

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF DELAWARE**

IN THE MATTER OF:)
)
The Form A Statement Regarding the Acquisition of)
Control of Genworth Life Insurance Company, an)
indirect subsidiary of Genworth Financial, Inc., by)
Zhiqiang Lu; Tohigh Holdings Co., Ltd.; Oceanwide)
Group Co., Ltd.; China Oceanwide Holdings Group)
Co., Ltd.; Oceanwide Holdings Co., Ltd.; Oceanwide)
Capital Investment Management Group Co., Ltd.;)
Wuhan CBD Development & Investment Co., Ltd.;)
Tohigh Holdings Development Limited; Tonghai)
International Group Investment Limited; Asia Pacific)
Global Capital Co., Ltd.; Asia-Pacific Universe)
Investment (Hong Kong) Limited; Asia Pacific)
Insurance Holdings Limited; Asia Pacific Global)
Capital Limited; and Asia Pacific Insurance USA)
Holdings LLC)

Docket No. 3346-2016

FINAL ORDER AND DECISION

Pursuant to 18 *Del. C.* § 5003 and 29 *Del. C.* § 10128, this is the final order and decision in the captioned matter on an application made to the Delaware Department of Insurance (the “Department”) pursuant to 18 *Del. C.* § 5003(a).

On December 8, 2016, Zhiqiang Lu, Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd., China Oceanwide Holdings Group Co., Ltd., Oceanwide Holdings Co., Ltd., Oceanwide Capital Investment Management Group Co., Ltd., Wuhan CBD Development & Investment Co., Ltd., Asia Pacific Global Capital Co., Ltd., Asia-Pacific Universe Investment (Hong Kong) Limited, Asia Pacific Insurance Holdings Limited, Asia Pacific Global Capital Limited and Asia Pacific Insurance USA Holdings LLC (formerly Asia Pacific Insurance USA Holdings Corporation) (collectively, the “Initial Applicants”), filed a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the “Initial Form

A”) for review by the Delaware Department of Insurance (the “Department”) of their proposed acquisition of Genworth Life Insurance Company (the “Proposed Acquisition”), a Delaware domiciled stock insurance company (the “Domestic Insurer”). On May 24, 2018, the Initial Applicants filed an Amended and Restated Form A Statement Regarding the Acquisition of Control or Merger with the Domestic Insurer (the “Amended and Restated Form A”). On September 6, 2018, September 27, 2018 and October 26, 2018, supplements to the Amended and Restated Form A were filed with the Department (collectively, the “Supplements” and, together with the Initial Form A and the Amended and Restated Form A, the “Form A Statement”) to, among other things, add Tohigh Holdings Development Limited and Tonghai International Group Investment Limited (jointly, the “New Applicants” and, together with the Initial Applicants, the “Applicants”) as applicants.

In accordance with 18 *Del. C.* § 5003(d) and 29 *Del. C.* § 10125, and following public notice in accordance with 18 *Del. C.* § 5003(d)(2) and 29 *Del. C.* § 10124, a public hearing on the application was held on November 28, 2018 (the “Hearing”) before Stephen P. Lamb, Esquire, who was appointed as the Hearing Officer in this matter pursuant to 18 *Del. C.* § 5003(d)(3) and 29 *Del. C.* § 10125 by Order dated November 20, 2018. The appearances of counsel and the parties and their representatives are set forth in the Proposed Order and Recommendations of Hearing Officer, Stephen P. Lamb, dated December 14, 2018 (the “Proposed Order and Recommendations”). A copy of the Proposed Order and Recommendations is attached hereto as Exhibit A.

On December 14, 2018, the Proposed Order and Recommendations was served on counsel of record for the parties. All parties have waived the balance of the twenty-day

comment period to allow for the expeditious consideration of the Form A Statement. There are no other parties in interest.

Findings of Fact and Conclusions of Law

The findings of fact and conclusions of law contained in the Proposed Order and Recommendations appear well reasoned and amply supported by the summary of evidence contained therein, and the testimony and exhibits introduced into evidence at the Hearing. The summary of evidence, findings of fact and conclusions of law contained in the Proposed Order and Recommendations are incorporated by reference and adopted herein in their entirety, as are the defined terms set forth therein.

Decision

For the reasons set forth above, the Form A Statement of the Applicants to acquire control of Genworth Life Insurance Company, a Delaware domiciled insurance company, is hereby **APPROVED**, subject to the following conditions which are intended, among other things, to ensure satisfaction of the terms of the Proposed Acquisition including, without limitation, the timely payment of any and all amounts due pursuant thereto:

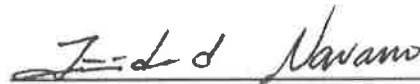
1. The Applicants' receipt of all required regulatory approvals of other jurisdictions to effect the Proposed Acquisition;
2. The Applicants and the Domestic Insurer shall agree and commit to the Department's customary ongoing monitoring plan for the Domestic Insurer (the "Monitoring Plan"), which the Department regularly develops and implements for every insurer regulated by the Department, which will include appropriate teams from the Applicants, the Domestic Insurer and the Department, including any professional advisors as determined by the

Department, to regularly monitor, evaluate and report on the key aspects of the Domestic Insurer's operations, with all fees, costs and expenses associated with such Monitoring Plan to be paid by the Domestic Insurer. The parties shall convene a meeting for the purposes of discussing the specific terms of the Monitoring Plan within ninety (90) days of the closing of the Proposed Acquisition;

3. Any future dividends from the Domestic Insurer must receive prior written approval from the Department; and
4. Any and all changes to any term or condition of the Proposed Acquisition or any other documents relating to the Domestic Insurer and the change of control (as documented in the Form A Statement), must first receive the prior written approval of the Department.

It is specifically noted that the above approval is based on the structure and terms of the transaction as reflected in the documents submitted in connection with the Proposed Acquisition, including, without limitation, the \$375 million increased liquidity to the Domestic Insurer which will provide a direct and significant benefit to the Domestic Insurer and its policyholders.

SO ORDERED, this 21st day of December, 2018.



Trinidad Navarro
Insurance Commissioner

EXHIBIT A

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF DELAWARE**

IN THE MATTER OF:)
)
**The Form A Statement Regarding the Acquisition)
of Control of Genworth Life Insurance Company)
by Zhiqiang Lu, Tohigh Holdings Co., Ltd.,)
Oceanwide Group Co., Ltd., China Oceanwide)
Holdings Group Co., Ltd., Oceanwide Holdings)
Co., Ltd., Oceanwide Capital Investment)
Management Group Co., Ltd., Wuhan CBD)
Development & Investment Co., Ltd., Tohigh)
Holdings Development Limited, Tonghai)
International Group Investment Limited, Asia)
Pacific Global Capital Co., Ltd., Asia-Pacific)
Universe Investment (Hong Kong) Limited, Asia)
Pacific Insurance Holdings Limited, Asia Pacific)
Global Capital Limited, and Asia Pacific Insurance)
USA Holdings LLC)**

Docket No. 3346-2016

**PROPOSED ORDER AND RECOMMENDATIONS OF
HEARING OFFICER, STEPHEN P. LAMB**

On December 8, 2016, Zhiqiang Lu, Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd., China Oceanwide Holdings Group Co., Ltd., Oceanwide Holdings Co., Ltd., Oceanwide Capital Investment Management Group Co., Ltd., Wuhan CBD Development & Investment Co., Ltd., Asia Pacific Global Capital Co., Ltd., Asia-Pacific Universe Investment (Hong Kong) Limited, Asia Pacific Insurance Holdings Limited, Asia Pacific Global Capital Limited and Asia Pacific Insurance USA Holdings LLC (formerly Asia Pacific Insurance USA Holdings Corporation) (collectively, the "Initial Applicants") filed a Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Initial Form A") for review by

the Delaware Department of Insurance (the "Department") setting forth their intent to acquire control (the "Proposed Acquisition") of Genworth Life Insurance Company, a Delaware domiciled stock insurer (the "Domestic Insurer").

On May 24, 2018, the Initial Applicants filed an Amended and Restated Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Amended and Restated Form A").

On September 6, 2018, September 27, 2018 and October 26, 2018, supplements to the Amended and Restated Form A were filed with the Department (collectively, the "Supplements" and, together with the Initial Form A and the Amended and Restated Form A, the "Form A Statement") to, among other things, add Tohigh Holdings Development Limited and Tonghai International Group Investment Limited (jointly, the "New Applicants" and, together with the Initial Applicants, the "Applicants") as applicants. Exhibit ("Ex.") 1, Form A Statement.

On November 20, 2018, I was appointed hearing officer ("Hearing Officer") for this matter pursuant to 29 *Del. C.* § 10125. Ex. 2, Order Appointing Hearing Officer. In accordance with 29 *Del. C.* ch. 101 and 18 *Del. C.* § 5003, a hearing was held before me on November 28, 2018 at 9:00 a.m., at the Kent County Courthouse, 414 Federal Street, Dover, Delaware 19901 (the "Hearing"). The purpose of the Hearing was to present the proposed change of control of the Domestic Insurer by the Applicants from which I am to make recommendations to the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware (the "Commissioner") as to whether the proposed change of control satisfies the requirements and statutory criteria of 18 *Del. C.* § 5003 and 29 *Del. C.* § 10128.

Counsel appearing at the Hearing on behalf of the Applicants were: Fredric Marro, Esq., John Schreppler II, Esq. and Scott C. Riley, Esq., of Fredric Marro and Associates; and Marion C. Leydier, Esq. and Brian T. Frawley, Esq., of Sullivan & Cromwell LLP.

Counsel appearing at the Hearing on behalf of the Domestic Insurer were: Daniel A. Dreisbach, Esq. and William A. Yemc, Esq., of Richards, Layton & Finger, P.A.; and Allison J. Tam, Esq. and Christopher J. St. Jeanos, Esq., of Willkie Farr & Gallagher LLP.

Counsel appearing at the Hearing on behalf of the Department were: Kathleen Makowski, Esq., Deputy Attorney General assigned to the Department; James J. Black, III, Esq., of Black & Gerngross, P.C.; and Neil B. Glassman, Esq. and GianClaudio Finizio, Esq., of Bayard, P.A.

I. The Evidentiary Record

The evidentiary record in this matter consists of the documents admitted into evidence as well as the sworn testimony of Thomas J. McInerney ("Mr. McInerney"), Xiaoxia Zhao ("Mr. Zhao"), Harry D. Dunn ("Mr. Dunn"), Kelly L. Groh ("Ms. Groh"), John D. Apostle II ("Mr. Apostle"), and David Lonchar ("Mr. Lonchar" and, together with Mr. McInerney, Mr. Zhao, Mr. Dunn, Ms. Groh and Mr. Apostle, the "Witnesses"). Eighteen exhibits were entered into the record at the Hearing including the Form A Statement. Transcript of November 28, 2018 Hearing ("Tr.") 19:2-22:18. The list of admitted exhibits is attached hereto as Annex A.

Mr. McInerney is the President, Chief Executive Officer and a director of Genworth Financial, Inc., a Delaware corporation ("Genworth"). Mr. McInerney is also a Senior Vice President of the Domestic Insurer and the Chairman of its Board of Directors. Tr. 24:16-23, 25:9-12; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 1, p. 1.

Mr. Zhao is a Director and General Manager of Asia Pacific Global Capital Co., Ltd ("Asia Pacific"). Mr. Zhao is also a Director of Oceanwide Holdings Co., Ltd. ("Oceanwide Holdings") and Wuhan CBD Development & Investment Co., Ltd. ("Wuhan"). Tr. 52:24-53:11; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 1, p. 1.

Ms. Groh is the Executive Vice President and Chief Financial Officer of Genworth and a Senior Vice President of the Domestic Insurer. Tr. 79:11-20; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 1, p 1.

Mr. Dunn is an employee of Genworth and a Vice President of and the Appointed Actuary for the Domestic Insurer, Genworth Life and Annuity Insurance Company, a Virginia domiciled insurer and subsidiary of the Domestic Insurer ("GLAIC"), and Genworth Life Insurance Company of New York ("GLICNY"). Tr. 71:16-72:3; Ex. 9, Pre-Filed Testimony of Mr. Dunn, Question 1, p. 1.

Mr. Apostle is the Chief Compliance Officer and Security Officer of Genworth. Tr. 85:13-24; Ex. 11, Pre-Filed Testimony of Mr. Apostle 11, Question 1, p. 1.

Mr. Lonchar is the Director of the Bureau of Examination, Rehabilitation and Guaranty ("BERG") of the Department. Tr. 90:23-91:6; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 1.

Mr. Zhao testified on behalf of the Applicants. Mr. McInerney, Ms. Groh, Mr. Dunn and Mr. Apostle testified on behalf of Genworth and the Domestic Insurer. Tr. 26:15-27:8, 53:12-14, 73:23-74:5, 81:7-13, 87:1-10. Mr. Lonchar testified on behalf of the Department. Tr. 91:2-6, 92:12-22, 97:11-21. The Applicants, the Domestic Insurer and the Department recommend approval of the transaction. Tr. 50:5-51:1, 70:2-21, 118:20-119:9.

The Witnesses' testimony took the form of oral testimony at the Hearing, as well as pre-filed written testimony which was included as part of the evidentiary record at Exhibits 6 through

11. Each of the Witnesses affirmed and acknowledged during their oral testimony that their pre-filed written testimony was accurate and complete to the best of their knowledge and recollection and that the statements contained in their pre-filed testimony remained unchanged. Tr. 27:14-28:7, 54:6-55:6, 74:6-21, 81:14-82:6, 87:11-88:2, 91:7-16.

The following is my proposed order and recommendations issued pursuant to 29 *Del. C.* §10126 concerning the proposed acquisition of control of the Domestic Insurer by the Applicants.

II. Findings of Fact

The Domestic Insurer

1. The Domestic Insurer is a Delaware domiciled life and health insurance company. *See* Ex. 1, Amended and Restated Form A; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.
2. The insurance products offered by the Domestic Insurer include a legacy block of long-term care insurance ("LTC"). Tr. 32:24-33:9; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 7, p. 4.
3. The Domestic Insurer is currently an indirect, wholly-owned subsidiary of Genworth. Ex. 1, Amended and Restated Form A, p. 2.
4. Genworth is a holding company whose common stock is traded on the New York Stock Exchange under the symbol "GNW". Ex. 1, Amended and Restated Form A, p. 2.
5. Genworth is, and has been, in a difficult long-term financial position because of the deterioration of its legacy block of LTC business and outstanding debt obligations. Tr. 32:24-33:9; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 7, p. 4.

The Applicants

6. Zhiqiang Lu ("Mr. Lu") is an experienced high-net-worth Chinese investor with a portfolio of diversified financial holding companies, including China Oceanwide Holdings Group Co., Ltd. ("CO Holdings"). Mr. Lu is the ultimate controlling person of the Applicants (together, "China Oceanwide"). Tr. 55:7-56:4; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 8, p. 4.

7. CO Holdings is an international financial holding group with interests in financial services, real estate, banking, trusts, insurance, energy, hotels, culture & media, technology and other strategic investments. It is the main diversified financial holding company of Mr. Lu. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 8, p. 5.

8. Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. ("Oceanwide Group") have limited business activities of their own, including holding certain real estate assets; their main asset consists of their shareholdings in CO Holdings. *Id.*

9. The other Applicants, Tohigh Holdings Development, Ltd. ("Tohigh Development"), Tonghai International Group Investment Limited ("Tonghai Investment"), Asia Pacific, Asia Pacific Universe Investment (Hong Kong) Limited, Asia Pacific Insurance Holdings Limited ("Asia Pacific Insurance"), Asia Pacific Global Capital Limited, Asia Pacific Insurance USA Holdings LLC and Asia Pacific Global Capital USA Corporation ("Merger Sub"), are recently formed holding companies that do not currently have any operations. *Id.*

10. The China Oceanwide corporate group is a private enterprise that is ultimately controlled by Mr. Lu. Certain Chinese state-owned companies own minority interests in Oceanwide Holdings' shares, purchased in the public markets, but these stakes are insignificant

and confer no special vote or control. Mr. Lu and his immediate family members are not government officials, and the China Oceanwide entities are not entitled to, and do not receive, any government subsidies or sovereign immunity. Tr. 56:5-24; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 8, p. 4, Question 9, p. 5, Question 10, p. 7, Question 11, p. 7.

The Form A Application

11. The Applicants filed the Initial Form A regarding the Proposed Acquisition with the Department on December 8, 2016. Ex. 1, Initial Form A.

12. The Applicants filed the Amended and Restated Form A relating to the Proposed Acquisition with the Department on May 24, 2018. Ex. 1, Amended and Restated Form A.

13. The Supplements were filed with the Department by the Applicants on September 6, 2018, September 27, 2018 and October 26, 2018. Ex. 1, Supplements.

The Transactions that Effect the Change of Control

14. Mr. Lu and the other Applicants controlled by Mr. Lu will directly and indirectly acquire all of the common stock of Genworth, and thus control of the Domestic Insurer. Ex. 1, Amended and Restated Form A, pp. 2-3.

15. Merger Sub, an entity controlled by Mr. Lu, will merge with and into Genworth. *Id.*

16. Genworth will survive this merger (the "Merger") as a privately held company under the ultimate control of Mr. Lu. *Id.*

17. The Applicants will pay approximately \$2.7 billion at closing as consideration for Genworth's outstanding capital stock, and will make post-closing capital contributions totaling

\$1.5 billion to Genworth between the consummation of the Merger and March 31, 2020 to further improve Genworth's financial stability. Ex. 1, Supplement to Amended and Restated Form A, dated September 6, 2018, pp. 2 and 5; *see also* Sixth Waiver attached as Exhibit 1(b) to Ex. 1, Supplement to Amended and Restated Form A, dated September 6, 2018, p 3.

18. In connection with the Proposed Acquisition, Genworth and the Applicants have agreed that Genworth Holdings, Inc. ("Genworth Holdings"), or one of its affiliates, will contribute \$175 million to the Domestic Insurer (the "\$175M Contribution"). Ex. 1, Supplement to Amended and Restated Form A, dated October 26, 2018, p. 2; *see also* contribution letter attached as Exhibit B to Ex. 1, Supplement to Amended and Restated Form A, dated October 26, 2018.

19. This \$175 million previously had been committed by Genworth to be used as partial consideration for the sale of GLAIC by the Domestic Insurer (the "Unstacking"), which the parties decided not to pursue. Tr. 28:19-30:14; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 5, p. 3; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 5, p. 3.

20. Because the Unstacking was not pursued, the Domestic Insurer will continue to own GLAIC and will retain any future value associated with that ownership. Tr. 28:19-30:14; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 5, p. 3.

21. The \$175M Contribution will be contributed in three equal tranches, with the first tranche completed before the end of March 2019, the second tranche completed before the end of September 2019 and the final tranche completed by the end of January 2020. Tr. 30:15-21; Ex. 1, Supplement to Amended and Restated Form A, dated October 26, 2018, p. 2; *see also* contribution letter attached as Exhibit B to Ex. 1, Supplement to Amended and Restated Form A,

dated October 26, 2018; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 5, p. 3; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 5, p. 3.

22. Also in connection with the Proposed Acquisition, the Domestic Insurer will sell to GLAIC a 7.25% unsecured promissory note due March 31, 2020, issued by Genworth Holdings, as maker, and payable to the Domestic Insurer in the principal amount of \$200 million (the "Note"). Ex. 1, Supplement to Amended and Restated Form A, dated October 26, 2018, pp. 1-2; *see also* Note Purchase Agreement attached as Exhibit A to Ex. 1, Supplement to Amended and Restated Form A, dated October 26, 2018; Tr. 31:4-18; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 5, p. 3; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 5, p. 3.

23. As consideration for the sale of the Note, at the closing of the Proposed Acquisition, GLAIC will pay to the Domestic Insurer an amount in cash equal to the fair market value of the Note, which amount will be no less than \$200 million and no more than \$205 million, plus accrued and unpaid interest (the "\$200M Note Sale"). *Id.*

24. The Form A Statement describes the original funding structure ("Original Funding Structure"), which consists of all mainland China entities as funding sources, and a contingent funding structure ("Contingent Funding Structure"), which includes funding sources that are outside mainland China, for the Proposed Acquisition. Due to international economic and political developments, including Chinese foreign exchange controls, the Applicants may fund the approximately \$2.7 billion aggregate merger consideration to be paid at closing of the Proposed Acquisition through the Contingent Funding Structure. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 24, pp. 11-12.

25. Under the Original Funding Structure and the Contingent Funding Structure, entities controlled by Mr. Lu would provide 100% of the required equity funding for the

aggregate merger consideration in the form of equity contributions to Asia Pacific and, in the case of the Contingent Funding Structure, to its affiliate, Asia Pacific Insurance. Under the Contingent Funding Structure, in addition to equity funding, one or more bridge loans may be used to fund a portion of the merger consideration. *Id.*

26. Under no circumstances would interests in Genworth or any of its subsidiaries be used as security for any bridge loan, and repayment of the loans would not depend on any future dividends from Genworth or any of its subsidiaries. Tr. 68:21-69:2; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 25, p. 13.

The Proposed Acquisition Review

27. As part of the Proposed Acquisition review process, Genworth, and its financial advisors (including Goldman Sachs and Lazard), conducted due diligence on the Applicants, including confirming the Applicants' interest in and ability to consummate an acquisition of Genworth. Tr. 42:2-8; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 24, pp. 15.

28. The objective of the research performed by Genworth and its advisors was to evaluate whether the Applicants would be able to satisfy the informational and other requirements applied by applicable U.S. and non-U.S. regulators to persons seeking to acquire control of insurance companies. Tr. 44:5-12; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 24, p. 16.

29. Nothing uncovered in the course of this due diligence caused Genworth or its advisors to question the Applicants' suitability and ability to satisfy the requirements to acquire control of Genworth. Tr. 44:12-16; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 24, p. 16.

30. Genworth's original and ongoing due diligence of the Applicants supported the conclusion that the Applicants had the financial ability to pay both the \$2.7 billion purchase price for the Proposed Acquisition as well as the \$1.5 billion capital commitment after closing. Tr. 44:17-45:22.

31. BERG was responsible for review of the Form A Statement at the Department. Tr. 93:13-19, 97:14-21; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, pp. 3 and 6.

32. BERG's role was to review the Form A Statement, determine whether it complies with Chapter 50 of the Insurance Code, for compliance with Delaware Insurance Regulation No. 1801, and make a recommendation whether to approve the Form A Statement. Tr. 97:14-21; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 6.

33. Mr. Lonchar's role in this process was to oversee the financial analysts responsible for the review of the materials submitted with a Form A application. The analysts review the application to determine whether it complies with the requirements of 18 *Del. C.* § 5003(d). Tr. 96:4-18; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 5.

34. Mr. Lonchar has been involved in nearly 100 Form A application processes throughout his regulatory career. Tr. 96:19-23.

35. In this Form A application, Mr. Lonchar worked closely with the Department analysts assigned to review the Form A Statement, the Department's internal team of review experts, and the Department's outside experts retained specifically for this transaction, to undertake a comprehensive review of the documents and information provided by the Applicants. Tr. 96:8-18, 98:12-99:19; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 7.

36. The level of review and analysis of the Form A Statement was unprecedented for the Department. In addition to the review of the statutory criteria by the Department and its

experts, the Department also considered the effect of the transaction as a whole on the insurance buying public. In particular, the Department considered the \$375 million in increased liquidity to the Domestic Insurer as an immediate, direct and significant benefit to the Domestic Insurer and its policyholders. Tr. 114:16-115:9; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 18.

37. The Department also reviewed and analyzed the mitigation agreement (the "Mitigation Agreement"), entered into by Genworth, CO Holdings and the United States government, in connection with the review of the Proposed Acquisition by the Committee on Foreign Investment in the United States ("CFIUS"), to assure itself that the Department will continue to have unrestricted ability to access data as part of its ongoing regulatory oversight of the Domestic Insurer. Tr. 110:12-111:9; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 15.

38. Inquiry by the Department was also pursued to determine: (i) whether the Chinese accounting firms of the Applicants are legitimate entities independent of China Oceanwide, its affiliates and the Lu family; (ii) whether the accounting firms are competent and capable of providing accounting services to a large enterprise such as China Oceanwide and its affiliates; (iii) whether the overall reputation of the firms was satisfactory; and (iv) whether the Applicants are directly or indirectly owned or controlled in whole or substantial part by a government or government agency. Tr. 100:16-101:22; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, pp. 8 and 9.

39. With the assistance of its counsel, and the Department's experts, including Kroll, PricewaterhouseCoopers and Mazars, BERG reviewed thousands of pages of documents submitted by the Applicants and Genworth either on their own or in response to inquiries from the Department, its counsel or its experts, to confirm that the Proposed Acquisition would not violate any of the statutory criteria set forth in Section 5003(d)(1) of the Insurance Code. Tr. 99:20-101:22; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, pp. 8 and 9

40. The Department determined that the Form A Statement was complete under Section 5003(b) of the Insurance Code. Tr. 102:12-103:5; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 10.

Notice of the Public Hearing

41. Notice of the Hearing was published in *The News Journal* and the *Delaware State News* on October 31, 2018 and November 1, 2018. Ex. 3, *The News Journal* Affidavit of Publication; Ex. 4, *Delaware State News* Affidavit of Publication. Both are newspapers of general circulation.

42. In addition, on October 26, 2018, notice of the Hearing was posted on the Department's website and on the public meeting calendar for the State of Delaware. Ex. 5, Affidavit of Joanne Caiola.

43. Further, the Applicants and Genworth acknowledge that they received prior notice of the Hearing. Tr. 27:9-13; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 6, p. 4; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 35, p. 16.

The Six Statutory Standards Contained in Section 5003(d)(1)

44. The Department reviewed the application in light of each of the six statutory criteria contained in Section 5003(d)(1). Tr. 103:6-21; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 10. Pursuant to Section 5003(d), the Commissioner shall approve a proposed change of control unless, after a public hearing, he finds that any of the disqualifying elements described in Sections 5003(d)(1)(a)-(f) are present. 18 *Del. C.* § 5003(d)(1).

Section 5003(d)(1)(a) of the Insurance Code

45. Section 5003(d)(1)(a) of the Insurance Code provides that the first disqualifying element is that "[a]fter the change of control, the domestic insurer . . . would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed."

Testimony on Behalf of the Applicants

46. Regarding Section 5003(d)(1)(a) of the Insurance Code, Mr. Zhao testified that:
- a. The Domestic Insurer is currently licensed in the State of Delaware under a certificate of authority from the Department, subject to renewal annually. Tr. 57:1-8; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 38, p. 18.
 - b. Following the Proposed Acquisition, the Domestic Insurer will continue to satisfy the requirements for the issuance of a license to write the lines of business for which it is presently licensed. Tr. 57:9-12; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 38, p. 18.
 - c. Following the Proposed Acquisition, the Domestic Insurer will continue to maintain the requisite statutory deposit. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 39, p. 18.
 - d. The Domestic Insurer's capital and surplus is well in excess of the minimum requirements under Delaware law and that should not materially change in connection with the closing of the Proposed Acquisition. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 39, pp. 18-19.

- e. The Applicants do not believe that the Proposed Acquisition will affect the Domestic Insurer's ability to satisfy Delaware license requirements. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 39, p. 19.

Testimony on Behalf of Genworth and the Domestic Insurer

47. Ms. Groh testified that:

- a. Following the Proposed Acquisition, the Domestic Insurer will be able to satisfy the applicable licensing criteria under Delaware law. Tr. 83:1-11; Exhibit 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.
- b. As a Delaware life and health insurer, the Domestic Insurer must maintain minimum paid-in capital and surplus for life and health authorization in the following amounts: paid-in capital \$350,000 and free surplus \$200,000. Tr. 83:11-17; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.
- c. The Domestic Insurer must also maintain a minimum deposit of \$100,000 in escrow for the benefit of policyholders or creditors. Tr. 83:17-20; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.
- d. Following the Proposed Acquisition, the Domestic Insurer's capital and surplus will continue to be well in excess of the required minimums under Delaware law. Tr. 83:21-84:1; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.
- e. The Domestic Insurer will continue to maintain the requisite statutory deposit after the Proposed Acquisition. Tr. 84:1-3; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.

- f. As disclosed in the Domestic Insurer's quarterly statutory statement for the quarter ended September 30, 2018, the Domestic Insurer had total capital and surplus of approximately \$2.5 billion. Tr. 84:3-8; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.
- g. Genworth does not expect that the Proposed Acquisition itself would have had a material impact on these amounts if the Proposed Acquisition had closed during the period covering these calculations. Tr. 84:9-13; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3.

Testimony on Behalf of the Department

48. Mr. Lonchar testified that:

- a. The Department considered whether the Proposed Acquisition would impact the Domestic Insurer's ability to write the lines of insurance for which it is presently licensed. Tr. 103:22-104:20; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 11.
- b. The Department determined that the Proposed Acquisition will not impact the ability of the Domestic Insurer to meet the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed. *Id.*
- c. Accordingly, the Department did not believe the Section 5003(d)(1)(a) standard was implicated by the Proposed Acquisition. *Id.*

Section 5003(d)(1)(b) of the Insurance Code

49. Section 5003(d)(1)(b) of the Insurance Code provides that the second disqualifying element is that "[t]he effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this State or tend to create a monopoly therein."

Testimony on Behalf of the Applicants

50. Regarding Section 5003(d)(1)(b) of the Insurance Code, Mr. Zhao testified that:
- a. The Applicants do not own or control any U.S. insurance companies. Tr. 57:21-24; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 40, p. 19.
 - b. The Applicants have never competed with the Domestic Insurer to write insurance in Delaware or any other state. Tr. 58:1-5; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 40, p. 19.
 - c. The Applicants are not currently involved in the U.S. insurance market at all; they participate in the property, casualty and life insurance markets in China. Tr. 58:6-8; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 40, p. 19.
 - d. The Proposed Acquisition will not result in any consolidation of existing competitors that could reduce choice for insurance-buying customers in Delaware or otherwise have a negative impact on competition in Delaware. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 40, p. 19.

Testimony on Behalf of the Department

51. Mr. Lonchar testified that:

- a. To evaluate this standard, the Department looked to the competitive standard requirement set forth in Section 5003A of the Insurance Code and concluded that the Proposed Acquisition satisfies this standard. Tr. 105:13-106:7; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, pp. 12-13.
- e. None of the Applicants conduct insurance operations in the State of Delaware. Therefore, the Department does not expect there to be a market share increase in any line of business in Delaware. Tr. 105:17-106:7; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 12.
- f. The Department does not believe that the Proposed Acquisition would create a concentration of business that would substantially lessen the competition in insurance or be likely to create a monopoly in the State of Delaware under the standards of Section 5003(d)(1)(b). Tr. 106:12-107:7; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 13

Section 5003(d)(1)(c) of the Insurance Code

52. Section 5003(d)(1)(c) of the Insurance Code provides that the third disqualifying element is that "[t]he financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders."

Testimony on Behalf of the Applicants

53. With respect to Section 5003(d)(1)(c) of the Insurance Code, Mr. Zhao testified that:

- a. Asia Pacific has access to sufficient funds to meet its financial obligations under the Proposed Acquisition. Tr. 58:17-20; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 41, p. 19.
- b. Each of CO Holdings, Oceanwide Capital Investment Management Group Co., Ltd. ("Oceanwide Capital") and Wuhan is strongly capitalized and has committed to fund its *pro rata* share of the cash necessary to complete the Proposed Acquisition. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 41, p. 19.
- c. Under the Contingent Funding Structure, Asia Pacific Insurance will also receive funding from Oceanwide Group and Chairman Lu through Tohigh Development and Tonghai Investment to complete the Proposed Acquisition. *Id.*
- d. Oceanwide Group, on a consolidated basis, had total assets of approximately \$47.58 billion, total cash and cash equivalents of \$3.81 billion, and total revenues of \$3.42 billion as of and for the year ended December 31, 2017. Tr. 59:1-15; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 41, p. 19.
- e. Wuhan, which holds substantially all of Oceanwide Holdings' Chinese real estate operations and expanding insurance operations, had approximately \$20.46 billion in total assets as of December 31, 2017, total cash and cash equivalents of \$736.39 million, and total revenues of \$2.25 billion as of and for the year ended December 31, 2017. *Id.*

- f. Oceanwide Capital had total assets of approximately \$1.72 billion, total cash and cash equivalents of \$65.11 million, and total revenues of \$119.73 million as of and for the year ended December 31, 2017. *Id.*
- g. In the event Oceanwide Capital fails to fund any portion of its commitments, CO Holdings is obligated to fund any resulting shortfall. CO Holdings, on a consolidated basis, had total assets of approximately \$48.79 billion, total cash and cash equivalents of \$3.79 billion, and annual revenues exceeding \$3.42 billion as of and for the year ended December 31, 2017. *Id.*, pp. 19-20.
- i. China Oceanwide provided extensive information on its group structure and the entities in its group; submitted its audited financial statements and those of Oceanwide Group, Oceanwide Holdings, and Wuhan; and reconciled key financial figures for all four entities from Chinese GAAP to IFRS and U.S. GAAP for the fiscal years ended 2015, 2016, and 2017. China Oceanwide also submitted certain detailed audited and unaudited financial statements of Tohigh Holdings Co., Ltd., Oceanwide Capital and Asia Pacific. The key financial figures of the main China Oceanwide entities were reconciled to U.S. GAAP by PricewaterhouseCoopers. Tr. 58:21-24; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 41, p. 20.
- j. The financial condition of the Applicants will not jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders. Tr. 58:9-16.

Testimony on Behalf of the Department

54. Mr. Lonchar testified that:

- a. The Applicants' financial statements were prepared in accordance with Chinese accounting standards. These documents were converted and translated for the Department to complete its required review under Section 5003(d)(1)(c). Tr. 107:15-108:12, Ex. 6, Pre-Filed Testimony of Mr. Lonchar, pp. 13-14.
- b. The Department's outside experts assisted the Department in analyzing the converted and translated financial statements. *Id.*
- c. Based on the Department's independent review and analysis, and the advice of the Department's outside experts, the Department concluded that the financial condition of the Applicants is not such as would jeopardize the financial stability of the Domestic Insurer or prejudice the interest of its policyholders. Accordingly, the Department found that the Proposed Acquisition would not violate Section 5003(d)(1)(c). Tr. 108:13-109:1; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 14.

Section 5003(d)(1)(d) of the Insurance Code

55. Section 5003(d)(1)(d) of the Insurance Code provides that the fourth disqualifying element is that "[t]he plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest."

Testimony on Behalf of the Applicants

56. Regarding Section 5003(d)(1)(d) of the Insurance Code, Mr. Zhao testified that:
- a. The Applicants have no current plans to liquidate the Domestic Insurer, sell its assets, other than the sale of the Note, consolidate or merge it with any person, or make any other material changes that are unfair or unreasonable to the Domestic Insurer's policyholders or against the public interest. Tr. 66:12-24; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 42, p. 20.
 - b. The only material change to the Domestic Insurer's business is the cessation of writing new LTC business at the Domestic Insurer, which the Applicants understand from Genworth would occur with or without the Proposed Acquisition. Genworth may write new LTC and life insurance and annuity business out of Genworth Insurance Company, an insurance company domiciled in North Carolina ("Newco"), if Genworth decides to do so, and only if Newco is adequately capitalized and licensed for such purpose. Without the successful completion of the Proposed Acquisition, Genworth would likely no longer write new LTC policies. Ex. 8, Pre-Filed Testimony of M. Zhao, Question 42, pp. 20-21.
 - c. Genworth and CO Holdings have also entered into the Mitigation Agreement, to ensure that policyholders' personal information is used only for intended purposes. Tr. 69:18-70:1; Ex. 8, Pre-Filed Testimony of M. Zhao, Question 42, p. 20.

Testimony on Behalf of Genworth and the Domestic Insurer

57. Mr. McInerney testified that:
- a. Genworth understands that the Applicants intend to operate Genworth under the same senior management, substantially as it is currently operated. Tr. 36:6-20, 39:5-13, Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 14, pp. 9-10.
 - b. Following the Proposed Acquisition, Genworth will continue to focus on its key operational priorities, most notably executing its multi-year LTC rate action plan. Tr. 38:1-8; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 20, p. 14.

Testimony on Behalf of the Department

58. Mr. Lonchar testified that:
- a. The Department reviewed the Form A Statement, including the Applicants' statement that they have no present plans or proposals to: cause the Domestic Insurer to issue an extraordinary dividend, liquidate the Domestic Insurer, sell the Domestic Insurer's assets (except for the Note and transactions in the ordinary course of business), merge the Domestic Insurer with any person or persons, or make any other material change in the Domestic Insurer's corporate structure, business operations or management. Tr. 109:6-110:11; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 15.
 - b. The Department reviewed the CFIUS approval and analyzed the Mitigation Agreement and its implications. *Id.* Genworth confirmed, and

the Department was satisfied, that the security implemented through the Mitigation Agreement will not impede the Department's access to data in the future. Tr. 110:12-111:9; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 15.

- c. Based on its review, the Department found no evidence that the plans or proposals the Applicants have for the Domestic Insurer are unfair and unreasonable to the policyholders of the Domestic Insurer and not in the public interest. The Department found no violation of this standard. Tr. 111:15-22; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 16.

Section 5003(d)(1)(e) of the Insurance Code

59. Section 5003(d)(1)(e) of the Insurance Code provides that the fifth disqualifying element is that "[t]he competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the best interest of policyholders of the insurer and of the public to permit the ... acquisition of control."

Testimony on Behalf of the Applicants

60. Mr. Zhao testified that, with respect to Section 5003(d)(1)(e):
 - a. Mr. Lu, the ultimate controlling party, and the directors and executive officers of the Applicants, who would oversee and direct the operations of Genworth as the ultimate parent of the Domestic Insurer, have the requisite competence, experience and integrity. Tr. 67:6-23; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 43, p. 21.

- b. China Oceanwide provided biographical information on its senior personnel and responded promptly to detailed information requests and questions as part of the Department's review of the Form A Statement. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 43, p. 21.
- c. The very experienced and competent U.S. management team currently responsible for managing the Domestic Insurer's business will continue to manage it following the Proposed Acquisition. Tr. 67:16-23; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 43, p. 21.

Testimony on Behalf of Genworth and the Domestic Insurer

61. As previously noted, Mr. McInerney testified that Genworth understands that the Applicants intend to operate Genworth under the same senior management, substantially as it is currently operated. Tr. 39:5-19; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 14, pp. 9-10.

Testimony on Behalf of the Department

62. Mr. Lonchar testified that:
- a. The Department typically reviews biographical affidavits and third-party background checks of all individuals who may ultimately control a domestic insurer. The Applicants and the Applicants' auditors in this case are Chinese nationals. Because of the difficulty in accessing public records in China, the Department's review process was protracted and required specialized international investigation expertise provided by the Department's outside experts. Tr. 112:3-113:3; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, pp. 16-17.

- b. The Department had no material concern with the backgrounds and expertise reflected in the affidavits or background checks. The Department found that the persons who will control and oversee the insurance operations or otherwise provide services to the Domestic Insurer are experienced and competent. The Department found no violation of this standard. Tr. 113:4-18; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 17.

Section 5003(d)(1)(f) of the Insurance Code

63. Section 5003(d)(1)(f) of the Insurance Code provides that the sixth disqualifying element is that "[t]he acquisition is likely to be hazardous or prejudicial to the insurance buying public."

Testimony on Behalf of the Applicants

64. Regarding Section 5003(d)(1)(f) of the Insurance Code, Mr. Zhao testified that the Proposed Acquisition will not be hazardous or prejudicial to the insurance-buying public. Tr. 67:24-68:3; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 44, p. 22.

65. To the contrary, the Proposed Acquisition will benefit the insurance-buying public in multiple ways:

- a. First, the Proposed Acquisition will result in an infusion of cash into the Domestic Insurer in the approximate amount of \$375 million. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 44, p. 22.
- b. Second, the Proposed Acquisition will stabilize the Genworth enterprise by infusing \$1.5 billion of capital into it. *Id.*

- c. Finally, the Proposed Acquisition will enable Genworth to continue to pursue the expansion of its LTC business and continue to maintain its position as a thought leader by supporting studies, symposia, research and training. *Id.*

66. According to the Applicants, the Proposed Acquisition is a critical element in advancing China Oceanwide's objective of building a globally diversified insurance operation. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 5, p. 2.

67. The Proposed Acquisition is also intended to strengthen Genworth, allow Genworth to retain its intellectual capital, decrease the need for cost cutting measures, and decrease rates of employee attrition. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 5, p. 3.

Testimony on Behalf of Genworth and the Domestic Insurer

68. Mr. McInerney testified that the Proposed Acquisition will have several benefits for Genworth and its operating subsidiaries, including the Domestic Insurer:

- a. First, the Proposed Acquisition, which includes the \$175M Contribution and the \$200M Note Sale, will enable large direct cash infusions into the Domestic Insurer, improving its capital by \$175 million and its liquidity by \$375 million. Without the Proposed Acquisition, this cash would not be available to the Domestic Insurer at all because Genworth has no obligation to fund its insurer subsidiaries, including the Domestic Insurer. The cash injections improve the Domestic Insurer's liquidity, capital and surplus immediately after the closing, putting it in a better capital and liquidity position than without the Proposed Acquisition. The improved liquidity, capital and surplus of the Domestic Insurer directly benefits its

policyholders. Tr. 32:24-34:9; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 7, p. 4, Question 13, pp. 8-9.

- b. Second, the Proposed Acquisition will bring a capital infusion of \$1.5 billion into Genworth to further improve its financial stability. Tr. 34:10-13; Ex. 7, Pre-Filed Testimony of Mr. McInerney Question 7, p. 4.; *see also* Sixth Waiver attached as Exhibit 1(b) to Exhibit 1, Supplement to Amended and Restated Form A, dated September 6, 2018, p. 3. This capital may be used to retire Genworth's debt, due in 2020 and 2021, and/or enable future growth opportunities. Reduction of Genworth's approximately \$3.6 billion of public debt should also facilitate improved ratings, which will help Genworth's mortgage insurance business improve its market share. Genworth will also avoid having to sell key business units, such as its mortgage insurance business, to repay its debt. Tr. 34:10-24; Ex. 7, Pre-Filed Testimony of Mr. McInerney Question 7, p. 4.
- c. By stabilizing the enterprise and improving its ratings, the Proposed Acquisition will enable Genworth to retain its intellectual capital, decrease the need for cost cutting measures, and decrease rates of critical employee attrition. This, in turn, will enable the Domestic Insurer to maintain its commitment to high standards of policyholder servicing, to continue its thought leadership in the LTC industry, and to pursue its LTC rate action plan, which is critical to its ability to pay future claims. All of this will accrue to the benefit of the Domestic Insurer and its policyholders. Tr.

35:1-36:15; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 7, p. 4.

- d. Following the Proposed Acquisition, Genworth will continue to focus on its key operational priorities, most notably executing its multi-year LTC rate action plan. *Id.*
- e. The Domestic Insurer is solvent and has sufficient resources to pay claims as they come due and will continue having that ability as long as states continue to approve premium increases consistent with Genworth's multi-year LTC rate action plan. Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 17, p. 11-12.

69. According to Genworth, the Proposed Acquisition is intended to improve the financial stability of Genworth and the Domestic Insurer, which will in turn benefit the Domestic Insurer and its policyholders. Tr. 33:9-13; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 7, p. 4.

70. Mr. Dunn testified that:

- a. As the appointed actuary of the Domestic Insurer, it is his responsibility to submit an actuarial opinion regarding the state of the Domestic Insurer's statutory reserves on an annual basis. Ex. 9, Pre-Filed Testimony of Mr. Dunn, Question 8, p. 3.
- b. His most recent actuarial opinion was issued on March 7, 2018 and dated as of December 31, 2017. *Id.*
- c. He examined the actuarial assumptions and actuarial methods used in determining statutory reserves and related actuarial items of the Domestic

Insurer as of December 31, 2017. Tr. 75:22-76:5; Ex. 9, Pre-Filed Testimony of Mr. Dunn, Question 9, p. 3.

- d. Based on the applicable Actuarial Standards of Practice, he concluded that the Domestic Insurer's statutory reserves and related items, with consideration of the assets supporting those liabilities, make adequate provisions for the anticipated cash flows required by the Domestic Insurer's contractual obligations and related expenses. Tr. 76:5-14; Ex. 9, Pre-Filed Testimony of Mr. Dunn, Question 9, p. 3.
- e. The primary method that he used to assess the adequacy of statutory reserves is known as cash flow testing, and two nationally recognized third-party actuarial firms reviewed various aspects of Genworth's cash flow testing analysis. Tr. 76:15-22; Ex. 9, Pre-Filed Testimony of Mr. Dunn, Question 11, p. 4, Question 17, p. 8.
- f. The Domestic Insurer has estimated the likelihood of approval of premium rate increases on a state-by-state basis based on the historical success rate of achieving needed premium rate increases in each state. Such estimates also account for the understanding that premium rate increases approved in the future may be lower than amounts achieved in the past. In addition, as a measure of additional conservatism, Genworth's estimate decreases the net present value of those cash flows by 20% to account for the possibility of adverse deviation relating to the approval and implementation of the in-force rate action plan. Tr. 77:5-12; Ex. 9, Pre-Filed Testimony of Mr. Dunn, Question 13, pp. 5-6.

71. Based on his understanding of the Proposed Acquisition and the applicable Actuarial Standards of Practice, Mr. Dunn testified that the Proposed Acquisition should not cause him to change his opinion as to the adequacy of the Domestic Insurer's statutory reserves as of December 31, 2017 and should not adversely affect the statutory reserve adequacy of the Domestic Insurer for 2018. Tr. 77:13-78:10; Ex. 9, Pre-Filed Testimony of Mr. Dunn, Question 18, p. 8, Question 19, p. 8.

72. Mr. Apostle is responsible for advising Genworth's senior management and board of directors on data privacy and data security matters. Exhibit 11, Pre-Filed Testimony of Mr. Apostle, Question 1, p. 2.

73. Mr. Apostle's testimony details the cybersecurity measures agreed to regarding the Proposed Acquisition. Tr. 88:3-15; Ex. 11, Pre-Filed Testimony of Mr. Apostle, Question 4, p. 2 and Executive Summary.

74. Genworth, in conjunction with the Applicants, and CFIUS have developed an enhanced data security program, specifically to enhance Genworth's cybersecurity and the protection of its policyholders' data. Tr. 88:16-22; Ex. 11, Pre-Filed Testimony of Mr. Apostle, Question 6, p. 3 and Executive Summary.

75. Under the enhanced data security program, Genworth will implement measures to ensure the confidentiality of its policyholders' personally identifiable information. Tr. 88:23-89:2; Ex. 11, Pre-Filed Testimony of Mr. Apostle, Question 6, p. 3 and Executive Summary.

76. Such measures include: (1) collaborating with a third-party service provider, that is independent from the Applicants and Genworth, to manage and secure policyholder data; (2) maintaining complete logical and physical separation of Genworth's data centers and IT infrastructure from the Applicants and other affiliated entities; (3) enhancing access and control

limitations; and (4) altering the composition of Genworth's Board of Directors to include three national security directors. Tr. 89:4-20; Ex. 11, Pre-Filed Testimony of Mr. Apostle, Question 6, p. 3.

Testimony on Behalf of the Department

77. With respect to this last statutory standard, Mr. Lonchar testified that:
- a. The Department reviewed the entire Form A Statement, consulted with its specially retained experts and counsel, met with or conferred by telephone with Genworth and the Applicants regularly, and collaborated with regulators of other states to ensure that their concerns were known and addressed. Tr. 113:24-114:15; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 18.
 - b. In particular, the Department considers the \$375 million increased liquidity to the Domestic Insurer as an immediate, direct and significant benefit to the Domestic Insurer and its policyholders. Tr. 115:5-9; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 18.
 - c. The Applicant's capital infusion of \$1.5 billion into the Genworth companies will also benefit the Domestic Insurer by providing a financially stronger parent company. Tr. 115:10-14; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 18.
 - d. The Department found no evidence that the Proposed Acquisition would be hazardous or prejudicial to the insurance-buying public. Tr. 115:15-24; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 19.

The Department's Recommendation

78. The Department has determined that the Form A Statement does not violate Sections 5003(d)(1)(a)-(f) of the Insurance Code and meets the requirements of Chapter 50 of the Insurance Code. Tr. 116:3-14; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 19.

79. The Department recommends approval of the Form A Statement in accordance with Chapter 50 of the Insurance Code, subject to the following conditions: (i) Applicants must obtain all necessary regulatory approvals in other jurisdictions prior to the closing of the Proposed Acquisition; (ii) the Applicants and the Domestic Insurer agree that the Department's customary ongoing monitoring plan for the Domestic Insurer, which the Department regularly develops and implements for every insurer regulated by the Department, will include appropriate teams from the Applicants, the Domestic Insurer and the Department, including any professional advisors as determined by the Department, to regularly monitor, evaluate and report on the key aspects of the Domestic Insurer's operations, with all fees, costs and expenses associated with such monitoring plan to be paid by the Domestic Insurer; and (iii) any future dividends from the Domestic Insurer must receive prior approval from the Department. Tr. 119:5-120:14; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, pp. 21-22.

III. Public Comments and Other Approvals

Public Comments

1. The following seven public comments regarding the Proposed Acquisition were received by the Department and presented to the Hearing Officer for review:

- a. A letter from John Larew, SVP, Branded Products, of AARP Services Inc., dated April 10, 2017 (the "AARP Letter"), to Ms. Makowski.

- b. A letter from National Structured Settlements Trade Association ("NSSTA"), dated October 12, 2018 (the "First NSSTA Letter"), addressed to Douglas C. Stolte, Deputy Commissioner, Bureau of Insurance, Virginia State Corporation Commission.
- c. A letter from NSSTA, dated October 31, 2018 (the "Second NSSTA Letter"), addressed to Patrick H. Cantilo, Esq., of Cantilo & Bennett, LLP.
- d. An email from Michael Rohricht, dated November 1, 2018 (the "First Email"), addressed to Leslie Ledogar, Regulatory Specialist for the Department.
- e. An email from Mr. Rohricht, dated November 2, 2018 (the "Second Email"), addressed to Ms. Ledogar.
- f. An email from Steve Joseph, dated November 14, 2018 (the "Third Email"), addressed to Ms. Ledogar.
- g. A letter from Hindenburg Research, LLC ("Hindenburg"), dated November 20, 2018 (the "Hindenburg Letter"), addressed to the Commissioner.

The AARP Letter

2. The AARP Letter made four recommendations: (i) that premiums paid by policyholders not be increased as a result of the costs associated with the Proposed Acquisition; (ii) that the Domestic Insurer and GLICNY's (a subsidiary of Genworth domiciled outside of the State of Delaware) LTC block not be sold for some period of time; (iii) that an independent valuation be obtained for GLAIC; and (iv) that limits be placed on ordinary dividends of the Domestic Insurer.

3. Regarding the first recommendation, pursuant to the agreed upon terms of the Proposed Acquisition, any expenses associated with the Proposed Acquisition will be paid by the party that incurred them. No transactional expenses, however, have been allocated to the Domestic Insurer, and none of the Domestic Insurer's funds will be used to pay for transaction expenses. Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 27, p. 17.

4. Regarding the second recommendation, the sale of the Domestic Insurer is not a part of the Proposed Acquisition, and the Applicants have provided testimony that they have no current plans to liquidate the Domestic Insurer, sell its assets, other than the sale of the Note, consolidate or merge it with any person, or make any other material changes that are unfair or unreasonable to the Domestic Insurer's policyholders or against the public interest. Changes involving GLICNY's LTC block are beyond the scope of this proceeding. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 42, pp. 20-21.

5. Regarding the third recommendation, because the Unstacking is no longer part of the Proposed Acquisition, an independent valuation of GLAIC is unnecessary. See Ex. 1, Amended and Restated Form A, p. 2; see also Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 5, p. 3.

6. Regarding the final recommendation, the Department has also recommended that one of the conditions to the Proposed Acquisition be that any future dividends from the Domestic Insurer must receive prior approval from the Department. Tr. 120:12-14; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 22.

The First NSSTA and Second NSSTA Letters

7. The First NSSTA Letter and the Second NSSTA Letter (jointly, the "NSSTA Letters") primarily relate to GLAIC and would only relate to the Domestic Insurer in connection

with the Unstacking. Because the Unstacking is no longer part of the Proposed Acquisition, the issues raised in the NSSTA Letters are beyond the scope of this proceeding. *See* Ex. 1, Amended and Restated Form A, p. 2; *see also* Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 5, p. 3.

The First, Second and Third Emails and the Hindenburg Letter

8. The First Email, the Second Email and the Third Email all relate to articles published by Hindenburg Investment Research. Those articles and the Hindenburg Letter purport to raise concerns primarily related to the financial stability of the Applicants and, to a lesser degree, the financial stability of Genworth and the Domestic Insurer.

9. Regarding the financial stability of the Applicants, the conclusions drawn by Hindenburg are inconsistent with the results of the due diligence conducted by Genworth and its outside financial advisors, the review conducted by the Department and its outside financial advisors, and the sworn testimony of Mr. Zhao on behalf of the Applicants. *See* Tr. 41:6-48:10, 107:15-109:1; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 14; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 41, pp. 19-20.

10. Given the analysis conducted by Genworth, the Department and their experts, there is sufficient evidence that the concerns raised by Hindenburg, insofar as such concerns relate to Section 5003(d)(1)(c) regarding the financial condition of any acquiring party being such as might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders, have been sufficiently addressed. *See* Tr. 41:6-48:10, 107:15-109:1; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 14.

11. Genworth and the Department have both concluded, and the evidence supports the conclusion, that the financial condition of the Applicants is not such as would jeopardize the

financial stability of the Domestic Insurer or prejudice the interest of its policyholders. Tr. 107:15-109:1; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 14; Tr. 41:6-48:10.

12. Regarding the financial stability of the Domestic Insurer, the Proposed Acquisition, including the \$175M Contribution, the \$200M Note Sale and the improved financial stability of Genworth, will provide significant benefits to the Domestic Insurer's policyholders. Tr. 32:24-34:9, 114:16-115:9; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 18; Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 7, pp. 4-5, Question 13, pp. 8-9.

13. The Domestic Insurer has capital and surplus well in excess of the minimum requirements under Delaware law and that should not materially change in connection with the closing of the Proposed Acquisition. Tr. 83:1-84:13, 103:22-104:20; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 39, pp. 18-19; Ex. 10, Pre-Filed Testimony of Ms. Groh, Question 9, p. 3; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 11.

14. In addition, the Domestic Insurer is solvent and able to pay claims as they come due and will continue having that ability as long as states continue to approve premium increases consistent with Genworth's multi-year LTC rate action plan. Ex. 7, Pre-Filed Testimony of Mr. McInerney, Question 17, pp. 11-12.

15. The Domestic Insurer's risk based capital ratio has been, as of December 31, 2015, December 31, 2016 and December 31, 2017, well above "action levels," reflecting the solvency and sufficient capital level of Domestic Insurer. *See generally* Statutory Financial Statements of the Domestic Insurer, attached as Exhibit 5 to Ex. 1, Amended and Restated Form A.

16. Nothing about the Proposed Acquisition has caused Genworth, the Applicants or the Department to change their current views as to the ability of Domestic Insurer to pay all

policyholder claims whenever they may be made or be otherwise prejudicial to policyholders. *See generally* Tr. 48:11-49:18, 65:18-66:11, 116:16-119:9; Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 41, pp. 19-20; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 14.

17. Hindenburg states that it has a short position on shares of Genworth, essentially betting against the success of Genworth and the Proposed Acquisition. Hindenburg Letter, p. 13. Based on this conflicting financial interest, the statements made by Hindenburg in its articles and the Hindenburg Letter should be viewed with skepticism.

18. No objections and no other public comments with respect to the Proposed Acquisition were received by the Department. Tr. 22:21-23:19.

19. No objections or comments with respect to the Proposed Acquisition were voiced at the Hearing. Tr. 23:10-19.

Other Approvals

20. In addition to filing the Form A Statement with the Department with respect to the Domestic Insurer on December 8, 2016, the Applicants simultaneously filed a Form A statement, or the equivalent, with each of the following: the Virginia Bureau of Insurance, the North Carolina Department of Insurance and the New York State Department of Financial Services for approval of the acquisition of control of the relevant domestic Genworth insurer subsidiaries as a result of the Proposed Acquisition. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 36, p. 17.

21. The Applicants also filed disclaimers of control with each of these regulators and the Department with regard to Ms. Qiongzi Huang and Ms. Xiaoyu Lu, who each hold an ownership interest in the Applicants. *Id.*

22. Updated Form A statements were submitted to Virginia, New York and North Carolina and supplemented thereafter. *Id.* Approvals of those Form A statements were pending from the applicable state regulators, as of the date of the Hearing. *Id.*

23. Internationally, the Applicants also filed applications for approval of change of control of domestic entities or branches in connection with the Proposed Acquisition with insurance regulators in Australia, Bermuda, Canada, Mexico, New Zealand and certain other jurisdictions. Approval of the Proposed Acquisition was obtained in Bermuda and New Zealand. The Comisión Nacional de Seguros y Fianzas in Mexico reviewed the Proposed Acquisition and determined that the Proposed Acquisition does not require its approval. The approvals from insurance regulators in Australia and Canada were pending, as of the date of the Hearing. *Id.*

24. A premerger notification and report was filed under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), as amended. The waiting period under the parties' initial notification expired on December 16, 2016 and that approval lapsed on December 16, 2017. A new notification under the HSR Act was filed on October 23, 2018, and early termination of the waiting period was granted on November 2, 2018. Ex. 8, Pre-Filed Testimony of Mr. Zhao, Question 37, p. 17-18.

25. Approval from the Financial Industry Regulatory Authority was pending, as of the date of the Hearing. *Id.*

26. Approval of a Joint Notice with CFIUS has been obtained. *Id.*

27. Acceptance of the application with the National Development Reform Commission of the People's Republic of China has been obtained. Approval for currency conversion and remittance of the aggregate merger consideration for the Proposed Acquisition out of mainland China was pending, as of the date of the hearing. *Id.*

28. Approval from government sponsored enterprises, Fannie Mae and Freddie Mac, is currently pending. *Id.*

29. Some approvals from certain state banking regulators in connection with state mortgage licenses held by Genworth Financial Services, Inc. have been obtained and others were pending, as of the date of the Hearing. *Id.*

30. Non-disapproval by the Virginia Bureau of Insurance of the \$200M Note Sale has been obtained. *Id.*

IV. Conclusions of Law

1. 18 *Del. C.* § 5003 requires that any person proposing to acquire control of a domestic insurer must first apply to the Commissioner for approval of the proposed change. In conjunction with such application, Delaware Insurance Regulation No. 1801 requires that a Form entitled "Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer," otherwise known as a "Form A," be submitted to the Department for review.

Notice and Hearing

2. Section 5003 further requires that the Commissioner hold a hearing to determine whether to approve a Form A application. 18 *Del. C.* §5003(d)(1).

3. Title 29 *Del. C.* ch. 101 governs agency case decisions such as this Form A proceeding and requires that in matters involving hearings, the agency (here the Department) must give 20 days prior notice of the hearing to all parties. The notice must, *inter alia*: describe the subject matter of the proceedings, give the date, time and place for the hearing, cite the law or regulation giving the agency the authority to act, inform the party of the right to present evidence, to be represented by counsel and to appear personally or by other representative, and

inform the parties of the agency's obligation to reach its decision based upon the evidence received. 29 Del. C. §§ 10122, 10124.

4. Notice of the public hearing with respect to this Form A proceeding was given to the parties and public in accordance with 18 Del. C. § 5003 and 29 Del. C. ch. 101.

Statutory Standards for Form A Approval

5. Pursuant to Section 5003(d), the Commissioner shall approve a proposed change of control unless, after a public hearing, he finds;

- a. That after the proposed change of control, the insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is currently licensed; or
- b. That the effect of the proposed change of control would be to substantially lessen competition in insurance in the State of Delaware or tend to create a monopoly therein (or the insurer has failed to file adequate information in compliance with 18 Del. C. § 5003(a)); or
- c. That the financial condition of any acquiring party is such that it might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders; or
- d. The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or make material changes in its business or corporate structure or management, are unfair and unreasonable to policyholders and not in the public interest; or

- e. The competence, experience and integrity of those persons who would control the operation of the insurer are such that the merger or other acquisition of control would not be in the interests of the policyholders and of the public; or
- f. The acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

6. I have considered the six statutory requirements for approval of a change of control in accordance with the provisions of 18 *Del. C.* § 5003 and 29 *Del. C.* § 10128 in light of the submitted evidentiary record.

7. Subsequent to the proposed change of control, the Domestic Insurer will continue to satisfy the requirements, including the applicable minimum capital, surplus and deposit requirements, for the issuance of a license to write the lines of insurance for which it is currently licensed.

8. The evidence introduced at the Hearing indicated that the effect of the proposed change of control would not substantially lessen competition or tend to create a monopoly in the business of insurance in the State of Delaware.

9. The financial condition of Applicants is adequate to sustain the operations of the Domestic Insurer. The evidence presented, and in particular related to the financial condition of the Applicants and the Domestic Insurer, indicates that the change of control will not jeopardize the financial stability of the Domestic Insurer nor prejudice the interests of its policyholders.

10. The Applicants have no plans that would be unfair or unreasonable to policyholders of the Domestic Insurer or which are adverse to the public interest, to liquidate the

Domestic Insurer, sell its assets, or consolidate or merge it with any other person, or make any material changes in its business, corporate structure or management.

11. The competence, experience and integrity of those persons who would control the operation of the Domestic Insurer are not such as to negatively impact the interests of policyholders or of the public.

12. The evidence introduced at the Hearing indicated that the proposed change of control is not likely to be hazardous or prejudicial to the insurance-buying public.

V. Recommendations

In view of the foregoing evidence, and as set forth in the findings of fact and conclusions of law stated herein, the criteria established under the Insurance Code for approval of the acquisition of control of a Domestic Insurer are met.

It should be noted and taken into consideration that the above conclusions are based upon the structure and terms of the transaction as currently represented in the documents submitted to the Department as of the Hearing date. On this point it is important to note that the Department's analysis and ultimate recommendation in favor of approving the change of control considered the \$375 million increased liquidity to the Domestic Insurer as particularly important to the approval as that capital infusion will provide an immediate, direct and significant benefit to the Domestic Insurer and its policyholders. Tr. 114:16-115:9; Ex. 6, Pre-Filed Testimony of Mr. Lonchar, p. 18.

I recommend that the Form A Statement be APPROVED, subject to satisfaction of the following conditions entered into the record by the Department through testimony at the Hearing

and supported by the evidentiary record. They are necessary, in my view, to protect the policyholders of the Domestic Insurer:

1. The Applicants must receive all required regulatory approvals of other jurisdictions to effect the Proposed Acquisition;

2. The Applicants and the Domestic Insurer shall agree that the Department's customary ongoing monitoring plan for the Domestic Insurer, which the Department regularly develops and implements for every insurer regulated by the Department, will include appropriate teams from the Applicants, the Domestic Insurer and the Department, including any professional advisors as determined by the Department, to regularly monitor, evaluate and report on the key aspects of the Domestic Insurer's operations, with all fees, costs and expenses associated with such monitoring plan to be paid by the Domestic Insurer;

3. Any future dividends from the Domestic Insurer must receive prior approval from the Department; and

4. Any and all changes to any term or condition of the Proposed Acquisition or any other documents relating to the Domestic Insurer and the change of control (as documented in the Form A Statement), must first receive the prior approval of the Department.

SO RECOMMENDED this 14th day of December, 2018.


STEPHEN P. LAMB, ESQ.

Hearing Officer

Annex A

[Exhibit List]

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF DELAWARE**

IN THE MATTER OF:)
)
The Form A Statement Regarding the Acquisition of)
Control of Genworth Life Insurance Company, an)
indirect subsidiary of Genworth Financial, Inc., by)
Zhiqiang Lu; Tohigh Holdings Co., Ltd.; Oceanwide)
Group Co., Ltd.; China Oceanwide Holdings Group)
Co., Ltd.; Oceanwide Holdings Co., Ltd.; Oceanwide)
Capital Investment Management Group Co., Ltd.;)
Wuhan CBD Development & Investment Co., Ltd.;)
Tohigh Holdings Development Limited; Tonghai)
International Group Investment Limited; Asia Pacific)
Global Capital Co., Ltd.; Asia-Pacific Universe)
Investment (Hong Kong) Limited; Asia Pacific)
Insurance Holdings Limited; Asia Pacific Global)
Capital Limited; and Asia Pacific Insurance USA)
Holdings LLC)

Docket No. 3346-2016

EXHIBIT LIST

- Exhibit 1 Statement Regarding the Acquisition of Control of Genworth Life Insurance Company, an indirect subsidiary of Genworth Financial, Inc., by Zhiqiang Lu; Tohigh Holdings Co., Ltd.; Oceanwide Group Co., Ltd.; China Oceanwide Holdings Group Co., Ltd.; Oceanwide Holdings Co., Ltd.; Oceanwide Capital Investment Management Group Co., Ltd.; Wuhan CBD Development & Investment Co., Ltd.; Tohigh Holdings Development Limited; Tonghai International Group Investment Limited; Asia Pacific Global Capital Co., Ltd.; Asia-Pacific Universe Investment (Hong Kong) Limited; Asia Pacific Insurance Holdings Limited; Asia Pacific Global Capital Limited; and Asia Pacific Insurance USA Holdings LLC dated December 8, 2016;¹
- Exhibit 2 Order Appointing Stephen P. Lamb, Esquire as Hearing Officer dated November 20, 2018;
- Exhibit 3 *The News Journal* Affidavit of Publication dated November 20, 2018;
- Exhibit 4 *Delaware State News* Affidavit of Publication dated November 1, 2018;

¹ The Hearing Record includes the Form A statement and all amendments and exhibits thereto, some of which may be confidential. Public, non-confidential copies of the Form A statement and exhibits along with all amendments and supplements are available at <https://www.dropbox.com/sh/j3l1n19ehtgb9we/AAAE1Vdc9a6UwMex016g5Nfpa?dl=0&lst=>

- Exhibit 5 Affidavit of Joanne Caiola, Paralegal, Delaware Department of Insurance dated November 20, 2018;
- Exhibit 6 Testimony of David Lonchar, Director of the Bureau of Examination, Rehabilitation & Guaranty, Delaware Department of Insurance;
- Exhibit 7 Testimony of Thomas J. McInerney, President, Chief Executive Officer, and Director of Genworth;
- Exhibit 8 Testimony of Xiaoxia Zhao, Director and General Manager of Asia Pacific Global Capital Co., Ltd.; Director of Oceanwide Holdings Co., Ltd.; and Director of Wuhan CBD Development & Investment Co., Ltd.;
- Exhibit 9 Testimony of Harry D. Dunn, Vice President and Appointed Actuary for Genworth Life Insurance Company, Genworth Life and Annuity Insurance Company, and Genworth Life Insurance Company of New York;
- Exhibit 10 Testimony of Kelly L. Groh, Executive Vice President and Chief Financial Officer of Genworth Financial, Inc. and Senior Vice President of Genworth Life Insurance Company;
- Exhibit 11 Testimony of John G. Apostle, II, Chief Compliance Officer and Security Officer of Genworth Financial, Inc.;
- Exhibit 12 Order Admitting Fredric Marro, Esquire *Pro Hac Vice* dated November 15, 2018;
- Exhibit 13 Order Admitting Scott C. Riley, Esquire *Pro Hac Vice* dated November 15, 2018;
- Exhibit 14 Order Admitting Brian T. Frawley, Esquire *Pro Hac Vice* dated November 15, 2018;
- Exhibit 15 Order Admitting Marion Leydier, Esquire *Pro Hac Vice* dated November 15, 2018;
- Exhibit 16 Order Admitting Allison Tam, Esquire *Pro Hac Vice* dated November 20, 2018;
- Exhibit 17 Order Admitting Christopher J. St. Jeanos, Esq. *Pro Hac Vice* dated November 20, 2018; and
- Exhibit 18 Order Admitting James J. Black, III, Esquire *Pro Hac Vice* dated November 27, 2018.

Exhibit A

[Proposed Order and Recommendations]

2018, the Initial Applicants filed an Amended and Restated Form A Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Amended and Restated Form A"). On September 6, 2018, September 27, 2018 and October 26, 2018, supplements to the Amended and Restated Form A were filed with the Department (collectively, the "Supplements" and, together with the Initial Form A and the Amended and Restated Form A, the "Form A Statement") to, among other things, add Tohigh Holdings Development Limited and Tonghai International Group Investment Limited (jointly, the "New Applicants" and, together with the Initial Applicants, the "Applicants") as applicants.

In accordance with 29 *Del. C.* ch. 101 and 18 *Del. C.* § 5003, subsequent to notice in accordance with law, a hearing was held on November 28, 2018, before Stephen P. Lamb, Esquire, who was appointed as the hearing officer (the "Hearing Officer") in this matter. The appearances of counsel and the parties are set forth in the Proposed Order and Recommendations of the Hearing Officer, dated December __, 2018 (the "Proposed Order and Recommendations"), and are incorporated herein by reference. A copy of the Proposed Order and Recommendations is attached hereto as Exhibit A.

This is the final order and decision on an application made to the Department pursuant to 29 *Del. C.* ch. 101 and 18 *Del. C.* § 5003:

Counsel for the Applicants, counsel for the Domestic Insurer and counsel for the Department have all waived the balance of the comment period to allow for the expeditious consideration of the Form A Statement.

Findings of Fact and Conclusions of Law

The findings of fact and conclusions of law contained in the Proposed Order and Recommendations appear well-reasoned and amply-supported by the summary of evidence contained therein and in the Exhibits. The summary of evidence, findings of fact and conclusions of law contained in the Proposed Order and Recommendations are incorporated by reference and adopted herein in their entirety.

Decision

For the reasons set forth above, the Form A Statement is hereby approved, subject to the following conditions:

1. The Applicants' receipt of all required regulatory approvals of other jurisdictions to effect the Proposed Acquisition;
2. The Applicants and the Domestic Insurer agree that the Department's customary ongoing monitoring plan for the Domestic Insurer, which the Department regularly develops and implements for every insurer regulated by the Department, will include appropriate teams from the Applicants, the Domestic Insurer and the Department, including any professional advisors as determined by the Department, to regularly monitor, evaluate and report on the key aspects of the Domestic Insurer's operations, with all fees, costs and expenses associated with such monitoring plan paid by the Domestic Insurer;
3. Any future dividends from the Domestic Insurer must receive prior approval from the Department; and

4. Any and all changes to any term or condition of the Proposed Acquisition or any other documents relating to the Domestic Insurer and the change of control (as documented in the Form A Statement), must first receive the prior approval of the Department.

SO ORDERED this ____ day of December, 2018.

Trinidad Navarro
Insurance Commissioner