Symetra Financial Corporation

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

December 31, 2018

All financial information in this document is unaudited

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

Table of Contents

Management's Discussion and Analysis reflects the consolidated results of operations and changes in financial position of Symetra Financial Corporation and its wholly-owned subsidiaries. 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:

- competitive conditions, including pricing pressure, new product offerings, the emergence of new non-traditional competitors, advancements in digital and analytical capabilities, and other industry disruption;
- 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:
  - health care reform, particularly the status of the Patient Protection and Affordable Care Act of 2010;
  - financial regulation reform, particularly the status of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; and
  - the evolving and potentially conflicting standard of care requirements applicable to the sale of our annuity and life insurance products, including requirements from the Securities and Exchange Commission (SEC), and the legislatures and regulators of multiple states;
- our ability to prevent or timely detect and remediate any unauthorized access to or disclosure of customer information and other sensitive business data;
- effects of fluctuations in interest rates, including a prolonged low interest rate environment, a rapidly rising interest rate environment, or a flat or inverted yield curve, 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;
- effects of catastrophic events, both natural and man-made, that could adversely affect our operations and results, including impacts to claims and mortality experience, investment portfolio performance, and business operations;
- effects of significant corporate refinance activity, including bond prepayments;
- performance of our investment portfolio and the continued availability of and capacity to invest in suitable investments that align with our strategies and profitability targets, including quality 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;
- retention of key personnel and distribution partners;
- financial strength or credit ratings changes, particularly ours but also of other companies in our industry sector;
- our ability to maintain adequate telecommunications, information technology, or other operational systems;

- the impact of potential changes in accounting principles and related financial reporting requirements;
- availability and cost of capital and financing;
- adequacy and collectibility of reinsurance that we have purchased, the continued availability and cost of reinsurance coverage, as well as the creditworthiness and ability of our reinsurance counterparties to perform;
- ability of subsidiaries to pay dividends to Symetra;
- our ability to implement effective risk management policies and procedures, including hedging strategies; and
- initiation of regulatory investigations or litigation against us and the results of any regulatory proceedings.

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 years ended December 31, 2018 and 2017, the period February 1 to December 31, 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 years ended December 31, 2018 and 2017, the period February 1 to December 31, 2016, and as of December 31, 2018 and 2017 are associated with the Successor Company.

This discussion should be read in conjunction with the December 31, 2018 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 the Company's financial performance and condition. For a definition and further discussion of these non-GAAP measures, see – "Use of non-GAAP Financial Measures." All dollar amounts are in millions unless otherwise stated.

OVERVIEW

We are a financial services company in the life insurance industry providing annuities, employment-based benefits, and life insurance. Our operations date back to 1957 and many of our distribution relationships have been in place for decades. In 2016, we became a direct, wholly-owned subsidiary of Sumitomo Life Insurance Company, an event which is referred to as the Merger. The Merger was accounted for under the acquisition method of accounting (purchase accounting, or PGAAP).

Our products are distributed domestically in all states and the District of Columbia through benefits consultants, financial institutions, broker-dealers, and independent agents and advisors. We manage our business through three divisions (Benefits, Retirement and Individual Life), which align with our reportable operating segments.

Benefits Division

We are a multi-line carrier offering medical stop-loss; group life and disability income (DI); and group fixed-payment medical, accident and critical illness insurance products and services to employers.

Medical Stop-Loss

We provide medical stop-loss insurance to employers that self-fund their employee health plans. Employers that self-fund pay all claims and administrative costs. Our product helps employers manage health plan expenses by reimbursing individual claim amounts above a certain dollar deductible and by reimbursing aggregate claims above total dollar thresholds.

Group Life and Disability Income

Our group life and DI products and services include group term life, short-term disability, and long-term disability income insurance.

Our group term life insurance product provides benefits in the event of an insured employee's or dependent's death. The death benefit can be based on an individual's earnings or occupation, or can be a set dollar amount. We offer basic and supplemental benefits for group term life, including optional accidental death and dismemberment (AD&D) coverage. AD&D coverage provides benefits for an insured employee in the event of accidental death or injury.

Our group short- and long-term disability income insurance protects an employee against loss of income due to illness or injury. Our group short-term disability (STD) income coverage generally provides benefits for up to 26 weeks following a short waiting period. Our group long-term disability (LTD) income coverage provides benefits following a longer waiting period and throughout prolonged periods of disability. We also offer absence management services.

Retirement Division

We offer fixed deferred annuities, including fixed indexed annuities (FIA), to consumers who want to accumulate assets for retirement on a tax-deferred basis. We also offer single premium immediate annuities (SPIA) to customers seeking a reliable source of retirement income or protection against outliving their assets during retirement.

Fixed Annuities

We offer single premium fixed deferred annuities that require a premium payment at time of issue, provide an accumulation period and offer an annuity payout period beginning at some future date. Our fixed annuities include both traditional fixed-rate and fixed indexed annuity products.

Our primary traditional fixed-rate products are our Custom and Select annuities. Our Custom products offer a five- or seven-year surrender charge period and a choice of three-, five-, or seven-year initial guaranteed interest rate periods. Our Select products have a five- or seven year- surrender charge period and a guaranteed credited rate throughout the surrender charge period.

Our FIA products provide contract holders a choice of a traditional fixed-rate account and one or more indexed accounts. Indexed accounts provide crediting rates that are linked to the performance of an index. Contract holders may also select their crediting method, which can be based on the net change in the index for the interest term or a monthly average. Certain of our FIA products also provide guaranteed lifetime withdrawals which provides a source of lifetime income.

Index-linked Annuities

In 2019, we introduced a registered index-linked annuity product. This product allows customers to receive higher growth potential in index-linked interest credits, while obtaining limited protection from market loss. Contract holders may select the manner in which they obtain limited protection from market loss. Options include an indexed interest buffer, where the Company bears risk of loss up to a certain percentage, or an indexed interest floor, where the contract holder bears risk of loss up to a certain percentage.

Immediate Annuities

Our SPIA products provide for contractually guaranteed payments that typically begin within one year of issue. In exchange for a single premium, SPIA products provide a fixed amount of income over a defined number of years, the annuitant's lifetime, or the longer of the two. Longevity annuities enable the customer to select a payment start date several years after contract purchase, which typically lowers the customer's cost of funding a future income stream.

Individual Life Division

We offer individual life insurance products, primarily universal life (UL), including indexed UL (IUL), and term insurance. We also offer institutional products, including bank-owned life insurance (BOLI) and variable corporate-owned life insurance (COLI).

Universal Life Insurance

We offer UL products that provide policyholders with death benefit coverage on a flexible premium, tax-favored basis and may include the ability to access the cash value of the policy through a policy loan, partial withdrawal, or full surrender. Our UL product carries a secondary guarantee in the form of a lapse protection benefit rider, offering guaranteed coverage while maintaining the potential for some cash accumulation value.

We offer an IUL product with flexible premiums and index-linked or fixed interest rate crediting options. Index-linked interest rate crediting is based on the performance of the index or indexes selected by the policyholder, related participation rates, and the product's index caps and floors. Caps and floors are the maximum and minimum index interest crediting rates set at the beginning of each index interest term. In 2019, we plan to introduce an IUL product with a protection feature.

Term Life Insurance

We offer term life products that provide a guaranteed benefit upon the death of the insured. Our term life policies have no cash value buildup and therefore rarely have a payout if a policyholder allows the policy to lapse. These products have guaranteed level premiums for initial terms ranging from 10 to 30 years.

Institutional Products

Our institutional products include fixed rate BOLI and variable COLI products, which are commonly used by banks and other corporations as a tax-advantaged asset to fund employee benefit plans.

Our BOLI product offers institutional customers a stable, low-risk investment with an attractive after-tax equivalent return. The majority of our BOLI policies have contractual provisions that adjust the interest crediting rate periodically, based on the portfolio yield and claims experience, subject to certain contractual minimums.

Our variable COLI product allows corporate customers to allocate premium to a separate account, a fixed account, or both. The separate account is divided into subaccounts that each invest in shares of a designated underlying mutual fund, and customers elect their investment allocations within these subaccounts.

Other segment

The Other segment 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.

Reinsurance Transaction – Closed Block component

In September 2018, we entered into an agreement with Resolution Re Ltd. to fully reinsure our block of in-force income annuity contracts issued prior to October 1, 2017 (the Reinsurance Transaction). The reinsured business includes all of our long-term structured settlement annuities, which we discontinued selling in 2012, as well as a smaller amount of retail SPIAs. This transaction reduces our exposure to the long-term interest rate risk associated with the long-tail nature of the reinsured business. We will continue to service the reinsured business and hold the associated invested assets and policyholder liabilities on our balance sheets.

RESULTS OF OPERATIONS

This discussion should be read in conjunction with our audited consolidated financial statements.

Following the completion of the Reinsurance Transaction, we revised our segments. The results from operations related to the business exited through the Reinsurance Transaction are reported as the Closed Block and included in the consolidated financial statements. The income (loss) related to the Closed Block is excluded from the profitability measures used by management, as this results in more accurate trends in the Company's core business and more closely aligns the results with how the Company manages its operations. Prior period results have been adjusted to reflect this change. This change did not have an impact on total consolidated net income.

Additionally, in 2018, the measurement of adjusted pre-tax income was modified, and prior period results have been adjusted to reflect this change. Please see – "Use of 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 Sumitomo Life's purchase price of $3.7 billion, less certain after-tax, success-based merger fees. January 2016 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 Sumitomo Life merger, refer to Notes 2 and 3 of the December 31, 2018 audited consolidated financial statements.

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 results of the years ended December 31, 2018 or 2017 to a sum of results for the year ended December 31, 2016. Therefore, discussion of the results for the periods February 1 to December 31, 2016 (Successor Company) and January 1 to January 31, 2016 (Predecessor Company) have been omitted.

Consolidated Results

The following table sets forth adjusted pre-tax income, by segment:

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Segment adjusted pre-tax income (loss):				
Benefits	$ 54.7	$ 39.5	$ 41.0	$ 8.3
Retirement	113.9	108.2	62.5	10.4
Individual Life	16.0	19.9	17.1	0.5
Other	(35.7)	(66.1)	(80.9)	(7.6)
Adjusted pre-tax income (1)	$ 148.9	$ 101.5	$ 39.7	$ 11.6
Add (deduct) the following:				
Excluded realized gains (losses)	(75.2)	43.1	(5.0)	(4.0)
Amortization of intangible assets	(85.2)	(83.6)	(76.6)	—
Closed Block results	(131.8)	36.1	(13.9)	(24.5)
Income (loss) from operations before income taxes	(143.3)	97.1	(55.8)	(16.9)
Total provision (benefit) for income taxes	(81.5)	(131.8)	(72.8)	(10.4)
Net income (loss)	$ (61.8)	$ 228.9	$ 17.0	$ (6.5)

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

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 Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Salaries, incentive compensation, and other employee costs	$ 266.4	$ 248.9	$ 222.6	$ 19.5
Rent and occupancy costs	18.3	17.4	15.9	1.3
Professional services and software licensing	76.3	70.2	67.8	6.4
Other	18.6	17.7	15.1	1.4
Total operating expenses	379.6	354.2	321.4	28.6
Commissions and premium-based taxes and fees	359.7	324.2	284.9	24.7
DAC deferrals	(256.0)	(230.4)	(205.8)	(18.9)
Closed Block expenses	23.0	16.9	18.4	1.5
Other underwriting and operating expenses	$ 506.3	$ 464.9	$ 418.9	$ 35.9

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

- We reported a net loss of $61.8 for 2018, compared to net income of $228.9 during 2017. The 2018 net loss reflected a 47% year-over-year increase in adjusted pre-tax income that was more than offset by Closed Block losses and excluded realized losses. Closed Block results are discussed below and realized gains (losses) are further discussed in – "Investments."

  Adjusted pre-tax income rose sharply as a result of business growth across our operating segments, and was achieved despite a significant reduction in prepayment income.

- Operating segment results included $8.6 of net investment prepayment-related income, a decrease of $8.1 compared to 2017. For 2018, investment income from prepayments was $26.9, offset by $5.8 of related DAC, VOBA, and DSI amortization and $12.5 of related realized losses. For 2017, investment income from prepayments was $49.2, offset by $11.0 of related amortization and $21.5 of realized losses.

- Operating expenses for 2018 reflected a larger workforce to support business growth, and increased professional services to support strategic initiatives. Closed Block expenses reflected professional services and excise taxes related to the Reinsurance Transaction.

- Results for 2018 also reflected a tax benefit driven by realized losses, including losses from the Closed Block. Our effective tax rate differed from the U.S. federal income tax rate primarily due to benefits from tax credit investments. In 2017, the enactment of the 2017 Tax Act increased our tax benefit by $131.7, due to remeasurement of our deferred tax assets and liabilities at the new corporate tax rate.

- ***Closed Block Results*** – The economic activity associated with the Closed Block annuity contracts and invested assets have been reinsured and separated from our other businesses. The reinsurer has assumed all long-term interest rate risks, investment credit risks and mortality risks associated with the reinsured business. Investment earnings, annuity benefits and realized gains (losses) are passed to the reinsurer (referred to as ceded activity) on a statutory accounting-basis, which differs from the GAAP-basis primarily due to PGAAP premiums established as of the date of the Merger.

  PGAAP resulted in the GAAP book values of our invested assets and related policyholder liabilities being adjusted to fair value. For invested assets, the adjustment to fair value resulted in additional book value, or a PGAAP premium, which is being amortized over the life of our invested assets as a reduction to net investment income. The amortization of PGAAP premiums has no economic impact. Importantly, our statutory results were not impacted by PGAAP and when invested assets are sold, we expect meaningful differences between GAAP- and statutory-basis realized gains (losses).

  After the Reinsurance Transaction, the reinsurer began rebalancing the investment portfolio. Because the economic activity is reinsured, typically the gain or loss associated with the rebalancing activity would be offset (or nearly offset) by the amount ceded to the reinsurer, with little impact to net income. However, the significant difference between GAAP- and statutory-basis book values created by PGAAP is producing a very different result. The Closed Block result for 2018 reflected $29.9 of GAAP realized losses related to rebalancing activity with a related ceded statutory-basis gain of $132.7 for a combined loss of $162.6. This was partially offset by a $67.0 realized gain from the change in fair value of the embedded derivative created by the Reinsurance Transaction.

  As a result of the PGAAP premium's impact on realized gains (losses) and the embedded derivative gains (losses), the reported Closed Block results are expected to be volatile and do not reflect the economic activity of the Reinsurance Transaction, whereby the reinsurer assumed the income and the costs of the reinsured contracts.

Segment Operating Results

Benefits

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

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Adjusted revenues:				
Premiums	$ 979.8	$ 867.4	$ 686.7	$ 58.6
Net investment income	30.3	25.7	18.8	2.1
Policy fees, contract charges, and other	15.6	18.5	17.4	1.4
Certain realized gains (losses)	(0.3)	—	—	—
Total adjusted revenues	1,025.4	911.6	722.9	62.1
Benefits and expenses:				
Policyholder benefits and claims	719.8	640.2	497.6	37.1
Other underwriting and operating expenses	245.3	229.1	183.7	16.5
Amortization of DAC and VOBA	5.6	2.8	0.6	0.2
Total benefits and expenses	970.7	872.1	681.9	53.8
Segment adjusted pre-tax income	$ 54.7	$ 39.5	$ 41.0	$ 8.3

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

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Loss ratio (1)	73.5%	73.8%	71.4%	63.3%
Expense ratio (2)	24.7	25.8	27.5	27.8
Combined ratio	98.2%	99.6%	98.9%	91.1%
Total sales (3)	$ 236.3	$ 276.6	$ 196.9	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 December 31, 2016 represent full-year 2016 sales.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

- Segment adjusted pre-tax income was $54.7 for 2018, an increase of $15.2 from 2017. This increase was primarily driven by an improved combined ratio on higher premium revenues. The combined ratio improved 140 basis points in 2018, reflecting a lower expense ratio driven by continued growth in the group life and DI business.

- Our total loss ratio was 73.5% for 2018, compared with 73.8% for 2017. The impact of an improvement in the full-year medical stop-loss loss ratio was effectively offset by the impact of the growth in our group life and DI business, which typically has a higher target loss ratio. While mitigated by our pricing actions last year, claims on medical stop-loss business written in January 2018 continued to run higher than target in 2018. We closely monitor the experience of our business and will continue to adjust pricing for new and renewal business as needed.

- Premiums increased $112.4 compared to 2017. This was achieved through medical stop-loss price increases and solid persistency on the 2017 block of business, combined with solid sales of medical stop-loss and group life and DI in 2018.

- 2018 sales of $236.3 were solid, although down compared to 2017, which was a strong year for medical stop-loss sales.

Retirement

The following table sets forth the results of operations for our Retirement segment:

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Adjusted revenues:				
Net investment income	$ 762.2	$ 698.7	$ 579.5	$ 57.3
Policy fees, contract charges, and other	30.5	25.8	20.4	2.0
Certain realized gains (losses)	(7.0)	(12.7)	(24.3)	(0.5)
Total adjusted revenues	785.7	711.8	575.6	58.8
Benefits and expenses:				
Policyholder benefits and claims	8.3	8.4	2.8	0.2
Interest credited	461.8	418.4	354.8	33.2
Other underwriting and operating expenses	125.4	116.0	99.0	8.4
Amortization of DAC and VOBA	76.3	60.8	56.5	6.6
Total benefits and expenses	671.8	603.6	513.1	48.4
Segment adjusted pre-tax income	$ 113.9	$ 108.2	$ 62.5	$ 10.4

The following table sets forth selected operating metrics for our Retirement segment:

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Fixed account values, excluding FIA	$ 11,918.0	$ 11,798.7	$ 11,943.4	$ 11,539.5
Interest spread (1)	1.23%	1.31%	1.23%	1.66%
Base interest spread (2)	1.13%	1.09%	0.92%	1.63%
Fixed account values, FIA	$ 11,230.2	$ 9,574.1	$ 7,610.5	$ 5,847.0
FIA interest spread (3)	1.50%	1.43%	1.35%	1.56%
FIA base interest spread (4)	1.43%	1.34%	1.32%	1.45%
Total sales (5)	$ 3,852.5	$ 3,140.5	$ 3,566.5	N/A

(1) Interest spread excludes FIA and SPIA 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 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 incurred interest rate on the host contract and fixed funds. For fixed funds, the incurred interest equals the interest credited to the customer in the fixed account. For the host contract, incurred interest equals the interest required to fund the guaranteed benefits in the indexed account. 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 excludes 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 December 31, 2016 represent full-year 2016 sales.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

- Segment adjusted pre-tax income was $113.9 for 2018, a $5.7 increase from the prior period. This increase was primarily driven by higher account values and increased base interest spread in our growing FIA business. The impact from these positive factors was partially offset by increased operating expenses to support higher business volumes, a smaller benefit this year from the annual actuarial assumption review (unlocking), and less net prepayment related income.

- Growth in FIA account values, coupled with an improved base interest spread, drove a $139.4 FIA base interest margin, which was a $31.2 increase over 2017. The increased interest margin was partially offset by reserves related to FIA policy riders.

  For our retirement business, base interest margin is defined as net investment income, less interest credited, and adjusted mainly to exclude the impact of asset prepayments. It represents the earnings generated by the base spread, relative to average account values during the period.

  In addition, we establish reserves related to our FIA policies with death benefits and guaranteed lifetime withdrawal benefits. Changes to the interest rate environment and expectations of future benefits drove higher reserves, which reduced income by $3.8 in 2018.

- Unlocking impact was $5.0 favorable for 2018, primarily from actuarial model refinements on our FIA balances. This compared with a $14.1 favorable impact in the prior year period, driven by expectations of lower lapses on our FIA business.

  Annually in third quarter, we review and update actuarial assumptions used for estimates of future gross profits underlying the amortization of deferred acquisition costs, value of business acquired, and deferred sales inducements, and the measurement and amortization of certain reserves. This process is referred to as "unlocking" our future assumptions. We may also implement actuarial modeling true-ups and other refinements as part of the unlocking process.

- Net prepayment related income was $5.7 for 2018, a decrease of $8.5 from 2017.

- Sales were $3,852.5 in 2018, compared to $3,140.5 in 2017, reflecting an improved interest rate environment, impacts of changes to the regulatory environment, and increased stock market volatility in the second half of 2018.

Individual Life

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

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Adjusted revenues:				
Premiums	$ 33.5	$ 32.1	$ 30.8	$ 2.6
Net investment income	261.7	242.1	202.9	22.9
Policy fees, contract charges and other	277.4	244.2	195.0	16.2
Certain realized gains (losses)	(3.3)	(5.4)	(7.9)	—
Total adjusted revenues	569.3	513.0	420.8	41.7
Benefits and expenses:				
Policyholder benefits and claims	148.3	110.1	68.4	11.1
Interest credited	286.7	275.5	245.5	21.6
Other underwriting and operating expenses	108.4	98.3	87.4	7.3
Interest expense	1.5	0.5	0.5	—
Amortization of DAC and VOBA	8.4	8.7	1.9	1.2
Total benefits and expenses	553.3	493.1	403.7	41.2
Segment adjusted pre-tax income	$ 16.0	$ 19.9	$ 17.1	$ 0.5

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

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Individual insurance:				
Individual claims (1)	$ 75.6	$ 62.9	$ 52.3	$ 4.7
UL account values	1,341.3	1,163.3	1,018.5	881.3
Individual sales (2)	92.4	85.3	78.5	N/A
Institutional Markets:				
Account values	$ 5,684.9	$ 5,522.0	$ 5,316.1	$ 5,158.6
ROA (3)	0.83%	0.79%	0.62%	0.38%
Base ROA (4)	0.78%	0.68%	0.45%	0.38%
COLI sales (5)	$ 38.7	$ 35.7	$ 20.5	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.
(3) ROA is a measure of the gross margin on our institutional block of business. This metric is calculated as the difference between our institutional revenue earnings rate and our institutional 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 includes the impact of PGAAP reserve amortization. The policy benefits used in this metric do not include expenses.
(4) Base ROA excludes 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 and the MBS prepayment speed adjustment, and reserve adjustments.
(5) COLI sales represent deposits for new policies. COLI sales typically occur in uneven patterns. Sales reported for the period February 1 to December 31, 2016 represent full-year 2016 sales.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

- Segment adjusted pre-tax income was $16.0 for 2018, a decrease of $3.9 from 2017. Higher base margins on our growing blocks of universal life and institutional life were more than offset by increased operating expenses in support of our growth and an unfavorable impact related to annual unlocking.
- Base margin for our universal life business was $67.2 for 2018, an $8.8 increase from 2017. This was driven by a larger block of inforce business. Base margin for our institutional life business was $51.6 for 2018, up $7.6 from 2017.

  For our Individual Life segment, base margin is defined as adjusted revenues, less policyholder benefits and claims (including changes to reserves), and interest credited, and is adjusted to exclude the impact of asset prepayments, unlocking and other items. For institutional products, it represents the earnings generated by the base ROA on average account values during the period.
- Unlocking impact was $12.4 unfavorable for 2018, primarily from updating lapse assumptions and model refinements on our universal life business. This compared with a $6.4 unfavorable impact in the prior year.
- Sales of individual life products, predominantly UL (including IUL), were $92.4 for 2018, an increase of $7.1 compared to 2017. There has been strong market interest for our IUL product, which launched in 2017 and represents an important broadening of our portfolio as the market pivots away from guaranteed UL. Our IUL sales in 2018 more than offset the decline in our guaranteed UL products.

Other

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

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Adjusted revenues:				
Net investment income	$ 34.6	$ 20.7	$ 20.5	$ (1.7)
Policy fees, contract charges, and other	1.5	1.3	1.5	0.2
Certain realized gains (losses)	(45.3)	(55.9)	(48.5)	—
Total adjusted revenues	(9.2)	(33.9)	(26.5)	(1.5)
Benefits and expenses:				
Interest credited	(0.8)	(0.9)	(0.9)	(0.1)
Other underwriting and operating expenses	4.2	4.6	30.4	2.4
Interest expense	23.1	28.5	24.9	3.8
Total benefits and expenses	26.5	32.2	54.4	6.1
Segment adjusted pre-tax loss	$ (35.7)	$ (66.1)	$ (80.9)	$ (7.6)

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

- Adjusted pre-tax loss was $35.7 and $66.1, respectively, for 2018 and 2017.
- Net investment income was higher, primarily due to dividend income from equity investments purchased in 2018 and surplus income allocations.
- Realized losses on our tax credit investments were $12.2 lower due to decreased amortization and write downs. In 2017, the 2017 Tax Act caused a decrease in the expected future tax benefits from our tax credit investments due to the reduction in the corporate tax rate to 21% from 35%, resulting in $18.3 of impairments. For further discussion on these investments, see – "Investments in Limited Partnerships – Tax Credit Investments."
- Interest expense decreased $5.4, due to a lower interest rate on debt refinanced in early 2018.

INVESTMENTS

Our investment portfolio is designed 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 December 31, 2018, 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, investments in limited partnerships (primarily tax credit investments and alternative investments, which include private equity and hedge funds), derivatives, and other investments including marketable equity securities. Our equity investments have historically consisted of exchange-traded funds (ETFs) and common stock to mainly support asset-liability matching strategies for our long-duration income annuity contracts. The majority of these equity investments were sold in connection with the Reinsurance Transaction.

Closed Block Invested Assets

As of December 31, 2018, invested assets supporting the Closed Block had a carrying value of $5.9 billion. This included commercial mortgage loans with a carrying value of $1.2 billion, and fixed maturity securities with a fair value of $4.8 billion and a book value of $4.7 billion. Invested assets supporting the Closed Block are legally owned by the Company and included in the consolidated balance sheets.

The assets and liabilities, as well as income (loss), related to the Closed Block are excluded from the profitability measures used by management, as the economic activity associated with the Closed Block annuity contracts and invested assets have been reinsured and separated from our other businesses. The investments in the Closed Block, other than commercial mortgage loans, are managed by the reinsurer. Therefore, we have removed Closed Block results from the metrics presented and discussion herein. Prior period results have been adjusted to reflect this change.

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						Predecessor Company	
	For the Year Ended December 31, 2018		For the Year Ended December 31, 2017		February 1 to December 31, 2016		January 1 to January 31, 2016	
	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount
Investment Type:								
Fixed maturities (2)	3.40%	$ 876.3	3.28%	$ 795.5	3.17%	$ 660.1	4.06%	$ 71.7
Marketable equity securities	6.49	6.3	3.16	1.1	3.24	1.2	—	—
Mortgage loans (2)	4.07	203.6	3.86	175.5	3.71	134.0	4.98	14.6
Other income producing assets (3)	5.04	17.5	3.69	1.4	2.95	8.0	(7.45)	(3.4)
Income before expenses and prepayments	3.55	1,103.7	3.36	973.5	3.27	803.3	3.94	82.9
Prepayment-related income	0.09	26.6	0.17	48.9	0.19	51.2	0.04	0.7
Investment expenses	(0.13)	(39.7)	(0.11)	(31.4)	(0.11)	(27.6)	(0.12)	(2.5)
Net investment income, excluding Closed Block	3.50	1,090.6	3.42	991.0	3.36	826.9	3.86	81.1
Closed Block net investment income (4)	*	121.6	*	299.5	*	283.6	*	29.3
Net investment income	3.21%	$1,212.2	3.58%	$1,290.5	3.56%	$1,110.5	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 include policy loans, other invested assets, and cash and cash equivalents.

(4) Represents investment income associated with our Closed Block, including investment income from our Income Annuities segment prior to July 1, 2018, the effective date of the Reinsurance Transaction. Investment income subsequent to July 1, 2018 is net of amounts ceded to the reinsurer.

Year ended December 31, 2018 Compared to the Year Ended December 31, 2017 (excluding Closed Block)

- Net investment income increased in 2018 from 2017, driven by higher average invested assets and higher portfolio yields, offset by a reduction in prepayment income. Average invested assets increased on cash inflows from strong sales.

- Yields were positively affected by the increasing interest rate environment. Excluding the impact of prepayments, yields on our investment portfolio increased to 3.55% for 2018 from 3.36% in 2017.

  This increase was a result of earned rates on new purchases, which were higher than overall portfolio yields, as well as maturities of assets purchased in a lower interest rate environment. We also continued to focus on underwriting commercial mortgage loans, as we believe yields on these investments can be more attractive than those available on fixed maturities.

- We experienced a $22.3 decline in the level of investment prepayment-related income as a result of the increasing interest rate environment. For 2018 and 2017, we also recognized $12.5 and $21.5, respectively, of realized losses related to prepayments, primarily due to premiums established for PGAAP.

  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 the write-off of the premium or discount associated with the investment, which is recorded in net realized gains (losses).

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 Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Fixed maturities, available-for-sale:				
Gain (loss) on sales, net	$ (10.1)	$ 2.5	$ (4.7)	$ (0.9)
Net impairment losses	(4.5)	(4.1)	(10.3)	—
Investments in limited partnerships	(46.8)	(56.6)	(39.6)	(4.3)
Net gain (loss) – FIA (1)	(6.9)	23.9	(14.3)	(4.4)
Annual unlocking impact	(39.2)	20.1	9.8	—
DAC and VOBA adjustment	(3.0)	(8.0)	9.3	(0.4)
Prepayment-related loss	(12.5)	(21.5)	(33.9)	—
Other net gains (losses)	(8.1)	12.8	(2.0)	5.5
Net realized gains (losses) excluding Closed Block	(131.1)	(30.9)	(85.7)	(4.5)
Net gains (losses) - Closed Block (2)	(124.1)	32.1	(17.1)	(22.5)
Total net realized gains (losses)	$ (255.2)	$ 1.2	$ (102.8)	$ (27.0)

(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.
(2) For Closed Block, realized gains (losses) include changes in fair value of the embedded derivative and our fixed maturities trading portfolio, and realized gains (losses) on sales of assets, and is reduced by amounts ceded to the reinsurer based on statutory realized gains (losses). Please see "Results of Operations – Consolidated Results" for more information on Closed Block results.

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017 (excluding Closed Block)

- Total net realized losses in 2018 were $100.2 larger than 2017, driven by an unfavorable annual unlocking impact, and a net loss from our FIA embedded derivatives.
- Annual unlocking resulted in net loss of $39.2 for 2018 compared to net gain of $20.1 in 2017. This reflected the impact on updating assumptions associated with the value of our embedded derivatives for FIA products, and the related impact on DAC and VOBA.
- For 2018, the changes in fair value of our FIA embedded derivatives and related options resulted in a net loss of $6.9, driven by lower index values and higher expected option costs, compared to a net gain of $23.9 in 2017.

Fixed Maturity Securities

Fixed maturities represented 82.2% and 82.0% of invested assets as of December 31, 2018 and 2017, respectively. The majority of our fixed maturities are invested in publicly traded or highly marketable securities. A modest allocation of our portfolio is invested in privately placed fixed maturities to enhance the overall value of the portfolio by obtaining higher yields than can ordinarily be obtained with comparable securities in public markets. As of December 31, 2018 and 2017, privately placed fixed maturities represented 5.4% and 5.2%, respectively, of our total fixed maturity portfolio at fair value.

The majority of our fixed maturities are invested in securities with a National Association of Insurance Commissioners (NAIC) designation of "1" or "2", which is considered investment grade. As of December 31, 2018 and 2017, 98.1% and 97.8%, respectively, of our fixed maturities were investment grade. Our holdings are diversified across industries and security categories.

We hold investments in high-quality foreign corporate securities, and continue to purchase investments as opportunities for favorable yields and diversification arise. 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 December 31, 2018 and 2017, fixed maturities with fair values of $709.4 and $624.6, respectively, were denominated in a foreign currency and reported in U.S. dollars based on period-end exchange rates. The total fair value of our foreign holdings was $5,502.5 and $5,477.5, respectively, as of December 31, 2018 and 2017. As of December 31, 2018, our largest exposure to a single foreign issuer was $181.6 to an issuer based in the Netherlands, while as of December 31, 2017, our largest foreign exposure was $178.2 to an issuer based in Ireland. The holdings of both issuers were investment grade.

As of December 31, 2018 and 2017, 11.4% and 12.0%, respectively, of total fixed maturities were invested in RMBS and CMBS securities, less than 15% of which were originated prior to 2009. Additionally, as of December 31, 2018 and 2017, 91.9% and 91.2%, respectively, of our total RMBS portfolio was agency securities, and we had no exposure to subprime RMBS.

Mortgage Loans

Commercial mortgage loans represented 14.1% and 13.8% of invested assets as of December 31, 2018 and 2017, respectively. 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. As of December 31, 2018 and 2017, 75.1% and 72.5%, respectively, of our mortgage loans had an outstanding principal under $5.0. As of December 31, 2018 and 2017, our average loan balance was $2.4 and $2.5, respectively.

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 experience in commercial mortgage lending. A large majority of our loans have personal guarantees, and all loans are evaluated annually. We diversify our mortgage loans by geographic region, loan size and scheduled maturity.

As of December 31, 2018 and 2017, our portfolio's weighted-average LTV ratio was 49.1% and 50.3%, respectively, and our weighted-average DSCR was 1.94.

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

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Weighted average LTV ratio of loans originated	48.3%	49.1%	50.2%	52.0%
Weighted average DSCR of loans originated	1.93	1.93	1.90	1.96

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

	As of December 31, 2018	
	Outstanding Principal	% of Total
Years to Maturity:		
Due in one year or less	$ 38.7	0.7%
Due after one year through five years	602.4	11.7
Due after five years through ten years	1,441.3	27.9
Due after ten years	3,079.9	59.7
Total	$ 5,162.3	100.0%

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. The majority of our mortgage loans contain yield maintenance and other provisions that we believe mitigate the impact on us of loan prepayments.

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 reduce our income on a pre-tax basis, they contribute to net income by providing significant tax benefits that lower our effective tax rate.

The majority of our investments in limited partnerships relate to low-income 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. Other tax credit investments generally provide tax credits during the first two years of the investment. Refer to Note 4 to the audited consolidated financial statements for further discussion related to our investments in low-income housing project investments.

As of December 31, 2018 and 2017, the Company's tax credit investments had carrying values of $130.1 and $173.0, respectively, of which $122.3 and $165.8, respectively, related to low-income housing project investments.

The following table sets forth the impact of tax credit investments on net income. Pass-through activity and write downs are net of the U.S. federal income tax rate of 21% for the year ended December 31, 2018 and 35% for years prior:

	Successor Company			Predecessor Company
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017	February 1 to December 31, 2016	January 1 to January 31, 2016
Pass-through activity, net of taxes	$ (14.2)	$ (16.2)	$ (24.6)	$ (2.3)
Write downs, net of taxes	(19.5)	(19.5)	(6.0)	(0.4)
Tax credits, net	40.6	37.0	52.0	4.1
Impact to net income	$ 6.9	$ 1.3	$ 21.4	$ 1.4

LIQUIDITY AND CAPITAL RESOURCES

Symetra conducts its operations through its operating subsidiaries, and its liquidity requirements have been and will continue to be met primarily by funds from such subsidiaries. Dividends from 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 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.

Reinsurance Transaction

In September 2018, we entered into the Reinsurance Transaction related to our Closed Block for $6.8 billion of our in force income annuities. We remain liable to our policyholders to the extent that the reinsurer does not meet its contractual obligations. In the event of the reinsurer's insolvency, we would reclaim the assets supporting the reserve liabilities. We have the ability to offset amounts due to reinsurer with amounts owed from the reinsurer, as well as access to amounts held in trust, which materially reduces the risk of loss. The amounts included in the discussion below exclude assets and liabilities related to the Closed Block.

Liquid Assets

Symetra's insurance company subsidiaries have investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. We consider the characteristics of our product liabilities and aim to match them with investments of similar duration and liquidity profiles. 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 December 31, 2018 and 2017, our insurance company subsidiaries had liquid assets of $25.38 billion and $24.10 billion, respectively, and Symetra had liquid assets of $154.6 and $197.2, respectively. The portion of our total liquid assets consisting of cash and cash equivalents and short-term investments was $256.0 and $364.4 as of December 31, 2018 and 2017, respectively.

Liquidity Requirements

The liquidity requirements of Symetra's insurance company subsidiaries primarily relate to obligations associated with insurance policies and investment contracts, operating expenses, the payment of dividends to Symetra, and the payment of income taxes. Obligations associated with 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. Certain policy lapses and surrenders occur in the normal course of business. 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 risks associated with 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.

Capitalization

Our primary sources of capital are through retained earnings from our operating subsidiaries, access to the credit facility discussed below, access to debt financing markets, and additional capital from our parent, Sumitomo Life. The following table summarizes our capital structure:

	As of December 31,	
	2018	2017
Notes payable	$ 705.7	$ 706.6
Stockholder's equity (includes AOCI of $(321.3) and $554.9, respectively)	3,322.7	4,216.4
Total capital	4,028.4	4,923.0

Dividends

The payment of dividends and other distributions to Symetra by its insurance subsidiaries is subject to insurance laws and regulations. In general, dividends in excess of prescribed limits are deemed "extraordinary" and require regulatory approval.

In 2018, Symetra received regular cash dividends of $50.0 from its insurance subsidiaries, and paid a $70.0 dividend to our parent company, Sumitomo Life. For a more detailed discussion on dividends, see Note 16 of our December 31, 2018 audited consolidated financial statements.

Risk-Based Capital

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 December 31, 2018, Symetra Life Insurance Company, our primary insurance company subsidiary, had an estimated RBC ratio of 400%, which is well above regulatory action levels. Symetra Life Insurance Company's statutory capital and surplus, including the asset valuation reserve, was $2,372.5 as of December 31, 2018.

The RBC ratio reflects a positive impact resulting from the Reinsurance Transaction, which was offset by the NAIC's revision of certain tax-based factors following the enactment of the 2017 Tax Act. The Company implemented the revised factors in the third quarter of 2018. This revision reduced the RBC ratios of life insurers, including our insurance subsidiaries; however, our ratios remain well above regulatory action levels.

Notes Payable, Credit Facilities and Funding Agreements

The following table summarizes our amounts outstanding and access to contractual sources of liquidity as of December 31, 2018:

		Maximum Amount Available		Amount Outstanding	
		As of December 31,		As of December 31,	
	Maturity Date	2018	2017	2018	2017
Description:					
Sumitomo Life Insurance Company loan	1/16/2021	$ 450.0	$ —	$ 450.0	$ —
Senior notes, due 2024	7/15/2024	250.0	250.0	250.0	250.0
Revolving credit facility	8/28/2019	400.0	400.0	—	—
Surplus note	12/31/2039	100.7	101.4	—	—
FHLB DM funding agreements	Various	11,359.6	—	105.7	—
Term loan credit agreement	*	—	300.0	—	300.0
Capital Efficient Notes (CENts)	*	—	150.0	—	150.0
Total		$ 12,560.3	$ 1,201.4	$ 805.7	$ 700.0

* In January 2018, the term loans and CENts were redeemed in full, using proceeds from the Sumitomo Life Insurance Company loan.

See Note 14 of our consolidated financial statements for a more detailed description of our notes payable and credit facilities, including amounts redeemed in 2018.

Sumitomo Life Insurance Company Loan

The Company borrowed $450.0 in January 2018. The loan bears interest at a fixed annual rate of 2.68%, payable quarterly, and matures in January 2021.

Senior Notes Due 2024

In August 2014, we issued $250.0 of 4.25% Senior Notes. Interest on the notes is payable semi-annually.

Revolving Credit Facility

In August 2014, we entered into a $400.0 senior unsecured revolving credit facility with a syndicate of lending institutions. The facility also provides access to up to $100.0 of additional financing, subject to the availability of additional commitments from lenders. As of December 31, 2018, there have been no borrowings under the facility. The facility matures in August 2019 and we are evaluating our options for replacement.

Surplus Note

In December 2014, in association with a reserve financing transaction on certain universal life policies, one of our insurance subsidiaries issued a surplus note. The note had no initial principal balance, and there have been no borrowings under this note as of December 31, 2018.

Federal Home Loan Bank Funding Agreements

In August 2018, we became a member of the Federal Home Loan Bank of Des Moines (FHLB DM). Membership allows access to the FHLB DM's funding services, including the ability to obtain loans and issue funding agreements that are collateralized by qualifying assets. The FHLB DM sets a maximum borrowing limit that is calculated as a percentage of the member's total assets. Our limit as of December 31, 2018 was $11.4 billion, subject to availability of eligible collateral. We further impose internal authorization limits on our borrowing capacity.

We have issued funding agreements to the FHLB DM to support an institutional spread program, where we earn income primarily from the difference between investment income earned and the interest paid.

SOURCES OF REVENUES AND EXPENSES

Our revenues generally come from our policyholders in the form of premiums and policy fees, as well as investment income earned on our investment portfolio. Our main expenses are benefits to policyholders, including interest credited, expenses for operations, and amortization. These items are discussed in further detail below.

Each of our business segments, as well as our Closed Block component, maintains its own portfolio of invested assets, which are managed in accordance with specific guidelines. The net investment income and realized gains (losses) are reported in the segment in which they occur. We also allocate net investment income generated by our surplus portfolio to each segment using a risk-based capital formula. The unallocated portion of net investment income is reported in the Other segment. Investment expenses, which are recorded as a reduction of net investment income, are allocated to each segment based on its portfolio of invested assets. We allocate shared services operating expenses to each segment using multiple factors, including employee headcount and time study results.

As a result of the Sumitomo Life merger, the reporting of our revenues and expenses was affected by PGAAP. The following description relates to results post-merger.

Revenues

Premiums

Premiums consist primarily of premiums from our medical stop-loss; group life and DI; group fixed-payment medical, accident and critical illness; and individual term life insurance products, net of reinsurance premiums paid.

Net investment income

Net investment income represents the income earned on our investments, net of investment expenses, including prepayment-related income such as bond make-whole payments. For Closed Block, net investment income is reduced by amounts ceded to the reinsurer, which are based on statutory investment income.

Policy fees, contract charges and other

Policy fees, contract charges and other includes COI charges, primarily on our UL, COLI, and BOLI policies, surrender and other administrative charges to policyholders, revenues from our non-insurance businesses, and reinsurance allowance fees.

Net realized gains (losses)

Net realized gains (losses) consists mainly of realized gains (losses) from sales of our investments, realized losses from investment impairments, prepayment-related gains (losses), and changes in fair value of our marked-to-market financial instruments, including embedded derivatives. It also includes the portion of DAC and VOBA amortization due to changes in estimated gross profits (EGPs) related to these items. For Successor Company, net realized gains (losses) also reflects changes in the fair value of our alternative investments and expense from pass-through activity of tax credit investments. For Closed Block, realized gains (losses) include changes in fair value of the embedded derivative and our fixed maturities trading portfolio, and is reduced by amounts ceded to the reinsurer based on statutory realized gains (losses).

Benefits and Expenses

Policyholder benefits and claims

Policyholder benefits and claims consists of benefits paid, net of reinsurance recoveries, and reserve changes on group insurance, annuity products with death benefits, individual life, COLI and BOLI products.

Interest credited

Interest credited represents interest credited to policyholder reserves and contract holder general account balances, and the impact of deferred sales inducements. For Closed Block, interest credited is reduced by reserve activity related to the reinsured policies, as well as amortization of the deposit asset. For a more detailed discussion on the deposit asset, see Note 13 to the December 31, 2018 audited consolidated financial statements.

Other underwriting and operating expenses

Other underwriting and operating expenses represent non-deferrable costs related to the acquisition and the ongoing maintenance of insurance and investment contracts, including non-deferrable commissions, policy issuance expenses and other business and administrative operating costs.

Interest expense

Interest expense primarily includes interest on corporate debt, including the amortization of any associated premiums or discounts and related debt issuance costs.

Amortization of DAC and VOBA

We defer as assets certain commissions, distribution costs, new business processing costs, and other underwriting costs that are directly related to the successful acquisition of new and renewal business. In addition, as a result of the Sumitomo Life merger, we established a balance for VOBA, which represents the right to receive future gross profits from cash flows and earnings of our existing business. Amortization of previously capitalized DAC and VOBA is recorded as an expense.

Amortization of intangible assets

Intangible assets include value of distribution acquired (VODA), value of customer relationships acquired (VOCRA), trade names, and technology. These intangible assets have finite lives and are amortized on a straight-line basis over their estimated useful lives.

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 for 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. In the following discussion we provide the definitions of these non-GAAP measures.

Adjusted Pre-tax Income

Adjusted pre-tax income consists of income from operations before income taxes, excluding results from our Closed Block, intangible asset amortization and certain net realized gains (losses). Adjusted pre-tax income represents the total of segment adjusted pre-tax income, which at the segment level is a GAAP measure. Income from operations before income taxes is the most directly comparable GAAP measure to adjusted pre-tax income.

Excluded realized gains (losses) consist of the following:

- investment sales or disposal,
- investment impairments,
- changes in the fair value of mark-to-market investments and derivative investments (except for certain index options discussed below),
- changes in the fair value of embedded derivatives related to the Company's indexed products, and
- DAC, VOBA, and DSI impacts related to these items.

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. Additionally, excluding intangible amortization and results of the Closed Block allow us to focus on our core business

Certain realized gains (losses) are included in adjusted pre-tax income. These include gains (losses) on certain index options supporting FIA policies primarily sold in the late 1990s, and realized gains (losses) from prepayment activity and pass-through activity and write-downs associated with tax credit investments. Management considers this meaningful when assessing the results of our core business operations.

We believe it is useful to review adjusted pre-tax income to focus on the results of our core retained business operations. This assists management in determining whether, for our ongoing businesses, our insurance-related revenues have been sufficient to generate operating earnings after meeting our insurance-related obligations and underwriting and other operating costs. In addition, our management and board of directors have other uses for this measure, including assessing achievement of our financial plan.