

OCTOBER 2, 2017

Genworth and China Oceanwide Hint at U.S. Panel National Security Concerns



Federal regulators seem to have raised questions about national security concerns in connection with efforts by [China Oceanwide Holdings Group Co. Ltd.](#) to acquire [Genworth Financial Inc.](#)

The companies refer today to the concerns in an announcement about plans to withdraw and refile their joint voluntary notice for the deal with the Committee on Foreign Investment in the United States. The CFIUS is a federal panel that reviews international deals involving U.S. businesses to see if the deals might affect national security.

(Photo: Allison Bell/TA)

China Oceanwide and Genworth said they will refile their CFIUS notice and include "additional mitigation approaches, including potentially working with a U.S. third-party service provider."

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One of the companies that could be affected is Genworth.

"Both parties are fully committed to continuing to work on robust mitigation proposals," the companies said in the announcement. "Genworth and Oceanwide intend to actively engage in discussions with CFIUS with respect to mitigation options; however, there can be no assurance that CFIUS will ultimately agree to clear a transaction between Genworth and Oceanwide on terms acceptable to the parties, or at all."

The companies did not say what kinds of concerns CFIUS wants them to mitigate.

Company representatives declined to comment on the announcement about the companies' CFIUS notice.

Lu Zhiqiang said in a statement that completing the deal is still important to his company, because it wants to use Genworth's expertise in long-term care

insurance to help China's 231 million residents over the age of 60.

China Oceanwide, a Beijing-based real estate developer that is branching out into insurance, announced plans in October 2016 to acquire Genworth for \$2.7 billion in cash, along with \$525 million in cash for Genworth's U.S. life insurance businesses and \$600 million in cash Genworth could use to refinance or retire notes set to mature in May 2018.

The companies told investors in January, in a proxy statement, that CFIUS was one of many regulatory bodies in the United States, China and other countries that would have to approve the deal.

Genworth is still a major player in the U.S. mortgage insurance, stand-alone long-term care insurance and immediate annuity markets. In the past, it was also a major player in the life insurance and deferred annuity markets.

Lawyers from Sidley Austin LLP suggested in an [article](#) published in July that CFIUS might take an interest in insurance company transactions that could, possibly, give the non-U.S. company access to consumers' protected health information or other personally identifiable information.

Correction: An earlier version of this article described the Federal Long Term Care Insurance Program incorrectly. Genworth has not been affiliated with that program.