2012 Corporate Report

Symetra Financial Corporation

SYMETRA®

RETIREMENT | BENEFITS | LIFE

Financial highlights

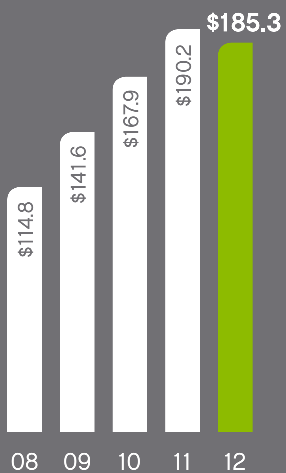
Summary of Consolidated Results

(dollars in millions)

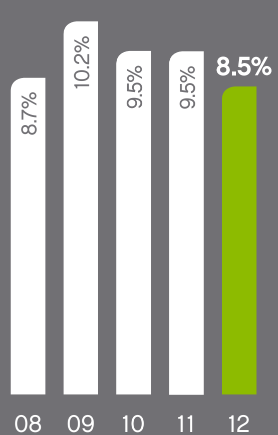
	2012	2011	2010	2009	2008
Net Income	$205.4	$195.8	$193.8	$121.7	$13.9
Return on Equity	6.1%	7.2%	9.0%	14.9%	1.6%
Book Value	$3,630.1	$3,114.9	$2,356.6	$1,413.4	$270.1
Total Revenues	$2,101.2	$1,999.3	$1,878.8	$1,714.0	$1,451.0

Adjusted Operating Income*

(dollars in millions)

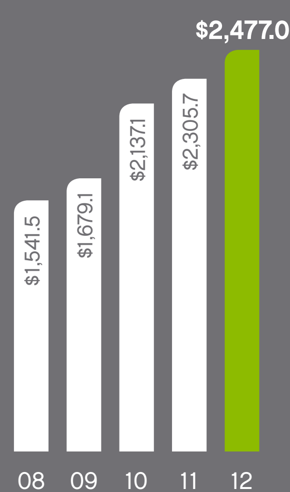


Operating Return on Average Equity*



Adjusted Book Value, as Converted*

(dollars in millions)



Operating Revenues**

(dollars in millions)

* Denotes a non-GAAP financial measure. A definition of this measure and reconciliation to the most directly comparable GAAP measure can be found in Item 7—“Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and in Item 6—“Selected Financial Data,” respectively, of the 2012 Form 10-K at http://investors.symetra.com under “SEC Filings.”

** Operating Revenues is a non-GAAP financial measure, and its most directly comparable GAAP measure is Total Revenues. Operating Revenues is calculated as Total Revenues less net realized investment gains (losses), plus net investment gains (losses) on our fixed indexed annuities (FIA). For the years ended Dec. 31, 2012, 2011, 2010, 2009 and 2008, net realized investment gains (losses) were $31.1, $7.2, $40.1, $(29.6) and $(158.1) million, respectively. For the years ended Dec. 31, 2012, 2011, 2010, 2009 and 2008, net investment gains (losses) on FIA were $0.1, $(1.4), $0.3, $0.8 and $(2.9) million, respectively.

The financial highlights herein are as of Dec. 31, 2012. Historical financial information has been restated to reflect retrospective adoption of a new accounting standard for deferred acquisition costs on Jan. 1, 2012. In addition, this corporate report contains statements that are or may be considered forward-looking in nature. Please see the 2012 Form 10-K for our Forward-Looking Statements at http://investors.symetra.com under “SEC Filings.”

To our shareholders

Tom Marra
President and CEO

Writing this letter reminds me of the movie *Groundhog Day*.

When I look back at last year's shareholder letter, the lead sentence is as true today as it was 12 months ago: *The backdrop for this year's corporate report is a difficult market environment dominated by low interest rates*.

What's different, though, is the tremendous amount of building work the Symetra team completed in 2012 to enhance our product portfolio, distribution network and service capabilities. As interest rates hit historic lows and many competitors exited or pulled back from key lines of business, Symetra invested in new products to add new earnings sources to our traditional mainstays of medical stop-loss insurance and fixed deferred annuities.

Symetra was a heavy construction zone in 2012. Our focus now is to **drive sales** in our new product areas and **generate a return** on last year's investments.

We tackled initiatives to grow and diversify the company and reduce our reliance on products tied to interest rates. Our work included the build-out of our group life and disability income (DI) insurance business; the development of a fee-based variable annuity (VA) product with no guaranteed living benefits; and the expansion of our individual life distribution network and product suite, including a new corporate-owned life insurance (COLI) offering and a revamped universal life product.

Truth be told, these efforts did not produce the sales results we had hoped for in year one. But the rewards of this hard work will come. We have built important capabilities that position us for greater success in 2013 and beyond.

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Before sharing our growth plans for 2013, here's a look at our 2012 financial performance.

The Numbers

Despite pressure from sustained low interest rates, Symetra posted 2012 net income of $205.4 million, outpacing $195.8 million in 2011. Adjusted operating income for 2012 was $185.3 million, down from $190.2 million, due largely to higher operating expenses.

Benefits

Our Benefits segment, which includes medical stop-loss, group life and DI, and limited benefit medical insurance, had pretax adjusted operating income of $70.5 million in 2012, down from $79.1 million in 2011. The earnings decline was driven by a less favorable loss ratio and increased operating expenses associated with our group life and DI expansion. The overall Benefits loss ratio was 65.1%, up from 63.1% in 2011, though in line with our long-term target range of 63%–65%.

Sales across all Benefits product lines totaled $159.3 million, up substantially from $118.7 million in 2011. Medical stop-loss sales soared, setting a new company record for the year. Also contributing to the strong results were group life and DI sales, which were up nearly fourfold over 2011 levels—a positive trajectory in this emerging business line.

Deferred Annuities

Our Deferred Annuities segment, which includes fixed and variable deferred annuities, turned in another solid performance with pretax adjusted operating income of $102.7 million in 2012, up from $95.8 million in 2011. Results were bolstered by the interest spread earned on higher fixed and fixed indexed account values. Total account values climbed to $11.8 billion at year-end 2012, compared with $11.3 billion at the end of 2011.

Sales were $1,146.6 million for the year, down from $1,815.3 million in 2011. The chilling effects of low interest rates were felt most strongly in this segment. A bright spot, though, was our Symetra Edge Pro® fixed indexed annuity (FIA) product. In less than two years, we've seen Edge Pro grow into a meaningful line of business for Symetra. FIA sales jumped to $292.6 million in 2012 from $45.3 million in 2011.

Income Annuities

Our Income Annuities segment, which includes single premium immediate annuities (SPIAs) and structured settlements, delivered pretax adjusted operating income of $45.0 million in 2012, a significant improvement from $35.1 million in 2011. Favorable mortality experience contributed to the increased earnings, representing gains of $12.9 million in 2012 versus gains of $0.3 million in 2011.

Sales were especially strong at $258.2 million for 2012, compared with $221.9 million in 2011. Leading the charge were sales of SPIAs, which benefited from sales strategies to help customers maximize retirement income. Due to ongoing interest rate pressures, we discontinued structured settlement annuity sales in December 2012; however, we will continue to service our existing block of business.

Individual Life

Our Individual Life segment, which includes term, universal life insurance, bank-owned life insurance (BOLI) and COLI, reported pretax adjusted operating income of $47.0 million in 2012, down from $65.3 million in 2011. Lower BOLI return on assets, higher individual life claims and increased operating expenses drove the earnings decline.

Sales of individual life products were $9.1 million in 2012, compared with $11.7 million in 2011. We expanded our points of distribution and enhanced our Classic Universal Life product, but our efforts came too late in the year to boost sales results. In response to sustained low interest rates, we made changes to our single premium life product at mid-year, which affected our year-over-year sales results.

We subscribe to **three capital management priorities**, in this order:

1. Organic growth
2. Attractive merger and acquisition (M&A) opportunities
3. Actions that return capital to shareholders

Any opportunity we look at … must deliver **value** to our customers, be **transparent** in terms of product features and underlying financials, and be **sustainable** over time.

Our Investment Portfolio and Capital Position

Symetra's investment portfolio performance improved with net investment gains of $31.1 million in 2012, compared with net gains of $7.2 million in 2011. Our equity investments, which are marked to market and reflect stock market volatility, generated net gains of $36.7 million in 2012, compared with net losses of $9.1 million in 2011.

Symetra Life Insurance Company finished 2012 with a risk-based capital (RBC) ratio of 486%. A strong capital position is a hallmark of Symetra. We subscribe to three capital management priorities, in this order: 1) organic growth; 2) attractive merger and acquisition (M&A) opportunities; and 3) actions that return capital to shareholders.

To provide us with greater flexibility to execute on our capital management priorities, on Feb. 1, 2013, Symetra's board of directors authorized management to repurchase up to 10 million shares of our common stock. Along with stock repurchases, we will concentrate on organic growth and look for potential acquisitions to enhance our individual life and group benefits businesses.

Value, Transparency, Sustainability

Across all of our business segments, we continue to maintain the risk management discipline that defines our company. We have not chased growth by putting unacceptable risk on our balance sheet. Our Benefits business adheres to strict underwriting standards. Our new variable annuity product has no guaranteed living benefits. Our fixed indexed annuity lends itself to straightforward hedging strategies—again with no guaranteed living benefits. And our universal life offering and its lapse protection benefit are priced for today's low interest rate environment.

Any opportunity we look at—whether it's a new product idea, existing product enhancement or potential acquisition—must deliver **value** to our customers, be **transparent** in terms of product features and underlying financials, and be **sustainable** over time.

This Value, Transparency, Sustainability (VTS) standard is one we will be diligent in applying to our planned initiatives and any new opportunities that come our way in 2013.

Our Key Initiatives

Our game plan for 2013 represents a continuation of our 2012 objectives, though we're making a clear transition from a building year to a selling year. Here's what's on the agenda in each of our business divisions:

Benefits. We have a talented group life and DI team and new claims and absence management capabilities in place. Now it's time to rev up the sales engine and create a growing franchise in this line of business. We will accomplish new growth while maintaining our leadership position in the medical stop-loss industry, where we have been a major player for 37 years.

Symetra is better positioned for growth in 2013. Our **balance sheet is strong**, and our capital position affords us the flexibility to take advantage of new opportunities as other competitors retreat.

Retirement. Our Edge Pro fixed indexed annuity is Symetra's fastest-growing product. In 2013, we aim to build on this sales momentum by increasing our shelf space with distribution partners and introducing new product enhancements. In addition, we plan to leverage our Symetra True Variable Annuity® product chassis to create a commission-based VA to be sold through our existing bank and broker-dealer relationships. And we will strive to win our share of the fixed deferred annuity business in this challenging low interest rate environment.

Individual Life. In 2012, we aligned with three national brokerage general agencies (BGAs) to sell our individual life products. In 2013, we will drive life sales through these partnerships and further expand our distribution network by adding new BGAs, pursuing new platform sales opportunities and doing more life business through banks. Through a multi-channel distribution strategy that includes BGAs, BOLI/COLI brokers, legacy agents and sources aimed at the middle market, our goal is to generate significant growth in life sales over 2012 levels.

We also have an enterprise-wide goal: *To make the service we deliver a point of pride and competitive differentiation*. We want to be admired for the care and commitment we demonstrate to the customers who buy our products, the distributors who sell our products, the employees who work here, and the communities we call home.

The spirit of service is alive and well at Symetra—in fact, it's one of our best attributes. We intend to build on this strength and elevate our service to be a recognized driver of our business success. We'll get there through ongoing investments in technology and training. I look forward to sharing our progress with you in next year's letter.

Determined and Ready to Win

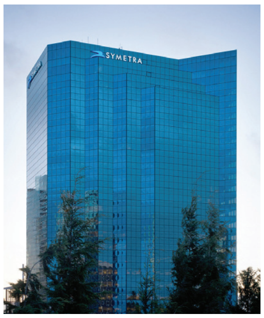
2012 will be remembered at Symetra as a difficult year, with lots of hard work, rough sledding in terms of new product sales, and pervasive low interest rates. The flipside to these challenges is what we accomplished—building new capabilities that will serve us well for years to come.

Symetra is better positioned for growth in 2013. Our balance sheet is strong, and our capital position affords us the flexibility to take advantage of new opportunities as other competitors retreat.

We may not be a household name (yet!), but we're a scrappy, nimble competitor. The Symetra team joins me in thanking you for your continued confidence and investment in our company. We are energized by our future prospects and more determined than ever to win.

Tom Marra
President and Chief Executive Officer

Shareholder information



Symetra Center
Bellevue, WA

Annual Meeting

Thursday, May 2, 2013
9:30 a.m. (Pacific Time)
Key Center Training Rooms
Lobby Level
601 108th Avenue NE
Bellevue, WA 98004

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Reports and Other Financial Information

Symetra's corporate report, Form 10-K, proxy statement, quarterly earnings, statutory annual statements and corporate news are available on the company's website at http://investors.symetra.com.

Stock Exchange Listing

Symetra's common stock trades on the New York Stock Exchange under the ticker symbol SYA.

Independent Auditors

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