Consolidated Financial Statements of

GENWORTH MI CANADA INC.

Three months and nine months ended
September 30, 2010 and 2009
(Unaudited)

GENWORTH MI CANADA INC.

Consolidated Balance Sheets
(In thousands of dollars)

	September 30, 2010	December 31, 2009
	(Unaudited)	
Assets		
Invested assets:		
Cash and cash equivalents (note 5)	$ 165,747	$ 377,512
Short-term securities (note 5)	55,929	253,527
Bonds and debentures:		
Held-for-trading (note 5)	37,786	34,485
Available-for-sale (note 5)	3,954,138	3,743,867
Preferred shares (note 5)	67,885	423
Government guarantee fund (note 6)	639,868	576,417
	4,921,353	4,986,231
Other:		
Accrued investment income and other receivables	166,450	28,869
Income taxes recoverable (note 7)	2,813	–
Salvage and subrogation	33,589	13,646
Deferred policy acquisition costs	152,602	146,840
Goodwill	11,172	11,172
Intangible assets	14,908	16,307
Premises and equipment	3,116	3,844
Other assets	2,201	3,017
	386,851	223,695
	$ 5,308,204	$ 5,209,926

	September 30, 2010 (Unaudited)	December 31, 2009
Liabilities and Shareholders' Equity		
Policy liabilities:		
Loss reserves	$ 213,868	$ 236,181
Unearned premium reserves (note 4)	1,924,237	1,971,396
	2,138,105	2,207,577
Other liabilities:		
Accounts payable and accrued liabilities	91,003	27,811
Due to parent and companies under common control (note 8)	294	775
Income taxes payable	–	116,230
Long-term debt (note 12)	272,497	–
	363,794	144,816
Net future income taxes (note 7)	218,237	203,218
Accrued benefit liability under employee benefit plans	14,578	11,088
Total liabilities	2,734,714	2,566,699
Shareholders' equity:		
Share capital (note 13)	1,552,043	1,734,376
Retained earnings	855,929	811,927
Accumulated other comprehensive income	165,518	96,924
	2,573,490	2,643,227
	$ 5,308,204	$ 5,209,926

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Brian Hurley" Director

"Brian Kelly" Director

GENWORTH MI CANADA INC.

Consolidated Statements of Income
(In thousands of dollars, except per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Gross premiums written	$ 168,942	$ 107,029	$ 427,235	$ 260,788
Net premiums written	$ 165,823	$ 103,754	$ 417,489	$ 249,883
Net premiums earned (note 4)	$ 155,397	$ 153,783	$ 464,648	$ 454,526
Initial impact of change in premium recognition curve (note 4)	–	–	–	100,144
Fees and other income	25	31	93	56
Underwriting revenues	155,422	153,814	464,741	554,726
Losses on claims and expenses:				
Losses on claims	47,219	63,986	156,012	195,415
Sales, underwriting and administrative (note 11)	26,036	23,734	75,436	66,812
Initial impact of change in premium recognition curve on change in deferred policy acquisition costs (note 4)	–	–	–	6,370
	73,255	87,720	231,448	268,597
Net underwriting income	82,167	66,094	233,293	286,129
Investment income:				
Interest	45,208	43,003	130,539	134,483
Dividends	894	–	1,378	–
Net realized gains on sale of investments	1,889	1,000	3,699	2,169
Change in unrealized loss on held-for-trading securities	2,170	4,874	3,302	6,344
Equity in earnings of government guarantee fund (note 6)	(37)	977	2,941	3,621
General investment expenses	(1,085)	(1,230)	(3,237)	(3,638)
	49,039	48,624	138,622	142,979
Interest on long-term debt (note 12)	(3,985)	–	(4,028)	–
Interest on related party debt	–	(55)	–	(1,463)
Income before income taxes	127,221	114,663	367,887	427,645
Income taxes (note 7):				
Current	28,360	32,657	91,187	128,086
Future	3,904	3,496	12,302	8,287
	32,264	36,153	103,489	136,373
Net income	$ 94,957	$ 78,510	$ 264,398	$ 291,272
Earnings per share (note 10):				
Basic	$ 0.84	$ 0.67	$ 2.29	$ 2.56
Diluted	0.84	0.67	2.27	2.56

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Share capital				
Share capital, beginning of period	$ 1,734,376	$ 1,642,709	$ 1,734,376	$ 1,642,709
Issuance of common shares	–	91,667	–	91,667
Repurchase of common shares (note 13)	(182,333)	–	(182,333)	–
Share capital, end of period	1,552,043	1,734,376	1,552,043	1,734,376
Retained earnings				
Retained earnings, beginning of period	929,844	671,711	811,927	461,299
Net income	94,957	78,510	264,398	291,272
Dividends	(25,762)	–	(77,286)	(2,350)
Repurchase of common shares (note 13)	(143,110)	–	(143,110)	–
Retained earnings, end of period	855,929	750,221	855,929	750,221
Accumulated other comprehensive income				
Accumulated other comprehensive income (loss), beginning of period (a)	121,228	54,520	96,924	(14,912)
Change in unrealized gains on available-for-sale assets (b)	50,911	48,675	75,955	121,824
Recognition of realized (gains) losses on available-for-sale assets (c)	(6,621)	1,159	(7,361)	(2,558)
Accumulated other comprehensive income, net of income taxes of $70,636 (2009 - $47,288), end of period	165,518	104,354	165,518	104,354
Total shareholders' equity	$ 2,573,490	$ 2,588,951	$ 2,573,490	$ 2,588,951

(a) Net of income taxes of $53,626 for the quarter ended September 30, 2010 ($43,484 for year-to-date) and $24,110 for the quarter ended September 30, 2009 ($5,984 for year-to-date).

(b) Net of income taxes of $19,614 for the quarter ended September 30, 2010 ($30,065 for year-to-date) and $22,709 for the quarter ended September 30, 2009 ($54,414 for year-to-date).

(c) Net of income taxes of $(2,604) for the quarter ended September 30, 2010 ($(2,913) for year-to-date) and $469 for the quarter ended September 30, 2009 ($(1,142) for year-to-date).

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

Consolidated Statements of Comprehensive Income
(In thousands of dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net income	$ 94,957	$ 78,510	$ 264,398	$ 291,272
Other comprehensive income	44,290	49,834	68,594	119,266
Comprehensive income	$ 139,247	$ 128,344	$ 332,992	$ 410,538

See accompanying notes to consolidated financial statements.

GENWORTH MI CANADA INC.

Consolidated Statements of Cash Flows
(In thousands of dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash provided by (used in):				
Operating activities:				
Net income	$ 94,957	$ 78,510	$ 264,398	$ 291,272
Items not involving cash:				
Amortization of premiums on investments	729	6,862	7,078	2,673
Amortization of intangible assets	1,556	761	3,475	2,272
Depreciation of premises and equipment	405	349	1,177	1,067
Change in deferred policy acquisition costs	(2,269)	(616)	(5,762)	3,447
Future income taxes	3,904	3,496	12,302	8,287
Net realized gains on sale of investments	(1,889)	(1,000)	(3,699)	(2,169)
Change in unrealized loss on held-for-trading securities	(2,170)	(4,874)	(3,302)	(6,344)
	95,223	83,488	275,667	300,505
Change in non-cash operating items:				
Government guarantee fund	(17,566)	(11,926)	(47,819)	(30,716)
Accrued investment income and other receivables	(121,244)	(16,409)	(137,581)	(12,949)
Current income taxes	421	12,431	(141,202)	52,958
Other assets and subrogation recoverable	(8,429)	2,808	(19,127)	(4,258)
Accounts payable and accrued liabilities	12,197	(14,416)	63,192	(13,723)
Due to parent and companies under common control	294	(66,813)	(481)	(70,248)
Loss reserves	(14,153)	6,128	(22,313)	64,481
Unearned premium reserves	10,425	(50,028)	(47,159)	(304,786)
Accrued net benefit liability under employee benefit plans	2,250	966	3,490	1,608
	(40,582)	(53,771)	(73,333)	(17,128)
Financing activities:				
Net proceeds from long-term debt issuance	–	–	272,497	–
Dividends paid	(25,762)	–	(77,286)	(2,350)
Net proceeds from issuance of common shares	–	91,667	–	91,667
Repurchase of common shares	(325,443)	–	(325,443)	–
	(351,205)	91,667	(130,232)	89,317
Investing activities:				
Purchase of bonds	(361,688)	(243,568)	(917,792)	(480,696)
Proceeds from sale of bonds	448,020	136,098	780,938	334,955
Purchase of short-term securities	(55,929)	67,127	(55,929)	(117,576)
Proceeds from sale of short-term securities	–	–	253,527	113,066
Purchase of preferred shares	(7,894)	–	(66,696)	–
Proceeds from sale of preferred shares	–	–	278	–
Purchase of intangible assets	(388)	(2,481)	(2,076)	(6,910)
Purchase of premises and equipment	(2)	(227)	(450)	(708)
	22,119	(43,051)	(8,200)	(157,869)
Decrease in cash and cash equivalents	(369,668)	(5,155)	(211,765)	(85,680)
Cash and cash equivalents, beginning of period	535,415	511,129	377,512	591,654
Cash and cash equivalents, end of period	$ 165,747	$ 505,974	$ 165,747	$ 505,974
Supplemental cash flow information:				
Income taxes paid	$ 29,255	$ 20,226	$ 233,675	$ 75,128
Interest paid on related party debt	–	933	–	2,206

See accompanying notes to consolidated financial statements.

1. Status of the Company:

Genworth MI Canada Inc. (the "Company") was incorporated under the Canada Business Corporations Act pursuant to a Certificate of Incorporation dated May 25, 2009. The Company is a subsidiary of Brookfield Life Assurance Company Limited ("Brookfield"), and its ultimate parent company is Genworth Financial Inc., a public company listed on the New York Stock Exchange.

The indirect subsidiary of Genworth MI Canada Inc., Genworth Financial Mortgage Insurance Company Canada ("Genworth Mortgage Insurance Canada" or "Insurance Subsidiary"), is engaged in mortgage insurance in Canada and is regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as financial services regulators in each province.

2. Basis of presentation:

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") using the same accounting policies as were used in the consolidated financial statements for the year ended December 31, 2009. The interim consolidated financial statements do not contain all disclosures required by GAAP and, accordingly, should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2009.

3. Accounting policies - long-term debt:

The Company's senior unsecured debentures issued during the year together with associated issuance costs are classified as long-term debt on the consolidated balance sheet and are accounted for at amortized cost using the effective interest method.

4. Change in estimate of unearned premium reserves:

Mortgage insurance premiums are taken into underwriting revenue over the terms of the related policies. The unearned portion of premiums is included in the liability for unearned premium reserves. The rates or formulae under which premiums are earned relate to the loss emergence pattern in each year of coverage as estimated by management based primarily on the past incidence of losses on claims, and are referred to as the "premium recognition curve".

The Company performs actuarial studies of its multi-year loss experience on a quarterly basis, which have indicated an acceleration of premium recognition. The impact of the experience update for the three months ended and nine months ended September 30, 2010 was an increase of premiums earned of $11,868 and $35,543, respectively. The cumulative impact of the initial update of the premium recognition curve for the three months and nine months ended September 30, 2009 was $11,495 and $123,690, respectively.

5. Investments:

The fair values of invested assets, excluding the government guaranteed fund, are summarized as follows:

	September 30, 2010				December 31, 2009			
	Market value	Amortized cost	Unrealized gain (loss)	% market value	Market value	Amortized cost	Unrealized gain (loss)	% market value
	(Unaudited)							
Cash and cash equivalents:								
Government treasury bills	$ 124,553	$ 124,553	$ –	2.9	$ 231,519	$ 231,519	$ –	5.3
Bankers' acceptances	14,743	14,743	–	0.3	64,898	64,898	–	1.5
Time deposits	11,540	11,540	–	0.3	65,943	65,943	–	1.5
Cash	14,911	14,911	–	0.4	15,152	15,152	–	0.3
	165,747	165,747	–	3.9	377,512	377,512	–	8.6
Available-for-sale securities:								
Government bonds:								
Canadian federal	986,795	960,447	26,348	23.0	1,073,117	1,053,507	19,610	24.3
Canadian provincial	620,128	583,873	36,255	14.5	637,602	614,647	22,955	14.5
	1,606,923	1,544,320	62,603	37.5	1,710,719	1,668,154	42,565	38.8
Corporate bonds:								
Financial	1,280,983	1,200,622	80,361	29.9	1,420,446	1,370,884	49,562	32.2
Energy	306,315	289,130	17,185	7.2	230,456	220,195	10,261	5.2
Infrastructure	256,267	240,307	15,960	6.0	206,310	199,534	6,776	4.7
All other sectors	301,923	287,582	14,341	7.1	175,425	166,394	9,031	4.0
	2,145,488	2,017,641	127,847	50.2	2,032,637	1,957,007	75,630	46.1
Preferred shares:								
Financial	61,145	60,210	935	1.4	423	421	2	–
Industrial	1,427	1,406	21	–	–	–	–	–
Energy	5,313	5,219	94	0.1	–	–	–	–
	67,885	66,835	1,050	1.5	423	421	2	–
Asset backed bonds	257,656	248,921	8,735	6.0	254,038	252,116	1,922	5.8
	4,077,952	3,877,717	200,235	95.2	3,997,817	3,877,698	120,119	90.7
Held-for-trading securities:								
Financial	37,786	50,000	(12,214)	0.9	34,485	50,000	(15,515)	0.7
Total securities	$ 4,281,485	$ 4,093,464	$ 188,021	100.0	$ 4,409,814	$ 4,305,210	$ 104,604	100.0

5. Investments (continued):

The fair value of invested assets, excluding the government guarantee fund, preferred shares, and cash and cash equivalents, is shown by contractual maturity of the security. Yields are based upon fair value.

	September 30, 2010		December 31, 2009	
Terms to maturity	Fair value	Yield %	Fair value	Yield %
	(Unaudited)			
Investment securities issued or guaranteed by Canadian federal government:				
1 year or less	$ 237,856	3.8	$ 397,527	1.8
1 - 3 years	270,993	4.9	432,129	4.3
3 - 5 years	725,762	3.2	645,613	3.7
5 - 10 years	264,873	4.9	155,254	5.1
Over 10 years	107,438	4.6	80,196	4.8
	1,606,922	3.9	1,710,719	3.6
Corporate debt:				
1 year or less	309,143	5.2	147,569	4.9
1 - 3 years	582,907	4.9	547,022	5.0
3 - 5 years	547,631	4.9	524,177	5.3
5 - 10 years	523,677	5.2	463,090	5.2
Over 10 years	477,573	5.5	639,302	5.9
	2,440,931	5.1	2,321,160	5.3
	$ 4,047,853	4.6	$ 4,031,879	4.6

6. Guarantee fund and Government of Canada Guarantee Agreement:

The government guarantee fund reflects the Company's proportionate interest in the assets held in the government guarantee fund established under the Government Guarantee Agreement, including accrued income and net of applicable exit fees. The fair value of the government guarantee fund as at September 30, 2010 is $639,868 (December 31, 2009 - $576,417).

The Company records the results of income from the fund of $20,008 (September 30, 2009 - $15,639) less exit fees of $17,067 (September 30, 2009 - $12,018) in equity in earnings of government guarantee fund

6. Guarantee fund and Government of Canada Guarantee Agreement (continued):

The following table summarizes the components of the government guarantee fund:

	September 30, 2010	December 31, 2009
	(Unaudited)	
Invested assets at fair value (a)	$ 774,082	$ 699,207
Accrued contribution and accrued income (b)	24,420	14,700
Accrued exit fee and MICC liability (c)	(158,634)	(137,490)
	$ 639,868	$ 576,417

(a) Investments held under the Government Guarantee Agreement including government bonds and bonds unconditionally guaranteed by the Government of Canada and cash; plus

(b) The Company's accrued contributions of 10.5% of premiums written on insured mortgages for the quarter ended September 30, 2010 and accrued interest on invested assets; less

(c) The cumulative exit fee applicable to the fair value of the Company's proportionate interest in investments held under the Government Guarantee Agreement and accrued contributions, and the Company's liability for the net proportionate interest in guarantee fund of its predecessor the Mortgage Insurance Company of Canada ("MICC").

7. Income taxes:

Provision for income taxes is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Provision for income taxes:				
Current	$ 28,360	$ 32,657	$ 91,187	$ 128,086
Future	3,904	3,496	12,302	8,287
	$ 32,264	$ 36,153	$ 103,489	$ 136,373
Income taxes related to:				
Change in unrealized gains on available-for-sale securities	$ 19,614	$ 22,709	$ 30,065	$ 54,414
Recognition of realized losses (gains) on available for sale securities	(2,604)	469	(2,913)	(1,142)
	$ 17,010	$ 23,178	$ 27,152	$ 53,272

Income taxes are payable on the change in unrealized gains or losses reported in the Company's consolidated statement of comprehensive income in the year in which they are incurred, and are included in the income taxes payable balance on the Company's consolidated balance sheet.

7. Income taxes (continued):

Income taxes reflect an effective tax rate that differs from statutory tax rate for the following reasons:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Income before income taxes	$ 127,221	$ 114,663	$ 367,887	$ 427,645
Combined basic Canadian federal and provincial income tax rate	30.0%	32.0%	30.0%	32.0%
Income tax expense based on statutory rate	$ 38,166	$ 36,692	$ 110,366	$ 136,846
Increase (decrease) in income tax expense resulting from:				
Non-deductible (non-taxable) expenses	(342)	178	75	230
Effect of decrease in rates on future income taxes	(740)	(641)	(2,132)	(1,816)
Effect of tax rate adjustment relating to enactment of new legislation	–	–	–	1,144
Adjustment for prior periods	(4,820)	(76)	(4,820)	(31)
Income tax expense	$ 32,264	$ 36,153	$ 103,489	$ 136,373

7. Income taxes (continued):

Future income tax liability is comprised of the following:

	September 30, 2010	December 31, 2009
	(Unaudited)	
Future income tax assets:		
Employee post employment benefits	$ 3,118	$ 2,881
Policy liabilities	2,780	3,070
Financing costs	1,103	–
	7,001	5,951
Future income tax liabilities:		
Investments, including unrealized losses (gains) on available-for-sale securities	(16,491)	(15,221)
Guarantee fund reserve	(157,123)	(144,594)
Policy reserves	(49,031)	(46,929)
Capital assets and intangible assets	(2,593)	(2,425)
	(225,238)	(209,169)
Net future income tax liability	$ (218,237)	$ (203,218)

Management reviews the valuation of future income taxes on an ongoing basis to determine if a valuation allowance is necessary. The Company expects to fully utilize the benefits available from existing future income tax assets. No valuation allowance is required as at September 30, 2010 (December 31, 2009 - nil).

The aggregate amount of income taxes paid for the nine months ended September 30, 2010 was $233,675 (2009 - $75,128).

8. Related party balances and transactions:

Following the closing of the Company's IPO on July 7, 2009, the Company and its Insurance Subsidiary entered into a Transition Services Agreement ("TSA") with Genworth Financial Inc., the Company's ultimate parent company. The agreement prescribes that these companies will provide certain services to one another, with most services being terminated if Genworth Financial Inc. ceases to beneficially own more than 50% of the common shares of the Company. The services rendered by Genworth Financial Inc. and affiliated companies consist of information technology, finance, human resources, legal and compliance and other specified services. The services rendered by the Company and the Insurance Subsidiary relate mainly to financial reporting and tax compliance support services. These transactions are in the normal course of business. Accordingly, they are measured at fair value. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis. The Company incurred net related party charges of $5,986 for the nine months ended September 30, 2010 (September 30, 2009 - $5,426).

The balance owed for related party services at September 30, 2010 is $294 (December 31, 2009 - $775).

9. Pensions and other post-employment benefits:

The expense related to the Company's defined contribution pension plan was $1,967 for the nine months ended September 30, 2010 (September 30, 2009 - $1,696).

The expense related to the Company's defined benefit plan was $792 for the nine months ended September 30, 2010 (September 30, 2009 - $600).

The expense related to the Company's other non-pension post-employment benefits was $574 for the nine months ended September 30, 2010 (September 30, 2009 - $484).

10. Earnings per share:

Basic and diluted earnings per share have been calculated using the weighted average and dilutive number of shares outstanding during the nine months ended September 30, 2010 of 115,566,811 (2009 - 113,606,593) and 116,647,039 (2009 - 113,880,445), respectively. The difference between basic and diluted earnings per share is caused by the grant of employee stock options, Restricted Share Units ("RSUs"), Directors' Deferred Share Units ("DSUs") and Performance Share Units ("PSUs").

The effect is computed below:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Basic earnings per share:				
Net income	$ 94,957	$ 78,510	$ 264,398	$ 291,272
Weighted average common shares outstanding	112,550,428	116,767,391	115,566,811	113,606,593
Basic net earnings per common share	$ 0.84	$ 0.67	$ 2.29	$ 2.56
Diluted earnings per share:				
Weighted average common shares outstanding	113,671,224	117,580,016	116,647,039	113,880,445
Diluted net earnings per common share	$ 0.84	$ 0.67	$ 2.27	$ 2.56

11. Share-based compensation:

During the nine months ended September 30, 2010, the Company granted 181,700 Options, 42,450 RSUs and 4,872 DSUs to its employees and directors.

On February 18, 2010, the Company granted 18,000 PSUs to its senior executive employees. The PSUs vest three years from the date of grant provided that certain performance conditions are met by the Company. The performance conditions are based on the Company's earnings per share, net income, contribution margin, underwriting income and investment income. Upon vesting, the PSUs entitle the senior executive employees to receive an amount equal to the fair market value of the Company's shares and may be settled in shares or cash.

PSUs granted by the Company are measured at the quoted market value of the Company's shares at the end of each reporting period. These awards are recorded as compensation expense over the PSU vesting period, with a corresponding entry to accrued liability under employee benefit plans based on management's best estimate of the outcome of the performance conditions.

PSUs may participate in dividend equivalents at the discretion of the Company's Board of Directors. Dividend equivalents are calculated based on the market value of the Company's shares on the date the dividend equivalents are credited to the PSU account and are recorded as additional compensation expense.

11. Share-based compensation (continued):

The following table summarizes information about these share-based compensation plans:

	Number of stock options	Weighted average exercise price	Weighted average fair value at September 30, 2010	Number of RSUs	Weighted average fair value at September 30, 2010	Number of DSUs	Weighted average fair value at September 30, 2010	Number of PSUs	Weighted average fair value at September 30, 2010
Outstanding, as at January 1, 2010	810,000	$ 19.16	$ 5,249	84,406	$ 2,164	3,257	$ 84	–	$ –
Granted	181,700	27.12	–	42,450	1,088	4,872	125	18,000	462
Dividends equivalents granted	–	–	–	2,618	67	125	3	311	8
Forfeited	(2,500	(19.00)	(17)	(4,883)	(125)	–	–	–	–
Outstanding, as at September 30, 2010	989,200	$ 19.16	$ 5,232	124,591	$ 3,194	8,254	$ 212	18,311	$ 470
Weighted average period (in years) over which expense is recognized	2.6	–	–	2.7	–	–	–	3.0	–
Outstanding as a percentage of outstanding shares	0.94%	–	–	0.12%	–	0.01%	–	0.02%	–

The total compensation expense related to stock options, RSUs, DSUs and PSUs for the nine months ended September 30, 2010 is $1,320, $857, $123 and $90 respectively for a total of $2,390 recognized in sales, underwriting and administrative expenses (September 30, 2009 - stock options, RSUs and DSUs of $376, $194, and $41 respectively for a total of $611). For the three months ended September 30, 2010, the total compensation expense related to stock options, RSUs, DSUs and PSUs is $1,332, $420, $76 and $65 respectively for a total of $1,893 recognized in sales, underwriting and administrative expenses (September 30, 2009 - stock options, RSUs and DSUs of $376, $194, and $41 respectively for a total of $611).

12. Long-term debt:

On June 29, 2010, the Company completed an offering of $275,000 principal amount of senior unsecured debentures (the "Debentures"). The Debentures were issued for gross proceeds of $274,862 or a price of 99.95, before issuance costs of $2,413. The issuance costs of $2,413 and the discount of $138 will be amortized over the term of the Debentures using the effective interest method. The Debentures bear interest at a fixed annual rate of 5.68% until maturity on June 15, 2020, payable semi-annually commencing on December 15, 2010. The Debentures may be redeemed at the option of the issuer, in whole or in part at any time.

The fair value of the Debentures as at September 30, 2010 is $287,387.

The Company incurred interest expense of $3,985 for the three months ended September 30, 2010 and $4,028 for the nine months ended September 30, 2010, with accrued interest payable of $4,028 as at September 30, 2010.

13. Share capital:

On July 19, 2010, the Company made an offer ("the Offer") to repurchase up to $325 million of its common shares validly tendered to the Offer. On August 27, 2010, in accordance with the terms of the Offer, the Company repurchased 12,310,606 common shares at a price of $26.40 per common share, representing 10.5% of its public float, for an aggregate of approximately $325 million in cash. Genworth Financial Inc., through its wholly owned subsidiary Brookfield participated in the Offer by making a proportional tender and continues to hold approximately 57.5% of the outstanding common shares of the Company.

Upon completion of the Offer, the Company's share capital was reduced by an amount equal to the average carrying value of the repurchased shares for cancellation. The excess of the aggregate purchase price over the average carrying value, together with the incremental after-tax costs associated with the transaction, were recorded as a reduction to retained earnings.

13. Share capital (continued):

Following the completion of the repurchase transaction, the share capital of the Company was as follows:

	September 30, 2010	December 31, 2009
	(Unaudited)	
Authorized:		
Unlimited common shares		
1 special share		
Issued:		
104,789,394 common shares (December 31, 2009 - 117,100,000)	$ 1,552,043	$ 1,734,376
1 special share	–	–
	$ 1,552,043	$ 1,734,376