



Insurance Update

January 16, 2018

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS:

This document contains "forward-looking statements" – that is, statements related to future events that by their nature address matters that are, to different degrees, uncertain. For details on the uncertainties that may cause our actual future results to be materially different than those expressed in our forward-looking statements, see <http://www.ge.com/investor-relations/disclaimer-caution-concerning-forward-looking-statements> as well as our annual reports on Form 10-K and quarterly reports on Form 10-Q. We do not undertake to update our forward-looking statements. This document also includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

NON-GAAP FINANCIAL MEASURES:

In this document, we sometimes use information derived from consolidated financial data but not presented in our financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). Certain of these data are considered "non-GAAP financial measures" under the U.S. Securities and Exchange Commission rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are posted to the investor relations section of our website at www.ge.com. We use non-GAAP financial measures including the following.

- Operating earnings and EPS, which is earnings from continuing operations excluding non-service-related pension costs of our principal pension plans.
- GE Industrial operating & Verticals earnings and EPS, which is operating earnings of our industrial businesses and the GE Capital businesses that we expect to retain.
- Industrial segment organic revenue, which is the sum of revenue from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial segment organic operating profit, which is the sum of segment profit from all of our industrial segments less the effects of acquisitions/dispositions and currency exchange.
- Industrial cash flows from operating activities (Industrial CFOA), which is GE's cash flow from operating activities excluding dividends received from GE Capital.

General Electric Capital Corporation (GECC) was merged into GE in 2015 and our financial services business is now operated by GE Capital Global Holdings LLC (GECGH). In this document, we refer to GECC and GECGH as "GE Capital". We refer to the industrial businesses of the Company including GE Capital on an equity basis as "GE". "GE (ex-GE Capital)" and /or "Industrial" refer to GE excluding GE Capital.

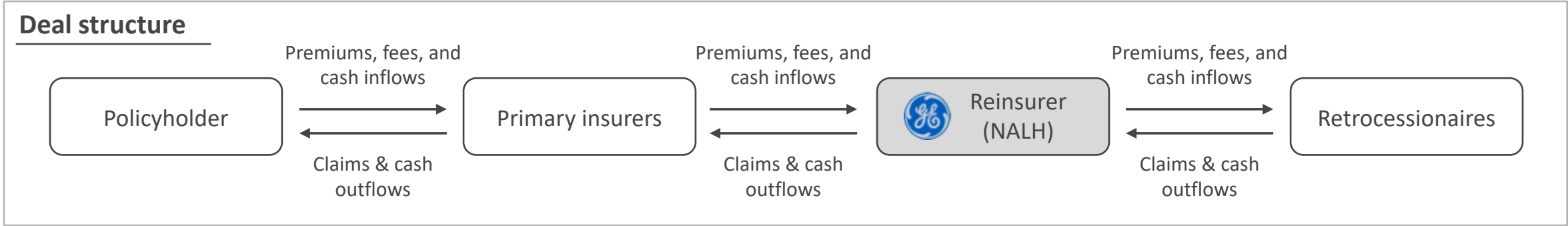
GE's Investor Relations website at www.ge.com/investor and our corporate blog at www.gereports.com, as well as GE's Facebook page and Twitter accounts, contain a significant amount of information about GE, including financial and other information for investors. GE encourages investors to visit these websites from time to time, as information is updated and new information is posted.

Summary

- Legacy reinsurance businesses remained with GE following 2004-2006 Genworth & ERC exits; in runoff since exits, no new business since 2006
- Increasing insurance reserves
 - Pre-tax GAAP charge \$9.5B; after-tax GAAP charge \$6.2B (\$7.5B post U.S. tax reform)
 - Estimated statutory capital contribution of ~\$3B in 1Q'18 and ~\$2B annually from 2019-2024; total of ~\$15B over 7 years
- Trend of adverse claims behavior primarily in long-term care book; in mid-2017, started process to re-evaluate all actuarial assumptions
- Comprehensive rebuild of all claim curves; internal actuarial review informed by work of 2 independent actuarial consulting firms and KPMG audit procedures
- No impact to GE's ratings or capital allocation plan ... funding capital contribution within GE Capital
- Ongoing actions to make GE Capital smaller and more focused ... retaining capability to support Industrial business



Insurance overview



<u>Insurance products</u>		<u>Key information</u>	
	<u>% Insurance reserves</u>		
Long-term care	~60%	<ul style="list-style-type: none">NALH is a reinsurer ... relies on primary insurer for customer interface, data, premiumsKansas Insurance Department is primary regulatorCapital maintenance agreements & claim guarantees from GE in placeHigh-quality, A-rated fixed income investment portfolio	
Structured settlement annuities	~35%		
Life reinsurance & other	~5%		
<ul style="list-style-type: none">Benefits: nursing home, assisted living, home healthcare			
<ul style="list-style-type: none">Benefits: claim settlements for injured plaintiffs			
<ul style="list-style-type: none">Benefits: claims paid upon death of policy holder			



Long-term care portfolio and review

Long-term care portfolio

- Business written primarily between 1989 and 2006
- Pay claims for nursing homes, assisted living & home health
- ~4% of overall long-term care market
- Elevated level of claims experience
 - Aging population and living longer lives ... more policy holders reaching claim status with trends worse than anticipated
 - Number, amount, and size of claims increasing ... reflects industry-wide experience with long-term care product
- Prolonged low interest rate environment increases stress

Review process

- Perform annual premium deficiency test
- Observed elevated trend of long-term care claims; led to in-depth, detailed reviews and comprehensive actuarial review of assumptions in mid-2017
- Business completed comprehensive actuarial review of all policy assumptions since inception and bottoms-up rebuild of projected cost claim curves
- Complex process with numerous interdependent variables
- Actuarial review informed by work of independent third parties; KPMG audit procedures
- Aggregate after-tax GAAP reserve charge of \$6.2B, ~\$15B statutory contribution required over 7 years



Financial implication & actions

- \$9.5B pre-tax, \$6.2B after-tax GAAP charge in 4Q'17
 - \$7.5B after-tax impact at 21% tax rate (post U.S. tax reform)
- Estimated statutory capital contribution of ~\$3B in 1Q'18 and ~\$2B annually from 2019-2024
 - Total contribution of ~\$15B over 7 years
- GE Capital has adequate liquidity
 - \$31B of cash & liquidity as of 12/31/17
 - Will maintain strong liquidity metrics
- No impact to GE ratings
- GE Capital actions
 - \$3B+ of planned GE Capital dividends to parent forgone
 - Current plan is no dividend from GE Capital for foreseeable future
 - Taking actions to make GE Capital smaller and more focused



More focused GE Capital

GE Capital Assets

(ex. Insurance, Other Continuing, Disc. Ops)

	<u>4Q'17</u>	<u>2019F</u>
GECAS	\$40B	~\$40B
EFS	10	<5
Industrial Finance	26	~15
Total	\$76B	~\$60B

	<u>3Q'17</u>	<u>4Q'17</u>	<u>2019F</u>
GE Capital debt/equity	4.7X	7.1X	~4.5X

- GE Capital actions:
 - GECAS – no change
 - Smaller EFS, retain origination capability
 - Smaller Industrial Finance
- Earnings post portfolio actions/excess debt ~\$0.5B
- 4Q'17 impairments \$1.8B related to EFS goodwill & shortened hold period assumptions
- Monitoring other GE Capital exposures
 - WMC
 - Other trailing liabilities

- GE Capital actions to fund Insurance & rebuild capital position
- GE Capital to retain targeted capabilities to support Industrial businesses



Additional 4Q items

- Tax reform:
 - Territorial tax system a long-term positive
 - Expect charge of ~\$3.4B driven by transition tax on overseas earnings & revaluation of deferred taxes (includes \$1.3B related to insurance charge)
 - Limited cash impact from transition tax
 - Estimate low to mid 20's % tax rate longer term
- Industrial operating + Verticals EPS^{-a)} at low end of guidance of \$1.05-1.10
 - Excludes GE Capital Insurance-related charges, tax reform, and ~\$1.6B of after-tax Industrial portfolio-related charges including held-for-sale
 - Power markets continue to be challenging
- GE Industrial CFOA^{-a)} above full-year estimate of ~\$7B

Will review 4Q'17 results on January 24th



(a- Non-GAAP measure)

