BLB&G Bernstein Litowitz Berger & Grossmann LLP

In re Genworth Financial Inc. Securities Litigation

COURT: United States District Court, Eastern District of Virginia
CASE NUMBER: 3:14-cv-00682-JRS
JUDGE: Hon. John A. Gibney, Jr.
CLASS PERIOD: 10/30/2013 – 11/05/2014
CASE CONTACTS: Jonathan D. Uslaner

Securities fraud class action filed on behalf of all purchasers of Genworth Financial, Inc. ("Genworth" or the "Company") securities from October 30, 2013 through November 5, 2014, inclusive (the "Class Period"), alleging claims pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 against Genworth and certain of its executive officers.

Plaintiffs Obtain $219 Million Settlement from Genworth

On March 11, 2016, the parties announced a settlement agreement of $219 million with Genworth, resolving all claims against the Company. The settlement was achieved eight weeks before trial and after extensive discovery and investigation, and is the largest recovery ever obtained in a securities class action in Virginia.

On April 13, 2016, the Court granted preliminary approval of the settlement. Among other things, the Court's Order directed that Notice of the proposed settlement be provided to potential class members. Following a settlement fairness hearing on July 20, 2016, the Court granted final approval of a settlement of all claims for $219 million. The deadline for submission of claims was August 22, 2016.

Background

Genworth, headquartered in Richmond, Virginia, is an insurance holding company that provides insurance, investment and financial products to customers. One of the main drivers of Genworth's business is its long-term care ("LTC") insurance division, which purportedly generated over $3 billion in revenue in 2013. Genworth has been issuing LTC policies for approximately 40 years and is currently the largest LTC provider in the United States.

On July 31, 2013, Genworth CEO Tom McInerney announced that the Company was "conducting an intense, very broad and deep review of all aspects of our LTC insurance business." Genworth told investors repeatedly that its review considered all aspects of its LTC business, with a key focus on the assumptions used to establish both the active and disabled life reserves. For instance, on October 30, 2013, McInerney stated that while conducting "an intensive, very broad and deep review of all aspects of [our] long-term care business," in which "[t]he first area of focus for us was our reserving," the Company concluded that "reserves are adequate, with a comfortable margin." On December 4, 2013, Genworth again informed investors that its LTC reserves were adequate, and that there was no need for a charge to its LTC reserves despite the general trends in the LTC insurance industry. Thereafter and throughout the Class Period, Genworth continued to reiterate to investors the thoroughness of its LTC business review, the appropriateness of its LTC reserves, and to issue positive earnings reports.

On July 30, 2014, however, Genworth stunned investors when it disclosed, among other things, that its LTC business was deteriorating, that it had not conducted the thorough review of its LTC business that it had previously claimed it had conducted, that the last time it had conducted a thorough LTC reserve review was in 2012, and that its 2012 review was based only on data from 2010 and earlier. Genworth also announced that it would now conduct a review of its LTC business. At the same time, Genworth reported that Jim Boyle—the head of the Company's U.S. Life Insurance division who had joined Genworth just six months earlier—would resign, to be replaced by McInerney, the current CEO. On July 30, the price of Genworth's stock declined approximately 14% on heavy trading volume.

On November 5 and 6, 2014, the Company reported the results of its new LTC reserve review. It announced that the Company needed to increase LTC reserves by $531 million, severely impacting the Company's financial condition. The Company also announced that it would be conducting yet another LTC review, with the result to be released in December 2014. On November 6 and 7, 2014, Genworth's stock price dropped precipitously, losing approximately 40% of its value. In December 2014, the Company postponed its release of the results until an unspecified date in early 2015.

On October 6, 2014, the original complaint was filed in this matter. On November 6, 2014, the court appointed the Fresno County Employees' Retirement Association as well as Her Majesty The Queen In Right Of Alberta, through Alberta Investment Management Corporation, as Lead Plaintiffs for this litigation. A consolidated class action complaint was filed on December 22, 2014. On February 5, 2015, Defendants filed a motion to dismiss the complaint, which Lead Plaintiffs opposed. On May 1, 2015, the court denied Defendants' motion to dismiss. Trial was scheduled to commence on May 9, 2016, before the parties agreed to settle the litigation.