

# Second Quarter 2014 Review

July 25, 2014

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## Forward-Looking Statements

Statements made in the following presentation that relate to anticipated financial performance or business operations, business services and product prospects and plans, reinvestment opportunities, changes in the amount of cash flow testing reserves, regulatory developments and similar matters may be considered “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of current or historical facts, are forward-looking statements. Forward-looking statements are subject to a number of risks, uncertainties and contingencies that may cause the operations, performance, development and results of our business to differ materially from those suggested by such statements. Consequently, all of the forward-looking statements made in this presentation are qualified by these cautionary statements. The information contained in this presentation speaks as of July 25, 2014. Symetra undertakes no obligation to update any such forward-looking statements, whether as a result of new information, future events or otherwise. Historical results are not necessarily indicative of future results. Future results, including our financial performance, business operations and trends in our business and industry, are subject to significant risks and uncertainties, including without limitation the following:

- › the 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;
- › the effects of significant increases in corporate refinance activity, including bond prepayments;
- › the performance of Symetra’s investment portfolio;
- › the continued availability of quality commercial mortgage loan investments and Symetra’s continued capacity to invest in commercial mortgage loans;
- › Symetra’s ability to successfully execute on its strategies;
- › the accuracy and adequacy of our recorded reserves;
- › the 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;
- › continued viability of certain products under various economic, regulatory and other conditions;
- › market pricing and competitive trends related to insurance products and services;
- › the effects of implementation of the Patient Protection and Affordable Care Act, including the direct effects upon our business, but also including the effects upon our competitors and our customers;
- › changes in amortization of deferred policy acquisition costs and deferred sales inducements;
- › financial strength or credit ratings changes, particularly of Symetra but also of other companies in our industry sector;
- › retention of our key personnel and distribution partners;
- › the availability and cost of capital and financing;
- › the adequacy and collectibility of reinsurance that we have purchased, as well as the continued availability and cost of reinsurance coverage;
- › the continued availability of tax credit investments, and the continuation of current tax treatment of such investments;
- › changes in laws or regulations, or their interpretation, including those that could increase Symetra’s business costs, reserve levels and required capital levels, or that could restrict the manner in which we do business;
- › the ability of Symetra’s subsidiaries to pay dividends to Symetra;
- › Symetra’s ability to implement effective risk management policies and procedures, including hedging strategies;
- › our ability to maintain adequate telecommunications, information technology, or other operational systems, including our ability to prevent or timely detect and remediate any unauthorized access to or disclosure of our customer information and other sensitive business data;
- › the initiation of regulatory investigations or litigation against Symetra and the results of any regulatory proceedings;
- › the effects of changes in national monetary and fiscal policy;
- › the effects of implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010;
- › the effects of redomestication of our principal insurance company subsidiary and whether redomestication will convey the intended benefits; and
- › the risks that are described from time to time in Symetra’s filings with the U.S. Securities and Exchange Commission, including those in Symetra’s 2013 Annual Report on Form 10-K and 2014 Quarterly Reports on Form 10-Q.

## Non-GAAP Financial Measures (denoted by †)

This presentation contains certain non-GAAP financial measures that differ from the comparable GAAP measures. A reconciliation between each non-GAAP measure found in this presentation and the comparable GAAP measure may be found on the Company’s website at [www.symetra.com](http://www.symetra.com) on the Investor Relations page under SEC filings (Forms 10-K and 10-Q) and under Financial Information, Quarterly Financial Results (quarterly earnings releases and financial supplements).

## Acronym Glossary

Definitions for acronyms used in this presentation are included on the last page.



# Second Quarter Summary

## Results Drivers

- › Favorable Benefits loss ratio
- › Solid base interest spread on deferred annuities account values
- › Emerging earnings from growth in FIA and UL account values, offset by higher operating expenses
- › Continued strong sales growth
- › Low effective tax rate

## Forward Focus

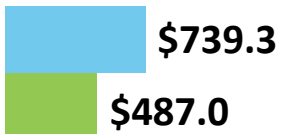
- › Hold Benefits loss ratio to within target range for the second half of the year
- › Drive strong sales of FIA and traditional fixed annuities
- › Continue to expand sales of UL through BGAs
- › Accelerate revenue growth for group life and DI
- › Drive for ROE improvement

# Continued Sales Momentum

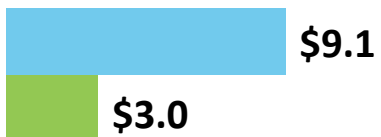
\$ in millions

## 2Q14 vs. 2Q13

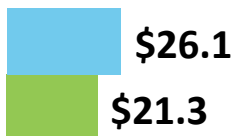
### Retirement Division<sup>1</sup>



### Individual Life Division<sup>2</sup>



### Benefits Division



2Q14 2Q13

## 12 Months Ended 6/30/14 and 6/30/13

### Retirement Division<sup>1</sup>



### Individual Life Division<sup>2</sup>



### Benefits Division



Trailing 12 months Previous 12 months

# Financial Results

*\$ in millions*

	2Q14	2Q13
<b>Net Income</b>	\$ 71.5	\$ 45.0
<b>Adjusted Operating Income<sup>†</sup></b>	\$ 55.3	\$ 52.7

*Twelve Months Ended June 30*

	2014	2013
<b>Return on Equity (ROE)</b>	8.3%	5.7%
<b>Operating Return on Average Equity (ROAE)<sup>†</sup></b>	9.4%	8.0%

# Financial Discussion

- › Mortality experience
- › Prepayment-related income
- › Operating expenses
- › Effective tax rate
- › Capital management

# Benefits Segment

## 31%<sup>1</sup> of 2Q14 Pretax Adjusted Operating Income<sup>†</sup>

*\$ in millions*

	2Q14	2Q13
<b>Operating Revenues</b>	\$ 155.8	\$ 157.2
<b>Pretax Adjusted Operating Income</b>	\$ 19.9	\$ 16.3
<b>Loss Ratio</b>	62.7%	66.2%
<b>Total Sales</b>	\$ 26.1	\$ 21.3

### Priorities

- › Achieve loss ratio in line with target range of 64%-66%
- › Maintain position as a market leader in medical stop-loss
- › Drive growth in group life and disability income premiums
- › Implement initial private exchange strategy – securing shelf space for voluntary limited benefit medical product

# Deferred Annuities Segment

## 43%<sup>1</sup> of 2Q14 Pretax Adjusted Operating Income

*\$ in millions*

	2Q14	2Q13
<b>Operating Revenues</b>	\$ 152.0	\$ 142.1
<b>Pretax Adjusted Operating Income</b>	\$ 27.4	\$ 27.4
<b>Base Interest Spread<sup>2</sup></b>	1.71%	1.80%
<b>Total Sales</b>	\$ 650.3	\$ 441.5
<b>Total Account Values (end of period)</b>	\$14,299.8	\$12,241.9

### Priorities

- › Maintain solid interest spread on fixed annuities
- › Maintain strong position in sales of fixed annuities through banks and broker-dealers
- › Continue to drive strong FIA sales through banks and broker-dealers

<sup>1</sup> Excludes Other segment pretax operating loss of \$(6.2)M.

<sup>2</sup> Excludes FIA. Base interest spread excludes asset prepayment-related income, net of related deferred sales inducement amortization, and mortgage-backed securities prepayment speed adjustment.



# Income Annuities Segment

## 5%<sup>1</sup> of 2Q14 Pretax Adjusted Operating Income

*\$ in millions*

	2Q14	2Q13
<b>Operating Revenues</b>	\$ 96.0	\$ 99.1
<b>Pretax Adjusted Operating Income</b>	\$ 3.5	\$ 10.0
<b>Base Interest Spread<sup>2</sup></b>	0.45%	0.57%
<b>Total Sales</b>	\$ 89.0	\$ 45.5

### Priorities

- › Continue efforts to stabilize interest spread with commercial mortgage loan origination strategy
- › Continue to drive sales of SPIA through banks and broker-dealers

<sup>1</sup> Excludes Other segment pretax operating loss of \$(6.2)M.

<sup>2</sup> Base interest spread excludes asset prepayment-related income and mortgage-backed securities prepayment speed adjustment.

# Individual Life Segment

## 21%<sup>1</sup> of 2Q14 Pretax Adjusted Operating Income

*\$ in millions*

	2Q14	2Q13
<b>Operating Revenues</b>	\$ 115.6	\$ 112.4
<b>Pretax Adjusted Operating Income</b>	\$ 13.6	\$ 14.5
<b>BOLI Base ROA<sup>2</sup></b>	0.79%	0.85%
<b>Individual Sales</b>	\$ 9.1	\$ 3.0
<b>Variable COLI Sales<sup>3</sup></b>	\$ --	\$ 3.0

### Priorities

- › Continue to expand sales of UL through BGA network
- › Broaden product portfolio
- › Drive sales of variable COLI

<sup>1</sup> Excludes Other segment pretax operating loss of \$(6.2)M.

<sup>2</sup> Excludes asset prepayment-related income and mortgage-backed securities prepayment speed adjustment.

<sup>3</sup> Represents deposits for new policies.

## Summary

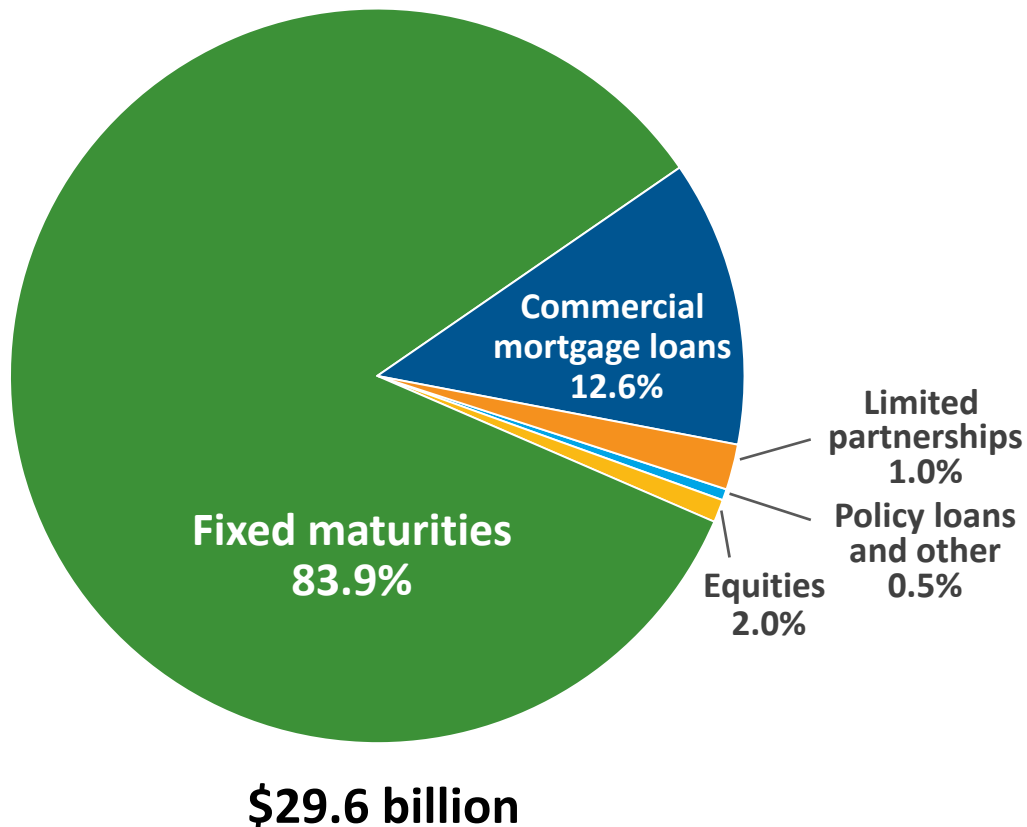
- › We posted another solid quarter of earnings results and continued sales momentum
- › We expect to achieve growth, while maintaining our discipline in pricing, underwriting and financial management
  - › Strong balance sheet
  - › Strong distribution relationships in key markets
  - › Strong sales momentum across multiple lines of business
- › We expect profitable growth to drive improvement in Operating ROAE over time

# Appendix

# High-Quality Investment Portfolio

As of 6/30/14

## Portfolio Composition



- › Pretax impairments of \$1.4M in 2Q14 vs. \$7.2M in 2Q13
- › 95% of fixed maturities portfolio is investment grade
- › Commercial mortgage loan portfolio:
  - › Attractive yields: 2Q14 originations funded at ~240 bps spread over Treasury securities
  - › Excellent credit performance: at 6/30/14, one loan for \$1.5M was considered non-performing

# Reinvestment Minimized by Effective ALM

\$ in millions

**Closely matched asset and liability cash flows result in low annual reinvestment, relative to portfolio size**

Portfolios	Estimated Reinvestment <sup>1</sup> (2014 – 2015)	Risk Management Tools
Surplus	~ \$250 / year	CML
Deferred Annuity	< \$50 / year	Rate resets
Income Annuity	< \$50 / year	CML
BOLI	~ \$400 / year	CML, rate resets, other product levers

# Acronym Glossary

ALM	Asset-liability management
BGA	Brokerage general agency
BOLI	Bank-owned life insurance
CML	Commercial mortgage loans
COLI	Corporate-owned life insurance
DI	Disability income
FIA	Fixed indexed annuity
ROA	Return on assets
ROAE	Operating return on average equity
ROE	Return on equity
SPIA	Single-premium immediate annuity
SPL	Single-premium life
UL	Universal life



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