Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

GENWORTH MI CANADA INC.

Three months ended March 31, 2019 and 2018
(Unaudited)

GENWORTH MI CANADA INC.

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

	Notes	March 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	5	$ 268,699	$ 277,526
Short-term investments	5	56,703	48,683
Accrued investment income and other receivables		55,218	41,183
Derivative financial instruments	5	79,368	110,049
Bonds and debentures and other	5	5,622,942	5,555,559
Preferred shares	5	513,068	517,847
Total invested assets, accrued investment income and other receivables		6,595,998	6,550,847
Income taxes recoverable		24,177	50,782
Subrogation recoverable	4(c)	52,042	56,110
Prepaid assets		3,362	4,578
Property and equipment		823	939
Right-of-use assets	13	11,500	—
Intangible assets		7,998	8,035
Deferred policy acquisition costs	4(d)	203,248	206,386
Goodwill		11,172	11,172
Total assets		$ 6,910,320	$ 6,888,849
Liabilities and Shareholders' Equity			
Liabilities:			
Accounts payable and accrued liabilities		$ 32,180	$ 54,903
Loss reserves	4(b)	126,205	123,764
Share-based compensation liabilities	7	14,587	17,394
Derivative financial instruments	5	56,624	92,247
Lease liabilities	13	11,558	—
Long-term debt	9	433,840	433,729
Unearned premiums reserve	4(a)	2,025,322	2,088,536
Accrued net benefit liabilities under employee benefit plans		47,268	46,506
Deferred tax liabilities		49,055	41,532
Total liabilities		2,796,639	2,898,611
Shareholders' equity:			
Share capital	11	1,315,768	1,315,438
Retained earnings		2,763,703	2,711,289
Accumulated other comprehensive income (loss)		34,210	(36,489)
Total shareholders' equity		4,113,681	3,990,238
Total liabilities and shareholders' equity		$ 6,910,320	$ 6,888,849

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 March 31, 2019	2018
Premiums written	4(a)	$ 105,330	$ 115,343
Premiums earned	4(a)	$ 168,544	$ 170,808
Losses on claims	4(b)	25,436	21,875
Expenses:			
Premium taxes and underwriting fees		8,611	9,187
Employee compensation		12,499	11,609
Office		6,169	5,166
Professional fees		1,237	1,060
Promotional and travel		1,246	1,430
Regulatory fees and assessments		544	488
Total expenses		30,306	28,940
Net change in deferred policy acquisition costs	4(d)	3,138	3,439
		33,444	32,379
Net underwriting income		109,664	116,554
Investment income:			
Interest		42,566	41,744
Dividends		6,498	5,836
Net realized gains (losses) on sale of investments		585	(973)
Net (losses) gains on derivatives and foreign exchange		(21,603)	15,997
Total investment income		28,046	62,604
General investment expenses		(861)	(919)
		27,185	61,685
Interest expense	9,13	5,996	5,793
Income before income taxes		130,853	172,446
Income taxes:			
Current		26,245	46,154
Deferred		7,522	(1,304)
		33,767	44,850
Net income for the period attributable to owners of the Company		$ 97,086	$ 127,596
Earnings per share:	8		
Basic		$ 1.11	$ 1.41
Diluted		$ 1.10	$ 1.38

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 March 31, 2019	Three months ended March 31, 2018
Net income	$ 97,086	$ 127,596
Other comprehensive income:		
Items that may be reclassified subsequently to income:		
Net change in fair value of Available-for-Sale ("AFS") financial assets, net of income tax of $25,830 (2018 - $12,366)	69,806	(33,368)
Losses on AFS financial assets realized and reclassified to income, net of income tax of $329 (2018 - $115)	893	309
Total other comprehensive income (loss) for the period attributable to owners of the Company, net of income tax of $26,159 (2018 - $12,251)	70,699	(33,059)
Total comprehensive income attributable to owners of the Company	$ 167,785	$ 94,537

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, 2019	$ 1,315,438	$ 2,711,289	$ (36,489)	$ 3,990,238
Comprehensive income:				
Net income	—	97,086	—	97,086
Other comprehensive income	—	—	70,699	70,699
Total comprehensive income	—	97,086	70,699	167,785
Total transactions recognized directly in equity:				
Dividends on common shares[1]	—	(44,672)	—	(44,672)
Issuance of common shares	330	—	—	330
Total transactions recognized directly in equity	330	(44,672)	—	(44,342)
Balance at March 31, 2019	$ 1,315,768	$ 2,763,703	$ 34,210	$ 4,113,681

	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	—	127,596	—	127,596
Other comprehensive loss	—	—	(33,059)	(33,059)
Total comprehensive income	—	127,596	(33,059)	94,537
Total transactions recognized directly in equity:				
Dividends on common shares[1]	—	(42,781)	—	(42,781)
Issuance of common shares	3,257	—	—	3,257
Repurchase of common shares (note 11)	(18,388)	(31,617)	—	(50,005)
Total transactions recognized directly in equity	(15,131)	(74,398)	—	(89,529)
Balance at March 31, 2018	$ 1,344,089	$ 2,577,787	$ 44,555	$ 3,966,431

[1] The Company paid dividends of $0.51 per common share in the first quarter of 2019 ($0.47 per common share in 2018).

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)

	Three months ended March 31, 2019	2018
Cash provided by (used in):		
Operating activities:		
Net income	**$ 97,086**	**$ 127,596**
Adjustments for non-cash items in net income:		
Amortization and depreciation	1,119	755
Expensing of deferred policy acquisition costs	16,882	17,064
Income taxes	33,767	44,850
Interest income	(42,566)	(41,744)
Dividend income	(6,498)	(5,836)
Net realized (gains) losses on sale of investments	(585)	973
Net losses (gains) on derivatives and foreign exchange	21,603	(15,997)
Interest expense	5,996	5,793
Net share-based compensation expense	1,349	676
	128,153	134,130
Change in non-cash balances related to operations:		
Accrued investment income and other receivables	113	(555)
Prepaid assets	1,216	(66)
Subrogation recoverable	4,068	3,173
Deferred policy acquisition costs	(13,744)	(13,625)
Accounts payable and accrued liabilities	(20,421)	(26,460)
Loss reserves	2,441	(1,449)
Unearned premiums reserve	(63,214)	(55,465)
Accrued net benefit liability under employee benefit plans	762	930
	39,374	40,613
Cash generated from (used in) operating activities:		
Interest received from bonds and debentures	33,582	30,310
Dividends received from preferred shares	6,268	5,886
Interest paid	(112)	—
Income taxes paid	(25,801)	(85,158)
Share-based compensation awards settled in cash	(4,290)	(2,596)
Net cash generated from (used in) from operating activities	**49,021**	**(10,945)**
Financing activities:		
Dividends paid	(44,672)	(42,781)
Repurchase of common shares	—	(50,005)
Proceeds from exercise of stock options	143	1,658
Payment of lease liabilities	(231)	—
Net cash used in financing activities	**(44,760)**	**(91,128)**
Investing activities:		
Purchase of short-term investments	(19,782)	(17,896)
Proceeds from sale or maturities of short-term investments	11,762	189,757
Purchase of bonds	(192,055)	(320,338)
Proceeds from sale or maturities of bonds	192,263	264,886
Purchase of preferred shares	(10,387)	(23,704)
Proceeds from sale of preferred shares	10,409	750
Purchase of intangible assets and property and equipment	(678)	(568)
Derivative financial instruments	(4,620)	8,440
Net cash (used in) generated from investing activities	**(13,088)**	**101,327**
Decrease in cash and cash equivalents	(8,827)	(746)
Cash and cash equivalents, beginning of period	277,526	286,980
Cash and cash equivalents, end of period	**$ 268,699**	**$ 286,234**

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 56.9% (December 31, 2018 - 57.0%) 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") 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 three months ended March 31, 2019, 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. The maximum outstanding insured exposure for all private insured mortgages, including those insured by other private mortgage insurance companies, under PRMHIA is $350 billion.

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 a subsidiary of China Oceanwide Holdings Group Co., Ltd., a limited liability company incorporated in the People’s Republic of China (together with its affiliates, “China Oceanwide”), and Asia Pacific Global Capital USA Corporation (“Merger Sub”), a Delaware corporation and an indirect, wholly-owned subsidiary of

1. Reporting entity (continued):

Asia Pacific Insurance USA Holdings LLC ("Asia Pacific Insurance") which is a Delaware limited liability company and owned by China Oceanwide, pursuant to which, subject to the terms and conditions set forth therein, Merger Sub would merge with and into Genworth Financial with Genworth Financial surviving the merger as an indirect, wholly-owned subsidiary of Asia Pacific Insurance.

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 has received all required U.S. insurance regulatory approvals. The closing of the transaction remains subject to other conditions, including the receipt of other required regulatory approvals in Canada and by the U.S. Financial Industry Regulatory Authority ("FINRA"). In addition, China Oceanwide will need to receive clearance in China for currency conversion and the transfer of funds. On April 29, 2019, Genworth Financial, the Parent and Merger Sub entered into a tenth waiver and agreement of each party's right to terminate the Merger Agreement. The tenth waiver and agreement extends the deadline to June 30, 2019 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, 2018.

These condensed consolidated interim financial statements were approved by the Board of Directors on April 29, 2019.

(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

2. Basis of presentation (continued):

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 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, 2018.

(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.

3. Significant accounting policies:

The Company's complete accounting policies have been included in the consolidated financial statements for the year ended December 31, 2018. 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, 2018 except as noted in 3(a) below.

(a) Changes in accounting standards effective January 1, 2019:

(i) IFRS 16: Leases ("IFRS 16"):

The Company adopted IFRS 16 effective January 1, 2019. IFRS 16 replaces guidance for leases in IAS 17: Leases (“IAS 17”). The new standard provides a single, on balance-sheet lease accounting model for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments for the majority of its leases.

3. Significant accounting policies (continued):

All of the Company's leases were previously treated as operating leases under IAS 17. The effect of IFRS 16 is that right-of-use assets and corresponding lease liabilities have been recognized on the Company's statement of financial position. In addition, the nature of expenses related to these leases has changed as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Transition:

The Company's lease portfolio is comprised of leased premises, vehicles and certain office equipment.

On transition to IFRS 16, the Company elected to apply the practical expedient option with respect to the definition of a lease. The Company will apply IFRS 16 to all contracts entered into before January 1, 2019 that were identified as leases in accordance with IAS 17. The Company also elected not to recognize right-of-use assets and lease liabilities for leases that have a remaining term of less than 12 months or less and leases of low value assets.

The Company has applied the modified retrospective approach to transition in IFRS 16. As a result, the information presented for the year ended December 31, 2018 has not been restated and remains as previously reported under IAS 17. Additionally, the Company's right-of-use asset has been determined as equal to the amount of its lease liability at January 1, 2019, resulting in no net impact to retained earnings at transition.

The Company's lease liability has been calculated at the present value of the remaining lease payments using the Company's incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied to discount lease liabilities was 3.92%.

On transition to IFRS 16 at January 1, 2019, the Company recognized right-of-use assets and lease liabilities of $11,494.

The following table reconciles the Company's operating lease commitments reported at December 31, 2018 and the lease liability recognized on initial application of IFRS 16 at January 1, 2019.

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

3. Significant accounting policies (continued):

Operating lease commitments at December 31, 2018	$	11,729
Effect of discounting using the incremental borrowing rate at January 1, 2019		(997)
Finance lease liabilities recognized as at January 1, 2019		10,732
Less: variable lease payments excluded from lease liabilities		(5,025)
Add: lease liabilities from expected lease term extensions		6,326
Less: recognition exemption related to low value leases		(347)
Less: recognition exemption related to short term leases		(192)
Lease liability recognized January 1, 2019	$	11,494

Accounting policy:

Subsequent to transition, the following accounting policy has been adopted for the Company's lease commitments.

At inception of the contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and recognizes a right-of-use asset and a lease liability at the lease commencement date.

The Company elected to not separate lease and non-lease components and account for them as a single lease component.

The lease liability is initially measured at the present value of the lease payments that are outstanding at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. The lease liability is remeasured if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the estimated amount expected to be payable under a residual value guarantee, or if the Company revises its assessment of whether it will exercise a purchase, extension or termination option.

3. Significant accounting policies (continued):

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. If the right-of-use asset has been reduced to zero, the adjustment is recorded immediately in income.

The right-of-use asset is initially measured at the amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The lease term includes the periods covered by the option to extend if the Company is reasonably certain that the option to extend the lease will be exercised. The right-of-use asset is adjusted for certain remeasurements of the lease liability and reduced by impairment losses, if any.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The lease payments for these leases are treated as an expense on a straight-line basis over the lease term. Likewise, leases of low-value assets are also treated as an expense on a straight line basis over the lease term.

The Company presents its right-of-use assets and lease liabilities separately in the statement of financial position.

(ii) 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.

The adoption of IFRIC 23 had no impact on the Company’s financial statements.

3. Significant accounting policies (continued):

(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 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 initial effective date of IFRS 17 was annual periods beginning on or after January 1, 2021. On November 14, 2018, in response to stakeholders’ concerns and implementation challenges, the IASB tentatively deferred the effective date of IFRS 17 by one year. Therefore, the effective date of IFRS 17 is expected to be annual periods beginning on or after January 1, 2022. Additionally, the IASB commenced a process of evaluating other possible amendments to IFRS 17. The evaluation will continue into 2019 and is expected to result in an exposure draft followed by a public comment period on the proposed amendments before any changes are confirmed.

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 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 FVTPL 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 periods beginning on or after January 1, 2018. However, in September 2016, the IASB issued amendments to IFRS 4: Insurance Contracts (“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: Insurance contracts (“IFRS 17”), (a) a temporary exemption to defer the implementation of IFRS 9, or alternatively (b) the option to remove from income the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9. Additional financial statement disclosures will be required for entities that apply either of the options.

Entities that apply either of the options were initially required to adopt IFRS 9 on January 1, 2021. However, on November 14, 2018, the IASB tentatively deferred both the effective date of IFRS 17 and the expiry date for the optional relief in respect of IFRS 9 by one year. The proposed deferral is subject to IASB public consultation in 2019 which is expected to result in an exposure draft followed by a public comment period. Therefore, it is expected that entities that apply the optional temporary relief will be required to adopt IFRS 9 on January 1, 2022, which aligns with the new expected effective date of IFRS 17. The Company has analyzed these amendments and has concluded that it is an eligible insurer that qualifies for the transitional relief. The Company has elected to apply the optional transitional relief that permits the deferral of the adoption of IFRS 9 for eligible insurers. As a result, the Company did not adopt IFRS 9 as at January 1, 2018. The Company is expected to continue to apply IAS 39 until January 1, 2022.

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

3. Significant accounting policies (continued):

Effective in reporting periods in 2018, an insurer that elected to apply the transitional relief under IFRS 4 is required to provide additional disclosure that enable comparison with entities that applied IFRS 9 at January 1, 2018. In order to compare with entities applying IFRS 9, the amendments to IFRS 4 require entities to disclose additional information regarding the contractual cash flow characteristics and credit exposure of their financial instruments. These disclosures are included in note 5.

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:

	Three months ended March 31, 2019	2018
Unearned premiums reserve, beginning of period	$ 2,088,536	$ 2,129,758
Premiums written during the period	105,330	115,343
Premiums earned during the period	(168,544)	(170,808)
Unearned premiums reserve, end of period	$ 2,025,322	$ 2,074,293

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:

	March 31, 2019	December 31, 2018
Case reserves	$ 86,110	$ 82,581
Incurred but not reported reserves	34,194	35,480
Discounting	(2,018)	(2,161)
Provision for adverse deviation	7,919	7,864
Total loss reserves	$ 126,205	$ 123,764

(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:

	Three months ended March 31, 2019	2018
Loss reserves, beginning of period	$ 123,764	$ 118,951
Claims paid during the period	(22,995)	(23,324)
Losses on claims incurred during the period	25,436	21,875
Loss reserves, end of period	$ 126,205	$ 117,502

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:

	Three months ended March 31, 2019	2018
Subrogation rights related to real estate, beginning of period	$ 42,822	$ 45,533
Subrogation rights related to real estate acquired as a result of settling claims, at fair value	42,460	43,872
Change in market value of real estate on hand	3,674	2,184
Subrogation rights related to real estate disposed of during the period	(50,084)	(48,902)
Subrogation rights related to real estate, end of period	38,872	42,687
Borrower recoveries, beginning of period	13,288	13,770
Net estimated future borrower recoveries recognized	958	905
Borrower recoveries received	(1,104)	(1,138)
Discounting	11	(121)
Provision for adverse deviation	17	27
Borrower recoveries, end of period	13,170	13,443
Subrogation recoverable, end of period	$ 52,042	$ 56,130

(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:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Deferred policy acquisition costs, beginning of period	$ 206,386	$ 208,046
Policy acquisition costs deferred during the period	13,744	13,625
Deferred policy acquisition costs expensed during the period	(16,882)	(17,064)
Net change in deferred policy acquisition costs during the period	(3,138)	(3,439)
Deferred policy acquisition costs, end of period	$ 203,248	$ 204,607

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

5. Investments:

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

	March 31, 2019				December 31, 2018			
	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	$ 139,229	$ 139,229	$ —	2.2	$ 142,342	$ 142,342	$ —	2.2
Cash [(1)]	129,470	129,470	—	2.0	135,184	135,184	—	2.1
	268,699	268,699	—	4.2	277,526	277,526	—	4.3
AFS investments:								
Short-term investments:								
Canadian federal government treasury bills	56,703	56,713	(10)	0.9	48,683	48,699	(16)	0.8
Government bonds and debentures:								
Canadian federal government [(2)]	1,994,363	1,943,752	50,611	30.9	1,951,652	1,934,829	16,823	30.5
Canadian provincial and municipal governments	853,971	816,513	37,458	13.2	857,872	834,076	23,796	13.4
	2,848,334	2,760,265	88,069	44.1	2,809,524	2,768,905	40,619	43.9
Corporate bonds and debentures:								
Financial	795,249	787,186	8,063	12.3	780,336	788,413	(8,077)	12.2
Utility	369,557	362,067	7,490	5.7	365,023	366,266	(1,243)	5.7
Energy	345,377	336,984	8,393	5.3	342,916	343,298	(382)	5.4
Infrastructure	122,962	118,535	4,427	1.9	120,823	118,747	2,076	1.9
All other sectors	627,317	619,644	7,673	9.7	605,056	613,146	(8,090)	9.5
	2,260,462	2,224,416	36,046	34.9	2,214,154	2,229,870	(15,716)	34.7
Collateralized loan obligations	514,146	519,132	(4,986)	8.0	531,881	540,322	(8,441)	8.2
Total AFS bonds and debentures	5,622,942	5,503,813	119,129	87.0	5,555,559	5,539,097	16,462	86.8
Preferred shares:								
Financial	325,302	369,267	(43,965)	5.0	325,362	367,441	(42,079)	5.1
Utility	88,470	99,272	(10,802)	1.4	90,190	101,234	(11,044)	1.4
Energy	83,415	96,598	(13,183)	1.3	84,862	95,457	(10,595)	1.3
All other sectors	15,881	19,616	(3,735)	0.2	17,433	19,586	(2,153)	0.3
	513,068	584,753	(71,685)	7.9	517,847	583,718	(65,871)	8.1
Total investments	$ 6,461,412	$ 6,413,978	$ 47,434	100.0	$ 6,399,615	$ 6,449,040	$ (49,425)	100.0

(1) Cash includes $4,880 (December 31, 2018 - $10,680) 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.

(2) As at March 31, 2019. the Company had collateral posted of $383 in the form of Canadian federal government bonds for the benefit of the Company's counterparties to its derivative financial instrument contracts, as described in the derivative financial instruments section of note 5 (December 31, 2018 - the Company had collateral posted of $1,800 for the benefit of the Company's counterparties to its derivative financial instrument contracts).

(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]

		March 31, 2019		December 31, 2018
Terms to maturity:				
Federal, provincial and municipal bonds and debentures and short-term investments:				
1 year or less	$	383,363	$	350,833
1 - 3 Years		792,480		816,380
3 - 5 Years		548,431		582,308
5 - 10 Years		956,861		895,411
Over 10 Years		223,902		213,275
		2,905,037		2,858,207
Corporate bonds and debentures and collateralized loan obligations:				
1 year or less		116,497		125,247
1 - 3 Years		736,765		600,632
3 - 5 Years		648,945		700,114
5 - 10 Years		789,721		821,765
Over 10 Years		482,680		498,277
		2,774,608		2,746,035
	$	5,679,645	$	5,604,242

[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 $514,146 (December 31, 2018 - $531,881) 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 $472,337 (December 31, 2018 - $467,666) of emerging market bonds and $187,538 of Global bonds (December 31, 2018 - $186,826) 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 months ended March 31, 2019 (March 31, 2018 - 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 CLOs 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.

The Company uses interest rate floors to mitigate the downside risk that may arise from its existing fixed-for-floating interest rate swaps. 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.

(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				
March 31, 2019	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	$ 438	$ (33,236)	$ (32,798)	$ 286,394	$ 49,249	$ 85,125	$ 112,675	$ 533,443
Cross currency interest rate swaps	345	(16,665)	(16,320)	170,798	195,032	80,797	137,345	583,972
Equity total return swaps	—	(1,843)	(1,843)	25,549	—	—	—	25,549
Interest rate swaps	61,871	—	61,871	—	2,250,000	1,250,000	—	3,500,000
Interest rate floors	16,714	—	16,714	—	1,750,000	1,250,000	—	3,000,000
Total	$ 79,368	$ (51,744)	$ 27,624	$ 482,741	$4,244,281	$ 2,665,922	$ 250,020	$7,642,964

				Notional amount				
December 31, 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	$ 44	$ (48,885)	$ (48,841)	$ 284,285	$ 29,320	$ 92,881	$ 126,268	$ 532,754
Cross currency interest rate swaps	—	(31,331)	(31,331)	100,200	252,301	77,071	158,161	587,733
Equity total return swaps	—	(1,351)	(1,351)	24,592	—	—	—	24,592
Interest rate swaps	101,147	—	101,147	—	2,000,000	1,500,000	—	3,500,000
Interest rate floors	8,858	—	8,858	—	1,500,000	1,500,000	—	3,000,000
Total	$ 110,049	$ (81,567)	$ 28,482	$ 409,077	$3,781,621	$3,169,952	$ 284,429	$7,645,079

(1) Excludes $4,880 cash pledged as collateral by counterparties for derivative contracts (December 31, 2018 - $10,680).

(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:

		March 31, 2019	March 31, 2018
Foreign exchange (losses) gains on bonds and debentures denominated in U.S. dollars	$	(25,449) $	25,725
Gains (losses) on foreign currency forward and cross currency interest rate swap contracts		25,375	(17,898)
Realized foreign exchange gains (losses)		548	(1,215)
Net gains on foreign exchange		474	6,612
(Losses) gains on interest rate swap contracts		(29,933)	9,385
Gains on interest rate floor contracts		7,856	—
Net (losses) gains on interest rate swap and interest rate floor contracts [1]	$	(22,077) $	9,385
Net (losses) gains on derivatives and foreign exchange	$	(21,603) $	15,997

[1] Includes $8,756 of net realized interest rate swap and interest rate floor income related to contractual cash flows (March 31, 2018 - net realized income $3,586).

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 March 31, 2019, the Company has posted $383 collateral in the form of Canadian federal government bonds for the benefit of its counterparties and accepted collateral of $29,501 from its counterparties comprised of $4,880 cash and $24,621 Canadian federal and provincial government bonds. (December 31, 2018, the Company has posted $1,800 collateral in the form of Canadian federal government bonds for the benefit of its counterparties and accepted collateral of $44,984 from its counterparties comprised of $10,680 cash and $34,304 Canadian federal and provincial government bonds).

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:

	March 31, 2019	December 31, 2018
Cash equivalents	$ 52,212	$ 80,455
Short-term investments	5,722	—
Bonds and debentures	653,220	608,847
Preferred shares	4,629	9,452
	$ 715,783	$ 698,754

As at March 31, 2019, the Company has accepted eligible securities as collateral with a fair value of $755,000 (December 31, 2018 - $732,749).

(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:

March 31, 2019	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ —	$ 5,622,942	$ —	$ 5,622,942
Preferred shares	513,068	—	—	513,068
Short-term investments	9,440	47,263	—	56,703
Net derivative financial instruments[1]	—	27,624	—	27,624
	$ 522,508	$ 5,697,829	$ —	$ 6,220,337

December 31, 2018	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ —	$ 5,555,559	$ —	$ 5,555,559
Preferred shares	517,847	—	—	517,847
Short-term investments	1,397	47,286	—	48,683
Net derivative financial instruments[1]	—	28,482	—	28,482
	$ 519,244	$ 5,631,327	$ —	$ 6,150,571

[1] Excludes $4,880 cash pledged as collateral by counterparties for derivative contracts (December 31, 2018 - $10,680).

During the period ended March 31, 2019 and the year ended December 31, 2018, 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 March 31, 2019 and the year ended December 31, 2018.

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 March 31, 2019, 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 March 31, 2019, 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, 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):

March 31, 2019	SPPI		Non-SPPI	
Financial Asset	Fair value	Change in fair value	Fair value	Change in fair value
Short-term investments	$ 56,703	$ 6	$ —	$ —
Bonds and debentures	5,614,690	102,476	8,252	191
Preferred Shares	—	—	513,068	(5,814)
Total	$ 5,671,393	$ 102,482	$ 521,320	$ (5,623)

March 31, 2018	SPPI		Non-SPPI	
Financial Asset	Fair value	Change in fair value	Fair value	Change in fair value
Short-term investments	$ 49,752	$ 6	$ —	$ —
Bonds and debentures	5,419,788	(36,699)	7,811	(195)
Preferred Shares	—	—	563,228	(8,423)
Total	$ 5,469,540	$ (36,693)	$ 571,039	$ (8,618)

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

March 31, 2019	Credit Risk	Carrying Value (Fair Value)	% of Fair Value
Bonds and debentures and short-term investments:			
AAA	Low	$ 2,335,424	41.1
AA	Low	1,008,001	17.8
A	Low	1,722,216	30.4
BBB	Low	599,520	10.6
BB	Other	6,232	0.1
		$ 5,671,393	100.0

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

5. Investments (continued):

March 31, 2018	Credit Risk	Carrying Value (Fair Value)	% of Fair Value
Bonds and debentures and short-term investments:			
AAA	Low	$ 2,156,323	39.4
AA	Low	1,088,063	19.9
A	Low	1,667,987	30.5
BBB	Low	547,245	10.0
BB	Other	9,922	0.2
		$ 5,469,540	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 $1,709 three months ended March 31, 2019 (March 31, 2018 - $1,583). The balance payable for related party services at March 31, 2019 is $174 (December 31, 2018 - $366) and is reported in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

(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 March 31, 2019, the Company has 1,092,130 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 March 31, 2019	Fair value of share-based awards as at March 31, 2019	Share-based compensation expense for three months ended March 31, 2019
Options	718,701	$ 7,091	$ 230
RSUs	131,469	5,323	533
DSUs	82,957	3,359	137
PSUs	86,095	3,486	732
EDSUs	27,043	1,095	39
	1,046,265	$ 20,354	$ 1,671
Effect of equity total return swaps			(322)
Net share-based compensation expense			$ 1,349

Total share based compensation liability as of March 31, 2019 was $14,587 (December 31, 2018 - $17,394).

(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 87,593,413 for the three months ended March 31, 2019 (2018 - 90,752,714). Diluted earnings per share have been calculated using the diluted weighted average number of shares outstanding of 87,958,677 for the three months ended March 31, 2019 (2018 - 91,291,500).

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 March 31,	
	2019	2018
Options	162,800	57,400
RSUs	—	—
DSUs	—	—
PSUs	—	—
Total	162,800	57,400

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

8. Earnings per share (continued):

Basic and diluted earnings per share:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Basic earnings per share:		
Net income	$ 97,086	$ 127,596
Diluted earnings per share:		
Re-measurement amount net of income taxes	62	(1,657)
Earnings for purposes of diluted earnings per share	$ 97,148	$ 125,939
Basic common shares outstanding, beginning of period	87,591,163	90,942,040
Effect of share-based compensation exercised during the period	2,250	38,476
Effect of repurchase of common shares during the period	—	(227,802)
Weighted average basic common shares outstanding, during the period	87,593,413	90,752,714
Basic earnings per share	$ 1.11	$ 1.41
Diluted earnings per share:		
Basic weighted average common shares outstanding during the period	87,593,413	90,752,714
Effect of share-based compensation during the period	365,264	538,786
Diluted weighted average common shares outstanding, during the period	87,958,677	91,291,500
Diluted earnings per share	$ 1.10	$ 1.38

(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:

March 31, 2019		Series 1		Series 3		Total
Carrying value	$	274,596	$	159,244	$	433,840
Fair value		284,224		165,560		449,784

December 31, 2018		Series 1		Series 3		Total
Carrying value	$	274,518	$	159,211	$	433,729
Fair value		284,471		161,064		445,535

The Company incurred interest expense on long-term debt of $5,884 for the three months ended March 31, 2019, (March 31, 2018 - $5,793) with accrued interest payable of $8,015 at March 31, 2019 (December 31, 2018 - $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, 2019	$ 433,729	$ 2,490
Amortization of discount and capitalized borrowing costs	111	—
Interest expense on long-term debt	—	5,525
Interest paid	—	—
	111	5,525
Balance at March 31, 2019	$ 433,840	$ 8,015

Subsequent event:

Consent solicitation for the 4.242% debentures due April 1, 2024 (Series 3)

The Company has commenced a solicitation of consents (the "Consent Solicitation") to amend the third series supplement (the "Supplemental Indenture") dated April 1, 2014 to the trust indenture dated June 29, 2010 between the Company and BNY Trust Company of Canada, as trustee. The purpose of the Consent Solicitation is to obtain approval for a proposed amendment to the Supplemental Indenture to increase the aggregate principal amount of the 4.242% Debentures due April 1, 2024 (the "Debentures") that may be issued under the Supplemental Indenture (the "Proposed Amendment") from $160 million to $300 million, thereby providing the Company with the right, but not the obligation, to offer for issuance up to an additional $140 million principal amount of Debentures, which additional Debentures, if and when issued, would form part of the same series as the existing Debentures. The Proposed Amendment requires the consents of the holders of not less than a majority of the principal amount of the outstanding Debentures. The Amendment will not result in any change to the interest rate, payment schedule, maturity date or any other term of the existing Debentures. The Consent Solicitation will be open until May 8, 2019, unless extended or terminated by the Company.

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.

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.

As at March 31, 2019 there was no amount outstanding under the syndicated credit facility and all of the covenants were met (December 31, 2018 - nil).

11. Share capital:

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.

The Company did not purchase any shares under the 2018 NCIB through the three months ended March 31, 2019.

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.

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.

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:

Effective January 1, 2019, the Company is subject to the “Mortgage Insurer Capital Adequacy Test” (“MICAT”). The MICAT consolidates OSFI's 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”. The OSFI supervisory MICAT target ratio and minimum MICAT ratio under government guarantee legislation for 2019 remains unchanged at 150% and the Company’s internal target ratio for 2019 under the MICAT remains unchanged at 157%.

12. Capital management and regulatory requirements (continued):

The primary changes in the MICAT guideline are as follows:

- The 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 prior calculation.

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

The Company has determined that the impact of adoption of IFRS 16 on its MICAT ratio was minimal.

The Company has determined that it was compliant with the 2019 MICAT guideline upon its implementation on January 1, 2019 and is compliant with the guideline at March 31, 2019.

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

13. Leases:

The Company's lease portfolio includes leased premises, vehicles and office equipment. Information about the leases for which the company is a lessee is presented below.

Right-of-use assets:

	Leased Premises	Vehicles	Equipment	Total
Balance at January 1, 2019	$ 10,685	$ 809	$ —	$ 11,494
Right-of-use asset additions during the three months ended March 31, 2019	—	184	111	295
Depreciation expense recognized during the three months ended March 31, 2019	(206)	(80)	(3)	(289)
	$ 10,479	$ 913	$ 108	$ 11,500

Lease Liabilities:

The undiscounted value of lease liabilities are shown by contractual maturity of the lease.

Terms to maturity	
Less than one year	$ 1,384
One to five years	5,727
More than five years	7,580
	$ 14,691

Lease liabilities included in the statement of financial position at March 31, 2019 are presented below.

Current	$ 953
Non-current	10,605
	$ 11,558

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

13. Leases (continued):

Lease extension options:

Leases of office buildings contain extension options. The Company includes lease liabilities related to extension options when the Company has assessed that it is reasonably certain that these extension options will be exercised. The Company will reassess the likelihood of exercising the options if there is a significant event or change in circumstances. The table below provides information about the Company's lease extension options.

Lease type		Lease liabilities recognized for lease extensions		Potential future lease liabilities not included in lease liabilities
Office premises	$	3,411	$	2,612

The following amounts have been recognized in the consolidated statement of income in respect of leases.

		Three months ended March 31, 2019
Interest on lease liabilities	$	112
Variable lease payments not included in the measurement of lease liabilities		386
Low value and short-term lease expenses		58
Depreciation expense		289
Total expense	$	845

14. Comparatives:

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