in the first quarter 2009, the loss ratio for the nine months ended September 30, 2009 was 43% as compared to 27% in the prior year period.

The expense ratio decreased 1 point to 13% for the nine months ended September 30, 2009. Excluding the $100 million increase in net premiums earned in the first quarter 2009, the expense ratio for the nine months ended September 30, 2009 was 15%.

Balance Sheet Highlights and Select Financial Data

(in millions, unless otherwise specified)	As at Sept 30, 2009	As at Dec 31, 2008	Increase (decrease) and percentage change 2009 vs. 2008	
Investments:				
General portfolio	$4,405	$4,153	$252	6%
Government guarantee fund	567	545	22	4%
Total assets	5,207	4,915	292	6%
Unearned premium reserves	2,017	2,322	(305)	(13)%
Loss reserves	236	172	64	37%
Total liabilities	2,618	2,826	(208)	(7)%
Shareholders' equity	2,589	2,089	500	24%
Accumulated Other Comprehensive Income	104	(15)	119	NM
Shareholders equity excluding AOCI	$2,485	$2,104	$381	18%
Select Ratios				
MCT Ratio	147%	127%	-	20 pts
Book value per share				
Book value per share including AOCI (basic)	$22.11			
Book value per share excluding AOCI (basic)	$21.22			
Book value per share including AOCI (diluted)	$21.95			
Book value per share excluding AOCI (diluted)	$21.06			

Notes: Amounts may not total due to rounding. The Company defines "NM" as not meaningful for increases or decreases greater than 200%.

Financial Instruments and Other Instruments

Portfolio of Invested Assets

As of September 30, 2009, the Company had total cash, cash equivalents and invested assets of $4.4 billion in the general portfolio and $567 million in the government guarantee fund established under the Company's guarantee agreement with the Canadian government (the "Guarantee Agreement"). Unrealized gains in the general portfolio were $128 million and in the government guarantee fund were $30 million.

The following tables provide the diversification of assets by both asset class and credit rating:

Asset Class	**As at Sept 30, 2009**			**As at Dec 31, 2008**	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/Losses**	**Fair Value**	**%**
General portfolio					
Asset backed	$ 256	6%	$ 1	$ 254	6%
Corporate fixed income					
Financial	1,165	26%	42	1,091	26%
Transportation and public utilities	381	9%	18	365	9%
Industrial	419	10%	14	391	9%
All other sectors	197	4%	11	257	6%
Total Corporate fixed income	2,162	49%	85	2,104	50%
Federal fixed income	989	23%	17	650	16%
Provincial fixed income	460	10%	25	528	13%
Other invested assets – HFT[1]	32	1%	-	26	1%
Total invested assets	3,899	89%	128	3,562	86%
Cash and cash equivalents	506	11%	-	592	14%
Total invested assets and cash – general portfolio	$ 4,405	100%	$ 128	$ 4,154	100%
Government guarantee fund					
Federal fixed income	$ 555	81%	$ 30	$ 551	85%
Cash and cash equivalents	127	19%	-	99	15%
Total invested assets and cash – guarantee fund	$ 682	100%	$ 30	$ 650	100%
Less:					
Accrued income and contributions	18			19	
Accrued exit fees and due to others	(133)			(124)	
Net Guarantee Fund assets	$567			$545	
Total invested assets and cash	$ 4,972		$ 158	$ 4,699	

Credit Rating – General Portfolio	**As at Sept 30, 2009**			**As at Dec 31, 2008**	
(in millions, unless otherwise specified)	**Fair Value**	**%**	**Unrealized Gains/Losses**	**Fair value**	**%**
Cash and Cash equivalents	$ 506	11%	$ -	$ 591	14%
AAA	1,422	32%	26	1,324	32%
AA	1,429	33%	65	1,131	27%
A	978	22%	36	852	21%
BBB	63	2%	-	248	6%
Below BBB	7	-	-	7	-
Total invested assets and cash	$ 4,405	100%	$ 128	$ 4,153	100%

Note:

(1) HFT investments in the general portfolio are recorded at fair value with realized gains and losses and changes in fair value recorded in investment income. Unrealized losses at September 30, 2009 were $18 million

General Portfolio

The Company manages its general portfolio assets to meet liquidity, credit quality, diversification and yield objectives by investing primarily in fixed income securities, including federal, provincial and corporate bonds, asset-backed securities and mortgage loans on commercial real estate. The Company also holds other invested assets, which at various times have included short-term investments and trading securities. In all cases, investments are required to comply with restrictions imposed by applicable laws and insurance regulatory authorities, as well as, the Company's guidelines approved by the Board of Directors.

In order to diversify management styles and to broaden credit resources, the Company has split these assets between two external Canadian investment managers. The Company works with these managers to optimize the performance of the portfolios within the stated investment objectives outlined in its investment policy. The policy takes into account the current and expected condition of capital markets, the historic return profiles of various asset classes and the variability of those returns over time, the availability of assets, diversification needs and benefits, regulatory capital required to support the various asset types, security ratings and other material variables likely to effect the overall performance of the Company's investment portfolio. Compliance with the policy is monitored by the Company and reviewed at least quarterly with the Company's management-level investment committee and the Board of Directors.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in bank accounts, government treasury bills, bankers' acceptances notes, commercial paper and term deposits with maturities within 90 days of the balance sheet date. The Company determines its target cash holdings based on near-term liquidity needs, market conditions and perceived favourable future investment opportunities. The Company decreased its cash holdings to 11% at September 30, 2009 from 14% at the end of 2008 as it increased its fixed income holdings mainly in federal fixed income securities. During the third quarter 2009, the Company invested $244 million in fixed income securities including government guaranteed mortgage backed securities. These investments were offset by $203 million in portfolio maturities resulting in cash holdings decreasing only slightly from 12% at June 30, 2009. The Company plans to continue to reduce its cash position over the near term.

Federal and Provincial Fixed Income Securities

The Company's investment policy requires a minimum of 10% of the investment portfolio be invested in federal fixed income securities. As of September 30, 2009, 23% of the portfolio was invested in federal securities, up from 16% at the end of 2008. Provincial holdings are 10% of the portfolio, down from 13% at the end of 2008.

Corporate Fixed Income Securities

Allocations to corporate fixed income securities are determined based on their relative value to federal fixed income securities and adjusted for the carrying charge for the increased capital holdings required under OSFI regulation. As of September 30, 2009, approximately 50% of the investment portfolio was held in corporate fixed income securities, the same level held at the end of 2008. As a result of recent economic conditions and movements in the capital markets, the Company elected to substantially reduce its exposure to securities rated below A from $255 million, or 6%, at the end of 2008 to $70 million, or 2%, of invested assets as of September 30, 2009. The investment policy places limits on the percentage of the portfolio that can be invested in any single issuer or group of related issuers.

Financial sector exposure represents 26% of the general portfolio, or approximately half of the corporate fixed income securities, as financial institutions are the predominate issuers of fixed income securities in the Canadian marketplace.

Asset Backed Securities

The Company has invested approximately 6% of the general portfolio in a combination of consumer finance securitizations and commercial mortgage backed securities to provide yield enhancement. As of September 30, 2009, all of these securities were rated AAA.

Other Invested Assets

The Company has invested directly in a European investment fund to diversify its holdings, with no exposure to foreign currency fluctuations associated with this investment. As of September 30, 2009, this investment had a fair value of $32 million, or 1% of invested assets, and was classified as HFT in the Company's financial statements.

Government Guarantee Fund Assets

In accordance with the terms of the Guarantee Agreement, all funds deposited into the government guarantee fund are held in a revenue trust account separate from all other assets of the Company. On the Company's financial statements, government guarantee fund assets reflect the Company's interest in the assets held in the government guarantee fund, including accrued income and net of exit fees. The assets of the government guarantee fund are permitted to be invested in cash and securities issued by the Canadian government or agencies unconditionally guaranteed by the Canadian government.

Summary of Quarterly Results

The table shown below represents select income statement line items and certain key performance indicators for the last eight quarters.

(in millions, unless otherwise specified)	Q3'09	Q2'09	Q1'09	Q4'08	Q3'08	Q2'08	Q1'08	Q4'07
Net premiums written…….	104	82	64	152	222	200	131	220
Underwriting revenues:								
Net premiums earned…….	154	153	147	138	133	125	122	116
Impact of change in premiums recognition curve[2] …….			100	-	-	-	-	-
Underwriting revenue……	154	153	247	138	133	125	122	116
Losses on claims and expenses:								
Losses on claims…….	64	71	60	58	36	30	35	26
Net underwriting income (loss)..	66	59	161	53	79	78	70	71
Investment income, including gains (losses)[1]……..….	49	51	43	44	46	71	39	42
Net income[3]……..	79	75	138	74	85	105	73	99
Adjustment to net income:								
Losses (gains) on investments, net of taxes…….	(4)	(5)	3	-	-	(18)	4	-
Net operating income[3]……..	75	70	141	74	85	87	77	99
Selected Ratios:								
Loss ratio…….	42%	46%	24%[2]	42%	27%	24%	29%	22%
Expense ratio……...	15%	15%	10%[2]	20%	14%	15%	14%	17%
Combined ratio……	57%	62%	35%[2]	63%	41%	39%	43%	39%

Notes:
Amounts may not total due to rounding
(1) Includes realized gain (loss) on sale of AFS and unrealized gain (loss) on HFT investments.
(2) Excluding the impact of changes in premium recognition curve, the Loss Ratio, Expense Ratio and Combined Ratio for the quarter ended March 31, 2009 would have been 41%, 13% and 54%, respectively.
(3) Excluding the impact of changes to the premiums recognition curve, net income and net operating income for the quarter ended March 31, 2009 would have been $74 million and $77 million, respectively
(4) The prior period comparative results for the Company reflect the consolidation of the Company and its subsidiaries Genworth Canada Holdings I Limited and Genworth Canada Holdings II Limited, including the subsidiary of Genworth Canada Holdings I Limited, Genworth Financial Mortgage Insurance Company Canada. Previous quarters MD&A only reflected Genworth Canada Holdings I Limited results. The primary difference is the elimination of interest paid from Genworth Financial Mortgage Insurance Company Canada to Genworth Canada Holdings II Limited

Liquidity

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Company's financial commitments and obligations as they fall due. The Company believes it has the flexibility to obtain, from current cash holdings and ongoing operations, the funds needed to fulfill its cash requirements during the current financial year and to satisfy regulatory capital requirements. The Company has four primary sources of funds, consisting of premiums written from operations, investment income, cash and short-term investments and maturities and proceeds from sale of investments. Uses of funds are primarily for operating expenses including claims payments, as well as dividends to shareholders. The Company currently has no debt on its balance sheet.

Throughout 2008 and into early 2009, the Company has increased its cash and cash equivalent balance to conserve regulatory capital and strengthen liquidity as a result of a slowing economic environment. As of September 30, 2009, the Company held a significant cash balance of $506 million or 11% of cash and invested assets, in the general portfolio, as a result of economic uncertainties and to strengthen regulatory capital and provide for liquidity needs.

Capital Expenditures

The Company's capital expenditures primarily relate to technology investments aimed at improving operational efficiency and effectiveness for sales, underwriting, risk management and loss mitigation. In 2008, the Company invested $11 million in capital expenditures, primarily for risk management and underwriting technologies. For the three and nine months ended September 30, 2009, the Company invested $3 million and $8 million, respectively in these areas. Future capital expenditures will continue to be focused on underwriting and risk management technology improvements. The Company expects that capital expenditures in 2009 will be at similar levels to the Company's 2008 capital expenditures.

Regulatory Capital Management

The Company's insurance subsidiary, Genworth Financial Mortgage Insurance Company Canada is regulated under OSFI. Under the Minimum Capital Test ("MCT") an insurer calculates a ratio of capital available to capital required in a prescribed manner. Mortgage insurers are required to maintain a minimum ratio of core capital (capital available as defined for MCT purposes, but excluding subordinated debt) to required capital of 100%. As a result of the distinct methodology applied to the policy liabilities of mortgage insurers and the risk profile of Genworth Financial Mortgage Insurance Company Canada, OSFI has established a minimum supervisory capital target of 120% for the insurance subsidiary. In order to maintain an adequate cushion above this supervisory minimum, in May 2009 the insurance subsidiary established in consultation with OSFI a revised internal MCT ratio target range of 132% to 135% and a proposed operating MCT ratio of 135% in the normal course.

Excess capital above that required to meet Genworth Financial Mortgage Insurance Company Canada's MCT ratio targets could be used to support organic growth of the business and, if distributed to Genworth MI Canada, Inc., to buy back shares or permit the declaration and payment of dividends by Genworth MI Canada, Inc..

The MCT ratio at the end of September 30, 2009 was 147%. The MCT ratio improved by 7 points as compared to the MCT ratio as the end of June 30, 2009. The improvement is a result of earnings for the quarter, the seasoning of the insurance in force portfolio and an improvement in the investment portfolio unrealized gain position offset by a $26 million dividend declared in the quarter.

Restrictions on Dividends and Capital Transactions

The Insurance Companies Act ("ICA") prohibits directors from declaring or paying any dividend on shares of an insurance company if there are reasonable grounds for believing a company is, or the payment of the dividend would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. The ICA also requires an insurance company to notify OSFI, of the declaration of a dividend at least 15 days prior to the date fixed for its payment. Similarly, the ICA prohibits the purchase for cancellation of any shares issued by an insurance company, or the redemption of any redeemable shares or other similar capital transactions, if there are reasonable grounds for believing that the company is, or the payment would cause the company to be, in contravention of applicable requirements to maintain adequate capital, liquidity and assets. Share cancellation or redemption would also require the prior approval of OSFI. Finally, OSFI has broad authority to take actions that could restrict the ability of an insurance company to pay dividends.

Financial Strength Ratings

The Company's insurance subsidiary, Genworth Financial Mortgage Insurance Company Canada, has financial strength ratings from both Standard and Poor's and DBRS. Although Genworth Financial Mortgage Insurance Company Canada is not required to have a rating to conduct its business, ratings are helpful to maintain confidence in an insurer and in the marketing of its products. Genworth Financial Mortgage Insurance Company Canada is rated AA- (Very Strong), with a stable outlook, by Standard and Poor's and AA (Superior), with a stable outlook, by DBRS.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods covered by the financial statements. The principal financial statement components subject to measurement uncertainty include: other than temporary declines in the value of investments, the recognition of unearned premium reserves to earned premiums, the provision for losses on claims, and pensions and other post-employment benefits. Actual results may differ from the estimates used in preparing the consolidated financial statements and such differences may be material.

Investments

Investments in bonds and debentures, including government guarantee fund investments, are classified either as Available for Sale ("AFS") or HFT and their fair value is determined using quoted market prices. HFT investments are recorded at fair value with realized gains and losses on sale and changes in the fair value of these investments recorded in net investment income in the consolidated statement of income and comprehensive income.

AFS investments are recorded at fair value with changes in the fair value of these investments recorded in unrealized gains and losses, which are included in Accumulated Other Comprehensive Income ("AOCI"). Realized gains and losses on sale, as well as losses from other than temporary declines in value of AFS investments, are reclassified from AOCI and recorded in net investment income in the consolidated statement of income and comprehensive income.

Investment sales and purchases are recorded at the investment's trade date. Realized gains or losses recorded on investment sales are measured as the difference between cash received for the investment and the book value of the investment at the trade date.

The Company ceases to accrue interest on non-performing bonds which are 90 days or more in arrears, as well as those which are less than 90 days in arrears but are deemed by management to be impaired. Once invested assets are classified as non-performing, any accrued but uncollected interest is reversed.

Premiums Earned and Deferred Policy Acquisition Costs

Insurance premiums are deferred and then taken into underwriting revenues as earned premiums over the life of the related policies based on the expected loss emergence pattern. The majority of policies to date have been written with amortization policy terms of 20 to 40 years. The rates or formulae under which premiums are earned relate to the amount of risk in each year of coverage as estimated by management, based primarily on the past incidence of losses on claims. Based on historical experience, the majority of losses on claims generally occur within two to five years of policy origination. Therefore, the majority of premiums written are recognized as net premiums earned within five years of policy origination, in an effort to approximately match premiums earned and losses on claims. The formulae under which premiums are earned are adjusted periodically in accordance with such estimates and were last updated on August 31, 2009. Following the update to the Company's premium recognition curve in the third quarter of 2009, the Company will continue to assess its loss experience on a quarterly basis and will make adjustments as appropriate to the premium recognition curve.

Policy acquisition costs are those expenses incurred in the acquisition of business. Acquisition costs comprise of premium taxes and other expenses which relate directly to the production of the business. Policy acquisition costs related to unearned premium reserves are only deferred to the extent that they can be expected to be recovered from the unearned premium reserves and are amortized to income in proportion to and over the periods in which the premiums are earned.

Loss Reserves

Loss reserves represent the amount needed to provide for the ultimate expected cost of investigating, adjusting and settling claims related to defaults by borrowers (both reported and unreported) that have occurred on or before each

balance sheet date. Loss reserves are recognized when the first scheduled mortgage payment is missed by the borrower(s). In accordance with GAAP, loss reserves are not established for future claims on insured mortgages that are not currently in default.

Under GAAP, loss reserves are discounted based on the anticipated payout pattern. Loss reserves are broken out into three types of reserves: case reserves, Incurred But Not Reported ("IBNR") reserves and supplemental loss reserves for potential adverse development.

For the purpose of quantifying case reserves, the Company analyzes each reported delinquent loan on a case-by-case basis and establishes a case reserve based on the expected loss, if any. The Company establishes reserves for IBNR based on the reporting lag from the date of first missed payment to the balance sheet date for mortgages in default that have not been reported to the Company. IBNR is calculated for the reporting lag using assumptions of claim rates and the estimated average claim paid.

The establishment of loss reserves is based on known facts and interpretation of circumstances and is, therefore, a complex and dynamic process influenced by a large variety of factors. These factors include the Company's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, product mix or concentration, claims severity and claim frequency patterns.

Consequently, the establishment of the loss reserving process relies on the judgment and opinions of a number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps materially, from the best estimates made. Annually, the Company's appointed third party actuary reviews and reports to management, the board of directors of Genworth Financial Mortgage Insurance Company Canada and OSFI on the adequacy of policy liabilities, which includes loss reserves.

Risks vary in proportion to the length of the estimation period and the volatility of each component comprising the liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk and claims development.

Pension and Other Post-Employment Benefits

The benefit liabilities represent the amount of pension and other employee future benefits that employees and retirees have earned as of the period end. The Company's actuaries perform valuations of the benefit liabilities for pension and other employee future benefits as of December 31 of each year using the projected benefit method prorated on service, based on management's assumptions on the discount rate, rate of compensation increase, retirement age, mortality and the trend in the health care cost rate. The discount rate is determined by management with reference to market conditions at year end. Other assumptions are determined with reference to long-term expectations.

Changes in Accounting Policies Including Initial Adoption

Goodwill and Intangible Assets

In November 2007, the Accounting Standards Board issued CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. This section establishes new standards for the recognition of intangible assets, in particular for intangible assets that are generated internally. Requirements pertaining to goodwill are unchanged from the previous Section 3062. Section 3064 was effective for the Company on January 1, 2009. The adoption of this standard did not have a significant impact on the Company's consolidated financial position or results of operations.

Accounting Disclosure Changes

In accordance with CICA standards, the Company adopted expanded disclosure changes in the following areas:

CICA Handbook Section 1535, Capital Disclosures;

CICA Handbook Section 3862, Financial Instruments – Disclosures; and

CICA Handbook Section 3863, Financial Instruments – Presentation.

The notes to the audited consolidated financial statements for the year ended December 31, 2008 includes the expanded disclosure.

Share-based Compensation

Employee stock options ("Options"), upon being exercised, provide employees with a choice between being compensated in shares of the Company or in cash equal to the net proceeds from the sale of the shares. These types of awards are commonly referred to as stock options with tandem stock appreciation rights. Options granted by the Company are measured at the difference between the quoted market value of the Company's shares at the end of each reporting period and the option exercise price. This amount is recorded as compensation expense over the option vesting period, with a corresponding entry to accrued benefit liability under employee benefit plans.

Employee Restricted Share Units ("RSUs") entitle employees to receive an amount equal to the fair market value of the Company's shares and may be settled in shares or cash. RSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period and are recorded as compensation expense over the RSU vesting period, with a corresponding entry to accrued benefit liability under employee benefit plans.

Directors' Deferred Share Units ("DSUs") entitle eligible members of the Company's Board of Directors to receive an amount equal to the fair market value of the Company's shares as compensation for director services rendered for the period, and may be settled in shares or cash. The DSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period and are recorded as compensation expense in the period the awards are granted, with a corresponding entry to accrued liabilities.

Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board confirmed that GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to GAAP, but there are significant differences in recognition, measurement and disclosures. The Company will change over to IFRS for its interim and annual financial statements beginning on January 1, 2011 and is currently evaluating the impact of adopting IFRS on its financial position and results of operations.

Transition to International Financial Reporting Standards ("IFRS")

The Company, starting January 1, 2011 is required to adopt IFRS. The 2011 financial statements will include full comparative information for the relevant 2010 periods prepared in accordance with IFRS.

IFRS Transition Progress

In anticipation of the mandatory conversion to IFRS, we have prepared a detailed conversion plan and have established an IFRS conversion team. Our plan is comprised of a planning phase, an initial implementation phase, and a secondary implementation phase which addresses specific standards that have not been finalized in time for the mandatory conversion date of January 1, 2011. The conversion team is currently working on the planning phase, which involves reviewing IFRSs applicable to the Company's financial statements, identifying differences between these IFRSs and the existing GAAP, and documenting specific changes and accounting policy selection required for the Company's financial accounting and disclosure. The initial assessment of IFRS and selection of new accounting policies is expected to be completed by the end of 2009. In addition, we expect to calculate opening retained earnings, adjusted to IFRS, as at January 1, 2010 in the first quarter of 2010.

Throughout the course of 2010, we intend to prepare IFRS financial statements in parallel to GAAP financial statements, monitor developments in standards that are expected to change, and accumulate information for the additional disclosures that are required upon the adoption of IFRS. In addition to providing regular updates to its Board of Directors and Audit Committee, the Company's insurance subsidiary also provides semi-annual progress updates to OSFI. Our progress towards IFRS transition is currently on track based on our conversion plan.

IFRS Transition Impact

Our assessment of current IFRS indicates that no significant impact would be had on the Company's statement of income or balance sheet. The most notable changes arise in "accrued benefit liability" under employee post employment benefits and to a lesser extent in taxes.

The most significant changes will occur after the mandatory conversion date of January 1, 2011, when changes to IFRS for insurance contracts are expected to take effect, likely in 2013 or later. Until such time, the Company will continue using its current practice for measuring and recording insurance liabilities.

The IFRS exposure draft issued in July of 2009 proposes replacing the current IFRS relating to financial instruments with a new standard, with mandatory adoption in 2012. The new standard is expected to have significant impact on the Company's financial statements, most notably because it will require all financial instruments to be accounted for either at amortized cost or at fair value with fair value changes recorded in the statement of income.

Risk Management

Risk management is a critical part of the Company's business. The Company has an enterprise risk management framework that encompasses mortgage portfolio risk management, underwriting policies and guidelines, product development, regulatory compliance, investment portfolio management and liquidity risk. The Company's risk management framework facilitates the assessment of risk by acting as a proactive decision-making tool to determine which risks are acceptable and to monitor and manage the Company's risks in an ongoing manner. The Company's risk management framework and internal control procedures are designed to reduce the level of volatility in its financial results.

Mortgage Portfolio Risk Management

The Company's mortgage portfolio risk management involves actively managing its borrower credit quality, product and geographic exposures. The Company carefully monitors portfolio concentrations by borrower credit quality, product and geography against pre-determined risk tolerances, taking into account the conditions of the housing market and economy in each region of Canada. The Company's underwriting policies and guidelines are reviewed and updated regularly to manage the Company's exposures and to address emerging trends in the housing market and economic environment. For example, in view of current economic conditions, the Company has taken a number of actions focusing on its new insurance written to reduce the overall risk profile of its mortgage portfolio. The Company supported the Canadian government's decision to introduce restrictions on high loan-to-value mortgages by eliminating insurance products for mortgages with loan-to-values of greater than 95%, interest-only mortgages and 40-year amortization mortgages. In addition, the Company has imposed more stringent requirements on borrowers' total debt service ratios, credit scores and loan-to-value ratios in assessing insurance applications.

The Company's extensive historical database and innovative information technology systems are important tools in its approach to risk management. The Company utilizes components of its proprietary high loan-to-value mortgage performance database to build and improve its mortgage scoring model. The Company's mortgage scoring model employs a number of evaluation criteria to assign a score to each insured mortgage loan and predict the likelihood of a future claim. This evaluation criteria includes borrower credit score, loan type and amount, total debt service ratio, property type and loan-to-value. The Company believes these factors, as well as other considerations, significantly enhance the ability of the mortgage scoring model to predict the likelihood of a borrower default, as compared to reliance solely on borrower credit score. The Company's mortgage portfolio risk management function is organized into three primary groups: portfolio analysis, underwriting policies and guidelines, and risk technology and models. The risk management team analyzes and summarizes mortgage portfolio performance, risk concentrations, emerging trends and remedial actions which are reviewed with the Company's management-level risk committee on a monthly basis.

Transactions with Related Parties

The Company enters into transactions with related parties. These transactions consist mainly of the acquisition of management and advisory, data processing, and administrative services rendered by Genworth Financial, Inc., the majority shareholder of the Company, and its affiliated companies. These transactions are in the normal course of business and are believed to be at fair value. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis.

Special Note regarding Forward-Looking statements

Certain statements made in this MD&A contain forward-looking information within the meaning of applicable securities laws ("forward-looking statements"). When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to Genworth MI Canada Inc.'s (the "**Company**" or "**Genworth Canada**"), are intended to identify forward-looking statements. Specific forward-looking information in this document includes, but is not limited to, statements with respect to the Company's future operating and financial results, sales expectations, capital expenditure plans, dividend policy and the ability to execute on its future operating, investing and financial strategies.

The forward-looking information and statements contained herein are based on certain factors and assumptions, certain of which appear proximate to the applicable forward-looking information contained herein. Inherent in the forward-looking information and statements are known and unknown risks, uncertainties and other factors beyond the Company's ability to control or predict, that may cause the actual results, performance or achievements of the Company, or developments in the Company's business or in its industry, to differ materially from the anticipated results, performance, achievements or developments expressed or implied by such forward-looking statements. Actual results or developments may differ materially from those contemplated by the forward-looking information and statements.

The Company's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of both known and unknown risks, including those set forth below:

- the continued availability of the Canadian government's guarantee of private mortgage insurance on terms satisfactory to the Company;
- the Company's expectations regarding its revenues, expenses and operations;
- the Company's plans to implement its strategy and operate its business;
- the Company's expectations regarding the compensation of directors and officers;
- the Company's anticipated cash needs and its estimates regarding its capital expenditures, capital requirements, reserves and its needs for additional financing;
- the Company's plans for and timing of expansion of service and products;
- the Company's ability to accurately assess and manage risks associated with the policies that are written;
- the Company's ability to accurately manage market, interest and credit risks;
- the Company's ability to maintain ratings;
- the cyclical nature of the mortgage insurance industry;
- anticipated changes in government regulation;
- the acceptance by the Company's lenders of new technologies and products;
- the Company's ability to attract lenders and develop and maintain lender relationships;
- the Company's competitive position and its expectations regarding competition from other providers of mortgage insurance in Canada; and
- anticipated trends and challenges in the Company's business and the markets in which it operates.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking information and statements. Investors and others should carefully consider these and other factors and not place undue reliance on the forward-looking information and statements. Further information regarding these and other risk factors is included in the Company's public filings with provincial securities regulatory authorities and can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com. The forward-looking information and statements contained in this MD&A represent the Company's views only as of the date hereof. Forward-looking information and statements contained in this MD&A are based on management's current

plans, estimates, projections, beliefs and opinions and the assumptions related to these plans, estimates, projections, beliefs and opinions may change, and are presented for the purpose of assisting the Company's shareholders in understanding management's current views regarding those future outcomes and may not be appropriate for other purposes. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company does not undertake to update any forward-looking information and statements, except to the extent required by applicable securities laws.

Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements, which are prepared in accordance with GAAP, the Company used a non-GAAP financial measure called net operating income. Non-GAAP measures used by the Company to analyze performance include underwriting ratios such as loss ratio, expense ratio and combined ratio as well as other performance measures such as net operating income and return on net operating income. The Company believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance and may be useful to investors because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-GAAP measures do not have standardized meaning and are unlikely to be comparable to any similar measure presented by other companies.

The table below shows the Company's net operating income for the periods specified and reconciles these figures to the Company's net income in accordance with GAAP for such periods.

	For the quarter ended Sept 30,		For the nine months ended Sept 30,	
(in millions, unless otherwise specified)	**2009**	**2008**	**2009**	**2008**
Net income[1]……..……	$ 79	$ 85	$ 291	$ 262
Adjustment to net income:				
Losses (gains) on investments, net of taxes……..	(4)	-	(6)	(14)
Net operating income[1]……..……	$ 75	$ 85	$ 286	$ 249

(1) Excluding impact of changes to the premium recognition curve, net income and net operating income for the nine months ended September 30, 2009 would have been $228 million and $222 million respectively.