Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

GENWORTH MI CANADA INC.

Nine months ended September 30, 2018 and 2017
(Unaudited)

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Notes	September 30, 2018	December 31, 2017
Assets			
Cash and cash equivalents	5	$ 268,295	$ 286,980
Short-term investments	5	80,840	221,397
Accrued investment income and other receivables		50,230	31,902
Derivative financial instruments	5	161,084	151,321
Bonds and debentures and other	5	5,478,829	5,394,204
Preferred shares	5	598,884	546,775
Total invested assets, accrued investment income and other receivables		6,638,162	6,632,579
Income taxes recoverable		28,579	—
Subrogation recoverable	4(c)	56,499	59,303
Prepaid assets		4,713	3,518
Property and equipment		1,055	1,345
Intangible assets		7,705	8,352
Deferred policy acquisition costs	4(d)	207,036	208,046
Goodwill		11,172	11,172
Total assets		$ 6,954,921	$ 6,924,315
Liabilities and Shareholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities		$ 94,130	$ 64,665
Income taxes payable		—	43,637
Loss reserves	4(b)	114,852	118,951
Share-based compensation liabilities	7	20,478	23,485
Derivative financial instruments	5	76,009	59,698
Long-term debt	9	433,619	433,299
Unearned premiums reserve	4(a)	2,101,468	2,129,758
Accrued net benefit liabilities under employee benefit plans		51,143	48,393
Deferred tax liabilities		33,765	41,006
Total liabilities		2,925,464	2,962,892
Shareholders' equity:			
Share capital	11	1,331,102	1,359,220
Retained earnings		2,704,115	2,524,589
Accumulated other comprehensive (loss) income		(5,760)	77,614
Total shareholders' equity		4,029,457	3,961,423
Total liabilities and shareholders' equity		$ 6,954,921	$ 6,924,315

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board:

(signed) "Stuart Levings" Director

(signed) "Neil Parkinson" Director

GENWORTH MI CANADA INC.

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

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Premiums written	4(a)	$ 196,146	$ 201,553	$ 483,048	$ 498,278
Premiums earned	4(a)	$ 169,257	$ 169,806	$ 511,338	$ 505,324
Losses on claims	4(b)	23,151	22,702	69,731	53,826
Expenses:					
Premium taxes and underwriting fees		14,485	15,090	37,564	38,467
Employee compensation		10,733	12,200	34,072	36,517
Office		4,979	5,199	15,467	15,904
Professional fees		1,179	1,070	3,052	3,169
Promotional and travel		927	749	3,560	3,272
Regulatory fees and assessments		890	2,140	1,955	2,491
Total expenses		33,193	36,448	95,670	99,820
Net change in deferred policy acquisition costs	4(d)	(1,488)	(2,699)	1,010	(1,158)
		31,705	33,749	96,680	98,662
Net underwriting income		114,401	113,355	344,927	352,836
Investment income:					
Interest		43,220	40,934	125,346	123,442
Dividends		6,398	5,044	18,897	15,175
Net realized (losses) gains on sale of investments		(7)	(519)	(704)	2,162
Net gains on derivatives and foreign exchange		15,469	37,369	34,185	63,837
Total investment income		65,080	82,828	177,724	204,616
General investment expenses		(1,040)	(1,244)	(3,036)	(3,788)
		64,040	81,584	174,688	200,828
Interest expense	9	5,923	6,023	17,574	17,608
Income before income taxes		172,518	188,916	502,041	536,056
Income taxes:					
Current		48,056	50,861	137,752	135,903
Deferred		(3,325)	(1,519)	(7,161)	4,632
		44,731	49,342	130,591	140,535
Net income for the period attributable to owners of the Company		$ 127,787	$ 139,574	$ 371,450	$ 395,521
Earnings per share:	8				
Basic		$ 1.43	$ 1.52	$ 4.13	$ 4.31
Diluted		$ 1.42	$ 1.52	$ 4.10	$ 4.30

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(In thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income	$ 127,787	$ 139,574	$ 371,450	$ 395,521
Other comprehensive income:				
Items that may be reclassified subsequently to income:				
Re-measurement of employee benefit obligations (a)	—	—	—	214
Net change in fair value of Available-for-Sale ("AFS") financial assets (b)	(33,002)	(44,258)	(81,760)	(27,088)
Losses (gains) on AFS financial assets realized and reclassified to income (c)	711	(338)	(1,614)	(1,830)
Total other comprehensive loss for the period attributable to owners of the Company (d)	(32,291)	(44,596)	(83,374)	(28,704)
Total comprehensive income attributable to owners of the Company	$ 95,496	$ 94,978	$ 288,076	$ 366,817

(a) Net of income tax of $79 for the nine months ended September 30, 2017.

(b) Net of income tax of $12,678 for the three months ended September 30, 2018 (September 30, 2017 - $16,196) and net of income tax of $30,720 for the nine months then ended (September 30, 2017 - $10,008).

(c) Net of income tax of $(253) for the three months ended September 30, 2018 (September 30, 2017 - $137) and net of income tax of $607 for the nine months then ended (September 30, 2017 - $676).

(d) Net of income tax of $12,425 for the three months ended September 30, 2018 (September 30, 2017 - $16,333) and net of income tax of $31,327 for the nine months then ended (September 30, 2017 - $10,605).

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

		Share capital		Retained earnings		Accumulated other comprehensive income		Total shareholders' equity
Balance at January 1, 2018	$	1,359,220	$	2,524,589	$	77,614	$	3,961,423
Comprehensive income:								
Net income		—		371,450		—		371,450
Other comprehensive loss		—		—		(83,374)		(83,374)
Total comprehensive income		—		371,450		(83,374)		288,076
Total transactions recognized directly in equity:								
Dividends on common shares[1]		—		(127,246)		—		(127,246)
Issuance of common shares		7,214		—		—		7,214
Repurchase of common shares (note 11)		(35,332)		(64,678)		—		(100,010)
Total transactions recognized directly in equity		(28,118)		(191,924)		—		(220,042)
Balance at September 30, 2018	$	1,331,102	$	2,704,115	$	(5,760)	$	4,029,457

		Share capital		Retained earnings		Accumulated other comprehensive income		Total shareholders' equity
Balance at January 1, 2017	$	1,368,658	$	2,186,988	$	92,934	$	3,648,580
Comprehensive income:								
Net income		—		395,521		—		395,521
Other comprehensive income		—		—		(28,704)		(28,704)
Total comprehensive income		—		395,521		(28,704)		366,817
Total transactions recognized directly in equity:								
Dividends on common shares[1]		—		(121,404)		—		(121,404)
Issuance of common shares		7,186		—		—		7,186
Repurchase of common shares (note 11)		(16,624)		(23,381)		—		(40,005)
Re-measurement of employee benefit obligations		—		214		(214)		—
Total transactions recognized directly in equity		(9,438)		(144,571)		(214)		(154,223)
Balance at September 30, 2017	$	1,359,220	$	2,437,938	$	64,016	$	3,861,174

[1] The Company paid dividends of $0.47 per common share in the first, second and third quarter of 2018 ($0.44 per common share in the first, second and third quarter of 2017).

See accompanying notes to the condensed consolidated interim financial statements.

GENWORTH MI CANADA INC.

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Cash provided by (used in):		
Operating activities:		
Net income	**$ 371,450**	**$ 395,521**
Adjustments for non-cash items in net income:		
Amortization of intangible assets and depreciation of property and equipment	2,312	2,808
Expensing of deferred policy acquisition costs	50,798	50,025
Income taxes	130,591	140,535
Interest income	(125,346)	(123,442)
Dividend income	(18,897)	(15,175)
Net realized losses (gains) on sale of investments	704	(2,162)
Net gains on derivatives and foreign exchange	(34,185)	(63,837)
Interest expense	17,574	17,608
Net share-based compensation expense	3,126	4,359
	398,127	406,240
Change in non-cash balances related to operations:		
Accrued investment income and other receivables	(2,446)	(2,291)
Prepaid assets	(1,195)	(2,562)
Subrogation recoverable	2,804	5,240
Deferred policy acquisition costs	(49,788)	(51,183)
Accounts payable and accrued liabilities	(8,539)	(12,251)
Loss reserves	(4,099)	(32,490)
Unearned premiums reserve	(28,290)	(7,046)
Accrued net benefit liability under employee benefit plans	2,750	2,696
	309,324	306,353
Cash generated from (used in) operating activities:		
Interest received from bonds and debentures	115,637	116,909
Dividends received from preferred shares	18,727	15,793
Interest paid on long-term debt	(11,204)	(11,204)
Income taxes paid	(178,710)	(121,173)
Share-based compensation awards settled in cash	(2,676)	(3,052)
Net cash generated from operating activities	**251,098**	**303,626**
Financing activities:		
Dividends paid	(127,246)	(121,404)
Repurchase of common shares	(100,010)	(40,005)
Proceeds from exercise of stock options	3,772	3,744
Net cash used in financing activities	**(223,484)**	**(157,665)**
Investing activities:		
Purchase of short-term investments	(181,039)	(316,455)
Proceeds from sale or maturities of short-term investments	322,033	428,629
Purchase of bonds	(1,095,432)	(1,010,476)
Proceeds from sale or maturities of bonds	955,818	914,780
Purchase of preferred shares	(79,113)	(40,493)
Proceeds from sale of preferred shares	23,282	915
Purchase of intangible assets and property and equipment	(1,375)	(1,198)
Derivative financial instruments	9,527	46,905
Net cash (used in) generated from investing activities	**(46,299)**	**22,607**
(Decrease) increase in cash and cash equivalents	(18,685)	168,568
Cash and cash equivalents, beginning of period	286,980	126,072
Cash and cash equivalents, end of period	**$ 268,295**	**$ 294,640**

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting entity:

Genworth MI Canada Inc. (the "Company") was incorporated under the Canada Business Corporations Act on May 25, 2009 and is domiciled in Canada. The Company's shares are traded publicly on the Toronto Stock Exchange (the "TSX") under the symbol "MIC". The Company's registered office is located at Suite 300, 2060 Winston Park Drive, Oakville, Ontario, L6H 5R7, Canada.

Genworth Financial Inc., ("Genworth Financial") a public company listed on the New York Stock Exchange, indirectly holds approximately 57.0% (December 31, 2017 - 57.1%) of the common shares of the Company.

The Company holds a 100% ownership interest in the holding companies Genworth Canada Holdings I Company ("Holdings I"), Genworth Canada Holdings II Company ("Holdings II"), MIC Holdings H Company ("Hco") and MIC Holdings I Company ("Ico"). The Company also holds an indirect 100% ownership interest in Genworth Financial Mortgage Insurance Company Canada (the "Insurance Subsidiary") through Holdings I and Holdings II. These condensed consolidated interim financial statements as at and for the nine months ended September 30, 2018, reflect the consolidation of the Company and these subsidiaries.

The Insurance Subsidiary is engaged in mortgage insurance in Canada and owns all of the issued and outstanding shares of MIC Insurance Company Canada ("MICICC"). MICICC is licensed to service policies originated prior to its acquisition by the Company in 2012.

The Insurance Subsidiary and MICICC are regulated by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as applicable provincial financial services regulators.

The Insurance Subsidiary is also subject to regulation under the Protection of Residential Mortgage or Hypothecary Insurance Act ("PRMHIA"). Under the terms of PRMHIA, the Canadian federal government guarantees the benefits payable under eligible mortgage insurance policies issued by the Insurance Subsidiary, less 10% of the original principal amount of each insured loan, in the event that the Insurance Subsidiary fails to make claim payments with respect to that loan due to its bankruptcy or insolvency.

On October 21, 2016, Genworth Financial, Inc. ("Genworth Financial") entered into an agreement and plan of merger (the "Merger Agreement") with Asia Pacific Global Capital Co., Ltd. ("the Parent"), a limited liability company incorporated in the People's Republic of China, and Asia Pacific Global Capital USA Corporation ("Merger Sub"), a Delaware corporation and an indirect, wholly-owned subsidiary of the Parent. Subject to the terms and conditions of the Merger Agreement, including the satisfaction or waiver of certain conditions, Merger Sub would merge with and into Genworth Financial with Genworth Financial surviving the merger as an indirect, wholly-owned subsidiary of

1. Reporting entity (continued):

the Parent. The Parent is a newly formed subsidiary of China Oceanwide Holdings Group Co., Ltd. (together with its affiliates, “China Oceanwide”).

At a special meeting held on March 7, 2017, Genworth Financial’s stockholders voted on and approved a proposal to adopt the Merger Agreement. In June 2018, the parties to the transaction announced that the Committee on Foreign Investment in the United States had completed its review of the proposed transaction and concluded that there are no unresolved national security concerns with respect to the proposed transaction. The transaction remains subject to other closing conditions, including the receipt of required regulatory approvals in the U.S., China, and other international jurisdictions. On August 14, 2018, Genworth Financial, the Parent and Merger Sub entered into a sixth waiver and agreement of each party's right to terminate the Merger Agreement. The sixth waiver and agreement extends the previous deadline of August 15, 2018 to December 1, 2018 to allow additional time for continued regulatory review of the transaction.

2. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34: Interim Financial Reporting. Accordingly, the condensed consolidated interim financial statements contain selected explanatory notes to the financial statements and do not include all the disclosures required by International Financial Reporting Standards. Full disclosures were included in the Company's annual consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors on October 29, 2018.

(b) Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of income and expenses during the period. Actual results may differ from these estimates. These significant judgments and estimates made by the Company in preparing

2. Basis of presentation (continued):

these condensed consolidated interim financial statements were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2017.

(c) Seasonality:

The mortgage insurance business is seasonal in nature. While net premiums earned, investment income and underwriting and administrative expenses are relatively stable from quarter to quarter, premiums written and losses may vary each quarter. These variations are driven by the level of mortgage originations and related mortgage policies written, which typically peak in the spring and summer months. Delinquencies and losses on claims vary from quarter to quarter primarily as the result of prevailing economic conditions as well as the characteristics of the insurance in-force portfolio, such as size and age. All revenue and expenses are recognized when they occur in accordance with the accounting policies referred to in the Company's annual consolidated financial statements.

3. Significant accounting policies:

The Company's complete accounting policies have been included in the consolidated financial statements for the year ended December 31, 2017. Accounting policies and methods of computation followed in the preparation of these condensed consolidated interim financial statements were the same as those applied by the Company in the annual consolidated financial statements as at and for the year ended December 31, 2017.

(a) Changes in accounting standards effective January 1, 2018:

Share-based payments (Amendments to IFRS 2):

In June 2016, the IASB issued amendments to IFRS 2 which clarify how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for:

i. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

ii. share-based payment transactions with a net settlement feature for withholding tax obligations; and

3. Significant accounting policies (continued):

iii. the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments to IFRS 2 had no impact on the Company's financial statements.

(b) Future accounting standards:

(i) IFRS 17: Insurance contracts ("IFRS 17"):

In May 2017, the IASB issued IFRS 17, which is a comprehensive standard that establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 will replace IFRS 4: Insurance Contracts (“IFRS 4”). The measurement approach for insurance liabilities under IFRS 17 is based on the following:

i. A current, unbiased probability-weighted estimate of future cash flows expected to arise as the insurer fulfills the contract;

ii. The effect of the time value of money;

iii. A risk adjustment that measures the effects of uncertainty about the amount and timing of future cash flows; and

iv. A contractual service margin which represents the unearned profit in a contract and that is recognized in profit or loss over time as the insurance coverage is provided.

There will also be new financial statement presentation for insurance contracts and additional disclosure requirements.

IFRS 17 requires the Company to distinguish between groups of contracts expected to be profit-making and groups of contracts expected to be onerous.

IFRS 17 is effective for annual periods beginning on or after January 1, 2021 and is to be applied retrospectively to each group of insurance contracts. If full retrospective application to a group of contracts is impracticable, the modified retrospective or fair value methods may be used.

The Company is currently assessing the impact of IFRS 17 on its financial statements.

3. Significant accounting policies (continued):

(ii) IFRS 9: Financial Instruments ("IFRS 9"):

In July 2014, the International Accounting Standards Board ("IASB") published the final version of IFRS 9, which replaces IAS 39: Financial instruments: recognition and measurement ("IAS 39"), and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces a single impairment model for financial instruments not measured at Fair Value through Profit or Loss that requires recognition of expected credit losses at initial recognition of a financial instrument and the recognition of lifetime expected credit losses if certain criteria are met. The new model for hedge accounting aligns hedge accounting with risk management activities.

IFRS 9 is generally effective for annual periods beginning on or after January 1, 2018. Moreover, in September 2016, the IASB issued amendments to IFRS 4 which provide optional relief to eligible insurers in respect of IFRS 9. The options permit entities whose predominant activity is issuing insurance contracts within the scope of IFRS 17 (a) a temporary exemption to defer the implementation of IFRS 9, or alternatively (b) the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9. Entities that apply either of the options will be required to adopt IFRS 9 on January 1, 2021, which aligns with the effective date of IFRS 17.

The Company evaluated its liabilities at December 31, 2015, the prescribed date of assessment under the temporary exemption provisions and concluded that all of the liabilities were predominantly connected with insurance. Approximately 77% of the Company's liabilities at December 31, 2015 are liabilities that arise from contracts within the scope of IFRS 17 and approximately 23% of the Company's liabilities at December 31, 2015 are liabilities that arise because the Company issues insurance contracts and fulfils obligations arising from insurance contracts. Additionally, the Company has not previously applied any version of IFRS 9. Therefore, the Company is an eligible insurer that qualifies for optional relief from the application of IFRS 9.

As at January 1, 2018, the Company has elected to apply the optional transitional relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Company will continue to apply IAS 39 until January 1, 2021. See note 5 (Investments) for additional disclosures which enable comparison between the Company and entities that applied IFRS 9 at January 1, 2018.

3. Significant accounting policies (continued):

(iii) IFRS 16: Leases ("IFRS 16"):

In January 2016, the IASB issued IFRS 16 which sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17: Leases ("IAS 17"). The new standard removes the current requirement of classifying leases as finance or operating leases by introducing a single lessee accounting model. Under the new model, the lessee will be required to recognize a right of use asset and a lease liability for the lease component of future payments. Lessees will also be required to replace operating lease expenses with the depreciation expense for the right of use assets and interest expense on lease liabilities in the statement of income. There are recognition exemptions for short-term leases and leases of low value items. There are no significant changes to lessor accounting requirements.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with retrospective application and some practical expedients available on adoption.

The Company has completed its initial assessment of existing operating leases and has started the assessment of the quantitative impact of IFRS 16. On transition, the Company expects to apply the practical expedient available whereby the Company will not need to reassess whether a contract is, or contains, a lease for transactions recognized prior to the date of initial application. The Company expects IFRS 16 will result in leases currently classified as operating leases being recorded on the Company's statement of financial position, with the exception of leases with low value of the underlying asset.

(iv) IFRIC Interpretation 23: Uncertainty over income tax treatments (“IFRIC 23”):

In June 2017, the IASB issued IFRIC 23 which clarifies how to apply the recognition and measurement requirement in IAS 12 when there is uncertainty over income tax treatments. An entity is required to recognize and measure its taxable profit (taxable loss), tax bases, unused tax losses, unused tax credits and tax rates applying this interpretation.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The interpretation requires retrospective application, with some practical expedients available on adoption.

The Company is assessing the impact of IFRIC 23 on the Company’s financial statements.

(In thousands of Canadian dollars, except per share amounts)

4. Insurance contracts:

(a) Premiums and unearned premiums reserve:

The following table presents movement in unearned premiums reserve and the impact on premiums written and earned:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Unearned premiums reserve, beginning of period	$ 2,129,758	$ 2,142,903
Premiums written during the period	483,048	498,278
Premiums earned during the period	(511,338)	(505,324)
Unearned premiums reserve, end of period	$ 2,101,468	$ 2,135,857

Premiums written are recognized as premiums earned using a factor-based premium recognition curve that is based on the Company's expected loss emergence pattern. The Company performs actuarial studies of loss emergence at least annually and may adjust the factors under which the premiums are earned in accordance with the results of such studies.

(b) Losses on claims and loss reserves:

Loss reserves comprise the following:

	September 30, 2018	December 31, 2017
Case reserves	$ 78,608	$ 79,914
Incurred but not reported reserves	30,922	33,205
Discounting	(1,996)	(1,757)
Provision for adverse deviation	7,318	7,589
Total loss reserves	$ 114,852	$ 118,951

(In thousands of Canadian dollars, except per share amounts)

4. Insurance contracts (continued):

(b) Losses on claims and loss reserves:

The following table presents movement in loss reserves and the impact on losses on claims:

	Nine months ended September 30, 2018	2017
Loss reserves, beginning of period	$ 118,951	$ 163,467
Claims paid during the period	(73,830)	(86,316)
Losses on claims incurred during the period	69,731	53,826
Loss reserves, end of period	$ 114,852	$ 130,977

The carrying value of loss reserves reflects the present value of expected claims costs and expenses and provisions for adverse deviation and is considered to be an indicator of fair value. There is no ready market for the trading of loss reserves and the value agreed between parties in an arm's-length transaction may be materially different.

(c) Subrogation recoverable:

The following table presents movement in subrogation recoverable during the period:

	Nine months ended September 30, 2018	2017
Subrogation rights related to real estate, beginning of period	$ 45,533	$ 51,225
Subrogation rights related to real estate acquired as a result of settling claims, at fair value	130,289	159,327
Change in market value of real estate on hand	4,367	4,451
Subrogation rights related to real estate disposed of during the period	(136,118)	(167,729)
Subrogation rights related to real estate, end of period	44,071	47,274
Borrower recoveries, beginning of period	13,770	16,017
Net estimated future borrower recoveries recognized	2,474	2,535
Borrower recoveries received	(3,818)	(3,786)
Discounting	(107)	(236)
Provision for adverse deviation	109	198
Borrower recoveries, end of period	12,428	14,728
Subrogation recoverable, end of period	$ 56,499	$ 62,002

(In thousands of Canadian dollars, except per share amounts)

4. Insurance contracts (continued):

The Company applies an expected recovery rate based on historical experience of successful recoveries from borrowers to past claims paid and current loss reserves to establish a recovery accrual. The Company reviews the expected recovery rate quarterly to ensure it reflects the most current historical experience of successful recoveries. Borrower recoveries are discounted to take into account the time value of money and include an explicit margin for adverse deviation.

(d) Deferred policy acquisition costs:

The following table presents movement in deferred policy acquisition costs and the impact on total expenses:

	Nine months ended September 30, 2018	2017
Deferred policy acquisition costs, beginning of period	$ 208,046	$ 206,810
Policy acquisition costs deferred during the period	49,788	51,183
Deferred policy acquisition costs expensed during the period	(50,798)	(50,025)
Net change in deferred policy acquisition costs during the period	(1,010)	1,158
Deferred policy acquisition costs, end of period	$ 207,036	$ 207,968

(In thousands of Canadian dollars, except per share amounts)

5. Investments:

The investments presented in the table below are carried at fair value:

	September 30, 2018				December 31, 2017			
	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value	Fair value	Amortized cost	Unrealized gain (loss)	% total fair value
Cash and cash equivalents:								
Canadian federal government treasury bills	$ 143,753	$ 143,753	$ —	2.3	$ 127,168	$ 127,168	$ —	2.0
Cash [(1)]	124,542	124,542	—	1.9	159,812	159,812	—	2.5
	268,295	268,295	—	4.2	286,980	286,980	—	4.5
AFS investments:								
Short-term investments:								
Canadian federal government treasury bills	80,840	80,927	(87)	1.3	221,397	221,403	(6)	3.4
Government bonds and debentures:								
Canadian federal government	1,909,170	1,921,855	(12,685)	29.7	1,907,016	1,890,802	16,214	29.6
Canadian provincial and municipal governments	859,812	841,544	18,268	13.4	945,646	907,128	38,518	14.7
	2,768,982	2,763,399	5,583	43.1	2,852,662	2,797,930	54,732	44.3
Corporate bonds and debentures:								
Financial	794,209	804,081	(9,872)	12.4	843,456	838,550	4,906	13.1
Energy	349,460	349,812	(352)	5.4	349,221	341,324	7,897	5.4
Infrastructure	120,408	118,940	1,468	1.9	98,109	94,019	4,090	1.5
All other sectors	932,612	944,752	(12,140)	14.5	893,261	878,736	14,525	13.9
	2,196,689	2,217,585	(20,896)	34.2	2,184,047	2,152,629	31,418	33.9
Collateralized loan obligations	513,158	514,141	(983)	8.0	357,495	355,990	1,505	5.5
Total AFS bonds and debentures	5,478,829	5,495,125	(16,296)	85.3	5,394,204	5,306,549	87,655	83.7
Preferred shares:								
Financial	374,969	370,296	4,673	5.8	329,323	318,501	10,822	5.1
Energy	99,409	95,479	3,930	1.5	98,688	91,654	7,034	1.5
All other sectors	124,506	119,371	5,135	1.9	118,764	112,213	6,551	1.8
	598,884	585,146	13,738	9.2	546,775	522,368	24,407	8.4
Total investments	$ 6,426,848	$ 6,429,493	$ (2,645)	100.0	$ 6,449,356	$ 6,337,300	$ 112,056	100.0

[(1)] Cash includes $47,240 (December 31, 2017 - $38,060) as collateral posted to the benefit of the Company from its derivative counterparties with a corresponding liability to return the collateral in liabilities for derivative financial instruments.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

The fair value of investments, excluding preferred shares and cash and cash equivalents, are shown by contractual maturity of the investment.[1]

	September 30, 2018	December 31, 2017
Terms to maturity:		
Federal, provincial and municipal bonds and debentures and short-term investments:		
1 year or less	$ 312,371	$ 472,119
1 - 3 Years	915,078	736,343
3 - 5 Years	514,652	662,414
5 - 10 Years	886,003	970,631
Over 10 Years	221,718	232,552
	2,849,822	3,074,059
Corporate bonds and debentures and collateralized loan obligations:		
1 year or less	133,555	260,125
1 - 3 Years	614,241	450,517
3 - 5 Years	667,537	628,440
5 - 10 Years	837,555	925,231
Over 10 Years	456,959	277,229
	2,709,847	2,541,542
	$ 5,559,669	$ 5,615,601

[1] Certain bonds and collateralized loan obligations have prepayment features that may cause actual maturities to be shorter than contractual maturities.

(a) Investments denominated in foreign currencies:

Collateralized loan obligations ("CLOs") of $513,158 (December 31, 2017 - $357,495) are denominated in U.S. dollars. The CLOs are structured credit securities, collateralized by U.S. bank loans with an average AA credit rating that pay interest based on floating interest rates indexed to the London Interbank Offered Rate. Additionally, corporate bonds and debentures includes $439,757 (December 31, 2017 - $402,609) of emerging market bonds and $150,643 of Global bonds (December 31, 2017 - $112,769) denominated in U.S. dollars.

(b) Investment impairment assessment:

For investments in bonds and debentures and preferred shares, evaluation of whether impairment has occurred is based on the Company’s best estimate of the cash flows expected to be collected at the individual investment level.

5. Investments (continued):

No impairment losses were recognized during the three and nine months ended September 30, 2018 (September 30, 2017 - nil).

(c) Derivative financial instruments:

Derivative financial instruments are used by the Company for economic hedging purposes and for the purpose of modifying the risk profile of the Company's investment portfolio, subject to exposure limits specified within the Company's investment policy guidelines, which have been approved by the Board of Directors.

The Company uses derivative financial instruments in the form of foreign currency forwards and cross currency interest rate swaps to mitigate foreign currency risk associated with bonds and collateralized loan obligations denominated in U.S. dollars. Foreign currency forwards and cross currency interest rate swaps are contractual obligations to exchange one currency for another at a predetermined future date.

The Company uses equity total return swaps to hedge a portion of its economic exposure from the changes in fair market value of the Company's common shares in relation to risks associated with share-based compensation expense. Additional disclosure of the Company's equity total return swaps is included in note 7.

The Company uses fixed-for-floating interest rate swaps in conjunction with management of interest rate risk related to its fixed income investments. The fixed for floating interest rate swaps are derivative financial instruments in which the Company and its counterparty agree to exchange interest rate cash flows based on a specified notional amount from a fixed rate to a floating rate.

During the nine months ended September 30, 2018, the Company commenced purchasing interest rate floors. Interest rate floors are derivative financial instrument contracts in which the floor seller will compensate the floor buyer when a reference interest rate falls below an agreed upon floor strike rate at a specified date. The Company uses interest rate floors to mitigate the downside risk that may arise from its existing fixed-for-floating interest rate swaps.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

The following table shows the fair value and notional amounts of the derivatives by terms of maturity, in Canadian dollars:

				Notional amount				
September 30, 2018	Derivative asset	Derivative liability[1]	Net fair value	1 year or less	1 - 3 years	3 - 5 years	Over 5 years	Total
Foreign currency forwards	$ 1,915	$ (23,775)	$ (21,860)	$ 197,955	$ 29,286	$ 92,564	$ 128,739	$ 448,544
Cross currency interest rate swaps	6,305	(4,046)	2,259	54,713	299,051	83,661	158,161	595,586
Equity total return swaps	—	(948)	(948)	28,147	—	—	—	28,147
Interest rate swaps	149,557	—	149,557	—	1,000,000	2,500,000	—	3,500,000
Interest rate floors	3,307	—	3,307	—	150,000	1,900,000	—	2,050,000
Total	$ 161,084	$ (28,769)	$ 132,315	$ 280,815	$1,478,337	$4,576,225	$ 286,900	$6,622,277

				Notional amount				
December 31, 2017	Derivative asset	Derivative liability[1]	Net fair value	1 year or less	1 - 3 years	3 - 5 years	Over 5 years	Total
Foreign currency forwards	$ 6,135	$ (21,608)	$ (15,473)	$ 184,921	$ 28,401	$ 85,772	$ 117,231	$ 416,325
Cross currency interest rate swaps	13,735	(30)	13,705	36,336	155,870	83,949	162,354	438,509
Equity total return swaps	381	—	381	27,398	—	—	—	27,398
Interest rate swaps	131,070	—	131,070	—	—	3,500,000	—	3,500,000
Interest rate floors	—	—	—	—	—	—	—	—
Total	$ 151,321	$ (21,638)	$ 129,683	$ 248,655	$ 184,271	$3,669,721	$ 279,585	$4,382,232

(1) Excludes $47,240 cash pledged as collateral by counterparties for derivative contracts (December 31, 2017 - $38,060).

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

Net gains on derivatives and foreign exchange in the statements of income is comprised of the following amounts:

		September 30, 2018		September 30, 2017
Foreign exchange gains (losses) on bonds and debentures denominated in U.S. dollars	$	27,241	$	(83,202)
(Losses) gains on foreign currency forward and cross currency interest rate swap contracts		(22,362)		42,214
Realized foreign exchange (losses) gains		(473)		24,660
Net gains (losses) on foreign exchange		4,406		(16,328)
Gains on interest rate swap contracts		32,994		80,165
Losses on interest rate floor contracts		(3,215)		—
Net gains on interest rate swap and interest rate floor contracts [1]	$	29,779	$	80,165
Net gains on derivatives and foreign exchange	$	34,185	$	63,837

[1] Includes $14,257 of net realized interest rate swap income related to contractual cash flows (September 30, 2017 - net realized expense $2,490).

The Company enters into collateral arrangements with its derivative counterparties that require the posting of collateral to its derivative financial instruments upon certain net exposure thresholds being met. As at September 30, 2018, the Company has accepted collateral of $135,973 from its counterparties comprised of $47,240 cash and $88,733 Canadian federal and provincial government bonds and has no collateral posted to its counterparties. At December 31, 2017, the Company accepted collateral of $109,577 from its counterparties comprised of $38,060 cash and $71,517 Canadian federal and provincial government bonds and has no collateral posted to its counterparties.

Cash received from counterparties as collateral for derivative contracts is recognized within cash and cash equivalents, and a corresponding liability is recognized within derivative financial instruments on the consolidated statements of financial position. Securities received from counterparties as collateral are not recorded as assets. Securities delivered to counterparties as collateral for derivative financial instruments continue to be reflected as investment assets on the consolidated statements of financial position. The Company does not currently pledge cash to its counterparties as collateral for derivative contracts.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

(d) Securities lending:

The Company had loaned the following investments under its securities lending program:

		September 30, 2018		December 31, 2017
Cash equivalents	$	131,588	$	120,086
Short-term investments		—		633
Bonds and debentures		373,804		350,402
Preferred shares		6,223		7,423
	$	511,615	$	478,544

As at September 30, 2018, the Company has accepted eligible securities as collateral with a fair value of $537,927 (December 31, 2017 - $501,536).

(e) Fair value measurements:

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in estimating the fair value of financial instruments. The hierarchy of inputs is summarized below:

- Level 1 - inputs used to value the financial instruments are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs used to value the financial instruments are other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs used to value the financial instruments are not based on observable market data.

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

The following tables set forth inputs used in valuing the Company's financial instruments carried at fair value:

September 30, 2018	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ —	$ 5,478,829	$ —	$ 5,478,829
Preferred shares	598,884	—	—	598,884
Short-term investments	80,840	—	—	80,840
Net derivative financial instruments(1)	—	132,315	—	132,315
	$ 679,724	$ 5,611,144	$ —	$ 6,290,868

December 31, 2017	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ —	$ 5,394,204	$ —	$ 5,394,204
Preferred shares	546,775	—	—	546,775
Short-term investments	166,279	55,118	—	221,397
Net derivative financial instruments(1)	—	129,683	—	129,683
	$ 713,054	$ 5,579,005	$ —	$ 6,292,059

(1) Excludes $47,240 cash pledged as collateral by counterparties for derivative contracts (December 31, 2017 - $38,060).

During the period ended September 30, 2018 and the year ended December 31, 2017, the Company did not hold any investments measured at fair value using unobservable inputs (Level 3). Transfers between levels of the fair value hierarchy may occur if the inputs used to value the investments change.

Given the types of assets classified in Level 1, which are short-term investments and preferred shares the Company does not typically have any transfers between Level 1 and Level 2 of the fair value hierarchy, and there were no such transfers during the period ended September 30, 2018 and the year ended December 31, 2017.

Valuation of Level 2 financial instruments:

Fair values of bonds and debentures, including CLOs, are obtained primarily from industry-standard pricing services and third party brokers utilizing market observable inputs. Fair value is assessed by analyzing available market information through processes such as benchmark curves, benchmarking of like securities and quotes from market participants.

5. Investments (continued):

Observable information is compiled and integrates relevant credit information, interest rates of the underlying investment, perceived market movements and sector news. Market indicators, industry and economic events are also monitored as triggers to obtain additional data. The primary inputs used in determining fair value of bonds and debentures are interest rate curves and credit spreads.

Derivative financial instruments are non-exchange traded foreign currency forwards, cross currency interest rate swaps, equity total return swaps, interest rate swaps and interest rate floors. The value of these derivative financial instruments is determined using an income approach in which future cash flows expected from the contracts are discounted to reflect the current value of the derivative financial instruments.

The following table describes the primary inputs used in valuing the Company's derivative financial instruments:

Derivative Financial Instrument	Primary Inputs
Foreign currency forwards and cross currency interest rate swaps	Interest rate yield curves and foreign currency exchange rates
Equity total return swaps	Market prices for referenced assets and interest rate yield curves
Interest rate swaps	Interest rate yield curves
Interest rate floors	Interest rate yield curves and implied volatility

At September 30, 2018, the Company’s short-term investments, bonds and debentures and preferred shares are classified as Available-for-Sale (“AFS”) in accordance with IAS 39. The AFS financial assets are recorded at fair value on the Company’s consolidated statements of financial position with changes in their fair value recorded in other comprehensive income. As at September 30, 2018, the Company did not have any short-term investments, bonds and debentures or preferred shares that were held for trading or whose performance was evaluated on a fair value basis.

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the fair value and the amount of change in the fair value of the Company’s financial assets as at and for the period ending September 30, 2018, showing separately the fair value of financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”) and the fair value of financial assets that do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (“Non-SPPI”):

(In thousands of Canadian dollars, except per share amounts)

5. Investments (continued):

Financial Asset	SPPI		Non-SPPI	
	Fair value	Change in fair value	Fair value	Change in fair value
Short-term investments	$ 80,840	$ (81)	$ —	$ —
Bonds and debentures	5,471,163	(103,592)	7,665	(359)
Preferred Shares	—	—	598,884	(10,669)
Total	$ 5,552,003	$ (103,673)	$ 606,549	$ (11,028)

The following additional disclosure, required by IFRS 9 for eligible insurers, presents the credit risk ratings of SPPI financial assets at September 30, 2018:

Credit Rating	Credit Risk	Carrying Value (Fair Value)	% of Fair Value
Bonds and debentures and short-term investments:			
AAA	Low	$ 2,259,399	40.7
AA	Low	1,023,081	18.4
A	Low	1,682,787	30.3
BBB	Low	580,852	10.5
BB	Other	5,884	0.1
		$ 5,552,003	100.0

6. Related party balances and transactions:

The Company enters into related party transactions with Genworth Financial and its subsidiaries. Services rendered by Genworth Financial and affiliated companies consist of information technology, finance, human resources, legal and compliance, and other specified services. The services rendered by the Company and the Insurance Subsidiary relate mainly to financial reporting, tax compliance and other support services. These transactions are in the normal course of business and are at terms and conditions no less favourable than market. Balances owing for service transactions are non-interest bearing and are settled on a quarterly basis.

The Company incurred net related party charges of $1,628 and $4,803 for the three and nine months ended September 30, 2018 (September 30, 2017 - $1,543, and $4,718, respectively). The balance receivable for related party services at September 30, 2018 is $235 (December 31, 2017 - $168) and is reported in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

During the nine months ended September 30, 2018, the Company repurchased 2,367,092 (September 30, 2017 - 1,114,260) of its own common shares for cancellation on the open market for an aggregate purchase price of $100,010 (September 30, 2017 - $40,005). Genworth Financial Inc. through its subsidiaries, participated proportionately in the share purchase transactions. Refer to Note 11 for additional details.

(In thousands of Canadian dollars, except per share amounts)

7. Share-based compensation:

The Company provides long-term incentive plans for the granting of stock options ("Options"), restricted share units ("RSUs"), directors' deferred share units ("DSUs"), performance share units ("PSUs"), and executive deferred share units ("EDSUs"). The Company has reserved 3,000,000 common shares of its issued and authorized shares for issuance under these long-term incentive plans. As at September 30, 2018, the Company has 1,155,905 common shares remaining that are available for distribution.

The Company enters into equity total return swaps to hedge a portion of its economic exposure from the changes in fair market value of the Company's common shares. Equity total return swaps are contracts by which one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a referenced asset or group of assets, including any returns such as interest earned or dividends accrued on these assets in exchange for amounts that are based on prevailing market funding rates. Changes in fair value of the equity total return swaps are recognized in employee compensation expense in the condensed consolidated interim statements of income.

The following table summarizes information about the Company's share-based compensation plans:

	Number of share-based awards outstanding as at September 30, 2018	Fair value of share-based awards as at September 30, 2018	Share-based compensation expense for three months ended September 30, 2018	Share-based compensation expense for nine months ended September 30, 2018
Options	709,001	$ 9,426	$ 182	$ 309
RSUs	134,936	5,747	430	1,255
DSUs	81,348	3,465	87	264
PSUs	94,561	4,027	341	1,187
EDSUs	50,914	2,168	37	95
	1,070,760	$ 24,833	$ 1,077	$ 3,110
Effect of equity total return swaps			$ (55)	$ 16
Net share-based compensation expense			$ 1,022	$ 3,126

Total share based compensation liability as of September 30, 2018 was $20,478 (December 31, 2017 - $23,485).

(In thousands of Canadian dollars, except per share amounts)

8. Earnings per share:

Basic earnings per share have been calculated using the weighted average number of shares outstanding of 89,516,972 and 90,026,289 for the three and nine months ended September 30, 2018 (2017 - 91,554,357 and 91,800,214 respectively). Diluted earnings per share have been calculated using the diluted weighted average number of shares outstanding of 90,007,035 and 90,533,114 for the three and nine months ended September 30, 2018 (2017 - 91,715,512 and 91,992,976 respectively).

The following units were excluded from the diluted weighted average number of shares since their effect would have been anti-dilutive due to the cash settlement option:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Options	124,367	824,763	124,367	824,763
RSUs	—	48,225	—	—
DSUs	—	—	—	—
PSUs	—	36,142	—	36,142
Total	124,367	909,130	124,367	860,905

(In thousands of Canadian dollars, except per share amounts)

8. Earnings per share (continued):

Basic and diluted earnings per share:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Basic earnings per share:				
Net income	$ 127,787	$ 139,574	$ 371,450	$ 395,521
Diluted earnings per share:				
Re-measurement amount net of income taxes	71	116	(31)	265
Earnings for purposes of diluted earnings per share	$ 127,858	$ 139,690	$ 371,419	$ 395,786
Basic common shares outstanding, beginning of period	89,884,260	91,947,700	90,942,040	91,864,100
Effect of share-based compensation exercised during the period	1,347	56,872	107,019	87,835
Effect of repurchase of common shares during the period	(368,635)	(450,215)	(1,022,770)	(151,721)
Weighted average basic common shares outstanding, during the period	89,516,972	91,554,357	90,026,289	91,800,214
Basic earnings per share	$ 1.43	$ 1.52	$ 4.13	$ 4.31
Diluted earnings per share:				
Basic weighted average common shares outstanding during the period	89,516,972	91,554,357	90,026,289	91,800,214
Effect of share-based compensation during the period	490,063	161,155	506,825	192,762
Diluted weighted average common shares outstanding, during the period	90,007,035	91,715,512	90,533,114	91,992,976
Diluted earnings per share	$ 1.42	$ 1.52	$ 4.10	$ 4.30

(In thousands of Canadian dollars, except per share amounts)

9. Long-term debt:

The following table provides details of the Company's long-term debt:

	Series 1	Series 3
Date issued	June 29, 2010	April 1, 2014
Maturity date	June 15, 2020	April 1, 2024
Principal amount outstanding	$275,000	$160,000
Fixed annual rate	5.68%	4.242%
Semi-annual interest payment due each period on:	June 15	October 1
	December 15	April 1

The Company's long-term debt balances are as follows:

September 30, 2018	Series 1	Series 3	Total
Carrying value	$ 274,442	$ 159,177	$ 433,619
Fair value	285,357	159,968	445,325

December 31, 2017	Series 1	Series 3	Total
Carrying value	$ 274,219	$ 159,080	$ 433,299
Fair value	292,762	163,182	455,944

The Company incurred interest expense of $5,923 and $17,574 for the three and nine months ended September 30, 2018, (September 30, 2017 - $6,023 and 17,608 respectively) with accrued interest payable of $8,046 at September 30, 2018 (December 31, 2017 - $2,490) recorded in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

(In thousands of Canadian dollars, except per share amounts)

9. Long-term debt (continued):

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Long Term Debt	Interest Payable
Balance at January 1, 2018	$ 433,299	$ 2,490
Amortization of discount and capitalized borrowing costs	320	—
Interest expense on long-term debt	—	16,760
Interest paid	—	(11,204)
	320	5,556
Balance at September 30, 2018	$ 433,619	$ 8,046

10. Credit Facility:

On September 29, 2017, the Company entered into a $200 million senior unsecured revolving syndicated credit facility, which matures on September 29, 2022. Any borrowings under the syndicated credit facility will bear interest at a rate per annum equal to either a fixed rate based on a spread over Bankers' Acceptance or a variable rate based on a spread over the Lender Prime Rate. The credit facility includes an accordion feature that permits the Company to request that individual commitments with respect to the credit facility be increased by an aggregate amount of up to $50 million. The Company also pays a standby fee based on the unused amount of the commitment which is recorded in interest expense in the condensed consolidated interim statements of income. The syndicated credit facility includes customary representations, warranties, covenants, terms and conditions for transactions of this type.

As at September 30, 2018 there was no amount outstanding under the syndicated credit facility and all of the covenants were met (December 31, 2017 - nil).

Subsequent event:

On October 26, 2018, the Company increased the existing senior unsecured revolving syndicated credit facility to $300 million, together with an increase in the accordion feature from $50 million to $100 million. The maturity date of the credit facility was extended to September 29, 2023 and there was no amount outstanding under this credit facility as at October 30, 2018, the publication date of these financial statements.

11. Share capital:

On May 2, 2017, the Company received approval by the Toronto Stock Exchange for the Company to undertake a normal course issuer bid ("2017 NCIB"). Pursuant to the 2017 NCIB, the Company could purchase, for cancellation, up to 4,597,385 shares, representing approximately 5% of its outstanding common shares at the time. The 2017 NCIB expired on May 4, 2018.

On May 1, 2018, the Company received approval by the Toronto Stock Exchange for the Company to undertake a normal course issuer bid ("2018 NCIB"). Pursuant to the 2018 NCIB, the Company can purchase, for cancellation, up to 4,489,616 shares, representing approximately 5% of its outstanding common shares. Purchases of common shares under the 2018 NCIB were permitted to commence on May 7, 2018 and will conclude on the earlier of May 6, 2019 and the date on which the Company has purchased the maximum number of shares under the 2018 NCIB.

During the three months ended September 30, 2018, under the terms of the 2018 NCIB, the Company repurchased 1,138,679 shares for cancellation, for an aggregate purchase price of $50,005.

During the three months ended March 31, 2018, under the terms of the 2017 NCIB, the Company repurchased 1,228,413 shares for cancellation, for an aggregate purchase price of $50,005.

During the nine months ended September 30, 2017, under the terms of the 2017 NCIB, the Company repurchased 1,114,260 shares for cancellation, for an aggregate purchase price of $40,005.

The Company's majority shareholder, Genworth Financial Inc., through its subsidiaries, participated proportionately in the 2018 and 2017 NCIB.

12. Capital management and regulatory requirements:

On January 1, 2017, the Company implemented a new regulatory capital framework based on OSFI's advisory for capital titled "Capital Requirements for Federally Regulated Mortgage Insurers." As at September 30, 2018 and December 31, 2017, Management has determined that the Company has complied with its regulatory capital requirements.

On August 9, 2018, OSFI issued the guideline entitled: "Mortgage Insurer Capital Adequacy Test" ("2019 MICAT"). The new guideline consolidates OSFI's current capital requirements for mortgage insurers into a single document, incorporating elements from OSFI's January 1, 2017 advisory, on "Capital Requirements for Federally Regulated Mortgage Insurers" and relevant chapters of the "2018 Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies.

12. Capital management and regulatory requirements (continued):

The OSFI supervisory MICAT target ratio and the minimum MICAT ratio under government guarantee legislation remains at 150%. The primary changes in the 2019 MICAT guideline are as follows:

- The base total asset requirement, which is primarily based on loan-to-value, credit score, outstanding insured balance and remaining amortization, is increased by 5% relative to the current calculation.

- The 2019 MICAT guideline requires the use of credit scores at the time of origination in the calculation of a base total asset requirement throughout the duration of the mortgage insurance coverage. This eliminates the requirement in the existing regulatory capital framework to use the updated 2016 credit score for 2015 and prior books in the calculation of the base total asset requirement.

- There is a transitional arrangement that provides a phase-in period for the increased capital required for insurance risk on outstanding insured mortgages as at December 31, 2018.

Management has assessed that the Company expects to be compliant with the 2019 MICAT guideline upon its implementation on January 1, 2019, subject to business and market conditions.

13. Comparatives:

Certain comparative figures have been reclassified to conform to financial statement presentation adopted in the current year.