Symetra Financial Corporation

Management's Discussion and Analysis of Financial Condition and Results of Operations

June 30, 2017

All financial information in this document is unaudited

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SYMETRA FINANCIAL CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Unless the context otherwise requires, references to "we," "our," "us," and "the Company" are to Symetra Financial Corporation together with its subsidiaries. References to "Symetra" refer to Symetra Financial Corporation on a stand-alone, non-consolidated basis.

Forward-Looking Statements

This report contains forward-looking statements that are intended to enhance the reader's ability to assess the Company's future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent the Company's beliefs concerning future operations, strategies, financial results or other developments, and contain words and phrases such as "may," "expects," "should," "believes," "anticipates," "estimates," "intends" or similar expressions. These statements are based on estimates and assumptions made by the Company in light of information currently known to management and are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change. Whether actual results and developments will conform to our expectations is subject to a number of risks, uncertainties and contingencies that could cause actual results to differ materially from expectations, or that could cause management to deviate from currently expected or intended courses of actions, including, among others:

- effects of fluctuations in interest rates, including a prolonged low interest rate environment or a rapidly rising interest rate environment, as well as management's ability to anticipate and timely respond to any such fluctuations;
- general economic, market or business conditions, including economic downturns or other adverse conditions in the global and domestic capital and credit markets;
- changes in laws or regulations, or their interpretation, including those that could increase our business costs, reserve levels and required capital levels, or that could restrict the manner in which we do business and produce sales, including uncertainty related to:
    - status of the Patient Protection and Affordable Care Act (PPACA),
    - tax reform, particularly as it impacts rules for insurance companies and their products, and
    - status of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd Frank Act);
    - the evolving standards imposed by regulators on producers selling our annuity products, including the actions related to the U.S. Department of Labor's (DOL) fiduciary rule, the Securities and Exchange Commission (SEC) potential rule-making relating to the standard of care for broker-dealers and investment advisors, and possible changes by the National Association of Insurance Commissioners (NAIC) to the Suitability in Annuity Transactions Model Regulation based on the result of the DOL fiduciary rule;
- effects of significant corporate refinance activity, including bond prepayments;
- performance of our investment portfolio;
- continued availability of quality commercial mortgage loan investments and our continued capacity to invest in commercial mortgage loans;
- our ability to successfully execute on our strategies;
- accuracy and adequacy of recorded reserves, including the actuarial and other assumptions upon which those reserves are established, adjusted and maintained;
- persistency of our inforce blocks of business;
- deviations from assumptions used in setting prices for insurance and annuity products or establishing cash flow testing reserves;
- significant changes in projected future cash flows underlying the value of our intangible assets, including projections of future sales and profitability;
- continued viability of certain products under various economic, regulatory and other conditions;
- market pricing and competitive trends related to insurance products and services;
- financial strength or credit ratings changes, particularly ours but also of other companies in our industry sector;
- retention of key personnel and distribution partners;
- availability and cost of capital and financing;
- adequacy and collectibility of reinsurance that we have purchased, as well as the continued availability and cost of reinsurance coverage;
- continued availability of tax credit investments, and our continued ability to utilize such investments;
- ability of subsidiaries to pay dividends to Symetra;
- our ability to implement effective risk management policies and procedures, including hedging strategies;
- our ability to maintain adequate telecommunications, information technology, or other operational systems;
- our ability to prevent or timely detect and remediate any unauthorized access to or disclosure of customer information and other sensitive business data;
- initiation of regulatory investigations or litigation against us and the results of any regulatory proceedings; and

- effects of changes in national and global monetary and fiscal policy.

Further, we are a wholly-owned subsidiary of Sumitomo Life Insurance Company, which has the ability to make important decisions affecting our business.

The following discussion highlights significant factors influencing the results of operations and changes in financial position of Symetra Financial Corporation for the three and six months ended June 30, 2017, the three months ended June 30, 2016, the period February 1 to June 30, 2016, and the period January 1 to January 31, 2016. Amounts related to the period January 1 to January 31, 2016 are associated with the Predecessor Company, prior to the Sumitomo Life Merger. Amounts related to the three and six months ended June 30, 2017, the three months ended June 30, 2016, the period February 1 to June 30, 2016, as of June 30, 2017, and as of December 31, 2016 are associated with the Successor Company.

This discussion should be read in conjunction with the December 31, 2016 audited consolidated financial statements, available on the Company's website at http://investors.symetra.com/.

Discussions related to net income are presented in conformity with U.S. generally accepted accounting principles (GAAP). Management also considers certain non-GAAP financial measures to be useful in evaluating its financial performance and condition. For a definition and further discussion of these non-GAAP measures, see – "Use of non-GAAP Financial Measures."

Overview

We are a financial services company in the life insurance industry providing annuities, employment-based benefits, and life insurance through a national network of financial institutions, broker-dealers, benefits consultants, and independent agents and advisers. Our operations date back to 1957 and many of our distribution relationships have been in place for decades.

On February 1, 2016, we became a wholly owned subsidiary of Sumitomo Life Insurance Company, a mutual company (sougo kaisha) organized under the laws of Japan (Sumitomo Life) in accordance with the terms of the Agreement and Plan of Merger, dated August 11, 2015 (the Merger). The aggregate cash consideration paid in connection with the Merger for the outstanding shares of common stock was $3.7 billion.

Our Operations

We manage our business through three divisions composed of four business segments:

Benefits Division

- *Benefits.* We are a multi-line carrier offering medical stop-loss, group life and disability income (DI), and limited benefit medical products and services to employers.

Retirement Division

- *Deferred Annuities.* We offer fixed deferred annuities, including fixed indexed annuities (FIA), to consumers who want to accumulate assets for retirement on a tax-deferred basis. In 2016, we began offering certain FIA products that provide guaranteed lifetime withdrawals.
- *Income Annuities.* We offer single premium immediate annuities (SPIA) to customers seeking a reliable source of retirement income or protection against outliving their assets during retirement. We also service our block of structured settlement policies and offer funding services options to existing structured settlement clients.

Individual Life Division

- *Individual Life.* We offer individual life insurance products, such as universal life (UL) and term insurance. We also offer institutional products, including bank-owned life insurance (BOLI) and variable corporate-owned life insurance (COLI).

In addition, we have a fifth segment, referred to as the Other segment, which reflects our operations that are not directly related to the operating segments. This includes certain small, non-insurance businesses; unallocated investment results related to surplus invested assets; unallocated corporate expenses; interest expense on debt; and inter-segment elimination entries.

Results of Operations

This discussion should be read in conjunction with our unaudited interim condensed consolidated financial statements. In 2017, the measurement of pre-tax adjusted operating income was modified, and prior period results for the Successor Company have been adjusted to reflect this change. Please see – "Non-GAAP Measures" for further information.

Sumitomo Life Merger

Results of operations for the Successor Company reflect the impact of the Company's application of the acquisition method of accounting on February 1, 2016 (referred to as purchase accounting or PGAAP). On this date, all identifiable assets and liabilities were adjusted to their fair values. Total stockholder's equity was set to equal the Merger purchase price of $3.7 billion, less certain after-tax, success-based Merger fees. Prior period results were not restated for the new basis of accounting.

For additional discussion of the application of purchase accounting, and changes to the Successor Company's accounting policies subsequent to the Merger, refer to Notes 2 and 3 of the Company's December 31, 2016 audited consolidated financial statements, as well as the accompanying Management's Discussion and Analysis.

Consolidated Results

The following table sets forth pre-tax adjusted operating income (loss), by segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Segment pre-tax adjusted operating income (loss):					
Benefits	$ (0.3)	$ 10.5	$ 1.6	$ 18.2	$ 8.3
Deferred Annuities	32.6	18.8	60.7	30.9	10.4
Income Annuities	8.0	(1.5)	7.9	2.5	(2.0)
Individual Life	11.8	5.1	18.9	6.4	0.5
Other	(0.9)	(4.0)	(4.5)	(25.5)	(7.6)
Pre-tax adjusted operating income (1)	$ 51.2	$ 28.9	$ 84.6	$ 32.5	$ 9.6
Add: Excluded realized gains (losses)	(3.4)	(9.2)	(3.7)	(30.1)	(26.5)
Add: Excluded amortization of intangible assets	(21.8)	(21.7)	(43.5)	(36.2)	—
Income (loss) from operations before income taxes	26.0	(2.0)	37.4	(33.8)	(16.9)
Total provision (benefit) for income taxes	0.6	(16.6)	(6.2)	(35.7)	(10.4)
Net income (loss)	$ 25.4	$ 14.6	$ 43.6	$ 1.9	$ (6.5)
Less: Excluded realized gains (losses), net of taxes (2)	3.3	4.1	8.5	(5.3)	(17.1)
Less: Excluded amortization of intangible assets, net of taxes (2)	(14.1)	(14.1)	(28.2)	(23.5)	—
Adjusted operating income (loss) (1)	$ 36.2	$ 24.6	$ 63.3	$ 30.7	$ 10.6

(1) Represents a non-GAAP measure. For further discussion, including a description of how these measures are calculated, see – "Use of non-GAAP Financial Measures."

(2) Tax effects are calculated using the U.S. federal income tax rate of 35%. Adjusted operating income includes realized losses from our tax credit investments, see – "Use of non-GAAP Financial Measures" for further discussion.

The following table sets forth detail of our other underwriting and operating expenses, which are allocated among the segments:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Salaries, incentive compensation, and other employee costs	$ 58.6	$ 55.4	$ 123.5	$ 92.7	$ 19.6
Rent and occupancy costs	4.4	4.5	8.7	7.5	1.3
Professional services and software licensing	18.4	21.7	36.4	33.8	4.8
Merger-related costs	—	0.9	—	18.1	1.9
Other	8.7	9.2	18.2	16.1	2.5
Total operating expenses	90.1	91.7	186.8	168.2	30.1
Commissions and premium-based taxes and fees	86.5	85.9	178.3	141.3	25.4
DAC deferrals	(63.6)	(65.9)	(134.4)	(108.2)	(19.6)
Other underwriting and operating expenses	$ 113.0	$ 111.7	$ 230.7	$ 201.3	$ 35.9

Because of the application of purchase accounting, it is not meaningful to compare results from the Predecessor and Successor Companies. Certain metrics, such as sales and account values, were not affected by PGAAP and remain comparable to prior period amounts.

For the Six Months Ended June 30, 2017 (Successor Company)

- The Company posted net income for the period of $43.6. These results reflect an elevated loss ratio in our medical stop-loss business, increased levels of investment prepayment activity, and favorable mortality experience. See segment discussion for further information.
- Results for the period include $15.2 of net prepayment-related income. Investment income from prepayments was $29.6. This was offset by $5.9 of related DAC, VOBA, and DSI amortization, and $8.5 of realized losses, primarily due to the write-off of premiums established through PGAAP.
- Operating expenses for the period reflect increased employee-related costs, primarily driven by incentive compensation on strong sales and an increase in employee headcount to support growth in our business.
- We recorded $43.5 of intangible asset amortization in net income.
- Our income tax benefit of $6.2 was driven by benefits from our tax credit investments.

For the Period February 1 to June 30, 2016 (Successor Company)

- The Company posted net income of $1.9 for the period. These results reflect Merger-related expenses of $18.1, and an elevated loss ratio in our Benefits segment. See segment discussion for further information.
- Results for the period included $3.2 of net prepayment-related income. Investment income from prepayments was $9.7. This was offset by $1.5 of related DAC, VOBA, and DSI amortization and $5.0 of realized losses.
- We recorded $36.2 of intangible asset amortization in net income.
- Realized losses were $30.1 for the period, further discussed in – "Investments."
- Our income tax benefit of $35.7 was the result of a pre-tax loss, as well as the benefits from our tax credit investments.

For the Period January 1 to January 31, 2016 (Predecessor Company)

- The Company posted a net loss of $6.5 for the month. The benefit from income taxes was a result of a pre-tax loss, driven by net realized losses of $27.0 for the month and the benefit from our tax credit investments.
- Results included in net prepayment-related income of $0.8, which consisted of $1.0 of income from investment prepayments, less $0.2 of related DAC amortization.

- Our other underwriting and operating expenses, net of DAC deferrals, reflected $1.9 of Merger-related expenses, primarily related to professional services.

Segment Operating Results

Benefits

The following table sets forth the results of operations relating to our Benefits segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Operating revenues:					
Premiums	$ 217.3	$ 174.7	$ 425.0	$ 291.3	$ 58.6
Net investment income	6.2	5.1	11.7	8.3	2.1
Policy fees, contract charges, and other	4.6	5.7	9.2	9.0	1.4
Total operating revenues	228.1	185.5	445.9	308.6	62.1
Benefits and expenses:					
Policyholder benefits and claims	172.8	123.6	330.0	206.3	37.1
Other underwriting and operating expenses	55.0	51.3	113.2	83.9	16.5
Amortization of DAC and VOBA	0.6	0.1	1.1	0.2	0.2
Total benefits and expenses	228.4	175.0	444.3	290.4	53.8
Segment pre-tax adjusted operating income (loss)	$ (0.3)	$ 10.5	$ 1.6	$ 18.2	$ 8.3

The following table sets forth selected operating metrics relating to our Benefits segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Loss ratio (1)	79.5%	70.8%	77.6%	70.8%	63.3%
Expense ratio (2)	24.6	28.6	26.0	28.0	27.8
Combined ratio	104.1%	99.4%	103.6%	98.8%	91.1%
Total sales (3)	$ 42.1	$ 20.9	$ 225.8	$ 138.3	N/A

(1) Loss ratio represents policyholder benefits and claims incurred divided by premiums earned.
(2) Expense ratio represents the sum of other underwriting and operating expenses of our insurance operations and amortization of DAC divided by premiums earned.
(3) Total sales represent annualized first-year premiums net of first year policy lapses. Sales reported for the period February 1 to June 30, 2016 represent full year-to-date 2016 sales.

For the Six Months Ended June 30, 2017 (Successor Company)

- Segment pre-tax adjusted operating income was $1.6, which reflected an elevated loss ratio, partially offset by growth in medical stop-loss premiums due to strong January 2017 sales. Historically, January sales and renewals of existing policies represent about half of the premium we write in a calendar year.
- Our loss ratio was 77.6% for the period, primarily driven by higher-than-expected medical stop-loss claims on business written in January 2016 and January 2017.
- We expect that the loss ratio will exceed our target range for full-year 2017. Medical stop-loss is repriced annually and we are taking pricing actions to bring the loss ratio back into our target range. We have a strong track record of achieving our profitability targets on the medical stop-loss business over time.

- Sales were $225.8, up from $138.3 for the same period in 2016. Strong January 2017 medical stop-loss sales were driven by longstanding relationships with national brokers and successful sales initiatives. We also showed strong growth for our group life and DI business.

For the Period February 1 to June 30, 2016 (Successor Company)

- Segment pre-tax adjusted operating income for the period was $18.2. Our loss ratio of 70.8%, which was above our target range, reflected higher than expected severity and frequency of medical stop-loss claims, as well as unfavorable claims experience in our group life and DI business.
- Sales for the six months ended June 30, 2016 totaled $138.3, reflecting consistent stop-loss sales and growth in group life and DI products.

For the Period January 1 to January 31, 2016 (Predecessor Company)

- Segment pre-tax adjusted operating income was $8.3 for the month.
- Our overall loss ratio of 63.3% reflected favorable claims experience across all lines of business. The loss ratio was not affected by PGAAP, and the measure can be compared to Successor Company periods.

Deferred Annuities

The following table sets forth the results of operations relating to our Deferred Annuities segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Operating revenues:					
Net investment income	$ 178.1	$ 148.5	$ 349.3	$ 245.0	$ 57.3
Policy fees, contract charges, and other	6.6	5.7	12.9	9.4	2.0
Certain realized gains (losses)	0.1	(0.1)	0.3	—	(0.5)
Total operating revenues	184.8	154.1	362.5	254.4	58.8
Benefits and expenses:					
Policyholder benefits and claims	1.0	0.3	2.4	0.4	0.2
Interest credited	105.4	94.3	206.9	154.5	33.2
Other underwriting and operating expenses	28.6	27.1	58.3	45.5	8.4
Amortization of DAC and VOBA	17.2	13.6	34.2	23.1	6.6
Total benefits and expenses	152.2	135.3	301.8	223.5	48.4
Segment pre-tax adjusted operating income	$ 32.6	$ 18.8	$ 60.7	$ 30.9	$ 10.4

The following table sets forth selected operating metrics relating to our Deferred Annuities segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Fixed account values, excluding FIA – General account	$ 12,010.0	$ 11,842.1	$ 12,010.0	$ 11,842.1	$ 11,539.5
Interest spread (1)	1.32%	1.01%	1.35%	1.03%	1.66%
Base interest spread (2)	1.08%	0.93%	1.09%	0.93%	1.63%
Fixed account values, FIA – General account	$ 8,816.0	$ 6,828.5	$ 8,816.0	$ 6,828.5	$ 5,847.0
FIA interest spread (3)	1.58%	1.32%	1.50%	1.34%	1.56%
FIA base interest spread (4)	1.42%	1.29%	1.41%	1.30%	1.45%
Total sales (5)	$ 858.4	$ 1,082.7	$ 1,885.5	$ 2,144.5	N/A

(1) Interest spread excludes FIA and is the difference between the net investment yield and the credited rate to policyholders. The net investment yield is the approximate yield on invested assets. The credited rate is the approximate rate credited on policyholder fixed account values. Interest credited is subject to contractual terms, including minimum guarantees.
(2) Base interest spread excludes FIA and is the interest spread adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to results that are not indicative of the underlying trends. This is primarily the impact of asset prepayments, such as bond make-whole premiums net of related deferred sales inducement amortization, and the mortgage-backed security (MBS) prepayment speed adjustment.
(3) FIA interest spread is the difference between the net investment yield and the credited rate to policyholders. The net investment yield is the approximate yield on invested assets, excluding derivative assets. The credited rate represents amounts recorded in interest credited related to FIA contracts.
(4) FIA base interest spread is the FIA interest spread adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to results that are not indicative of the underlying trends. This is primarily the impact of asset prepayments, such as bond make-whole premiums and the MBS prepayment speed adjustment and the impact of reserve adjustments on interest credited.
(5) Total sales represent deposits for new policies net of first year policy lapses and/or surrenders. Sales reported for the period February 1 to June 30, 2016 represent full year-to-date 2016 sales.

For the Six Months Ended June 30, 2017 (Successor Company)

- Segment pre-tax adjusted operating income was $60.7. Stable base spreads on our growing block of business produced solid earnings for the year. We have also continued to experience elevated levels of investment prepayment activity.
- The net impact of prepayments was $15.1, which reflected prepayment-related investment income of $20.2 offset by $5.1 of related DAC, VOBA, and DSI amortization.
- The base interest margin for traditional deferred annuities and FIA were $72.0 and $53.1, respectively, which reflect growth in account values and consistent base spreads. These amounts include improved investment yields on recent purchases of fixed maturities and originations of commercial mortgage loans, including the reinvestment of proceeds from investment prepayments.
- Sales were $1,885.5, compared to $2,144.5 for the six months ended June 30, 2016. Sales remained strong for the period despite increased competition and ongoing uncertainty surrounding the status of the DOL fiduciary rule. Sales through our largest distributor, a highly-rated financial institution, were approximately 24% and 35% of sales in 2017 and 2016, respectively.

For the Period February 1 to June 30, 2016 (Successor Company)

- Segment pre-tax adjusted operating income was $30.9 for the period. Base interest margin totaled $51.5 for our traditional deferred annuities business and $33.7 for our FIA business.
- The net impact of prepayments was $4.5, which reflected prepayment-related investment income of $5.8 offset by $1.3 of related DAC, VOBA, and DSI amortization.
- Base spreads reflect PGAAP adjustments to our investment portfolio and, for our FIA business, PGAAP adjustments to reserves. These PGAAP adjustments impact all periods presented for the Successor Company.

For the Period January 1 to January 31, 2016 (Predecessor Company)

- Segment pre-tax adjusted operating income was $10.4 for the month. Base interest margin totaled $16.2 for our traditional deferred annuities and $7.2 for our FIA business.
- The net impact of prepayments was $0.3, which reflected prepayment-related investment income of $0.5 offset by $0.2 of related DAC and DSI amortization.

Income Annuities

The following table sets forth the results of operations relating to our Income Annuities segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Operating revenues:					
Net investment income	$ 76.5	$ 78.4	$ 152.1	$ 131.2	$ 29.8
Policy fees, contract charges, and other	0.2	0.3	0.4	0.4	—
Total operating revenues	76.7	78.7	152.5	131.6	29.8
Benefits and expenses:					
Interest credited	64.0	74.8	135.3	120.2	29.7
Other underwriting and operating expenses	4.3	5.3	8.5	8.8	1.5
Amortization of DAC and VOBA	0.4	0.1	0.8	0.1	0.6
Total benefits and expenses	68.7	80.2	144.6	129.1	31.8
Segment pre-tax adjusted operating income (loss)	$ 8.0	$ (1.5)	$ 7.9	$ 2.5	$ (2.0)

The following table sets forth selected operating metrics relating to our Income Annuities segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Reserves (1)	$ 7,172.7	$ 7,343.9	$ 7,172.7	$ 7,343.9	$ 6,441.4
Interest spread (2)	0.56%	0.52%	0.51%	0.44%	0.46%
Base interest spread (3)	0.49%	0.37%	0.45%	0.34%	0.58%
Mortality gains (losses) (4)	$ 6.2	$ (2.9)	$ 5.4	$ (0.2)	$ (1.7)
Total sales (5)	69.0	66.4	128.3	141.7	N/A

(1) Reserves represent the present value of future income annuity benefits and assumed expenses, discounted by the assumed interest rate. This metric represents the amount of in-force book of business and, for the Successor Company, also reflects a PGAAP reserve.
(2) Interest spread is the difference between the net investment yield and the credited rate to policyholders. The net investment yield is the approximate yield on invested assets, excluding equities, in the general account attributed to the segment. The credited rate is the approximate rate credited on policyholder reserves and, for the Successor Company, includes the impact of PGAAP reserve amortization.
(3) Base interest spread is the interest spread adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to yields that are not indicative of the underlying trends. This is primarily the impact of asset prepayments, such as bond make-whole premiums and the MBS prepayment speed adjustment.
(4) Mortality gains (losses) represent the difference between actual and expected reserves released on our life contingent annuities.
(5) Total sales represent deposits for new policies net of first year policy lapses and/or surrenders. Sales reported for the period February 1 to June 30, 2016 represent full year-to-date 2016 sales.

For the Six Months Ended June 30, 2017 (Successor Company)

- Segment pre-tax adjusted operating income was $7.9, which was primarily driven by favorable mortality experience.
- Mortality gains were $5.4, reflecting significant favorable mortality experience during the second quarter. Mortality experience is expected to fluctuate from period to period.
- Prepayment-related investment income was $2.6 for the period.
- Sales were $128.3, compared to $141.7 for the same period in 2016. Year-to-date sales levels reflect the competitive market in a low interest rate environment, as well as uncertainty surrounding the DOL fiduciary rule; however, sales in the second quarter 2017 benefited from growth with new distribution partners.

For the Period February 1 to June 30, 2016 (Successor Company)

- Segment pre-tax adjusted operating income was $2.5 for the period, which reflected $2.1 of prepayment-related investment income.

- Mortality losses were $0.2 for the period.
- Base interest spread was reduced by PGAAP adjustments to our investment portfolio, which lowered investment income, partially offset by lower interest credited from the establishment of a $0.9 billion PGAAP reserve. These PGAAP adjustments impact all periods presented for the Successor Company.

For the Period January 1 to January 31, 2016 (Predecessor Company)

- Segment pre-tax adjusted operating loss was $2.0 for the month, driven by $1.7 of mortality losses.
- Investment income reflects a $0.8 mark-to-market loss on alternative investments. Subsequent to the Merger, the mark-to-market impact of alternative investments was recorded in net realized gains (losses).

Individual Life

The following table sets forth the results of operations relating to our Individual Life segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Operating revenues:					
Premiums	$ 8.3	$ 8.3	$ 16.7	$ 13.7	$ 2.6
Net investment income	61.9	51.6	119.8	87.8	22.9
Policy fees, contract charges, and other	59.6	51.8	117.3	84.8	16.2
Total operating revenues	129.8	111.7	253.8	186.3	41.7
Benefits and expenses:					
Policyholder benefits and claims	23.4	14.6	45.5	32.9	11.1
Interest credited	67.0	67.1	136.1	106.8	21.6
Other underwriting and operating expenses	24.1	24.4	48.5	39.9	7.3
Interest expense	0.1	0.1	0.2	0.2	—
Amortization of DAC and VOBA	3.4	0.4	4.6	0.1	1.2
Total benefits and expenses	118.0	106.6	234.9	179.9	41.2
Segment pre-tax adjusted operating income	$ 11.8	$ 5.1	$ 18.9	$ 6.4	$ 0.5

The following table sets forth selected operating metrics relating to our Individual Life segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Individual insurance:					
Individual claims (1)	$ 13.3	$ 13.7	$ 29.2	$ 24.5	$ 4.7
UL account values	1,092.8	932.8	1,092.8	932.8	881.3
Individual sales (2)	20.8	20.5	41.9	34.5	N/A
Institutional Markets:					
BOLI account values	$ 5,189.1	$ 5,066.7	$ 5,189.1	$ 5,066.7	$ 5,028.1
BOLI ROA (3)	0.97%	0.63%	0.92%	0.64%	0.38%
BOLI base ROA (4)	0.76%	0.66%	0.78%	0.60%	0.38%
COLI sales (5)	$ 22.3	$ 0.3	$ 35.1	$ 2.3	N/A

(1) Individual claims represents incurred claims, net of reinsurance, on our term and universal life policies.
(2) Individual sales represents annualized first year premiums for recurring premium products and 10% of new single premium deposits, net of first year policy lapses and/or surrenders. Sales reported for the period February 1 to June 30, 2016 represent full year-to-date 2016 sales.
(3) BOLI ROA is a measure of the gross margin on our BOLI book of business. This metric is calculated as the difference between our BOLI revenue earnings rate and our BOLI policy benefits rate. The revenue earnings rate is calculated as revenues divided by average invested assets. The policy

benefits rate is calculated as total policy benefits divided by average account values, which for the Successor Company includes the impact of PGAAP reserve amortization. The policy benefits used in this metric do not include expenses.

(4) BOLI base ROA is BOLI ROA adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to yields that are not indicative of the underlying trends. These are primarily the impact of asset prepayments, such as bond make-whole premiums, the MBS prepayment speed adjustment, and reserve adjustments.

(5) COLI sales represent deposits for new policies. Sales reported for the period February 1 to June 30, 2016 represent full year-to-date 2016 sales.

For the Six Months Ended June 30, 2017 (Successor Company)

- Segment pre-tax adjusted operating income was $18.9, which reflected strong base margins in both our individual and institutional lines of business, as well as elevated prepayment income. Base margin is defined as operating revenues, less policyholder benefits and claims and interest credited.
- Base margin was $24.8 for our institutional business and $42.3 for our universal life and term life business, which reflected favorable claims experience. Additionally, we saw increased fee income from growth in our universal life business.
- The net impact of prepayments was $4.3, which reflected prepayment-related investment income of $5.1 offset by $0.8 of related VOBA amortization.
- Sales of individual life products were $41.9 and $34.5 for the six months ended June 30, 2017 and 2016, respectively, reflecting continued growth in our universal life business.
- Deposits from sales of COLI were $35.1, compared to $2.3 during the same period in 2016. COLI sales typically occur in uneven patterns.

For the Period February 1 to June 30, 2016 (Successor Company)

- Segment pre-tax adjusted operating income was $6.4 for the period. Base margin was $12.9 for our institutional business, which included higher than expected claims on our COLI business. Base margin for our universal life and term life business was $32.5.
- The net impact of prepayments was $1.1, which reflected prepayment-related investment income of $1.3 offset by $0.2 of related VOBA amortization.
- Base spreads reflect lower investment income as a result of PGAAP adjustments to our investment portfolio. This impact was offset by lower policyholder benefits and claims from a $250.6 PGAAP reserve established for our BOLI business and a $108.7 PGAAP adjustment to our retail reserves. These PGAAP adjustments impact all periods presented for the Successor Company.

For the Period January 1 to January 31, 2016 (Predecessor Company)

- Pre-tax adjusted operating income was $0.5 for the month. Base margin was $2.1 for our institutional business, and $6.8 for our universal life and term life business.

Other

The following table sets forth the results of operations relating to our Other segment:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Operating revenues:					
Net investment income	$ 6.7	$ 5.5	$ 11.2	$ 7.8	$ (1.7)
Policy fees, contract charges, and other	0.3	0.5	0.6	0.8	0.2
Total operating revenues	7.0	6.0	11.8	8.6	(1.5)
Benefits and expenses:					
Interest credited	(0.4)	(0.3)	(0.6)	(0.4)	(0.1)
Other underwriting and operating expenses	1.0	3.6	2.2	23.2	2.4
Interest expense	7.3	6.7	14.7	11.3	3.8
Total benefits and expenses	7.9	10.0	16.3	34.1	6.1
Segment pre-tax adjusted operating loss	$ (0.9)	$ (4.0)	$ (4.5)	$ (25.5)	$ (7.6)

Summary of Results

- For the period February 1 to June 30, 2016, pre-tax adjusted operating loss included $18.1 of Merger-related expenses. Merger-related expenses for the period January 1 to January 31, 2016 were $1.9.
- Predecessor Company included tax credit amortization in net investment income. Successor Company includes amortization related to tax credit investments in realized gains (losses), which is excluded from pre-tax adjusted operating income.

Investments

Our investment portfolio is intended to support the expected cash flows of our liabilities and produce stable returns over the long term. The composition of our portfolio reflects our asset management philosophy of protecting principal and receiving appropriate reward for risk. As of June 30, 2017, our investment portfolio consisted of high quality fixed maturities and commercial mortgage loans we originated, as well as a smaller allocation of high-yield fixed maturities, marketable equity securities, investments in limited partnerships (primarily tax credit investments and alternative investments, which include private equity and hedge funds), derivatives, and other investments. Our equity investments primarily consist of common stock and exchange-traded funds (ETFs) and mainly support asset and liability matching strategies for long-duration insurance products in our Income Annuities segment. We believe that prudent levels of equity investments offer enhanced long-term, after-tax total returns.

Investment Returns

Net Investment Income

Return on invested assets is an important element of our financial results. The following tables set forth the income yield and net investment income, excluding realized gains (losses), for each major investment category:

	Successor Company			
	For the Three Months Ended June 30, 2017		For the Three Months Ended June 30, 2016	
	Yield (1)	Amount	Yield (1)	Amount
Investment Type:				
Fixed maturities (2)	3.55%	$ 259.0	3.46%	$ 239.3
Marketable equity securities	2.73	4.0	2.67	4.2
Mortgage loans, net (2)	3.82	55.6	3.71	47.9
Other income producing assets (3)	3.54	2.7	1.92	2.0
Income before expenses and prepayments	3.58	321.3	3.47	293.4
Prepayment-related income	0.20	17.8	0.06	4.7
Investment expenses	(0.11)	(9.7)	(0.11)	(9.0)
Net investment income	3.67%	$ 329.4	3.42%	$ 289.1

	Successor Company				Predecessor Company	
	For the Six Months Ended June 30, 2017		February 1 to June 30, 2016		January 1 to January 31, 2016	
	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount
Investment Type:						
Fixed maturities (2)	3.54%	$ 511.0	3.45%	$ 394.1	4.45%	$ 96.1
Marketable equity securities	2.68	8.1	3.42	9.0	0.59	0.3
Mortgage loans, net (2)	3.82	110.0	3.70	79.2	5.13	20.5
Investments in limited partnerships (4)	—	—	—	—	*	(4.4)
Other income producing assets (3)	3.02	4.7	1.97	3.2	0.79	0.2
Income before expenses and prepayments	3.56	633.8	3.47	485.5	4.24	112.7
Prepayment-related income	0.17	29.6	0.07	9.7	0.04	1.0
Investment expenses	(0.11)	(19.3)	(0.11)	(15.1)	(0.12)	(3.3)
Net investment income	3.62%	$ 644.1	3.43%	$ 480.1	4.16%	$ 110.4

* Yield is not meaningful.

(1) Yields are determined based on monthly averages calculated using beginning and end-of-period balances. Yields for fixed maturities and equity securities are based on amortized cost. Yields for all other asset types are based on carrying values.

(2) Excludes investment income related to prepayment activity.

(3) Other income producing assets includes policy loans, other invested assets, and cash and cash equivalents.

(4) Subsequent to the Merger, amortization of tax credit investments and the impact of changes in fair value of investments in limited partnerships are recorded in net realized gains (losses) on the consolidated statements of income (loss). The negative impact on pre-tax income from the tax credit investments is offset by U.S. federal income tax benefits. For further discussion, see – "Investments in Limited Partnerships - Tax Credit Investments."

Because of the application of purchase accounting, it is not meaningful to compare results from the Predecessor and Successor Companies, nor is it meaningful to compare the six months ended June 30, 2017 to a sum of the six months ended June 30, 2016.

In an attempt to mitigate the impact of the low interest rate environment on our investment portfolio, we have pursued strategies that generally provide more attractive yields while retaining an appropriate risk profile. This includes investing in high-quality private placement fixed maturity investments and continued focus on our underwriting of commercial mortgage loans. For further information about these investments, see – "Fixed Maturity Securities" and – "Mortgage Loans."

Prepayment-related income shown above includes make-whole payments and consent fees on early calls or tenders of fixed maturities, prepayment speed adjustments on structured securities, and fees on mortgage loan payments received prior to the stated maturity or outside a rate resetting window. Prepayments of our fixed maturities and commercial mortgage loans result in write-off of the premium or discount associated with the investment, which is recorded in realized gains and losses. For the six months ended June 30, 2017, we recognized $8.5 of realized losses related to prepayments, primarily due to premiums established at PGAAP. Due to the low interest rate environment, we continue to experience elevated levels of prepayment activity.

Net Realized Gains (Losses)

The following table sets forth the detail of our net realized gains (losses) before taxes:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Fixed Maturities:					
Gain (loss) on sales, net	$ 6.1	$ 10.1	$ 7.0	$ 8.1	$ 1.2
Credit loss	—	(1.8)	—	(4.6)	—
Intent-to-sell	(2.0)	(0.2)	(2.0)	(0.5)	(3.8)
Total impairments	(2.0)	(2.0)	(2.0)	(5.1)	(3.8)
Net gain (loss) - marketable equity securities, available for sale	13.2	0.5	24.4	0.3	—
Alternative investments	(0.1)	6.1	1.3	4.7	—
Tax credit investments	(8.4)	(15.6)	(16.8)	(21.9)	(0.6)
Net gains (losses) - FIA (1)	(6.3)	(11.0)	—	(20.8)	(4.2)
DAC, VOBA and DSI adjustment	1.2	0.6	(1.1)	4.7	(0.5)
Prepayment-related loss	(2.1)	(3.3)	(8.5)	(5.0)	*
Other net gains (losses) (2)	(4.9)	5.3	(7.7)	4.9	3.4
Marketable equity securities, trading	—	—	—	—	(22.5)
Total net realized gains (losses)	$ (3.3)	$ (9.3)	$ (3.4)	$ (30.1)	$ (27.0)

* Not meaningful.
(1) Includes changes in fair value of the FIA embedded derivative (VED) and related options, excluding options related to our block of FIA business sold during the late 1990s (the old block).
(2) Includes net gains (losses) on changes in the fair value of the Company's derivatives not designated for hedge accounting and convertible securities.

Sales of marketable equity securities resulted in a gain of $24.4 for the six months ended June 30, 2017, as we liquidated a portion of our holdings to rebalance our equity portfolio.

Impairments of Available-for-Sale Securities

We regularly monitor our investments for indicators of impairment. When evaluating a security for possible impairment, we consider several factors, which are described in more detail in Note 4 to the unaudited interim condensed consolidated financial statements.

For the six months ended June 30, 2017, we recognized impairments of $2.0, all during the second quarter. None of these were credit-related. Our impairments include $1.0 related to our intent to sell U.S. treasury securities that are held for cash management purposes. These securities generally decreased in value as interest rates rose during the quarter.

Fixed Maturity Securities

Fixed maturities represented 80.7% and 80.3% of invested assets as of June 30, 2017 and December 31, 2016, respectively. The majority of our fixed maturities are invested in highly marketable or publicly traded securities. We invest in a small amount of privately placed fixed maturities to enhance the overall value of the portfolio and obtain higher yields than can ordinarily be obtained with comparable securities in public markets. As of June 30, 2017 and December 31, 2016, privately placed fixed maturities represented 4.6% and 4.8%, respectively, of our total fixed maturity portfolio at fair value.

Fixed Maturity Securities Credit Quality

The Securities Valuation Office (SVO) of the National Association of Insurance Commissioners (NAIC) evaluates the investments of insurers for regulatory reporting purposes and assigns fixed maturities to one of the six categories called "NAIC Designations." NAIC designations of "1" or "2" include fixed maturities considered investment grade, which generally include securities rated BBB- or higher by Standard & Poor’s (S&P). NAIC designations of "3" through "6" are referred to as below investment grade, which generally include securities rated BB+ or lower by S&P. The SVO applies a modeling approach to determine the NAIC designation for non-agency commercial and residential mortgage-backed securities. As a result, the NAIC designation for such securities may not correspond to the S&P designations.

The following table presents our fixed maturities by NAIC designation and S&P equivalent credit ratings, as well as the percentage of total fixed maturities, based upon fair value, that each designation comprises:

	As of June 30, 2017			As of December 31, 2016		
	Amortized Cost	Fair Value	% of Total Fair Value	Amortized Cost	Fair Value	% of Total Fair Value
NAIC: S&P Equivalent:						
1: AAA, AA, A	$ 15,333.5	$ 15,489.4	51.5%	$ 14,946.5	$ 14,902.7	52.1%
2: BBB	12,958.1	13,359.9	44.4	12,222.6	12,408.4	43.3
Total investment grade	28,291.6	28,849.3	95.9	27,169.1	27,311.1	95.4
3: BB	653.4	709.6	2.4	711.8	756.2	2.6
4: B	423.5	448.8	1.5	443.8	469.0	1.7
5: CCC & lower	64.1	72.3	0.2	69.8	75.4	0.3
6: In or near default	1.4	1.5	—	2.0	2.9	—
Total below investment grade	1,142.4	1,232.2	4.1	1,227.4	1,303.5	4.6
Total	$ 29,434.0	$ 30,081.5	100.0%	$ 28,396.5	$ 28,614.6	100.0%

Fixed Maturity Securities and Unrealized Gains and Losses by Security Sector

The following tables set forth the fair value of our fixed maturities by sector, as well as the associated gross unrealized gains and losses and the percentage of total fixed maturities that each sector comprises as of the dates indicated:

	As of June 30, 2017				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value
Security Sector					
Corporate securities:					
Consumer discretionary	$ 3,293.3	$ 94.7	$ (10.1)	$ 3,377.9	11.2%
Consumer staples	2,717.5	65.0	(7.2)	2,775.3	9.2
Energy	1,815.9	137.4	(2.2)	1,951.1	6.5
Financial	2,646.9	77.0	(6.0)	2,717.9	9.0
Health care	2,702.9	41.2	(11.1)	2,733.0	9.1
Industrial	4,124.7	111.8	(6.0)	4,230.5	14.1
Information technology	561.8	13.0	(1.0)	573.8	1.9
Materials	1,309.9	49.5	(1.7)	1,357.7	4.5
Telecommunication services	760.6	30.2	(0.7)	790.1	2.6
Utilities	2,893.3	87.6	(11.6)	2,969.3	9.9
Total corporate securities	22,826.8	707.4	(57.6)	23,476.6	78.0
U.S. government and agencies	468.2	0.8	(3.4)	465.6	1.5
State and political subdivisions	901.1	3.8	(6.3)	898.6	3.0
Residential mortgage-backed securities:					
Agency	2,354.8	3.6	(32.1)	2,326.3	7.7
Non-agency:					
Prime	221.6	2.6	(1.6)	222.6	0.8
Alt-A	21.0	0.9	—	21.9	0.1
Total residential mortgage-backed securities	2,597.4	7.1	(33.7)	2,570.8	8.6
Commercial mortgage-backed securities:					
Agency	54.3	0.1	(0.9)	53.5	0.2
Non-agency	760.0	6.3	(1.2)	765.1	2.5
Total commercial mortgage-backed securities	814.3	6.4	(2.1)	818.6	2.7
Collateralized loan obligations	1,263.9	22.0	(0.3)	1,285.6	4.3
Other debt obligations	562.3	5.9	(2.5)	565.7	1.9
Total	$ 29,434.0	$ 753.4	$ (105.9)	$ 30,081.5	100.0%

	As of December 31, 2016				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value
Security Sector					
Corporate securities:					
Consumer discretionary	$ 2,988.7	$ 53.6	$ (19.0)	$ 3,023.3	10.5%
Consumer staples	2,815.7	28.1	(19.2)	2,824.6	9.9
Energy	1,693.5	133.7	(3.7)	1,823.5	6.4
Financial	2,268.3	32.1	(19.0)	2,281.4	8.0
Health care	2,897.2	15.7	(33.3)	2,879.6	10.1
Industrial	4,040.5	54.3	(17.1)	4,077.7	14.2
Information technology	579.7	10.6	(6.3)	584.0	2.0
Materials	1,291.4	34.1	(5.0)	1,320.5	4.6
Telecommunication services	718.8	19.9	(1.8)	736.9	2.6
Utilities	2,467.4	46.1	(28.1)	2,485.4	8.7
Total corporate securities	21,761.2	428.2	(152.5)	22,036.9	77.0
U.S. government and agencies	397.3	0.4	(5.6)	392.1	1.4
State and political subdivisions	943.0	1.3	(13.5)	930.8	3.3
Residential mortgage-backed securities:					
Agency	2,386.1	0.6	(49.6)	2,337.1	8.2
Non-agency:					
Prime	244.8	2.2	(2.8)	244.2	0.8
Alt-A	26.8	0.9	(0.1)	27.6	0.1
Total residential mortgage-backed securities	2,657.7	3.7	(52.5)	2,608.9	9.1
Commercial mortgage-backed securities:					
Agency	57.4	0.1	(1.2)	56.3	0.2
Non-agency	873.5	2.6	(5.2)	870.9	3.0
Total commercial mortgage-backed securities	930.9	2.7	(6.4)	927.2	3.2
Collateralized loan obligations	1,198.7	18.7	(3.8)	1,213.6	4.2
Other debt obligations	507.7	4.2	(6.8)	505.1	1.8
Total	$ 28,396.5	$ 459.2	$ (241.1)	$ 28,614.6	100.0%

Our fixed maturities holdings are diversified by industry and issuer. As of June 30, 2017, the fair value of our ten largest issuers of corporate securities holdings was $1,798.6, or 7.7%, of total corporate securities. The fair value of our largest exposure to a single issuer of corporate securities was $202.6, or 0.9% of total corporate securities, and all securities of this issuer were rated investment grade. As of December 31, 2016, the fair value of our ten largest issuers of corporate securities holdings was $1,684.1, or 7.6%, of total corporate securities. The fair value of our largest exposure to a single issuer of corporate securities was $196.6, or 0.9% of total corporate securities, and all securities of this issuer were rated investment grade.

Our investments in U.S. government and agency securities are generally purchases of U.S. treasury bonds as part of our cash management and asset-liability matching strategies to obtain higher yields and match liability durations from incoming cash flows until investments with adequate spreads are found. Our holdings of these securities will fluctuate from quarter to quarter based on sales volume and timing of cash deployment. In addition, these holdings may fluctuate to support collateral needs for our derivatives program.

As of June 30, 2017 and December 31, 2016, the fair value of our state and political subdivision securities included $838.6 and $870.7, respectively, of municipal revenue bonds and $60.0 and $60.1, respectively, of municipal general obligation bonds. We have municipal holdings of $5.9 and $6.1 in Illinois as of June 30, 2017 and December 31, 2016, respectively, and no exposure to municipal holdings in Michigan, Connecticut, or Puerto Rico.

Exposure to Foreign Fixed Maturities

As part of our strategy to improve portfolio yields, we invest in high-quality foreign corporate securities. The majority of these holdings are denominated in U.S. dollars. We utilize foreign currency swaps and forwards to hedge our exposure to those denominated in foreign currencies. As of June 30, 2017 and December 31, 2016, fixed maturities with fair values of $664.5 and $637.3, respectively, were denominated in a foreign currency and reported in U.S. dollars based on period-end exchange rates.

The following tables summarize our exposure to foreign fixed maturity holdings by sovereign debt, financial industry and other corporate debt exposures. The country designation is based on the issuer's country of incorporation.

	As of June 30, 2017					
	Sovereign Debt	Financial Industry	Other Corporate	Total Fair Value	% of Exposure	Amortized Cost
United Kingdom	$ —	$ 135.3	$ 740.5	$ 875.8	14.7%	$ 846.4
Netherlands	—	25.0	702.4	727.4	12.2	708.6
Luxembourg	—	19.8	335.4	355.2	6.0	347.2
France	—	25.3	254.8	280.1	4.7	268.0
Ireland	—	—	277.2	277.2	4.6	272.3
Switzerland	—	141.7	—	141.7	2.4	141.4
Other European countries	29.0	—	95.5	124.5	2.0	118.8
Total European holdings	$ 29.0	$ 347.1	$ 2,405.8	$ 2,781.9	46.6%	$ 2,702.7
Cayman Islands (1)	61.3	1,209.8	92.5	1,363.6	22.9	1,342.3
Canada	12.7	—	1,118.5	1,131.2	19.0	1,068.6
Mexico	—	—	365.7	365.7	6.1	352.0
Australia	—	1.2	204.2	205.4	3.4	189.7
Other foreign countries	—	6.8	107.6	114.4	2.0	109.9
Total foreign holdings	$ 103.0	$ 1,564.9	$ 4,294.3	$ 5,962.2	100.0%	$ 5,765.2

(1) Holdings primarily relate to collateralized loan obligations issued by Cayman Island entities with underlying collateral in the United States.

	As of December 31, 2016					
	Sovereign Debt	Financial Industry	Other Corporate	Total Fair Value	% of Exposure	Amortized Cost
United Kingdom	$ —	$ 134.6	$ 735.4	$ 870.0	15.5%	$ 850.9
Netherlands	—	24.1	578.5	602.6	10.7	592.2
Luxembourg	—	18.5	321.9	340.4	6.1	337.4
Ireland	—	—	331.4	331.4	5.9	332.1
France	—	24.5	256.7	281.2	5.0	271.2
Switzerland	—	112.2	—	112.2	2.0	114.1
Other European countries	28.7	—	83.8	112.5	1.9	106.1
Total European holdings	$ 28.7	$ 313.9	$ 2,307.7	$ 2,650.3	47.1%	$ 2,604.0
Cayman Islands (1)	64.3	1,140.7	88.7	1,293.7	23.0	1,279.8
Canada	12.9	—	1,012.1	1,025.0	18.2	972.6
Mexico	—	1.0	354.5	355.5	6.3	352.9
Australia	—	1.2	208.2	209.4	3.7	195.3
Other foreign countries	—	6.7	85.2	91.9	1.7	92.3
Total foreign holdings	$ 105.9	$ 1,463.5	$ 4,056.4	$ 5,625.8	100.0%	$ 5,496.9

(1) Holdings primarily relate to collateralized loan obligations issued by Cayman Island entities with underlying collateral in the United States.

As of June 30, 2017 and December 31, 2016, the fair value of our exposure to foreign fixed maturities was 19.8% and 19.7% of our total fixed maturities portfolio, respectively. Our gross unrealized losses on these securities were $8.7 and $30.6 as of June 30, 2017 and December 31, 2016, respectively.

In June 2016, the United Kingdom voted to leave the European Union (EU), and while European markets have stabilized since the decision, there is still uncertainty to the economic outlook for Europe. In March 2017, the United Kingdom formally submitted its decision to leave the EU and is in the early stages of negotiating the terms of its exit. The Company holds less than 3% of its fixed maturities in United Kingdom issuers, 75% of which are investment grade.

Further, the European banking industry has faced difficulties recently, with increased regulation and the low interest rate environment. We continue to monitor this industry and our exposure to European financial institutions, which was $347.1, or 1.2% of the total fixed maturities portfolio as of June 30, 2017.

The fair value of our total exposure to Ireland, Italy, and Spain was $287.0 and $333.9 as of June 30, 2017 and December 31, 2016, respectively. Nearly all of these holdings have investment grade ratings. We have no exposure to issuers in Greece, Portugal, Russia or Ukraine.

The fair value of our ten largest foreign security holdings by issuer was $1,328.2, or 4.4% of the fixed maturities portfolio as of June 30, 2017, and $1,190.9, or 4.2%, as of December 31, 2016. Nearly all of the holdings of our ten largest foreign issuers were investment grade securities as of June 30, 2017, while all were investment grade as of December 31, 2016.

Our largest exposure to a single foreign issuer was $179.0, or 0.6% of the portfolio, and $176.4, or 0.6% of the portfolio, as of June 30, 2017 and December 31, 2016, respectively. The issuer is based in Ireland and the holdings are investment grade.

Mortgage-Backed Securities

Our fixed maturities portfolio included $3.39 billion of residential and commercial mortgage-backed securities at fair value as of June 30, 2017, of which 70.2% were agency securities. Additionally, 21.0% of our mortgage-backed securities are AAA-rated non-agency securities in the most senior tranche of the structure type.

Non-agency mortgage-backed securities issued between 2006 and 2008 were generally the most affected by the financial crisis, due to weaker underwriting standards and issuance dates closest to the market peak in real estate prices. As of June 30, 2017, our non-agency mortgage-backed securities with vintage years 2006 through 2008, which are primarily commercial mortgage-backed securities, had an amortized cost of $80.2 and a fair value of $82.1.

Our mortgage-backed securities may have prepayment options. Accounting standards require us to make estimates regarding prepayments when recognizing interest income on these securities. Prepayments that vary from our estimates in amount or timing cause fluctuations in our yields due to an acceleration or deceleration of unamortized premiums or discounts associated with the securities in our portfolio. These adjustments, which relate primarily to residential mortgage-backed securities (RMBS), are recorded in net investment income and can create volatility between periods.

Residential Mortgage-Backed Securities (RMBS)

We classify our investments in RMBS as agency, prime, Alt-A, and subprime. Agency RMBS are guaranteed or otherwise supported by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. Prime RMBS have underlying loans to customers with good quality credit profiles, and subprime RMBS have underlying loans to customers with a greater risk of default. Alt-A RMBS have overall credit quality between prime and subprime, based on a review of their underlying mortgage loans and factors such as credit scores and financial ratios. As of June 30, 2017 and December 31, 2016, non-agency RMBS made up 9.5% and 10.4% of our total RMBS portfolio, respectively. The Company had no exposure to subprime RMBS as of June 30, 2017 or December 31, 2016.

As of June 30, 2017, our Alt-A portfolio was collateralized with all fixed rate mortgages. Generally, fixed rate mortgages have had better credit performance than adjustable rate mortgages (ARMs), with lower delinquencies and defaults on the underlying collateral.

The following table provides additional information on our RMBS prepayment exposure, by type and vintage:

	As of June 30, 2017					
	Amortized Cost	Unrealized Gains/ (Losses)	Fair Value	Gross Discount	Gross Premium	Average Mortgage Loan Rate
Agency:						
CMO:						
2009-2017	$ 1,768.4	$ (24.9)	$ 1,743.5	$ 4.2	$ (62.8)	4.0%
2006-2008	2.0	—	2.0	—	(0.1)	5.6
2005 and prior	276.9	0.9	277.8	—	(26.6)	6.1
Total Agency CMO	$ 2,047.3	$ (24.0)	$ 2,023.3	$ 4.2	$ (89.5)	4.3%
Passthrough:						
2009-2017	$ 276.9	$ (4.3)	$ 272.6	$ 0.3	$ (14.4)	4.2%
2006-2008	13.6	(0.1)	13.5	—	(1.4)	6.3
2005 and prior	17.0	(0.1)	16.9	—	(1.6)	5.8
Total Agency Passthrough	307.5	(4.5)	303.0	0.3	(17.4)	4.3
Total Agency RMBS	$ 2,354.8	$ (28.5)	$ 2,326.3	$ 4.5	$ (106.9)	4.3%
Non-Agency:						
2009-2017	$ 161.8	$ (1.4)	$ 160.4	$ 0.1	$ (2.1)	4.0%
2006-2008	28.4	1.9	30.3	6.1	—	5.1
2005 and prior	52.4	1.4	53.8	2.7	(0.3)	5.3
Total Non-Agency RMBS	242.6	1.9	244.5	8.9	(2.4)	4.4
Total RMBS	$ 2,597.4	$ (26.6)	$ 2,570.8	$ 13.4	$ (109.3)	4.3%

As of June 30, 2017 and December 31, 2016, 75.9% and 74.4%, respectively, of the fair value of our non-agency RMBS had super senior subordination. The super senior class has priority with respect to all principal and interest cash flows and will not experience any loss of principal until subordinate tranches are written down to zero. Therefore, the majority of our RMBS investments have less exposure to defaults and delinquencies in the underlying collateral than if we held the more subordinated classes.

Commercial Mortgage-Backed Securities (CMBS)

The following table sets forth the total fair value, and amortized cost of our non-agency CMBS by credit quality and vintage.

	As of June 30, 2017			
	Highest Rating Agency Rating			
	Investment Grade	Below Investment Grade	Total	December 31, 2016
Vintage:				
2009-2017	$ 616.2	$ 24.8	$ 641.0	$ 640.4
2006-2008	51.8	—	51.8	165.3
2005 and prior	67.2	—	67.2	67.8
Total amortized cost	$ 735.2	$ 24.8	$ 760.0	$ 873.5
Net unrealized gains (losses)	4.0	1.0	5.1	(2.6)
Total fair value	$ 739.2	$ 25.8	$ 765.1	$ 870.9

As of June 30, 2017, our CMBS portfolio was highly concentrated in the most senior tranches, with 85.4% of our AAA-rated securities in the most senior tranche, based on amortized cost. The senior class has priority over the mezzanine and junior classes to all principal and interest cash flows and will not experience any loss of principal until both the entire mezzanine and junior tranches are written down to zero.

The weighted-average credit enhancement of our CMBS portfolio was 36.8% as of June 30, 2017. We believe this additional credit enhancement is significant, especially in the event of a deep real estate downturn during which losses would be expected to increase substantially.

Mortgage Loans

Our mortgage loan department originates commercial mortgages and manages our existing commercial mortgage loan portfolio. We specialize in originating loans of $1.0 to $5.0, which are generally secured by first-mortgage liens on income-producing commercial real estate. All loans are underwritten consistently to our standards based on loan-to-value (LTV) ratios and debt service coverage ratios (DSCR). LTV ratios and DSCRs are based on income and detailed market, property and borrower analyses using our long-term experience in commercial mortgage lending. A large majority of our loans have personal guarantees, and all loans are inspected and evaluated annually. We diversify our mortgage loans by geographic region, loan size and scheduled maturity.

As of February 1, 2016, the book value of the Company's mortgage loans was marked to fair value through the application of PGAAP, establishing a $283.4 net premium for the portfolio. Amounts in the following discussion reflect the outstanding principal balance of our loans, unless otherwise indicated, and do not reflect the PGAAP premium or any allowance for losses, deferred loan origination costs, and unearned mortgage loan fees.

As of both June 30, 2017 and December 31, 2016, 72.1% of our mortgage loans had an outstanding principal under $5.0.

We continue to increase our investments in mortgage loans, as this strategy has resulted in increased net investment yields when compared to fixed maturity investments. We believe a disciplined increase in commercial mortgage loan investments will help maintain the overall quality of our investment portfolio and obtain appropriate yields to match our policyholder liabilities. We originated $468.5 of mortgage loans during the six months ended June 30, 2017.

We believe we have maintained our disciplined underwriting approach as we have increased our mortgage loan portfolio. The following table presents information about our mortgage loan originations:

	Successor Company		Predecessor Company
	For the Six Months Ended June 30, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Weighted average LTV ratio of loans originated	47.0%	50.3%	50.6%
Weighted average DSCR of loans originated	1.99	1.90	1.92

Credit Quality

We use the LTV ratio and DSCR as our primary metrics to assess mortgage loan quality. These factors are also considered in the evaluation of our allowance for mortgage loan losses. For more information and further discussion of the allowance for mortgage loan losses, see Note 5 to our unaudited interim condensed consolidated financial statements.

The LTV ratio compares the outstanding principal of the loan to the estimated fair value of the underlying property collateralizing the loan. In the year of funding, LTV ratios are calculated using independent appraisals performed by Member of the Appraisal Institute (MAI) designated appraisers. Subsequent to the year of funding, LTV ratios are updated annually using internal valuations based on property income and estimated market capitalization rates, which are based on geographic region, property type and economic climate. Property income and market capitalization rates are typically updated during the third quarter of each year. LTV ratios greater than 100% indicate that the loan amount is greater than the collateral value. A smaller LTV ratio generally indicates a higher quality loan.

The following table sets forth the LTV ratios for our mortgage loan portfolio:

	As of June 30, 2017		As of December 31, 2016	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Loan-to-Value Ratio:				
< or = 50%	$ 2,733.2	48.0%	$ 2,717.0	49.8%
51% - 60%	1,714.0	30.1	1,559.4	28.5
61% - 70%	1,042.4	18.3	960.8	17.6
71% - 75%	140.8	2.4	148.4	2.7
76% - 80%	31.9	0.6	39.5	0.7
81% - 100%	29.9	0.5	34.2	0.6
> 100%	4.0	0.1	4.0	0.1
Total	$ 5,696.2	100.0%	$ 5,463.3	100.0%

The following table sets forth the carrying value and weighted-average LTV ratios for our mortgage loan portfolio by year of origination:

	As of June 30, 2017			As of December 31, 2016		
	Outstanding Principal	% of Total Value	Weighted Average LTV	Outstanding Principal	% of Total Value	Weighted Average LTV
Origination Year:						
2017	$ 464.2	8.1%	47.0%			
2016	1,114.6	19.6	55.4	$ 1,128.0	20.6%	50.3%
2015	977.6	17.2	54.0	999.6	18.3	55.0
2014	850.5	14.9	51.8	867.4	15.9	52.8
2013	575.8	10.1	49.1	609.0	11.1	49.5
2012	591.9	10.4	48.1	631.0	11.6	49.0
2011	558.1	9.8	46.9	591.8	10.8	47.8
2010	310.0	5.4	44.0	332.0	6.1	45.3
2009 and prior	253.5	4.5	41.8	304.5	5.6	41.7
Total	$ 5,696.2	100.0%	50.5%	$ 5,463.3	100.0%	50.3%

The DSCR compares the amount of rental income a property is generating to the amount of the mortgage payments due on the property. A higher DSCR generally indicates a higher quality loan. DSCRs are calculated using the most current annual operating history for the collateral, which are typically updated during the third quarter. The portfolio's weighted average DSCR was 1.90 and 1.88 as of June 30, 2017 and December 31, 2016, respectively. The following table sets forth the distribution of DSCRs for our mortgage loan portfolio:

	As of June 30, 2017		As of December 31, 2016	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Debt Service Coverage Ratio:				
> or = 1.60	$ 3,646.4	64.0%	$ 3,415.7	62.5%
1.40 - 1.59	937.9	16.5	932.5	17.1
1.20 - 1.39	686.6	12.0	697.0	12.8
1.00 - 1.19	328.6	5.8	310.1	5.7
0.85 - 0.99	42.8	0.8	42.2	0.8
< 0.85	53.9	0.9	65.8	1.1
Total	$ 5,696.2	100.0%	$ 5,463.3	100.0%

As of June 30, 2017, loans with an aggregate carrying value of $96.7 had a DSCR of less than 1.00. The average outstanding principal balance of these loans was $1.8 with a weighted average LTV of 67.0%.

Composition of Mortgage Loans

The following table sets forth our investments in mortgage loans by state:

	As of June 30, 2017		As of December 31, 2016	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
State:				
California	$ 1,572.5	27.6%	$ 1,485.9	27.2%
Texas	618.4	10.9	620.1	11.4
Washington	419.4	7.4	398.1	7.3
Ohio	231.6	4.1	226.7	4.1
Florida	223.2	3.9	225.5	4.1
Nevada	214.5	3.8	196.4	3.6
Illinois	202.4	3.6	205.9	3.8
New York	194.9	3.4	195.4	3.6
Oregon	188.6	3.3	174.0	3.2
Other	1,830.7	32.0	1,735.3	31.7
Total	$ 5,696.2	100.0%	$ 5,463.3	100.0%

The following table sets forth our investments in mortgage loans by property type:

	As of June 30, 2017		As of December 31, 2016	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Property Type:				
Shopping centers and retail	$ 2,841.1	49.9%	$ 2,739.7	50.2%
Office buildings	1,084.9	19.0	1,072.7	19.6
Industrial	862.3	15.1	832.3	15.2
Multi-family	469.8	8.2	433.0	7.9
Other	438.1	7.8	385.6	7.1
Total	$ 5,696.2	100.0%	$ 5,463.3	100.0%

The shopping centers and retail portfolio is diversified among several sub-categories including anchored shopping centers, restaurants, and car care centers.

Maturity Date of Mortgage Loans

The following table sets forth our investments in mortgage loans by contractual maturity date:

	As of June 30, 2017	
	Outstanding Principal	% of Total
Years to Maturity:		
Due in one year or less	$ 69.4	1.2%
Due after one year through five years	770.2	13.5
Due after five years through ten years	1,621.3	28.5
Due after ten years	3,235.3	56.8
Total	$ 5,696.2	100.0%

Prior to their contractual maturity, some of our mortgage loans have one or more specified rate resetting windows during which the loan typically can be prepaid without a fee. During these windows, we expect that a portion of these loans will either be reset or refinanced at market terms, given the current interest rate environment. These loan features are considered in our asset-liability management, and we align our expected mortgage loan cash inflows and duration with the amount and timing of liability cash outflows. These dates were also considered in establishing the expected maturity for each loan with respect to amortization of the PGAAP premium.

Additionally, our loan terms usually allow borrowers to prepay their mortgage loan prior to the stated maturity or outside specified rate resetting windows. Prepayments are driven by factors specific to the activities of our borrowers as well as the interest rate environment. However, the majority of our mortgage loans contain yield maintenance prepayment provisions that we believe mitigate the impact of such prepayments. Most loans that existed at PGAAP are carried at a premium to the loan's outstanding principal. Upon prepayment of one of these loans, the unamortized premium balance is record a realized loss.

Investments in Limited Partnerships — Tax Credit Investments

We invest in limited partnerships where the primary return on investment is in the form of income tax credits and the tax benefit on the pass-through of partnership activity. These partnerships are established to invest in low-income housing and other qualifying purposes (collectively referred to as "tax credit investments"). Although these investments decrease our income on a pre-tax basis, they provide us with significant tax benefits that decrease our effective tax rate and contribute to net income. Refer to Note 4 to the unaudited interim condensed consolidated financial statements for further discussion related to our investments in affordable housing project investments.

The following table sets forth the impact of these investments on net income:

	Successor Company				Predecessor Company
	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	February 1 to June 30, 2016	January 1 to January 31, 2016
Amortization, net of taxes	$ (4.2)	$ (7.5)	$ (8.2)	$ (11.2)	$ (2.3)
Write downs, net of taxes	(1.4)	(2.7)	(2.8)	(3.0)	(0.4)
Tax credits, net	8.4	15.3	16.9	23.2	4.1
Impact to net income	$ 2.8	$ 5.1	$ 5.9	$ 9.0	$ 1.4

The majority of our investments in limited partnerships relate to affordable housing. The tax credits from these partnerships are generally delivered in the first ten years of the investment, with the largest portions provided in the middle years. We amortize these investments over the period during which partnership losses are expected to be recognized. The amortization schedule for each investment is updated periodically as new information related to the amount and timing of losses is received. Other tax credit investments generally provide tax credits during the first two years of the investment.

Liquidity and Capital Resources

Symetra conducts its operations through its operating subsidiaries, and its liquidity requirements primarily have been and will continue to be met by funds from such subsidiaries. Dividends from its subsidiaries are Symetra's principal source of cash to pay dividends to its stockholder and meet its obligations, including payments of principal and interest on notes payable. Payments of dividends from its insurance subsidiaries are subject to restrictions under state insurance regulations.

We actively manage our liquidity in light of changing market, economic, and business conditions, and we believe that our liquidity levels are more than adequate to cover our exposures, as evidenced in the discussion below.

Liquid Assets

Symetra's insurance company subsidiaries have investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Products that have liabilities with longer durations, such as certain life insurance policies and structured settlement annuities, are matched with investments which have similar estimated lives such as long-term fixed maturities, commercial mortgage loans, and marketable equity securities. Shorter-term liabilities are matched with shorter-term fixed maturities. In addition, our insurance subsidiaries hold sufficient levels of highly liquid, high quality assets to fund anticipated operating expenses, surrenders, and withdrawals.

We define liquid assets to include cash, cash equivalents, short-term investments, and publicly traded and highly-marketable fixed maturities and equity securities. As of June 30, 2017 and December 31, 2016, our insurance company subsidiaries had liquid assets of $29.60 billion and $27.99 billion, respectively, and Symetra had liquid assets of $200.0 and $358.7, respectively. The portion of our total liquid assets consisting of cash and cash equivalents and short-term investments was $426.6 and $390.7 as of June 30, 2017 and December 31, 2016, respectively.

As of June 30, 2017, we had the ability to borrow, on an unsecured basis, a principal amount of $400.0 under a revolving line of credit arrangement with an expansion feature providing access to up to $100.0, for a total maximum principal amount of $500.0. There have been no borrowings under this line of credit.

Liquidity Requirements

The liquidity requirements of Symetra's insurance company subsidiaries primarily relate to obligations associated with their insurance policies and investment contracts, operating expenses, the payment of dividends to Symetra, and the payment of income taxes. Obligations associated with their insurance policies and investment contracts include the payment of benefits, as well as cash payments made in connection with policy and contract surrenders and withdrawals. Historically, Symetra's insurance company subsidiaries have used cash flows from operations and invested assets to fund their liquidity requirements.

In managing the liquidity of our insurance operations, we consider the risk of policyholder and contract holder withdrawals of funds occurring earlier than assumed when selecting assets to support these contractual obligations. We use surrender charges, market value adjustments (MVAs), and other contract provisions to mitigate the extent, timing, and profitability impact of such withdrawals. While certain policy lapses and surrenders occur in the normal course of business, the current low interest rate environment generally has resulted in lower than expected lapses of our fixed annuities, as policyholders have limited alternatives to seek a higher return on their funds. If interest rates rise significantly, we will likely experience an increase in lapses.

Our asset-liability management process takes into account the expected cash flows on investments and expected policyholder payments as well as the specific nature and risk profile of the liabilities. Considering the size and liquidity profile of our investment portfolio, we believe that we have appropriately mitigated the risk of policyholder behavior varying from our projections. We also consider attributes of the various categories of liquid assets, for example, type of asset and credit quality, in evaluating the adequacy of our insurance operations' liquidity under a variety of stress scenarios. We believe that the liquidity profile of our assets is sufficient to satisfy our liquidity requirements.

The NAIC establishes risk-based capital (RBC) standards for life insurance companies. If an insurer's RBC falls below specified levels, the insurer would be subject to different degrees of regulatory action depending upon the level of deficiency. As of June 30, 2017, Symetra Life Insurance Company, our primary insurance company subsidiary, had an estimated RBC ratio of 410%. Symetra Life Insurance Company's statutory capital and surplus, including the asset valuation reserve, was $2,479.7 as of June 30, 2017.

During the first quarter of 2017, Symetra declared a $180.0 cash dividend payment to our parent company, Sumitomo Life. Of this amount, $161.0 was recorded as a return of capital and deducted from paid-in capital. The dividend was paid on February 9, 2017. For additional discussion, refer to Note 9 in to the unaudited interim condensed consolidated financial statements.

Additionally, Symetra Financial Corporation has a $300.0 term loan credit agreement that will mature on March 30, 2018. The specific resources or combination of resources that are used to meet this maturity will depend on financial market conditions. We believe we have adequate liquid resources, including access to capital markets, available to repay or refinance this loan, and management is currently evaluating its capital opportunities.

Use of non-GAAP Financial Measures

Certain tables and related disclosures in this report include non-GAAP financial measures. We believe these measures provide useful information when evaluating our financial performance or condition. Non-GAAP financial measures are not a substitute for their most directly comparable GAAP measures and should be read together with such measures. The adjustments made to derive non-GAAP measures are important to understanding our overall results of operations and financial position and, if evaluated without proper context, non-GAAP measures possess material limitations. These measures may be calculated differently from similarly titled measures of different companies.

We have provided reconciliations between non-GAAP financial measures and their most directly comparable GAAP financial measures in the – "Results of Operations" section of this report. Subsequent to the Merger (Successor Company), we modified our definitions of Adjusted Operating Income and Pre-tax Adjusted Operating Income. In the following discussion we provide the Successor Company definitions of these non-GAAP measures.

Adjusted Operating Income

Adjusted operating income consists of net income, excluding intangible asset amortization and most net realized gains (losses). These adjustments are net of taxes, calculated at the U.S. federal statutory income tax rate of 35%. Excluded realized gains (losses) are associated with investment sales or disposals, investment impairments, changes in the fair value of mark-to-market investments and derivative investments (except for certain index options associated with FIA policies primarily sold in the late 1990s), and changes in the fair value of embedded derivatives related to our FIA products, as well as the DAC, VOBA and DSI impacts related to these items.

Effective in the first quarter of 2017, pre-tax adjusted operating income was modified to exclude all intangible asset amortization. Management considers this most meaningful when assessing the results of its core business operations. Prior period results for the Successor Company have been adjusted to reflect this change.

Net income is the most directly comparable GAAP measure to adjusted operating income. Net income for any period presents the results of our insurance operations, as well as our net realized gains (losses) and intangible asset amortization. We consider investment income generated by our invested assets to be part of the results of our insurance operations because they are acquired and generally held to maturity to generate income that we use to meet our obligations. Conversely, we do not consider many of the activities reported through net realized gains (losses) to be part of the results of our insurance operations. The timing and amount of these gains (losses) are driven by investment decisions and external economic developments unrelated to our management of the insurance and underwriting aspects of our business. We also consider it useful to exclude the amortization of our intangible assets to focus on results of our core business operations.

Certain realized gains (losses) are included in adjusted operating income. These include gains (losses) on certain index options supporting FIA policies primarily sold in the late 1990s and the realized losses associated with our tax credit investments. The Company's tax credit investment strategy results in realized losses on a pre-tax basis, which are more than offset by the tax benefits they provide. Our management of the business incorporates this investment strategy and, therefore, we include these realized gains (losses) along with the tax benefits they provide in adjusted operating income.

We believe it is useful to review a measure of the results of our insurance operations separate from most of the gain and loss activity attributable to our investment portfolio and the amortization of intangible assets because it assists in determining whether our insurance-related revenues, composed primarily of premiums, net investment income and policy fees, contract charges and other, have been sufficient to generate operating earnings after meeting our insurance-related obligations, composed primarily of claims paid to policyholders, investment returns credited to policyholder accounts, and other operating costs.

Pre-tax Adjusted Operating Income

Pre-tax adjusted operating income represents the total of segment pre-tax adjusted operating income, which at the segment level is a GAAP measure. Income from operations before income taxes is the most directly comparable GAAP measure to pre-tax adjusted operating income. In presenting pre-tax adjusted operating income, we are excluding most pre-tax net realized gains (losses), and the amortization of intangible assets, as described above. We also exclude the amortization and write-downs associated with our tax credit investments (note: such results, on an after-tax basis, along with the tax credits provided by these investments are included in adjusted operating income). In addition to using pre-tax adjusted operating income to evaluate our insurance operations, our management and board of directors have other uses for this measure, including assessing achievement of our financial plan.