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PRESENTATION

Operator

Good morning, my name is Steve, and I will be your conference operator today. At this time, I would like to welcome everyone to the Genworth MI Canada Inc. 2011 First Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question-and-answer session.

(Operator Instructions)

As a reminder, the conference is being recorded for replay purposes. We ask that you refrain from using cell phones, speaker phones or headsets during the Q&A portion of today's call. I would now like to turn the presentation over to Samantha Cheung, Vice President, Investor Relations. Ms. Cheung, you may begin your conference.

Samantha Cheung - *Genworth MI Canada Inc. - Vice President, Investor Relations*

Thank you. Good afternoon, everyone, and welcome to our first quarter 2011 conference call. On the call this afternoon are Brian Hurley, our Chairman and CEO; and Philip Mayers, our Chief Financial Officer.

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We will go through the agenda as outlined on the slides, and then, as usual, open up our call for questions. Brian will provide a business review while Phil will provide the financial details surrounding our results. Brian will also return to close the formal remarks.

Our news release, including our management discussion and analysis, the financial statements, and the financial supplement were released last night and are now posted on our website. We've also posted slides that accompany this presentation. These slides are meant to provide a framework for our discussion today.

A replay of this call will be available on our website following today's presentation, and we will -- and it will remain available there for 45 days until July 15. Following our call today, our team is available for any follow-up.

As usual we also want to draw your attention to our forward-looking statement. We note that our actual results may differ from statements that we make which are forward-looking. We advise you to read the cautionary note regarding these forward-looking statements.

We also note that we've adopted International Financial Reporting Standards. As such, some of the financial metrics presented on this call today are non-IFRS measures and as such do not have standardized meaning and are unlikely to be comparable to similar measures by other companies.

I would now like to turn the floor over to Brian Hurley, our Chairman and CEO. Brian?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Thanks, Samantha. Good afternoon, and thank you all for joining us for the call today. The first quarter of 2011 was a solid quarter for our business, driven by year-over-year improvement in net premiums written and consistent earned premiums. This strong top line was partially offset by higher losses due to typical seasonality and some regional influences.

Overall, we had net operating income of $78 million, translating into delivered [per] operating earnings per share of $0.74. These results generated an operating return equity of 13% for the quarter.

Also in the quarter, macroeconomic factors had an influence on our business, mainly the housing market and unemployment. The housing market experienced a slight increase in quarterly transaction volumes, up 4.5% over last quarter. In addition, Teranet National Bank house price index showed that home prices have been relatively flat over the last six months. And this supports our view that the housing market is becoming more balanced.

Unemployment has been relatively stable with the healthy addition of 83,000 jobs in the quarter. The unemployment rate edged up marginally to 7.7% due to an increase in the labor participation rate. The pace of job growth accelerated this quarter, driven primarily by increases in full-time jobs.

Going forward, we expect job growth to be positive for the remainder of 2011 and expect unemployment to decline gradually. This trend would be good for the housing market and good for delinquency trends. Overall, a strong underlying demand for housing, gains in employment, reasonable affordability, and a low rate environment all support a solid housing market outlook.

This economic environment, combined with our strong business performance, translated well to our first quarter results. Top line volume was strong due to our consistent sales and service execution. We underwrote $5.4 billion of new insurance written in the quarter and received $101 million in new premiums. In addition, we entered the quarter with a strong balance sheet with total assets of $5.4 billion and shareholders equity of $2.6 billion.

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Historically, the first quarter is typically characterized by slower mortgage originations relative to the spring and fall time periods. And this quarter was no exception. Even though low interest rates and the view that rates will go up attracted many buyers, the market was one of more typical seasonal housing activity.

And despite a smaller term market compared to last year, we were able to grow premiums from the high-ratio market. These top line premium results show that our market penetration strategies continue to work effectively.

Turning to our loss performance, the first quarter this year was consistent when compared to the same quarter last year. In fact, the losses on claims and the loss ratio are the same for both periods year-over-year. This is in part due to typical seasonality. This year, however, we are seeing some unique loss pressure from the Alberta market. And this pressure is not only on the insured high-ratio market.

What we are seeing in Alberta is consistent with the overall mortgage delinquency rates reported by the Canadian Bankers Association. This data shows an elevated delinquency rate for the province of Alberta relative to the rest of Canada, much like we are seeing in our book. And when you drill down within Alberta, it's the Calgary housing market that is not yet back to pre-recession levels.

That said, with the employment situation improving in this region, combining with other positive economic trends, we anticipate the modest home price appreciation in the second half of this year. As we get through this seasonal pressure, we are already seeing delinquency rates beginning to stabilize. And despite higher severity in Alberta claims, we believe that a recovery for this market is already underway.

Overall, we feel our insurance portfolio is well positioned and believe that our 2011 full year loss ratio will be within our expected target loss ration in the mid-30% range.

Looking at the other contributors to business performance, our investment portfolio continues to deliver consistent income to our bottom line. We have ongoing reviews of this portfolio, looking for ways to prudently enhance the yield. The expected rising rate environment should be an opportunity to improve our portfolio yield over the upcoming quarters.

And lastly, let me talk about our capital position. A critical component of financial performance is efficient capital management. We entered the quarter with an MCT ratio of 155% and holding company cash of $210 million. As part of our ongoing evaluation of our capital position, we continually work to have a capital efficient structure, one that enhances shareholder value and maintains our financial flexibility.

Depending on market conditions and the receipt of customary regulatory approvals, we plan to repurchase approximately $160 million of our existing common shares over the upcoming months. This plan reflects our confidence in our business operation. As part of this plan, we will maintain a sufficient capital buffer to provide flexibility into fund growth opportunities going forward.

We were also pleased to update our quarterly dividend of $0.26 per share to shareholders on March 1, 2011. And our Board has also approved our next regular quarterly dividend to be paid on June 1 to shareholders of record on May 16, 2011. We will continue to conduct an ongoing review of our common dividend to ensure that we remain competitive.

In summary, the careful actions we are taking within the business are paying off, and the underlining elements of the housing market continue to show signs of improvement. Focusing on our customers and improving the value that we bring them is our top priority.

Now, let me turn it over to Phil to walk us through some more detailed financial results. Phil?

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Philip Mayers - *Genworth MI Canada Inc - CFO*

Thanks, Brian. As in previous quarters, our financial results reflect the solid execution of our core business strategies. We grew net premiums written by 7% to $101 million year-over-year in a slower mortgage origination market. Sequentially, net premiums written declined by 25% due to typical seasonality during the winter months.

Premiums earned were sequentially lower by $1 million, reflecting further seasoning of the large 2007 and 2008 books. This quarter's premiums include $12 million related to the quarterly update to the premium recognition curve based on the updated actuarial analysis of the loss emergence pattern. We expect that the impact of these quarterly updates will be smaller in the coming quarters as our loss experience normalizes, and the impact of the 2007 and 2008 books diminish.

Loss on earned claims were $59 million in the quarter, flat to the prior year. Sequentially, our loss ratio increased six points to 38% due to seasonality and the Alberta loss pressures, primarily in the Calgary market. This loss pressure was driven by a higher severity of loss due to lower house prices and a higher claim frequency for Alberta, primarily from the 2007 and 2008 books.

Investment income excluding gains of $3 million was marginally lower sequentially at $43 million. Excluding the favorable $1 million income from a bond call in the fourth quarter, our investment income this quarter was consistent sequentially. Our focus on maintaining a high-quality portfolio adds stability to our earnings profile as evidenced once again this quarter.

Overall, we report a net operating income of $78 million with earnings per share of $0.74 and an operating return in equity of 13%. Sequentially, net operating income was lower by $6 million, or 7%, due primarily to higher losses and claims and higher interest expense related to our December debt issue.

It is important to note that the conversion from Canadian GAAP to IFRS did not have a material impact on our reported results. A comprehensive description of the impact of IFRS, including a reconciliation of Canadian GAAP to IFRS for the 2010 comparative results, is included in our condensed interim financial statements and the accompanying MD&A.

Turning now to our top line performance, the delivery of outstanding customer service is the key driver behind our 7% growth net premiums written, and we were recently recognized by the Canadian Mortgage Professional Magazine as the best service provider. We made focus on the execution of our sales and service strategies to further improve customer satisfaction and drive top line growth.

The recent tightening of a government guarantee eligibility rules had a limited impact on mortgage origination volumes in the first quarter. However, the average premium rate will likely be reduced by 5% to 10% going forward primarily due to the elimination of 35-year amortization mortgages. More importantly is these changes will improve the risk profiles of the portfolio, and we do not anticipate a significant impact on our 2011 earnings.

To coincide with the spring housing market, we launched our second annual national home ownership week in April to engage and inform first-time home buyers on responsible home ownership. We saw an excellent response to our home buying seminars, webinars, and online tools. touching over 20,000 Canadians and reinforcing our brand positioning as the home ownership company.

Let's look at the performance of our mortgage insurance portfolio. Overall, our portfolio quality remains strong. The delinquency rate this quarter was marginally higher by one basis point to 27 basis points, reflecting typical seasonality during the winter months.

The industry delinquency rate imposed by the Canadian Bankers Association shows that the delinquency rates tend to rise in fourth and first quarters before improving during the second quarter. We experienced this upward seasonal pressure in January and February before it began to ease in March, as real estate activity increased and we settled more claims.

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Regional markets are unique, and we benefit from having a geographically diversified portfolio. The delinquency rate was flat or lower in most regions. The (inaudible) rate was up three basis points at 26 basis points, primarily due to seasonality. We expect that this will normalize in the coming quarters. The Ontario market continues to show strength with a delinquency rate of only 18 basis points.

While the Alberta delinquency rate is highest in our portfolio at 59 basis points, Alberta only represents 16% of our insurance in force, and we saw a three basis-point improvement from the fourth quarter. As Brian mentioned, conditions in Alberta are improving with higher commodity prices leading to full-time job growth and lower unemployment.

In summary, our insurance portfolio is well diversified geographically with strong credit quality, and we expect our delinquency rates to improve over the course of 2011. A key measure of our overall underwriting performance is the combined ratio, where our 55% combined ratio for the quarter reflects the seasonality and regional loss pressures previously discussed.

As part of our risk management strategy, we continue to pursue further loss mitigation opportunities to minimize losses. Under our home ownership assistance program, we helped over 1,200 families who were experiencing financial difficulties. This is over 45% of new reported delinquencies. In addition, we've expanded our asset management programs and have commenced an initiative to accelerate and facilitate the [conveyance] of real estate to the company in selected circumstances.

Using our internal real estate experts and an established network of experienced realtors, we're able to reduce our losses on claims by shortening the sales cycle, thus reducing accrued unpaid interest costs, property management fees, and real estate commissions.

We remain committed to maintain our prudent risk disciplines and focus on reducing our losses through proactive loss mitigation programs. Overall, we expect that our loss ratio will moderate in the coming quarters.

Our investment portfolio generates just over one-third of our pre-tax income and continues to add an element of stability to our income profile. We continue to balance and maintain the high quality investment portfolio and optimize an investment yield. Our portfolio composition by asset class is relatively unchanged from the end of 2010 with 96% of the fixed income portfolio rated single A or better.

Excluding the $147 million net cash proceeds from our December 2010 debt raise, the portfolio duration of our general portfolio is relatively unchanged at 3.7 years. And the portfolio yield improved to 4.3%.

While our portfolio consists primarily of investment grade fixed income securities, our $210 million allocation to preferred shares and common equities have attractive pre-tax equivalent dividend yields which average over 5.5%. In addition, our common equities also offer capital gains potential as reflected by their strong unrealized gain positions at the end of the quarter.

Our active investment portfolio management is ongoing, and we will continue to adjust our portfolio mix to take advantage of rising rates as we reinvest the $400 million from bond maturities during the remainder of 2011.

In summary, our balance sheet remains strong with $1.8 million in unearned premiums, $2.6 million of shareholders equity, and a book value per share of $24.79.

I'll now turn it over to Brian for the wrap-up. Brian?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Thanks, Phil. Before we go to our question-and-answer period, let me summarize what we're focused on going forward this year. We remain positive about the Canadian mortgage market and our outlook for the remainder of this year and beyond.

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That said, the year will come with some challenges from a macroeconomic perspective. Interest rates will likely increase, pressuring affordability, and home price will likely be flat in our segment of the market. However, we're confident about our position and are optimistic about the opportunities ahead of us.

We've made good progress in terms of market penetration, as demonstrated by our increase in premiums written. Our risk management discipline has demonstrated that we can weather varying economic environments. We will continue to seek opportunities for enhanced customer service, and we will continue to invest in the business to ensure we provide maximum value to our lender partners.

We will look prudently for opportunities to enhance investment portfolio yield while balancing quality. And, finally, we will operate at an efficient capital structure, which enhances shareholder value, yet ensures we have the financial flexibility to support our growth initiatives, maintain strong credit ratings, and to optimize returns. Through our proven business execution, we're confident in our ability to continue to deliver value to our customers and investors.

Thanks for your attention this afternoon, and I'll now turn the call back to Samantha to begin the Q&A period.

Samantha Cheung - *Genworth MI Canada Inc. - Vice President, Investor Relations*

Thank you, Brian. Thank you all for listening to the formal part of our remarks. We kindly ask you to limit your questions to no more than two questions each in order to allow everyone to ask their questions. You may reenter the queue, and if there is time available to ask your follow-up questions.

Operator, please open up the call for questioning. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

And your first question comes from the line of Jason Bilodeau from TD Newcrest. Your line is open.

Jason Bilodeau - *TD Newcrest - Analyst*

Thanks. Good afternoon, guys. A couple things, first just noting in the sub pack there is a bit of divergence between paid claims and the reserves. And then maybe more importantly, sort of the average paid claim versus the average reserve. Can you maybe remind me how you ballpark the reserves that you want to have, and is that maybe a reflection of your confidence in the credit picture going forward?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Jason, thanks for the question. I'll let Philip handle that one.

Philip Mayers - *Genworth MI Canada Inc - CFO*

Okay, Jason, the higher claims paid number for the quarter really reflects the mix of the settlements that we did in the quarter. There was a higher proportion of Alberta files, and as you would expect, they have a higher severity of loss, both because they're

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higher, typically higher than average loan amounts, but also the home price depreciation that we see in that market resulted in higher claim severity.

So really, what you're seeing in claims paid is the mix. When you flip over to reserves, what we're seeing on the average reserve is the number of claims in Ontario and Quebec that we estimate a loss on are less than one-third of the reported delinquencies. So the fact that you've got a lot of delinquencies in Ontario and Quebec that are not expected to result in a loss, that's going to pull down your average reserve for delinquency.

So, it's really two tales. One is a claims paid mix issue, where there's a higher proportion of Alberta claims being settled in the quarter. And the second is on the delinquencies, you have Ontario and Quebec, where the house prices haven't recovered, that the likelihood of a loss is much lower, and therefore, it's pulling down the average reserve for delinquency.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Jason, on that dynamic in Alberta Phil described, it's one of those instances where I'd say we're fleshing through some of the more problem loans and problem properties up front. So, this is a bit of a bump. I think that we could market things a little more difficult to move is what we're seeing the biggest severity and the higher claim size on.

Jason Bilodeau - *TD Newcrest - Analyst*

Right, so I follow all that. And so, I think my conclusion was kind of still right in that going forward, you've got a little bit more comfort around the mix of the loss experience.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

I think that's a fair conclusion, yes.

Jason Bilodeau - *TD Newcrest - Analyst*

And then just one more on this, and I appreciate all the color you've given us, but on the seasonality effect, if I look at what we saw last year Q1 to Q2, was that a fairly typical step function down from what you saw last year in Q1 to the second quarter? Is that the type of magnitude I should be thinking about this year?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Yes, if you look over a long cycle, yes, you will see -- I think last year would be somewhere in the middle of that cycle. I mean, you know the drill. They're very, very small, slow months, Jan/Feb, starts to come back with the spring markets, starts to come back with the weather.

So, yes, we're -- over a ten-year cycle or a five-year cycle, it may look a little bit different, but the direction and the magnitude that we experienced last year is similar.

Jason Bilodeau - *TD Newcrest - Analyst*

Okay, that's what I need. Thanks, guys.

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Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Thanks, Jason.

Operator

Your next question comes from the line of Tom Mackinnon from BMO Capital. Your line is open.

Tom Mackinnon - *BMO Capital - Analyst*

Thank you very much. Good afternoon, everyone. Couple questions, one for Brian, then one for Peter. Brian, I was wondering if you could just walk us through your thinking of regarding the decision to buy back the stock. You don't have a normal course issuer bid. Their stock isn't considerably liquid.

Would you consider doing a Dutch auction again? And why not increase the dividend? I just kind of want to go through some of the thought that you had with the Board in making this decision.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

First, we went through the exercise looking at our strong capital base, which is well in excess of our regulatory requirements. When you look at those big books, like the '07 book, for example, throwing off significant capital is really hard to redeploy in small origination markets like we're experiencing.

And our top line, just because of limited opportunity because of market size, is eating up less capital. So, we looked at uses. We wanted to make sure we had enough to grow the business and return some, and we're keeping the flexibility to look at our normal dividend also.

So, I'll tell you. In general, the repurchase of shares represents an attractive investment for us now. The positive movement on EPS and ROE is good. We always continue to keep capital to pursue foreseeable business opportunities and growth. And this also gives the shareholders an opportunity to realize all or portion of their investment in the company.

So it had many attributes, and we went through a rigorous debate with the Board, but I'd say that'd be the snapshot summary.

Tom Mackinnon - *BMO Capital - Analyst*

And when can we expect to see this, and what form would it take?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

I would say that what we saw last year may be a similar undertaking than what we'll see this year, so similar type of process. And you'll see it over the upcoming months.

Tom Mackinnon - *BMO Capital - Analyst*

Okay, thank you. And then, Peter, you talk about -- or the release talks about improving market penetration. And I was wondering if you could shed any color in terms of market share gains. I know these are tough to measure, but how you might be able to measure them, what you're hearing anecdotally, and how you think we should try to track it.

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Peter Vukanovich - *Genworth MI Canada Inc - EVP & Corporate Development Director*

Hey, Tom, it's Peter. I got a bit of a cold here today so you -- I have to apologize. In general, I mean, market share is not easy to track from any statistical source other than looking backwards. So we do it in conjunction in discussions with each lender, and when we walk through with them on a monthly basis, they're able to tell us where they are relative to our competitors.

We don't get into specifics by lender, as you know, but we're feeling pretty good about things. And we've had a couple of big lenders moving our way recently. So that's helped a lot.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

You know because of the interim reporting nature, Tom, we just go through a pretty disciplined process of getting feedback from our customers. We poll them. We schedule face time every month to find out how we're doing. As you know some track their share rotation better than others. We do quarterly surveys and also collect a regular voice of the customer rhythm from them.

So we try to marry five or six different, I'd say, polls to gain if we're -- our market share position, the best we can do between annual reporting numbers from our competitor.

Tom Mackinnon - *BMO Capital - Analyst*

Can you take a stab about what you think your market share might be in your targeted markets?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

It's about north of 30%.

Tom Mackinnon - *BMO Capital - Analyst*

Oh, you think it's north of 30%? Okay, thanks for that. And then one final thing with respect to Alberta. If I look kind of quarter over quarter, the delinquency rates you have in Alberta actually came down a little bit. And if the quarter over quarter housing prices actually for the CBA -- or it might be increased actually in Alberta.

So to me, that suggests that the -- going forward, there's got to be signs of some improvement in Alberta going forward. Is that -- am I reading that correctly?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Yes, you are. And we're already starting to see that with our more current delinquencies and current activity in Alberta. I mean, it was an interesting mix of elements that drove some trouble to that market. All of it pretty much happened in the second half of 2010, but now we're seeing consumer confidence come back, home prices starting to stabilize a bit.

Delinquency is coming down, as confidence comes back, and the job market is starting to rebound a bit. So it was a blip. But we're seeing some signs that it could be back on track this year.

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Tom Mackinnon - *BMO Capital - Analyst*

Okay. Thanks very much.

Operator

Your next question comes from the line of Chris Giovanni from Goldman Sachs. Your line is now open.

Chris Giovanni - *Goldman Sachs - Analyst*

Thanks so much. Just a question in terms of the regional rate delinquency data. And obviously in the Ontario region seeing significant declines in delinquency rate given it's the biggest piece of the book. You commented a lot on Alberta. But it looks like most other regions are seeing deterioration in the delinquency rate on a year-over-year basis, in particular.

So to know -- if there's anything else going on there that you can comment and then certainly why the success or in terms of Ontario, where it (inaudible) that we haven't seen in a number of years.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Okay, Chris, thanks for the question. Philip, do you want to take this?

Philip Mayers - *Genworth MI Canada Inc - CFO*

Yes, I think, Chris, generally speaking, we're going to expect to see delinquency rates rise in the winter months. It's primarily because the real estate market slows down, so even if you have delinquencies, it tends to take a little longer for them to work through the pipeline. Ontario in particular though, the housing markets remain rather robust, and from a winter perspective, it wasn't that harsh a winter.

So certainly we've seen a lot of economic strength in Ontario. We've seen a very healthy real estate market. It's still a balanced market, perhaps a little tilted towards a seller's market. So I think Ontario certainly fared very well through the winter months, but if you get down east or back where the prairie provinces, winter has a bigger impact on the housing markets in those markets.

So we really attribute it more to seasonality than any fundamental underlying shift in the performance of those portfolios.

Chris Giovanni - *Goldman Sachs - Analyst*

So was the weather, then, worse this winter season than it was last, if I'm looking on a year-over-year basis in those other regions?

Philip Mayers - *Genworth MI Canada Inc - CFO*

Well, I think one of the things to remember about last year was we had some mortgage rule changes that took effect in April. And because of also harmonized sales tax in a couple of provinces, there was a very strong real estate market across the country as people tried to buy ahead of the mortgage tightening.

So last year's dynamic was a pull forward of volumes from the second half. If you track volumes, the third quarter last year was a very slow real estate market, while this year we're expecting a more normal pattern with a slower market during the winter

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months. Maybe a little bit of pickup in the second quarter, but not as big a drop-off in the third quarter as we saw last year. So I think part of it was that that was the other factor that played into last year, Chris.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Yes, I think last year was the anomaly. Last year's delinquency rate was muted a bit because of that pull forward. This year what we're seeing will be more typical over a longer cycle -- let's say a five-year cycle.

Chris Giovanni - *Goldman Sachs - Analyst*

Okay. Thanks so much, very helpful.

Operator

Your next question comes from the line of Evan Minsky from Canaccord Genuity. Your line is now open.

Evan Minsky - *Canaccord Genuity - Analyst*

Yes, good afternoon. Thanks for taking my questions. Firstly, just looking at the delinquencies by vintage, what are your expectations surrounding the 2008 book peaking?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Philip, do you want to take it?

Philip Mayers - *Genworth MI Canada Inc - CFO*

Yes, well, I think we believe that 2008 book is in the process of peaking. Certainly claims peaked somewhere in the year three to four, and the 2008 book is in the midst of that. Certainly, there's a little bit of the noise as it's bounced around, but we would expect that it's peaking in 2011.

Evan Minsky - *Canaccord Genuity - Analyst*

Great, thanks.

Operator

Your next question comes from the line of Paul Holden with CIBC. Your line is open.

Paul Holden - *CIBC - Analyst*

Yes, good afternoon. First question is regarding premium growth. If we use some of your public disclosure from the AIF, we can see a breakdown by Big Five banks, mortgage, loan, and trust companies, regional lenders. And it looks like the most rapid growth is coming with the mortgage loan and trust companies. Maybe you can provide a little more color on that segment of the market and growth you're obtaining there.

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Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Yes, that's a segment of market that we do quite well with, so our share that our market position is strong with them, but I'll also say that it's a segment that's gaining some traction.

As you may recall over the last few years when there was some more pressure on the financial industry and pressure on the banks, those guys had some funding challenges in that segment. So they lost some volume. They lost some traction that they had built up in '07 and '08.

And that they now, with alternative funding sources, for that market, they're coming back. So it's a combination of us having a strong position there, and a combination of them gaining some traction in the marketplace.

Paul Holden - *CIBC - Analyst*

Okay, great. And then, second question is related to BC. Most of the discussion this quarter has been Alberta, but Vancouver market's another central area of concern. Maybe you can provide us with your latest outlook for that housing market and delinquencies there.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Yes, you're right. It's a market that we're watching, and it's a market that I'd say you need to address in two clear segments. One is the high end of the market, which is the most expensive market in Canada, as you know. We are seeing some rather rapid increases in some home prices there.

I think a big piece of it is due to the dynamic that we're seeing in the marketplace, a lot of offshore money coming in, paying cash on high-end detached homes, which is lifting up that higher end segment of the market. So on that piece of the market, we will anticipate a price correction over the next few years, probably a modest one is our estimate of 3% to 5% range.

But as you also may recall, our average price is about 30% less than the average market. So in the middle market that we play, the average property value is about $450,000. Or that's the average loan amount, just over $400,000. That seems to be holding up. The supply and demand is holding up well. We will anticipate some trickle down effect when there is some correction in the top end of the market.

Whenever that happens, this year or next, but our view is that it'll flatten our component of the market. We won't have any home price depreciation impact. Still a big demand there, still good inventory returns, generally healthy, but a market to watch.

Paul Holden - *CIBC - Analyst*

Got it. Okay, thanks. And I'll sneak in one last one if I may. That's maybe an update on growth initiatives beyond your traditional mortgage underwriting business. Pick the different extensions you're looking to tack onto that in terms of revenue generating opportunities.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Yes, that's something that we're still very active and very focused within the business. As you know, we put some resources on that to help make it a reality. But it's still early. We're looking at service offerings to see if we can make ourselves a little stickier, to differentiate ourselves from the marketplace, and to help out our lender base, for example. And we're also looking at some other things we can do.

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So active, turning over a lot of rocks, casting a pretty broad and wide net, but not ready to either make a decision and focus and certainly not ready to declare. We have a little bit more work to do here in the second quarter.

Paul Holden - *CIBC - Analyst*

All right. Thanks so much.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

All right, Paul.

Operator

Your next question comes from the line of Jeff Fenwick with Cormark Securities. Your line is open.

Jeff Fenwick - *Cormark Securities - Analyst*

Hi, good afternoon. A couple more questions for you. I noticed in '05 this quarter you gave us a little more detail on losses on claims and including some details on how they change just in case reserves and IBNR factored into the quarter here.

So maybe if you could comment on that. And noticing here, it looks like a favorable change on those reserves of about $6.1 million. Now should we be viewing that as effectively favorable development out of your book, or is there some other factor in there?

Philip Mayers - *Genworth MI Canada Inc - CFO*

I think, Jeff, what we've done is broken down the components of our losses on claims incurred. And really the components are the change in the outstanding reserve, and then what we paid in claims. I wouldn't view the $6 million as favorable development. It's more kind of the change from December to the end of March.

What you'll note in the quarter is that what our claims paid compared to prior quarters was higher, and that really reflects the efficiency in our loss mitigation operation where we've put a very special focus on moving properties quicker because if we can sell them quicker, it reduces the interest cost, and it also reduces the carrying cost as it relates to property management fees and things of that nature.

So, I think the granularity is more breaking it down between change in reserve and claims paid. But I would not interpret that to be favorable development.

Jeff Fenwick - *Cormark Securities - Analyst*

Okay, thank you for that detail. And secondly, I listened in on the Genworth financial call this morning, and there was a bit of discussion there around different options they have for helping to place greater capital into their US MI business there.

And one of the points that came up during the call is the possibility of taking some securities from your operation here in Canada to help support the losses that are being -- that are happening down in the US.

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Can you just give us a little color on what actually is involved with that, and are you aware of those kind of discussions? And how does that factor into your balance sheet and your risk profile?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Yes, Jeff. Two comments. First of all, the capital and the securities that we have dedicated to this business are dedicated to this business. So -- and that's a regulatory requirement from OSFI. We do operate independently as you well know, so there's no way that they could get access to securities.

Now they are the majority shareholder. And they do own a significant piece of MIC Canada. They could position those securities within their entities in the States still owned by Genworth. I'm not sure what their plans may be there. But, no, the capital and the securities that we have within our business are dedicated to our Canadian business.

Philip Mayers - *Genworth MI Canada Inc - CFO*

And maybe if I may, I think the comments on the call on the Genworth call were intended to indicate that Genworth can allocate a portion of their share ownership to their MI business in the US. It was not intended to imply that they could have access to the investment portfolio of the Canadian business.

Jeff Fenwick - *Cormark Securities - Analyst*

Okay, great. I just wanted to confirm that. Thanks for that clarification.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Thanks, Jeff.

Operator

(Operator Instructions)

Your next question comes from the line of Bryan Brown with Macquarie Capital. Your line is open.

Bryan Brown - *Macquarie Capital - Analyst*

Good afternoon. The $160 million share repurchase, would you guys have to access the -- some funding to do so, and what kind of rate would be attached to any funding cost?

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

Hey, Bryan. No, we would not have to access funding. We have $210 million of holding company cash, which would be the support mechanism for the share buyback. So we're ready to go.

Bryan Brown - *Macquarie Capital - Analyst*

Okay, thanks. And in terms of the tax rate, it's been below 30% for some time now. What kind of rate do you see going forward?

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Philip Mayers - *Genworth MI Canada Inc - CFO*

It's Phil, Bryan. We estimate that our effective tax -- that our statuary tax rate is around 28%, just marginally lower than that. Certainly, that's based on the provincial mix of our business. Certainly, there is an Ontario tax rate that may go down July 1. If there are no changes, that would impact our rate going forward. But we see our statuary rate at 28% for this year, perhaps stepping down the second half if the Ontario reduction takes effect July 1.

Bryan Brown - *Macquarie Capital - Analyst*

Okay, great. Thanks. And that's it.

Brian Hurley - *Genworth MI Canada Inc - Chairman & CEO*

All right, Bryan. Thank you.

Operator

Since there are no further questions, this concludes today's conference call. Thank you for your participation in the Genworth MI Canada Inc. 2011 First Quarter Earnings Conference Call. You may now disconnect.

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