

Rising



2011 Corporate Report

SYMETRA FINANCIAL CORPORATION



Financial highlights

Summary of Consolidated Results

(dollars in millions)

	2011	2010	2009	2008	2007
Net Income	\$199.6	\$200.9	\$128.3	\$22.1	\$167.3
Return on Equity	7.3%	9.3%	15.4%	2.6%	12.6%
Book Value	\$3,134.0	\$2,380.6	\$1,433.3	\$286.2	\$1,285.1
Total Revenues	\$1,999.1	\$1,878.5	\$1,714.3	\$1,451.1	\$1,589.6

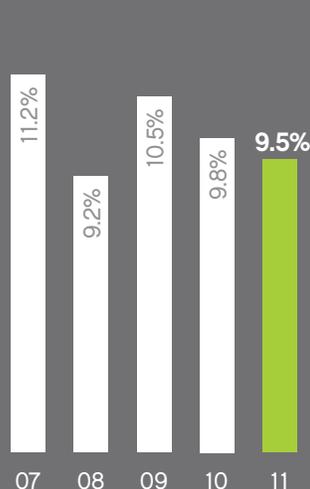
Adjusted Operating Income*

(dollars in millions)



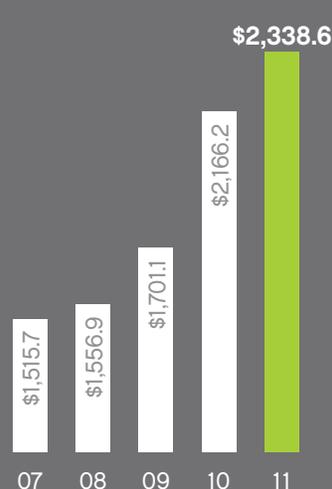
Operating Return on Average Equity*

(dollars in millions)



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 on pages 64-67 in Item 7—“Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and pages 50-52 in Item 6—“Selected Financial Data,” respectively, of the 2011 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 annuity (FIA) options. For the years ended Dec. 31, 2011, 2010, 2009, 2008 and 2007, net realized investment gains (losses) were \$7.0, \$39.8, \$(29.3), \$(158.0) and \$16.8 million, respectively. For the years ended Dec. 31, 2011, 2010, 2009, 2008 and 2007, net investment gains (losses) on our FIA options were \$(1.4), \$0.3, \$0.8, \$(2.9) and \$(2.3) million, respectively.

The financial highlights herein are as of Dec. 31, 2011. In addition, this corporate report contains statements that are or may be considered forward-looking in nature. Please see pages 3-4 of the 2011 Form 10-K for our Forward-Looking Statements at <http://investors.symetra.com> under “SEC Filings.”

To our shareholders



Tom Marra
President and CEO

The backdrop for this year's corporate report is a difficult market environment dominated by low interest rates. We are, however, moving Symetra forward, and I believe we're on the right track to rise above this challenge.

In last year's letter, I shared our strategy to grow and diversify our company and reduce our dependence on interest-sensitive products. I wrote then that "Grow & Diversify" would not be a temporary slogan, but an enduring, multi-year effort to position Symetra for profitable growth in a variety of economic environments.

Our strategy is even more important now that the Federal Reserve expects interest rates to remain low through late 2014. If there was a bright spot in the Fed's news, it is that we have planned and prepared for this situation. Job one is to accelerate the pace of growth and diversification across our enterprise.

Given our 2012 plans to expand our group life and disability business, roll out a new variable annuity and enter the corporate-owned life insurance business, we are on a clear and resolute path to grow and diversify.

Before I discuss our 2012 Grow & Diversify initiatives in more detail, let's review Symetra's 2011 numbers.

Our 2011 Results

In a tough interest-rate environment, we found our spots to grow and posted year-over-year earnings improvement in three of our four business segments. Net income for 2011 was relatively flat at \$199.6 million, compared with \$200.9 million in 2010. Adjusted operating income for 2011 was \$194.1 million, up 11% from \$175.2 million in 2010.

Here's a look at our performance, by business segment:

Benefits

It was a standout year for the Benefits segment, which includes medical stop-loss, limited benefit medical and group life and disability income (DI) insurance. Pretax adjusted operating income for 2011 grew to \$79.2 million, up from \$71.6 million in 2010, thanks to an improved loss ratio on a larger block of medical stop-loss business.

The overall loss ratio was 63.1%, including stop-loss policies from American United Life Insurance Company (AUL). Symetra acquired the renewal rights to AUL's stop-loss policies on July 1, 2011, a transaction that was accretive to earnings and increased our market share. We've been pleased with the block's performance to date and with the smooth transition of AUL policies and customers to Symetra.

Given our 2012 plans to expand our group life and disability business, roll out a new variable annuity and enter the corporate-owned life insurance business, we are on a clear and resolute path to grow and diversify.

Sales were up across all Benefits product lines in 2011, led by healthy stop-loss production. Sales totaled \$118.7 million, compared with \$95.5 million in 2010. We expect increased sales in 2012 from our group life and DI operation, where we are assembling a top-notch field sales force and operations team.

Deferred Annuities

Our Deferred Annuities segment, which includes fixed and variable deferred annuities, generated pretax adjusted operating income of \$102.1 million in 2011, up substantially from \$81.3 million in 2010. Higher fixed account values and higher interest spread drove the increase in earnings. Total account values topped \$11.3 billion at year-end, a 13% increase over \$10.0 billion in 2010.

While Deferred Annuities sales improved to \$1,815.3 million in 2011 from \$1,810.7 million in 2010, production trended downward with each successive quarter of 2011. Low interest rates slowed fixed annuity sales across the industry. We're working hard in 2012 to diversify our earnings sources, including the planned rollout of a new variable annuity.

Income Annuities

Our Income Annuities segment, which includes single premium immediate annuities (SPIAs) and structured settlements, had pretax adjusted operating income of \$35.1 million in 2011, compared with \$33.2 million in 2010. Contributing to the increase in earnings was favorable mortality experience. Mortality gains were \$0.3 million in 2011 versus mortality losses of \$2.6 million in 2010.

Sales dropped year over year as we focused on shorter-duration SPIAs to reduce our reinvestment rate risk. For 2011, Income Annuities sales were \$221.9 million, down from \$260.0 million in 2010. As long as interest rates continue at current levels, we expect income annuity sales to remain low.

Life

Our Life segment, which offers term and universal life insurance, including bank-owned life insurance (BOLI), delivered pretax adjusted operating income of \$64.9 million in 2011, compared with \$74.9 million in 2010. Bolstering 2010 results was a \$7.4 million reserve release in the first quarter of that year.

Sales of individual life products were \$11.7 million in 2011, compared with \$10.2 million in 2010. We aim to grow this line of business in 2012 through a combination of new life products and expanded distribution.

Our Investment Portfolio and Capital Position

Symetra's investment portfolio had modest net investment gains of \$7.0 million in 2011, down from net gains of \$39.8 million in 2010. Our equity investments, which are marked to market and reflect the stock market's volatility, posted net losses of \$9.1 million in 2011. This was a substantial change from net gains of \$32.6 million in 2010.

To improve our yields in the low interest rate environment, we modified the composition of our investment portfolio by increasing originations of commercial mortgage loans. These loans totaled 9.6% of our invested assets at year-end, up from 7.3% in 2010. During 2011, we funded new commercial mortgage loans at a spread that was more than 300 basis points higher than U.S. Treasury securities. This asset class continues to be an attractive investment opportunity. If current conditions persist, we have more room to grow the commercial mortgage loan allocation in our portfolio.

Symetra Life's risk-based capital (RBC) ratio was 457% at the end of 2011. This capital reserve provides a cushion to navigate market events while investing in our future. Our strong capital position is both a challenge and an opportunity—we need to put more of our dollars to work to generate our desired returns. Our priority is to deploy capital to fund the organic growth opportunities outlined in our business strategy.

Our Grow & Diversify Agenda

To generate growth from non-interest-sensitive products and move Symetra forward, we will make investments in the near-term to ensure our long-term sustainability. With some of our Grow & Diversify initiatives, we are entering established markets where we will have to innovate to gain share; in others, we are pioneers, introducing new products to previously untapped markets.

Funding these new initiatives will require strong earnings from our core lines of businesses. Our continued market leadership in medical stop-loss insurance and fixed deferred annuity sales through banks, together with our clean balance sheet and disciplined approach to asset-liability management, are vital to our success and provide the necessary foundation to support our new ventures.

> **Benefits Division**—In 2011, we recruited a first-rate management team to guide our group life and DI expansion. Now, these leaders are building out their underwriting, claims, actuarial and field sales teams and administrative systems.

The target market for our group life and DI business is one we know well—the same mid-sized employers (with 500–5,000 employees) who purchase medical stop-loss coverage through employee benefits brokers. Through our established benefits broker relationships, we want to deliver a comprehensive suite of group insurance products for the middle market, including disability claims and administrative services for managing employee absences (like family and military leaves).

We also will continue to renew AUL policies and transition the business to our books. The AUL transaction has enhanced our leadership position in the stop-loss industry, and it is a great example of the kind of opportunity we look for to strengthen a core business line.

> **Retirement Division**—In addition to driving fixed annuity sales through banks, we are focused on increasing penetration of our fixed indexed annuity product—Symetra Edge Pro®—which rolled out in 2011.

The launch of our new variable annuity (VA) is slated for mid-year 2012. Designed for customers of fee-based investment advisors, our VA will feature an impressive lineup of funds and investment managers on a compelling tax-deferred variable annuity platform. Stay tuned.

> **Life Division**—We continue to work on broadening our life product portfolio and expanding our points of distribution. In September 2011, we launched a new cash value universal life product—Symetra Classic UL. In January 2012, we rolled out our initial set of Classic enhancements.

With Classic UL in our arsenal and the promise of more life products to come, we recently secured sales agreements with three of the largest brokerage general agencies (BGAs) in the country. We are in the process of building out our life wholesaling force to support these new partners. We're also adding experienced life professionals in other functional areas to accelerate the growth we seek.

In the institutional markets arena, we are leveraging our success and broker relationships in the BOLI industry to penetrate the corporate-owned life insurance (COLI) market. We've built a new variable COLI product and have high hopes for this endeavor.

With some of our Grow & Diversify initiatives, we are entering established markets where we will have to innovate to gain share; in others, we are pioneers, introducing new products to previously untapped markets.

In rebranding the company, we looked for an icon that reflects the energy and forward motion of Symetra. We found it in the swift, one of the fastest fliers in the animal kingdom.

On the Rise

As we deliver on these initiatives, we want Symetra to be a recognized name. In rebranding the company, we looked for an icon that reflects the energy and forward motion of Symetra. We found it in the swift, one of the fastest fliers in the animal kingdom.

Swifts are quick, hard-working and nimble—everything we aspire to be in serving our customers and distribution partners. You may have noticed our new logo on the cover of this report. I hope you like our new look and the spirit it represents.

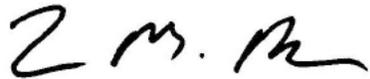
Distribution partners tell us that brand matters when clients are deciding between products offered by competing carriers. To that end, we recently entered into a multi-year agreement with the LPGA to be the title sponsor of the “Symetra Tour—Road to the LPGA” (formerly known as the LPGA Futures Tour). Through our sponsorship, we’ll drive greater brand awareness for our company and support the rising stars of women’s golf as they compete for a spot on the LPGA Tour.

We also promote Symetra’s good name through sponsorships and programs that strengthen communities and recognize unsung heroes. For our signature community program—Symetra Heroes in the Classroom—we team up with the Atlanta Falcons, Chicago Bears, San Francisco 49ers and Seattle Seahawks to honor exceptional teachers in these four NFL markets.

Whether it’s expanding our product portfolio, recruiting new distributors, improving our service capabilities or investing in our brand, work is underway in every corner of our company to elevate our game.

We have not taken the easy path with our Grow & Diversify strategy, but I am convinced it’s a path that will create long-term value for you, our business partners, customers and employees.

On behalf of everyone at Symetra, thank you for your investment in us. We know what it will take to win, and we are intent on living up to the promise of our new brand—**Symetra is on the rise!**



Tom Marra
President and Chief Executive Officer

Shareholder information



Symetra Center
Bellevue, WA

Annual Meeting

Friday, May 4, 2012

9:30 a.m. (Pacific Time)

Key Center Training Rooms
Lobby Level
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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.

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