Symetra Financial Corporation

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

As of September 30, 2016

All financial information in this document is unaudited

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

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

Forward-Looking Statements

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

- effects of fluctuations in interest rates, including a prolonged low interest rate environment or a rapidly rising interest rate environment, as well as management's ability to anticipate and timely respond to any such fluctuations;
- general economic, market or business conditions, including economic downturns or other adverse conditions in the global and domestic capital and credit markets;
- effects of significant corporate refinance activity, including bond prepayments;
- performance of our investment portfolio;
- continued availability of quality commercial mortgage loan investments and our continued capacity to invest in commercial mortgage loans;
- our ability to successfully execute on our strategies;
- accuracy and adequacy of recorded reserves, including the actuarial and other assumptions upon which those reserves are established, adjusted and maintained;
- persistency of our inforce blocks of business;
- deviations from assumptions used in setting prices for insurance and annuity products or establishing cash flow testing reserves;
- significant changes in projected future cash flows underlying the value of our intangible assets, including projections of future sales and profitability;
- continued viability of certain products under various economic, regulatory and other conditions;
- market pricing and competitive trends related to insurance products and services;
- effects of implementation of the Patient Protection and Affordable Care Act (PPACA), including the direct effects upon our business, but also including the effects upon competitors and customers;
- financial strength or credit ratings changes, particularly ours but also of other companies in our industry sector;
- retention of key personnel and distribution partners;
- availability and cost of capital and financing;
- adequacy and collectibility of reinsurance that we have purchased, as well as the continued availability and cost of reinsurance coverage;
- continued availability of tax credit investments, and the continuation of current tax treatment of such investments;
- 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;
- effects of the U.S. Department of Labor's rule expanding the circumstances in which a person is considered a fiduciary with respect to advice relating to IRAs and some employer-sponsored retirement plans, including the effects upon our distributors, competitors and customers;
- ability of subsidiaries to pay dividends to Symetra;
- our ability to implement effective risk management policies and procedures, including hedging strategies;
- our ability to maintain adequate telecommunications, information technology, or other operational systems;
- our ability to prevent or timely detect and remediate any unauthorized access to or disclosure of customer information and other sensitive business data;
- initiation of regulatory investigations or litigation against us and the results of any regulatory proceedings;
- effects of changes in national and global monetary and fiscal policy;
- effects of implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd Frank Act); and
- uncertainty following the Sumitomo Life merger, which could adversely affect our business and operations.

The following discussion highlights significant factors influencing the results of operations and changes in financial position of Symetra Financial Corporation for the three months ended September 30, 2016, the period February 1 to September 30, 2016, the period January 1 to January 31, 2016 and the three and nine months ended September 30, 2015. Amounts related to the period January 1 through January 31, 2016, the three and nine months ended September 30, 2015, and as of December 31, 2015 are associated with the Predecessor Company, prior to the Sumitomo Life Merger. Amounts related to the three months ended September 30, 2016, the period February 1 to September 30, 2016 and as of September 30, 2016 are associated with the Successor Company. For further discussion of the Sumitomo Life Merger, see - "Results of Operations."

This discussion should be read in conjunction with the December 31, 2015 Consolidated Financial Statements and Management's Discussion and Analysis, available on the Company's website at http://investors.symetra.com/ .

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

All dollar amounts are in millions unless otherwise stated.

Overview

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

On February 1, 2016, we became a wholly owned subsidiary of Sumitomo Life Insurance Company, a mutual company (sougo kaisha) organized under the laws of Japan (Sumitomo Life) in accordance with the terms of the Agreement and Plan of Merger, dated August 11, 2015 (the Merger). Each outstanding share of the Company's common stock with a par value of $0.01 was converted into the right to receive $32.00 in cash, without interest. The aggregate cash consideration paid in connection with the Merger for the outstanding shares of common stock was $3.7 billion. Prior to February 1, 2016, the Company's stock was publicly traded on the New York Stock Exchange.

Our Operations

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

Benefits Division

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

Retirement Division

- *Deferred Annuities.* We offer fixed deferred annuities, including fixed indexed annuities (FIA), and variable deferred annuities to consumers who want to accumulate tax-deferred assets for retirement.
- *Income Annuities.* We offer single premium immediate annuities (SPIA) to customers seeking a reliable source of retirement income or protection against outliving their assets during retirement. We also service our block of structured settlement policies and offer funding services options to existing structured settlement clients.

Individual Life Division

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

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

Results of Operations

This discussion should be read in conjunction with our unaudited interim condensed consolidated financial statements. The results of operations and selected operating metrics for each of our five segments are discussed in their respective sections.

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 equal to the Merger purchase price of $3.7 billion, less certain after-tax, success-based Merger fees. Prior period results were not restated for the new basis of accounting.

The following table summarizes the most significant impacts of PGAAP and related changes in the Company's accounting policies on the Successor Company's financial statements:

Asset or Liability	Segment	Impact on Balance Sheet	Impact on Statement of Income
Fixed Maturities	All	Book value set to fair value, establishing $1.0 billion premium	Premium amortization reduces Net Investment Income
Marketable Equity Securities	Income Annuities Other	Trading securities redesignated as Available-for-Sale	Changes in fair value no longer recorded in Net Realized Gains (Losses)
Mortgage Loans	Deferred Annuities Income Annuities Individual Life Other	Carrying value set to fair value, establishing $283.4 premium	Premium amortization reduces Net Investment Income
Investments in Limited Partnerships	Income Annuities Other	Carrying value of tax credit investments set to fair value	Income (loss) related to Investments in Limited Partnerships recorded in Net Realized Gains (Losses); previously recorded in Net Investment Income
Deferred Acquisition Costs (DAC), Deferred Sales Inducements (DSI), and Value of Business Acquired (VOBA)	Benefits Deferred Annuities Income Annuities Individual Life	DAC and DSI balances set to zero; VOBA asset of $457.6 established	DAC and DSI amortization related to policies acquired prior to the Merger reduced; offset by amortization of VOBA
Intangible Assets and Goodwill	Benefits Deferred Annuities Income Annuities Individual Life	Recognized $1.4 billion of Intangible Assets subject to amortization and $563.0 of Goodwill	Amortization reduces income
Funds Held Under Deposit Contracts	Deferred Annuities Income Annuities Individual Life	Established PGAAP reserves totaling $1.2 billion	Amortization of PGAAP reserves decreases Interest Credited and Policyholder Benefits and Claims

For additional discussion of the application of purchase accounting, and changes to the Successor Company's accounting policies subsequent to the Merger, refer to Notes 1, 2, 3, and 11 of the Company's third quarter unaudited interim condensed consolidated financial statements.

Consolidated Results

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Segment pre-tax adjusted operating income (loss):					
Benefits	$ 8.9	$ 8.9	$ 8.3	$ 25.0	$ 62.8
Deferred Annuities	25.0	48.8	10.4	43.1	102.0
Income Annuities	(0.5)	1.0	(2.0)	4.9	8.6
Individual Life	8.8	14.5	0.5	7.2	26.1
Other	(3.9)	(29.4)	(7.6)	(22.3)	(46.7)
Pre-tax adjusted operating income (1)	$ 38.3	$ 43.8	$ 9.6	$ 57.9	$ 152.8
Add: Excluded realized gains (losses)	(12.6)	(42.7)	(26.5)	(56.2)	(90.5)
Add: Excluded amortization of intangible assets	(5.6)	(14.8)	—	—	—
Income (loss) from operations before income taxes	20.1	(13.7)	(16.9)	1.7	62.3
Total provision (benefit) for income taxes	(6.9)	(42.6)	(10.4)	(17.9)	(27.3)
Net income (loss)	$ 27.0	$ 28.9	$ (6.5)	$ 19.6	$ 89.6
Less: Excluded realized gains (losses), net of taxes (2)	(0.6)	(5.9)	(17.1)	(36.5)	(58.8)
Less: Excluded amortization of intangible assets, net of taxes (2)	(3.6)	(9.6)	—	—	—
Adjusted operating income (loss) (1)	$ 31.2	$ 44.4	$ 10.6	$ 56.1	$ 148.4

(1) Represents a non-GAAP measure. For further discussion, see - "Use of non-GAAP Financial Measures."
(2) Net tax effects are calculated using the U.S. federal income tax rate of 35%.

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Salaries, incentive compensation, and other employee costs	$ 55.0	$ 147.7	$ 19.6	$ 54.1	$ 159.5
Rent and occupancy costs	4.7	12.2	1.3	4.3	12.7
Professional services and software licensing	18.2	52.0	4.8	18.9	47.2
Merger-related costs	—	18.1	1.9	—	—
Other	7.8	23.9	2.5	7.6	25.3
Total operating expenses	85.7	253.9	30.1	84.9	244.7
Commissions and premium-based taxes and fees	72.9	214.2	25.4	87.7	228.2
DAC deferrals	(51.8)	(160.0)	(19.6)	(69.8)	(172.6)
Other underwriting and operating expenses	$ 106.8	$ 308.1	$ 35.9	$ 102.8	$ 300.3

Pre-tax adjusted operating income (loss) for each of our divisions is discussed in the sections below. Most net realized gains (losses) are excluded from pre-tax adjusted operating income (loss) and are further discussed in – "Investments."

Because of the application of purchase accounting, it is not meaningful to compare results from the Predecessor and Successor Companies, nor is it meaningful to compare a sum of the nine months ended September 30, 2016 to the results of nine months ended September 30, 2015. Certain metrics, such as sales and account values, were not affected by PGAAP and remain comparable to prior period amounts.

In addition to the drivers discussed at the segment level, we consider the following information useful to understanding our consolidated results:

Three months ended September 30, 2016 and the Period February 1 to September 30, 2016 (Successor Company)

The Company posted net income of $27.0 and $28.9 for the three months ended September 30, 2016 and for the period February 1 to September 30, 2016, respectively. The income tax benefit for both periods was primarily a result of credits from our tax credit investments.

Segment results for the quarter and for the period February 1 to September 30, 2016 include $17.8 and $26.0, respectively, of net prepayment-related income. For the three months ended September 30, 2016, this consisted of $21.9 of investment income from prepayments, less $4.1 of related DAC and VOBA amortization. For the period February 1 to September 30, 2016, this consisted of $31.6 of investment income from prepayments, less $5.6 of related DAC and VOBA amortization.

Each year in the third quarter, we perform a comprehensive review of actuarial assumptions used for estimates of future gross profits underlying the amortization of DAC, VOBA, DSI and certain reserves. Among other factors, these actuarial assumptions include future investment yields, interest spreads, mortality, expense and lapse assumptions. 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. For third quarter 2016, unlocking adjustments increased pre-tax adjusted operating income by $2.4 and generated a realized gain of $9.8.

Year to date results reflect $18.1 of Merger-related expenses incurred during the first half of 2016, including expenses related to stock-based compensation payouts and professional services.

Additionally, for the quarter and for February 1 to September 30, 2016, we recorded $21.8 and $58.0, respectively, of intangible asset amortization in income from operations, which was measured on a straight-line basis over the assets' useful lives. Pre-tax adjusted operating income includes $16.2 and $43.2 of intangible asset amortization, respectively, which reflects adjusted amortization of certain intangible assets to align with the cash flow patterns underlying the assets' initial valuation.

January 1, 2016 to January 31, 2016 (Predecessor Company)

Summary of Results

The Company posted a net loss of $6.5 for the month. The benefit from income taxes was a result of a pre-tax loss and the benefit from our tax credit investments.

Segment results included net prepayment-related income of $0.8, which consisted of $1.0 of income from investment prepayments, less $0.2 of related DAC amortization.

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

Three and Nine months ended September 30, 2015 (Predecessor Company)

Summary of Results

Net income was $19.6 and $89.6 for the three and nine months ended September 30, 2015. The benefit from income taxes for both periods reflects the benefits from our tax credit investments.

Segment results included prepayment-related income of $18.4 and $33.5 for the three and nine months ended September 30, 2015, respectively. For the third quarter of 2015, this consisted of $23.0 of investment income from prepayments, less $4.6 of related DAC and DSI amortization. For the nine months ended September 30, 2015, this consisted of $42.6 of investment income from prepayments, less $9.1 of related DAC and DSI amortization.

For third quarter 2015, unlocking adjustments increased pre-tax adjusted operating income by $3.8 and generated realized losses of $3.3.

Additionally, we experienced net losses of $5.7 and $13.1 related to our alternative investments for the three and nine months ended September 30, 2015, respectively. Subsequent to the Merger, the impact of our alternative investments is recorded in net realized gains (losses) and excluded from pre-tax adjusted operating income.

Segment Operating Results

Benefits

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Operating revenues:					
Premiums	$ 175.4	$ 466.7	$ 58.6	$ 171.9	$ 514.3
Net investment income	5.2	13.5	2.1	6.2	17.1
Policy fees, contract charges, and other	4.4	13.4	1.4	3.6	12.9
Total operating revenues	185.0	493.6	62.1	181.7	544.3
Benefits and expenses:					
Policyholder benefits and claims	116.3	322.6	37.1	109.4	336.6
Other underwriting and operating expenses	48.7	132.6	16.3	46.1	141.9
Amortization of DAC and VOBA	0.2	0.4	0.2	0.5	1.3
Amortization of intangible assets	10.9	29.1	0.2	0.7	1.7
Total benefits and expenses	176.1	484.7	53.8	156.7	481.5
Segment pre-tax adjusted operating income	$ 8.9	$ 8.9	$ 8.3	$ 25.0	$ 62.8

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Loss ratio (1)	66.3%	69.1%	63.3%	63.7%	65.5%
Expense ratio (2)	27.0	27.6	27.8	26.5	27.1
Combined ratio (3)	93.3%	96.7%	91.1%	90.2%	92.6%
Total sales (4)	$ 37.2	$ 175.5	N/A	$ 37.5	$ 193.7

(1) Loss ratio represents policyholder benefits and claims incurred divided by premiums earned.
(2) Expense ratio is equal to the sum of other underwriting and operating expenses of our insurance operations and amortization of DAC divided by premiums earned.
(3) Combined ratio is equal to the sum of the loss ratio and the expense ratio.
(4) Total sales represent annualized first-year premiums net of first year policy lapses. Successor Company results include full year sales.

Three months ended September 30, 2016 and the Period February 1 to September 30, 2016 (Successor Company)

Segment pre-tax adjusted operating income was $8.9 for the quarter and for the period February 1 to September 30, 2016. The results reflect $10.9 and $29.1, respectively, of intangible asset amortization, related to assets established through purchase accounting. The loss ratio of the Successor Company was not affected by purchase accounting and is comparable to Predecessor Company results.

Underwriting Margin (Premiums less Policyholder Benefits and Claims)

Underwriting margin was $59.1 and $144.1 for the third quarter and the period February 1 to September 30, 2016, respectively. Our overall loss ratio was 66.3% and 69.1% for the quarter and the period February 1 to September 30, 2016, respectively. The loss ratio reflected higher than expected medical stop-loss claims, as well as unfavorable claim experience in our group life and DI business. From period to period, variability in the loss ratio can occur, but over time is expected to be within our target range.

Management regularly reviews its actuarial assumptions used to set reserves and makes changes as appropriate to reflect recent experience and current expectations. In the third quarter, this resulted in an $8.1 benefit related to our medical stop-loss business.

Expenses

Amortization of intangible assets includes the following:

	Fair Value as of February 1, 2016	Useful Life	Estimated 2016 Amortization
Value of Customer Relationships Acquired (VOCRA)	$ 386.7	10 years	$ 35.4
Value of Distribution Acquired (VODA)	383.0	35 years	—
Trade Names	46.0	17 years	1.3
Technology	18.0	5 years	3.3

For segment reporting, intangible assets related to VODA and trade names are amortized based on the projected cash flow pattern underlying the initial valuation of these assets. Intangible assets related to VOCRA and technology are amortized on a straight-line basis over their useful lives.

The Company also recorded $308.0 of goodwill related to the Benefits segment, which is not amortized.

Sales

Sales were $37.2 and $37.5 for the third quarters of 2016 and 2015, respectively. For the nine months ended September 30, 2016, sales were $175.5, compared to $193.7 for the same period in 2015. Medical stop-loss sales benefited from strong relationships with national brokers and sales initiatives in 2016, while prior year sales reflected record medical stop-loss sales in the first quarter of 2015.

January 1, 2016 to January 31, 2016 (Predecessor Company)

Segment pre-tax adjusted operating income was $8.3 for the month.

Underwriting Margin (Premiums less Policyholder Benefits and Claims)

Underwriting margin for the period was $21.5, primarily driven by medical stop-loss. Our overall loss ratio of 63.3% reflected favorable claim experience across all lines of business.

Three and Nine months ended September 30, 2015 (Predecessor Company)

Segment pre-tax adjusted operating income was $25.0 and $62.8 for the three and nine months ended September 30, 2015, respectively.

Underwriting Margin (Premiums less Policyholder Benefits and Claims)

Underwriting margin was $62.5 and $177.7 for the three and nine months ended September 30, 2015, respectively, primarily driven by medical stop-loss. Our loss ratio for the periods were 63.7% and 65.5%, respectively, which was within our target range.

Sales

Sales for the three and nine months ended September 30, 2015 totaled $37.5 and $193.7, respectively. We recorded record sales of medical stop-loss in the first quarter 2015, which benefited from strong relationships with national brokers in a disciplined market.

Deferred Annuities

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Operating revenues:					
Net investment income	$ 164.2	$ 409.2	$ 57.3	$ 172.2	$ 488.3
Policy fees, contract charges, and other	5.6	15.0	2.0	5.4	16.4
Certain realized gains (losses)	—	—	(0.5)	(0.2)	(0.7)
Total operating revenues	169.8	424.2	58.8	177.4	504.0
Benefits and expenses:					
Policyholder benefits and claims	1.5	1.9	0.2	(0.1)	0.3
Interest credited	96.7	251.2	33.2	93.7	275.7
Other underwriting and operating expenses	26.4	71.9	8.4	25.6	74.5
Amortization of DAC and VOBA	15.9	39.0	6.6	15.1	51.5
Amortization of intangible assets	4.3	11.4	—	—	—
Total benefits and expenses	144.8	375.4	48.4	134.3	402.0
Segment pre-tax adjusted operating income	$ 25.0	$ 48.8	$ 10.4	$ 43.1	$ 102.0

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Fixed account values, excluding FIA – General account	$ 11,936.6	$ 11,936.6	$ 11,539.5	$ 11,403.8	$ 11,403.8
Interest spread (1)	1.34%	1.14%	1.66%	2.08%	1.92%
Base interest spread (2)	0.90%	0.92%	1.63%	1.59%	1.65%
Fixed account values, FIA – General account	$ 7,205.7	$ 7,205.7	$ 5,847.0	$ 5,007.7	$ 5,007.7
FIA interest spread (3)	1.48%	1.40%	1.56%	1.33%	1.38%
FIA base interest spread (4)	1.28%	1.29%	1.45%	1.27%	1.33%
Total sales (5)	$ 733.7	$ 2,878.2	N/A	$ 1,139.5	$ 2,729.0

Credited rates in all spread metrics reflect interest that is credited on a daily basis, and therefore periods with more / fewer days of interest reduce / increase interest spreads and base interest spreads.

(1) Interest spread excludes FIA and is the difference between the net investment yield and the credited rate to policyholders. The net investment yield is the approximate yield on invested assets. The credited rate is the approximate rate credited on policyholder fixed account values. Interest credited is subject to contractual terms, including minimum guarantees.

(2) Base interest spread excludes FIA and is the interest spread adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to results that are not indicative of the underlying trends. This is primarily the impact of asset prepayments, such as bond make-whole premiums net of related deferred sales inducement amortization, and the mortgage-backed security (MBS) prepayment speed adjustment.

(3) FIA interest spread is the difference between the net investment yield and the credited rate to policyholders. The net investment yield is the approximate yield on invested assets, excluding derivative assets. The credited rate represents amounts recorded in interest credited related to FIA contracts.

(4) FIA base interest spread is the FIA interest spread adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to results that are not indicative of the underlying trends. This is primarily the impact of asset prepayments, such as bond make-whole premiums and the MBS prepayment speed adjustment and the impact of reserve adjustments on interest credited. Prior period FIA interest spread, base earned yield, and base interest spread have been restated to exclude from invested assets the cash collateral held on behalf of derivative counterparties.

(5) Total sales represent deposits for new policies net of first year policy lapses and/or surrenders. Successor Company results include full year sales.

Three months ended September 30, 2016 and the Period February 1 to September 30, 2016 (Successor Company)

Segment pre-tax adjusted operating income was $25.0 and $48.8 for the quarter and the period February 1 to September 30, 2016, respectively. Base spreads reflect lower investment income as a result of amortization of PGAAP adjustments to our investment portfolio. In addition, the FIA base spread also reflects higher interest credited as a result of PGAAP-related adjustments to reserves.

For third quarter 2016, the unlocking adjustments resulting from changes to future actuarial assumptions increased earnings by $2.0. The 2016 unlocking adjustments were primarily driven by lower interest rates and changes in the timing of expected lapses.

Interest Margin (Net Investment Income less Interest Credited)

For the third quarter, base margin, which excludes the impact of investment prepayments, totaled $30.2 for our traditional deferred annuities business and $20.4 for our FIA business. For the period February 1 to September 30, 2016, the base margins for traditional deferred annuities and FIA were $81.7 and $54.1, respectively.

Additionally, we recorded $14.4 and $20.1 of net prepayment-related income in each period, respectively. The third quarter 2016 unlocking resulted in recording favorable adjustments to interest credited of $2.2, primarily related to our FIA business.

Expenses

Amortization of intangible assets includes the following:

	Fair Value as of February 1, 2016	Useful Life	Estimated 2016 Amortization
Value of Distribution Acquired (VODA)	$ 359.0	35 years	$ 4.2
Trade Names	131.0	17 years	4.1
Technology	40.0	5 years	7.3

For segment reporting, intangible assets related to VODA and trade names are amortized based on the projected cash flow pattern underlying the initial valuation of these assets. The intangible asset related to technology is amortized on a straight-line basis over its useful life.

The Company also recorded $198.8 of goodwill related to the Deferred Annuities segment, which is not amortized.

Sales

Sales were $733.7 and $1,139.5 for the three months ended September 30, 2016 and 2015, respectively, and $2,878.2 and $2,729.0 for the nine months ended September 30, 2016 and 2015, respectively. Sales slowed in the third quarter of 2016, given the low level of interest rates and and higher levels of competition. Sales through our largest distributor, a highly-rated financial institution, were approximately 39% of third quarter sales and approximately 36% of sales year to date.

January 1, 2016 to January 31, 2016 (Predecessor Company)

Segment pre-tax adjusted operating income was $10.4 for the month.

Interest Margin (Net Investment Income less Interest Credited)

Base margin totaled $16.2 for our traditional deferred annuities and $7.2 for our FIA business. Additionally, the interest margin reflects $0.5 of prepayment-related investment income.

Three and Nine months ended September 30, 2015 (Predecessor Company)

Segment pre-tax adjusted operating income was $43.1 and $102.0 for the three and nine months ended September 30, 2015. For third quarter 2015, the unlocking adjustments resulting from changes to future actuarial assumptions increased earnings by $9.2.

Interest Margin (Net Investment Income less Interest Credited)

Base margin for the third quarter of 2015 totaled $47.2 for our traditional deferred annuities business and $16.4 for our FIA business. Base margin for our traditional deferred annuities and FIA businesses was $143.7 and $43.8, respectively, for the nine months ended September 30, 2015.

Additionally, the interest margin included $11.0 and $20.4 of prepayment-related income, net of related DSI amortization, for the three and nine months ended September 30, 2015, respectively. Third quarter 2015 unlocking resulted in favorable adjustments of $3.6 recorded in interest credited, primarily related to changes to assumptions for DSI amortization.

Expenses

DAC amortization included $2.6 and $5.2 of prepayment-related amortization, and $5.6 favorable impact from unlocking for the three and nine months ended September 30, 2015, respectively.

Sales

Deferred Annuities' sales were $1,139.5 and $2,729.0 for the three and nine months ended September 30, 2015, respectively.

Income Annuities

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Operating revenues:					
Net investment income	$ 78.5	$ 209.7	$ 29.8	$ 95.5	$ 282.0
Policy fees, contract charges, and other	0.2	0.6	—	0.1	0.6
Total operating revenues	78.7	210.3	29.8	95.6	282.6
Benefits and expenses:					
Interest credited	73.7	193.9	29.7	84.2	254.6
Other underwriting and operating expenses	4.6	13.4	1.5	5.0	14.8
Amortization of DAC and VOBA	0.3	0.4	0.6	1.5	4.6
Amortization of intangible assets	0.6	1.6	—	—	—
Total benefits and expenses	79.2	209.3	31.8	90.7	274.0
Segment pre-tax adjusted operating income (loss)	$ (0.5)	$ 1.0	$ (2.0)	$ 4.9	$ 8.6

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Reserves (1)	$ 7,299.1	$ 7,299.1	$ 6,441.4	$ 6,450.7	$ 6,450.7
Interest spread (2)	0.50%	0.45%	0.46%	0.62%	0.49%
Base interest spread (3)	0.36%	0.34%	0.58%	0.50%	0.51%
Mortality gains (losses) (4)	$ (2.9)	$ (3.1)	$ (1.7)	$ 0.7	$ 1.4
Total sales (5)	54.0	195.7	N/A	73.6	212.9

(1) Reserves represent the present value of future income annuity benefits and assumed expenses, discounted by the assumed interest rate. This metric represents the amount of our in-force book of business and, for the Successor Company, also reflects a PGAAP reserve.

(2) Interest spread is the difference between the net investment yield and the credited rate to policyholders. The net investment yield is the approximate yield on invested assets, excluding equities, in the general account attributed to the segment. The credited rate is the approximate rate credited on policyholder reserves and, for the Successor Company, the impact of PGAAP reserve amortization.

(3) Base interest spread is the interest spread adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to yields that are not indicative of the underlying trends. This is primarily the impact of asset prepayments, such as bond make-whole premiums, the MBS prepayment speed adjustment, and income on alternative investments.
(4) Mortality gains (losses) represent the difference between actual and expected reserves released on our life contingent annuities.
(5) Total sales represent deposits for new policies net of first year policy lapses and/or surrenders. Successor Company results include full year sales.

Three months ended September 30, 2016 and the Period February 1 to September 30, 2016 (Successor Company)

Segment pre-tax adjusted operating income (loss) was $(0.5) and $1.0 for the quarter and the period February 1 to September 30, 2016, respectively. Our base interest spreads were reduced by amortization of PGAAP adjustments to our investment portfolio, which lowered investment income, partially offset by lower interest credited related to the amortization of a $0.9 billion PGAAP reserve. No VOBA asset was recorded for this segment.

Interest Margin (Net Investment Income less Interest Credited)

The interest margin reflects equity investment income of $4.1 for the quarter, and $11.0 for the period February 1 to September 30, 2016. Additionally, we recorded $2.3 and $4.4 of prepayment-related investment income in each period, respectively.

Mortality losses were $2.9 and $3.1 for the quarter and the period February 1 to September 30, 2016, respectively. Mortality experience is expected to fluctuate from period to period.

Expenses

Amortization of intangible assets includes the following:

	Fair Value as of February 1, 2016	Useful Life	Estimated 2016 Amortization
Value of Distribution Acquired (VODA)	$ 38.0	35 years	$ 0.3
Technology	9.0	5 years	1.7
Trade Names	8.0	17 years	0.1

For segment reporting, intangible assets related to VODA and trade names are amortized based on the projected cash flow pattern underlying the initial valuation of these assets. The intangible asset related to technology is amortized on a straight-line basis over its useful life.

The Company also recorded $50.2 of goodwill related to the Income Annuities segment, which is not amortized.

Sales

Sales were $54.0 and $195.7 for the three and nine months ended September 30, 2016, respectively, compared to $73.6 and $212.9 for the same periods in 2015. Sales levels reflect the competitive market in a low interest rate environment.

January 1, 2016 to January 31, 2016 (Predecessor Company)

Summary of Results

Segment pre-tax adjusted operating loss was $2.0 for the month.

Interest Margin (Net Investment Income less Interest Credited)

The interest margin reflects $1.7 of mortality losses, and $0.3 of prepayment-related investment income. Additionally, we recorded a $0.8 mark-to-market loss on alternative investments. Subsequent to the Merger, the mark-to-market impact of alternative investments is recorded in net realized gains (losses), which are excluded from pre-tax adjusted operating income (loss).

Three and Nine months ended September 30, 2015 (Predecessor Company)

Summary of Results

Segment pre-tax adjusted operating income was $4.9 and $8.6 for the three and nine months ended September 30, 2015, respectively.

Interest Margin (Net Investment Income less Interest Credited)

The interest margin reflects mortality gains of $0.7 and $1.4, and prepayment-related investment income of $3.7 and $5.8 for the quarter and year-to-date period, respectively. This was partially offset by mark-to-market losses on alternative investments of $1.6 and $5.5, respectively.

Sales

Sales were $73.6 and $212.9 for the three and nine months ended September 30, 2015, respectively.

Individual Life

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Operating revenues:					
Premiums	$ 8.3	$ 22.0	$ 2.6	$ 8.3	$ 25.0
Net investment income	55.7	143.5	22.9	73.5	217.3
Policy fees, contract charges, and other	52.6	137.4	16.2	47.9	132.1
Total operating revenues	116.6	302.9	41.7	129.7	374.4
Benefits and expenses:					
Policyholder benefits and claims	12.8	45.7	11.1	33.6	86.3
Interest credited	70.4	177.2	21.6	64.8	191.3
Other underwriting and operating expenses	23.6	63.5	7.3	21.7	64.0
Interest expense	0.1	0.3	—	0.1	0.4
Amortization of DAC and VOBA	0.5	0.6	1.2	2.3	6.3
Amortization of intangible assets	0.4	1.1	—	—	—
Total benefits and expenses	107.8	288.4	41.2	122.5	348.3
Segment pre-tax adjusted operating income	$ 8.8	$ 14.5	$ 0.5	$ 7.2	$ 26.1

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Individual insurance:					
Individual claims (1)	$ 16.1	$ 40.6	$ 4.7	$ 14.2	$ 41.5
UL account values	965.7	965.7	881.3	839.9	839.9
Individual sales (2)	19.5	54.0	N/A	17.6	45.8
Institutional Markets:					
BOLI account values	$ 5,101.0	$ 5,101.0	$ 5,028.1	$ 4,994.1	$ 4,994.1
BOLI ROA (3)	0.75%	0.69%	0.38%	0.54%	0.72%
BOLI base ROA (4)	0.49%	0.57%	0.38%	0.66%	0.69%
COLI sales (5)	$ 0.2	$ 2.5	N/A	$ 36.5	$ 57.6

(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. Successor Company results include full year sales.
(3) BOLI ROA is a measure of the gross margin on our BOLI book of business. This metric is calculated as the difference between our BOLI revenue earnings rate and our BOLI policy benefits rate. The revenue earnings rate is calculated as revenues divided by average invested assets. The policy

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

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

(5) COLI sales represent deposits for new policies. Successor Company results include full year sales.

Three months ended September 30, 2016 and the Period February 1 to September 30, 2016 (Successor Company)

Segment pre-tax adjusted operating income was $8.8 and $14.5 for the quarter and the period February 1 to September 30, 2016, respectively. PGAAP adjustments significantly impacted our base spreads. Amortization of PGAAP premium on our investment portfolio lowered investment income, which was partially offset by lower policyholder benefits and claims due to amortization of a $250.6 PGAAP reserve for our BOLI business and a $108.7 PGAAP adjustment to our individual insurance reserves.

Margin (Operating Revenues less Policyholder Benefits and Claims and Interest Credited)

Base margin for our institutional business was $8.1 for the quarter and $21.0 for the period February 1 to September 30, 2016. Individual base margin was $21.3 and $53.8 for the quarter and the period February 1 to September 30, 2016, respectively. These results reflect higher than expected claims experience in both our individual and institutional products.

Base margin excludes the impact of prepayment-related income, which was $3.9 for the quarter and $5.2 for the period February 1 to September 30, 2016. The prepayment activity primarily benefited the margin of our institutional business.

Expenses

Amortization of DAC and VOBA primarily relates to amortization of VOBA established for our BOLI business. Prepayment impact increased DAC and VOBA amortization by $0.7 for the quarter. This was partially offset by a $0.3 favorable impact from annual unlocking.

Amortization of intangible assets includes the following:

	Fair Value as of February 1, 2016	Useful Life	Estimated 2016 Amortization
Technology	$ 5.0	5 years	$ 0.9
Trade Names	5.0	17 years	0.3
Value of Distribution Acquired (VODA)	2.0	5 years	0.4

For segment reporting, intangible assets related to VODA and trade names are amortized based on the projected cash flow pattern underlying the initial valuation of these assets. The intangible asset related to technology is amortized on a straight-line basis over its useful life.

Sales

Sales of individual life products were $19.5 and $17.6 for the three months ended September 30, 2016 and 2015, respectively, and $54.0 and $45.8 for the corresponding nine month periods.

Deposits from sales of COLI were $0.2 and $2.5 for the three and nine months ended September 30, 2016, respectively compared to $36.5 and $57.6 for the same periods in 2015. COLI sales typically occur in uneven patterns.

January 1, 2016 to January 31, 2016 (Predecessor Company)

Pre-tax adjusted operating income was $0.5 for the month.

Margin (Operating Revenues less Policyholder Benefits and Claims and Interest Credited)

Base margin was $2.1 for our institutional business, and $6.8 for our individual insurance business. Base margin for our individual insurance business reflects claims of $4.7.

Three and Nine months ended September 30, 2015 (Predecessor Company)

Segment pre-tax adjusted operating income was $7.2 and $26.1 for the three and nine months ended September 30, 2015.

Margin (Operating Revenues less Policyholder Benefits and Claims and Interest Credited)

For the three and nine months ended September 30, 2015, base margin for our institutional business was $8.9 and $29.1, respectively, and $21.4 and $61.4, respectively for our individual insurance business. Base margin excludes the impact of investment prepayments, which generated income of $4.7 and $10.2 for the quarter and year-to-date period, respectively.

Sales

Sales of individual life products were $17.6 and $45.8 for the three and nine months ended September 30, 2015.

Other

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Operating revenues:					
Net investment income	$ 5.8	$ 13.6	$ (1.7)	$ (7.5)	$ (10.4)
Policy fees, contract charges, and other	0.3	1.1	0.2	0.5	1.5
Total operating revenues	6.1	14.7	(1.5)	(7.0)	(8.9)
Benefits and expenses:					
Interest credited	(0.3)	(0.7)	(0.1)	(0.3)	(1.1)
Other underwriting and operating expenses	3.5	26.7	2.4	4.4	5.8
Interest expense	6.8	18.1	3.8	11.2	33.1
Total benefits and expenses	10.0	44.1	6.1	15.3	37.8
Segment pre-tax adjusted operating loss	$ (3.9)	$ (29.4)	$ (7.6)	$ (22.3)	$ (46.7)

Three months ended September 30, 2016 and the Period February 1 to September 30, 2016 (Successor Company)

Our Other segment reported a pre-tax adjusted operating loss of $3.9 for the quarter, and $29.4 for the period February 1 to September 30, 2016. Operating expenses included $18.1 of Merger-related expenses for the year, none of which were incurred in the third quarter.

January 1, 2016 to January 31, 2016 (Predecessor Company)

Our Other segment reported a pre-tax adjusted operating loss of $7.6 for the month, which included $1.9 of Merger-related expenses. Net investment income reflects $3.6 of tax credit investment amortization; subsequent to the Merger, this amortization is recorded in net realized gains (losses), which is excluded from pre-tax adjusted operating income (loss).

Three and Nine months ended September 30, 2015 (Predecessor Company)

Our Other segment reported a pre-tax adjusted operating loss of $22.3 and $46.7 for the three and nine months ended September 30, 2015, respectively. Net investment income for the quarter reflected $11.7 and $4.0 of tax credit investment amortization and mark-to-market losses on alternative investments, respectively. For the year-to-date period, tax credit investments and alternative investments reduced net investment income by $26.9 and $7.5, respectively. Subsequent to the Merger, both of these items are recorded in net realized gains (losses), which is excluded from pre-tax adjusted operating income (loss).

Investments

Our investment portfolio is intended to support the expected cash flows of our liabilities and produce stable returns over the long term. The composition of our portfolio reflects our asset management philosophy of protecting principal and receiving appropriate reward for risk. As of September 30, 2016, our investment portfolio consisted of high quality fixed maturities and commercial mortgage loans we originated, as well as a smaller allocation of high-yield fixed maturities, marketable equity securities, investments in limited partnerships (primarily tax credit investments and alternative investments, which include private equity and hedge funds) and other investments. Our equity investments primarily consist of common stock and exchange-traded funds (ETFs) and mainly support asset and liability matching strategies for long-duration insurance products in our Income Annuities segment. We believe that prudent levels of equity investments offer enhanced long-term, after-tax total returns.

Investment Returns

Net Investment Income

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

	Successor Company			
	For the Three Months Ended September 30, 2016		February 1 to September 30, 2016	
	Yield (1)	Amount	Yield (1)	Amount
Investment Type:				
Fixed maturities (2)	3.43%	$ 240.6	3.44%	$ 634.6
Marketable equity securities	3.19	5.1	3.33	14.0
Mortgage loans, net (2)	3.77	50.2	3.72	129.5
Other income producing assets (4)	2.05	2.0	2.03	5.3
Income before expenses and prepayments	3.46	297.9	3.47	783.4
Prepayment-related income	0.26	21.9	0.14	31.6
Investment expenses	(0.12)	(10.4)	(0.11)	(25.5)
Net investment income	3.60%	$ 309.4	3.50%	$ 789.5

	Predecessor Company					
	January 1 to January 31, 2016		For the Three Months Ended September 30, 2015		For the Nine Months Ended September 30, 2015	
	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount
Investment Type:						
Fixed maturities (2)	4.45%	$ 96.1	4.46%	$ 279.0	4.55%	$ 830.2
Marketable equity securities	0.59	0.3	3.08	4.3	3.07	13.1
Mortgage loans, net (2)	5.13	20.5	5.18	58.5	5.21	169.5
Investments in limited partnerships (3):						
Alternative investments	*	(0.8)	*	(5.6)	*	(26.9)
Tax credit investments	*	(3.6)	*	(11.7)	*	(13.1)
Other income producing assets (4)	0.79	0.2	1.88	1.8	2.20	5.8
Income before expenses and prepayments	4.24	112.7	4.24	326.3	4.37	978.6
Prepayment-related income	0.04	1.0	0.31	23.0	0.18	42.6
Investment expenses	(0.12)	(3.3)	(0.12)	(9.4)	(0.12)	(26.9)
Net investment income	4.16%	$ 110.4	4.43%	$ 339.9	4.43%	$ 994.3

* 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) Subsequent to the Merger, amortization of tax credit investments and the impact of changes in fair value of investments in limited partnerships are recorded in net realized gains (losses) on the consolidated statements of income. The negative impact on pre-tax income from the tax credit investments is offset by U.S. federal income tax benefits. For further discussion, see "— Investments in Limited Partnerships - Tax Credit Investments."
(4) Other income producing assets includes policy loans, other invested assets, and cash and cash equivalents.

As of February 1, 2016, the book values of the Company's investment portfolio were marked to fair value. Based on interest rates at that time, this resulted in the establishment of a $1.3 billion premium for the Company's investments in fixed maturities and commercial mortgage loans. The resulting amortization of this premium over the life of the assets decreases net investment income for the Successor Company. 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 a sum of the nine months ended September 30, 2016 to the results of nine months ended September 30, 2015. For further discussion of purchase accounting, see "— Results of Operations - Sumitomo Life Merger."

In an attempt to mitigate the impact of the low interest rate environment on our investment portfolio, we have pursued strategies that generally provide more attractive yields while retaining an appropriate risk profile. This includes investing in high-quality private placement and foreign corporate fixed maturities. We continue to focus on our underwriting of commercial mortgage loans and have increased our investments in collateralized loan obligations (CLOs). For further information about these investments, see "—Fixed Maturity Securities" and "—Mortgage Loans."

Prepayment-related income shown above includes make-whole payments and consent fees on early calls or tenders of fixed maturities, prepayment speed adjustments on structured securities, and fees on mortgage loan payments received prior to the stated maturity or outside a rate resetting window. Prepayments of our fixed maturities and commercial mortgage loans result in accelerated amortization of the premium or discount associated with the investment, which is recorded in realized gains and losses. For the three months ended September 30, 2016 and for the period February 1 to September 30, 2016, we recognized $16.3 and $24.2, respectively, of realized losses related to prepayments, primarily due to accelerated amortization of premiums established at PGAAP. Due to the low interest rate environment, we continue to experience elevated levels of prepayment activity.

Net Realized Gains (Losses)

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

	Successor Company	
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016
Gain (loss) on sales, net	$ 3.5	$ 11.6
Impairments:		
Credit loss	(0.6)	(5.2)
Intent-to-sell	(1.0)	(1.5)
Total impairments	(1.6)	(6.7)
Other (1)	(13.6)	(15.5)
Total fixed maturities	(11.7)	(10.6)
Alternative investments	5.4	10.1
Tax credit investments	(11.7)	(33.6)
Net gains (losses) - FIA (3)	16.5	(4.3)
DAC, VOBA and DSI adjustment	(4.5)	0.2
Other net gains (losses) (4)	(6.6)	(4.5)
Total net realized gains (losses)	$ (12.6)	$ (42.7)

		Predecessor Company	
	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Gain (loss) on sales, net	$ 1.2	$ (1.3)	$ (8.1)
Impairments:			
Credit loss	—	(4.3)	(6.9)
Intent-to-sell	(3.8)	(7.4)	(15.4)
Total impairments	(3.8)	(11.7)	(22.3)
Other (1)	(0.8)	(5.0)	(7.5)
Total fixed maturities	(3.4)	(18.0)	(37.9)
Marketable equity securities, trading	(22.5)	(22.8)	(27.0)
Alternative investments	—	—	(3.9)
Tax credit investments	(0.6)	(11.2)	(19.9)
Net gains (losses) - FIA (3)	(4.2)	(13.9)	(14.6)
DAC, VOBA and DSI adjustment	(0.5)	5.7	6.0
Other net gains (losses) (4)	4.2	3.8	6.1
Total net realized gains (losses)	$ (27.0)	$ (56.4)	$ (91.2)

(1) Includes net gains (losses) on calls and redemptions, and changes in the fair value of the Company's convertible securities.
(2) For the Predecessor Company, amounts reflect impairments/write-downs related to investments in limited partnerships. For the Successor Company, amounts also include amortization of tax credit investments and mark-to-market changes of alternative investments, which were previously recorded in net investment income. Historical periods have not been adjusted.
(3) Includes changes in fair value of the FIA embedded derivative (VED) and related options, excluding options related to the old block.
(4) Includes gains (losses) on derivatives not designated for hedge accounting, commercial mortgage loans, sales of available-for-sale securities, and other instruments.

Impairments of Available-for-Sale Securities

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

For the three months ended September 30, 2016 and the period February 1, 2016 to September 30, 2016, impairments were driven by credit losses on structured securities (primarily RMBS).

For those issuers for which we recorded a credit-related impairment during the period February 1, 2016 to September 30, 2016, we had remaining holdings with an amortized cost of $62.4 and fair value of $65.0. Based on our analysis, including cash flow analysis where appropriate, we believe the amortized cost of these securities is recoverable. As of September 30, 2016, most of these securities are in an unrealized gain position.

Fixed Maturity Securities

Fixed maturities represented 81.4% and 81.9% of invested assets as of September 30, 2016 and December 31, 2015, respectively. The majority of our fixed maturities are invested in highly marketable or publicly traded securities. We invest in a small amount of privately placed fixed maturities to enhance the overall value of the portfolio and obtain higher yields than can ordinarily be obtained with comparable securities in public markets. As of September 30, 2016 and December 31, 2015, privately placed fixed maturities represented 4.7% and 4.3%, respectively, of our total fixed maturity portfolio at fair value.

As of February 1, 2016, the book value of the Company’s fixed maturity securities was marked to fair value through the application of PGAAP, which resulted in the elimination of previously unrealized gains and losses from accumulated other comprehensive income. Since then, interest rates have generally decreased, resulting in net unrealized gains in our investment portfolio.

Fixed Maturity Securities Credit Quality

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

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

	As of September 30, 2016 (Successor Company)			As of December 31, 2015 (Predecessor Company)		
	Amortized Cost	Fair Value	% of Total Fair Value	Amortized Cost	Fair Value	% of Total Fair Value
NAIC: S&P Equivalent:						
1: AAA, AA, A	$ 15,063.8	$ 15,527.3	52.7%	$ 14,123.6	$ 14,781.4	55.4%
2: BBB	12,057.9	12,673.1	43.1	10,685.1	10,910.0	40.8
Total investment grade	27,121.7	28,200.4	95.8	24,808.7	25,691.4	96.2
3: BB	677.2	728.6	2.5	573.7	568.5	2.1
4: B	405.2	432.7	1.5	421.5	406.6	1.5
5: CCC & lower	71.5	80.2	0.2	81.5	59.5	0.2
6: In or near default	1.2	2.0	—	6.5	4.4	—
Total below investment grade	1,155.1	1,243.5	4.2	1,083.2	1,039.0	3.8
Total	$ 28,276.8	$ 29,443.9	100.0%	$ 25,891.9	$ 26,730.4	100.0%

Fixed Maturity Securities and Unrealized Gains and Losses by Security Sector

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

	As of September 30, 2016 (Successor Company)				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value
Security Sector					
Corporate securities:					
Consumer discretionary	$ 3,017.7	$ 141.5	$ (0.5)	$ 3,158.7	10.7%
Consumer staples	2,836.2	122.6	(0.3)	2,958.5	10.0
Energy	1,653.6	167.3	(0.2)	1,820.7	6.2
Financial	2,126.4	85.2	(2.0)	2,209.6	7.5
Health care	2,792.0	100.5	(1.2)	2,891.3	9.8
Industrial	4,074.6	186.2	(0.5)	4,260.3	14.5
Information technology	573.8	23.3	(0.3)	596.8	2.0
Materials	1,371.9	72.4	—	1,444.3	4.9
Telecommunication services	709.9	50.3	(0.3)	759.9	2.6
Utilities	2,382.9	121.7	(1.0)	2,503.6	8.5
Total corporate securities	21,539.0	1,071.0	(6.3)	22,603.7	76.7
U.S. government and agencies	590.8	5.3	(0.2)	595.9	2.0
State and political subdivisions	922.0	17.8	(0.3)	939.5	3.2
Residential mortgage-backed securities:					
Agency	2,348.8	29.3	(0.8)	2,377.3	8.1
Non-agency:					
Prime	264.5	4.4	—	268.9	0.9
Alt-A	27.4	0.9	(0.1)	28.2	0.1
Total residential mortgage-backed securities	2,640.7	34.6	(0.9)	2,674.4	9.1
Commercial mortgage-backed securities:					
Agency	92.6	0.9	(0.2)	93.3	0.3
Non-agency	937.0	22.1	(0.2)	958.9	3.3
Total commercial mortgage-backed securities	1,029.6	23.0	(0.4)	1,052.2	3.6
Collateralized loan obligations	1,011.6	19.3	(1.6)	1,029.3	3.5
Other debt obligations	543.1	7.2	(1.4)	548.9	1.9
Total	$ 28,276.8	$ 1,178.2	$ (11.1)	$ 29,443.9	100.0%

	As of December 31, 2015 (Predecessor Company)				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value
Security Sector					
Corporate securities:					
Consumer discretionary	$ 2,794.0	$ 88.9	$ (53.4)	$ 2,829.5	10.6%
Consumer staples	2,541.9	153.4	(18.8)	2,676.5	10.0
Energy	1,546.4	47.0	(77.8)	1,515.6	5.7
Financial	2,000.5	117.3	(27.0)	2,090.8	7.8
Health care	2,400.2	92.4	(28.7)	2,463.9	9.2
Industrial	3,815.0	213.2	(32.8)	3,995.4	14.9
Information technology	472.9	17.0	(7.4)	482.5	1.8
Materials	1,383.7	53.0	(30.7)	1,406.0	5.3
Telecommunication services	699.0	30.1	(12.3)	716.8	2.7
Utilities	1,985.9	142.7	(24.7)	2,103.9	7.9
Total corporate securities	19,639.5	955.0	(313.6)	20,280.9	75.9
U.S. government and agencies	479.8	3.7	(1.4)	482.1	1.8
State and political subdivisions	842.5	34.1	(1.5)	875.1	3.3
Residential mortgage-backed securities:					
Agency	2,236.1	123.6	(9.3)	2,350.4	8.8
Non-agency:					
Prime	269.7	6.4	(0.6)	275.5	1.0
Alt-A	33.4	2.7	—	36.1	0.1
Total residential mortgage-backed securities	2,539.2	132.7	(9.9)	2,662.0	9.9
Commercial mortgage-backed securities:					
Agency	88.1	6.1	—	94.2	0.4
Non-agency	1,098.4	30.1	(5.0)	1,123.5	4.2
Total commercial mortgage-backed securities	1,186.5	36.2	(5.0)	1,217.7	4.6
Collateralized loan obligations	663.1	0.1	(18.4)	644.8	2.4
Other debt obligations	541.3	30.5	(4.0)	567.8	2.1
Total	$ 25,891.9	$ 1,192.3	$ (353.8)	$ 26,730.4	100.0%

Our fixed maturities holdings are diversified by industry and issuer. As of September 30, 2016, the fair value of our ten largest issuers of corporate securities holdings was $1,687.0, or 7.5%, of total corporate securities. The fair value of our largest exposure to a single issuer of corporate securities was $205.1, or 0.9% of total corporate securities, and all securities of this issuer were rated investment grade. As of December 31, 2015, the fair value of our ten largest issuers of corporate securities holdings was $1,536.9, or 7.6%, of total corporate securities. The fair value of our largest exposure to a single issuer of corporate securities was $165.0, or 0.8% of total corporate securities. Of these holdings, $133.1 were rated investment grade, while the below investment grade securities had NAIC ratings of 3 or 4.

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

As of September 30, 2016 and December 31, 2015, the fair value of our state and political subdivision securities included $878.1 and $837.6, respectively, of municipal revenue bonds and $61.4 and $37.5, respectively, of municipal general obligation bonds. We have municipal holdings of $6.1 and $6.0 in Illinois as of September 30, 2016 and December 31, 2015, respectively, and no exposure to municipal holdings in Michigan or Puerto Rico.

Exposure to Foreign Fixed Maturities

As part of our strategy to improve portfolio yields, we invest in high-quality foreign corporate securities. The majority of these holdings are denominated in U.S. dollars, and we utilize foreign currency swaps and forwards to hedge our exposure to those denominated in foreign currencies. As of September 30, 2016 and December 31, 2015, fixed maturities with fair values of $649.4 and $712.7, respectively, were denominated in a foreign currency and reported in U.S. dollars based on period-end exchange rates.

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

	As of September 30, 2016 (Successor Company)					
	Sovereign Debt	Financial Industry	Other Corporate	Total Fair Value	% of Exposure	Amortized Cost
United Kingdom	$ —	$ 140.5	$ 807.8	$ 948.3	17.2%	$ 906.2
Netherlands	—	25.0	615.9	640.9	11.6	613.6
Luxembourg	—	18.7	415.8	434.5	7.9	414.3
France	—	25.0	268.1	293.1	5.3	275.3
Switzerland	—	115.5	—	115.5	2.1	114.6
Other European countries	0.1	—	198.8	198.9	3.5	191.6
Total European holdings	$ 0.1	$ 324.7	$ 2,306.4	$ 2,631.2	47.6%	$ 2,515.6
Cayman Islands	68.3	986.5	63.0	1,117.8	20.2	1,097.1
Canada	13.4	—	1,017.0	1,030.4	18.7	950.0
Mexico	—	1.0	369.0	370.0	6.7	352.9
Australia	—	1.2	273.2	274.4	5.0	252.6
Other foreign countries	—	6.7	90.1	96.8	1.8	92.4
Total foreign holdings	$ 81.8	$ 1,320.1	$ 4,118.7	$ 5,520.6	100.0%	$ 5,260.6

	As of December 31, 2015 (Predecessor Company)					
	Sovereign Debt	Financial Industry	Other Corporate	Total Fair Value	% of Exposure	Amortized Cost
United Kingdom	$ —	$ 123.3	$ 710.3	$ 833.6	17.9%	$ 823.9
Netherlands	—	23.7	619.3	643.0	13.8	626.2
Luxembourg	—	15.5	379.2	394.7	8.5	396.7
France	—	22.5	239.6	262.1	5.6	256.6
Switzerland	—	114.0	—	114.0	2.4	107.1
Other European countries	0.2	—	217.6	217.8	4.7	218.9
Total European holdings	$ 0.2	$ 299.0	$ 2,166.0	$ 2,465.2	52.9%	$ 2,429.4
Canada	14.4	—	853.5	867.9	18.6	857.2
Cayman Islands	72.2	608.7	49.2	730.1	15.7	744.9
Mexico	—	1.8	283.5	285.3	6.1	291.9
Australia	—	1.7	244.0	245.7	5.3	249.5
Other foreign countries	—	7.8	55.9	63.7	1.4	69.4
Total foreign holdings	$ 86.8	$ 919.0	$ 3,652.1	$ 4,657.9	100.0%	$ 4,642.3

As of September 30, 2016 and December 31, 2015, the fair value of our exposure to foreign fixed maturities was 18.7% and 17.4% of our total fixed maturities portfolio, respectively. Our gross unrealized losses on these securities were $3.1 and $68.8 as of September 30, 2016 and December 31, 2015, respectively.

In June 2016 the United Kingdom voted to leave the European Union, which has added uncertainty to the economic outlook for Europe and the United Kingdom. The Company holds less than 4% of its fixed maturities in United Kingdom issuers, 73% of which are investment grade.

Further, the European banking industry has faced difficulties recently, with increased regulation and the low interest rate environment. We continue to monitor this industry and our exposure to European financial institutions, which was $324.7, or 1.1% of the total fixed maturities portfolio as of September 30, 2016.

The fair value of our total exposure to Ireland, Italy, Portugal, and Spain was $99.7 and $65.7 as of September 30, 2016 and December 31, 2015, respectively. We have no exposure to issuers in Greece, Russia or Ukraine.

The fair value of our ten largest foreign security holdings by issuer was $1,181.5, or 4.0% of the fixed maturities portfolio as of September 30, 2016, and $1,078.2, or 4.0%, as of December 31, 2015. All of the holdings of our ten largest foreign issuers were investment grade with NAIC ratings of 2 or higher. The securities we held from our largest single foreign issuer, a Netherlands company, had the highest NAIC rating of 1 and a fair value of $169.4 and $138.8, or 0.6% and 0.5% of the portfolio, as of September 30, 2016 and December 31, 2015, respectively.

Mortgage-Backed Securities

Our fixed maturities portfolio included $3.73 billion of residential and commercial mortgage-backed securities at fair value as of September 30, 2016, of which 66.3% were agency securities. Additionally, 26.2% of our mortgage-backed securities are AAA-rated non-agency securities in the most senior tranche of the structure type.

Non-agency mortgage-backed securities issued in the 2006 through 2008 vintage years were generally the most affected by the financial crisis, due to weaker underwriting standards and issuance dates closest to the market peak in real estate prices. As of September 30, 2016, our non-agency mortgage-backed securities with vintage years 2006 through 2008, which are primarily commercial mortgage-backed securities, had an amortized cost of $291.2 and a fair value of $293.2.

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

Residential Mortgage-Backed Securities (RMBS)

We classify our investments in RMBS as agency, prime, Alt-A, and subprime. Agency RMBS are guaranteed or otherwise supported by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. Prime RMBS have underlying loans to customers with good quality credit profiles, and subprime RMBS have underlying loans to customers with a greater risk of default. Alt-A RMBS have overall credit quality between prime and subprime, based on a review of their underlying mortgage loans and factors such as credit scores and financial ratios. The Company had no exposure to subprime loans as of September 30, 2016 or December 31, 2015.

As of September 30, 2016, our Alt-A portfolio was collateralized with all fixed rate mortgages. Generally, fixed rate mortgages have had better credit performance than adjustable rate mortgages (ARMs), with lower delinquencies and defaults on the underlying collateral.

The following table sets forth the total fair value, and amortized cost of our non-agency RMBS by year of origination (vintage) and credit quality, based on the highest rating by Moody's, S&P, or Fitch.

	As of September 30, 2016 (Successor Company)			
	Highest Rating Agency Rating			
	Investment Grade	Below Investment Grade	Total	As of December 31, 2015 (Predecessor Company)
Vintage:				
2009-2016	$ 190.8	$ —	$ 190.8	$ 170.5
2006-2008	—	33.5	33.5	44.5
2005 and prior	18.4	49.2	67.6	88.1
Total amortized cost	$ 209.2	$ 82.7	$ 291.9	$ 303.1
Net unrealized gains (losses)	2.5	2.7	5.2	8.5
Total fair value	$ 211.7	$ 85.4	$ 297.1	$ 311.6

As of September 30, 2016 and December 31, 2015, 74.6% and 75.4%, respectively, of the fair value of our non-agency RMBS had super senior subordination. The super senior class has priority over all principal and interest cash flows and will not experience any loss of principal until lower levels are written down to zero. Therefore, the majority of our RMBS investments have less exposure to defaults and delinquencies in the underlying collateral than if we held the more subordinated classes.

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

	As of September 30, 2016 (Successor Company)					
	Amortized Cost	Unrealized Gains/ (Losses)	Fair Value	Gross Discount	Gross Premium	Average Mortgage Loan Rate
Agency:						
CMO:						
2009-2016	$ 1,676.2	$ 20.1	$ 1,696.3	$ 2.9	$ (71.2)	4.0%
2006-2008	1.4	—	1.4	—	—	5.4
2005 and prior	307.0	3.8	310.8	—	(31.9)	6.1
Total Agency CMO	$ 1,984.6	$ 23.9	$ 2,008.5	$ 2.9	$ (103.1)	4.4%
Passthrough:						
2009-2016	$ 325.6	$ 4.2	$ 329.8	$ 0.3	$ (17.6)	4.2%
2006-2008	17.7	0.2	17.9	—	(1.9)	6.2
2005 and prior	20.9	0.2	21.1	—	(2.0)	5.8
Total Agency Passthrough	364.2	4.6	368.8	0.3	(21.5)	4.4
Total Agency RMBS	$ 2,348.8	$ 28.5	$ 2,377.3	$ 3.2	$ (124.6)	4.4%
Non-Agency:						
2009-2016	$ 190.8	$ 2.2	$ 193.0	$ —	$ (2.6)	4.0%
2006-2008	33.5	1.5	35.0	6.5	—	5.2
2005 and prior	67.6	1.5	69.1	2.7	(0.5)	5.3
Total Non-Agency RMBS	291.9	5.2	297.1	9.2	(3.1)	4.5
Total RMBS	$ 2,640.7	$ 33.7	$ 2,674.4	$ 12.4	$ (127.7)	4.4%

Commercial Mortgage-Backed Securities (CMBS)

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

	As of September 30, 2016 (Successor Company)			
	Highest Rating Agency Rating			
	Investment Grade	Below Investment Grade	Total	As of December 31, 2015 (Predecessor Company)
Vintage:				
2009-2016	$ 586.3	$ 24.8	$ 611.1	$ 615.9
2006-2008	257.7	—	257.7	423.1
2005 and prior	68.2	—	68.2	59.4
Total amortized cost	$ 912.2	$ 24.8	$ 937.0	$ 1,098.4
Net unrealized gains (losses)	20.2	1.7	21.9	25.1
Total fair value	$ 932.4	$ 26.5	$ 958.9	$ 1,123.5

As of September 30, 2016, our CMBS portfolio was highly concentrated in the most senior tranches, with 94.1% of our AAA-rated securities in the most senior tranche, based on amortized cost. The senior class has priority over the mezzanine and junior classes to all principal and interest cash flows and will not experience any loss of principal until both the entire mezzanine and junior tranches are written down to zero.

The weighted-average credit enhancement of our CMBS portfolio was 34.0% as of September 30, 2016. We believe this additional credit enhancement is significant, especially in the event of a deep real estate downturn during which losses would be expected to increase substantially.

Mortgage Loans

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

As of February 1, 2016, the book value of the Company’s mortgage loans were marked to fair value through the application of PGAAP, establishing a $283.4 premium for the portfolio. In addition, the balance of deferred costs, unearned fees, and allowance for loan losses were set to zero. As a result, investment income related to mortgage loans is expected to be lower for the Successor Company than for the Predecessor Company. Amounts in the following discussion reflect the outstanding principal balance of our loans, unless otherwise indicated, and do not reflect the PGAAP premium or any allowance for losses, deferred loan origination costs, and unearned mortgage loan fees.

The following table presents selected information about the composition of our mortgage loan portfolio:

	As of September 30, 2016 (Successor Company)	As of December 31, 2015 (Predecessor Company)
Average loan balance	$ 2.4	$ 2.4
Largest loan balance	15.7	15.9
Weighted average LTV ratio	50.6%	51.5%
Weighted average DSCR	1.89	1.85

As of September 30, 2016 and December 31, 2015, 73.0% and 72.7%, respectively, of our mortgage loans had an outstanding principal under $5.0.

We continue to increase our investments in mortgage loans, as this strategy has resulted in increased net investment yields when compared to fixed maturity investments. We believe a disciplined increase in commercial mortgage loan investments will help maintain the overall quality of our investment portfolio and obtain appropriate yields to match our policyholder liabilities. We originated $659.7 of mortgage loans during the nine months ended September 30, 2016, and we expect to meet our origination goals for 2016.

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

	Successor Company	Predecessor Company	
	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015
Weighted average LTV ratio of loans originated	50.1%	50.6%	51.3%
Maximum LTV ratio of loans originated	73.2	69.5	72.3
Weighted average DSCR of loans originated	1.94	1.92	1.84
Minimum DSCR of loans originated	1.11	1.17	1.00

Credit Quality

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

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

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

	As of September 30, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Loan-to-Value Ratio:				
< or = 50%	$ 2,510.2	48.4%	$ 2,162.4	45.2%
51% - 60%	1,453.2	28.0	1,357.2	28.4
61% - 70%	949.5	18.3	1,037.6	21.7
71% - 75%	182.7	3.5	136.4	2.9
76% - 80%	50.2	1.0	33.2	0.7
81% - 100%	34.5	0.7	48.9	1.0
> 100%	5.9	0.1	6.4	0.1
Total	$ 5,186.2	100.0%	$ 4,782.1	100.0%

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

	As of September 30, 2016 (Successor Company)			As of December 31, 2015 (Predecessor Company)		
	Outstanding Principal	% of Total Value	Weighted Average LTV	Outstanding Principal	% of Total Value	Weighted Average LTV
Origination Year:						
2016	$ 724.5	14.0%	50.1%			
2015	1,014.4	19.6	55.4	$ 1,040.3	21.7%	51.3%
2014	875.8	16.9	53.2	903.1	18.9	56.0
2013	622.7	12.0	49.7	666.0	13.9	52.6
2012	653.2	12.6	49.4	677.6	14.2	50.9
2011	615.6	11.9	48.5	698.3	14.6	51.3
2010	345.3	6.6	45.8	372.1	7.8	47.5
2009 and prior	334.7	6.4	48.5	424.7	8.9	45.5
Total	$ 5,186.2	100.0%	50.6%	$ 4,782.1	100.0%	51.5%

The DSCR compares the amount of rental income a property is generating to the amount of the mortgage payments due on the property. A higher DSCR generally indicates a higher quality loan. DSCRs are calculated using the most current annual operating history for the collateral, which are typically updated during the third quarter. The following table sets forth the DSCRs for our mortgage loan portfolio:

	As of September 30, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Debt Service Coverage Ratio:				
> or = 1.60	$ 3,235.3	62.4%	$ 2,867.6	60.0%
1.40 - 1.59	921.2	17.8	923.1	19.3
1.20 - 1.39	640.8	12.4	598.1	12.5
1.00 - 1.19	275.7	5.3	278.6	5.8
0.85 - 0.99	40.9	0.8	50.3	1.1
< 0.85	72.3	1.3	64.4	1.3
Total	$ 5,186.2	100.0%	$ 4,782.1	100.0%

As of September 30, 2016, loans with an aggregate carrying value of $113.2 had a DSCR of less than 1.00. The average outstanding principal balance of these loans was $1.9 with a weighted average LTV of 70.0%.

Composition of Mortgage Loans

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

	As of September 30, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
State:				
California	$ 1,459.7	28.1%	$ 1,392.5	29.1%
Texas	584.3	11.3	528.1	11.0
Washington	393.6	7.6	360.4	7.5
Florida	217.5	4.2	181.4	3.8
Ohio	215.7	4.2	203.5	4.3
Illinois	206.5	4.0	179.6	3.8
Nevada	192.6	3.7	171.7	3.6
Oregon	159.4	3.1	144.2	3.0
New York	146.9	2.8	159.9	3.3
Other	1,610.0	31.0	1,460.8	30.6
Total	$ 5,186.2	100.0%	$ 4,782.1	100.0%

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

	As of September 30, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Property Type:				
Shopping centers and retail	$ 2,609.7	50.3%	$ 2,440.7	51.0%
Office buildings	1,009.2	19.5	1,015.2	21.2
Industrial	818.7	15.8	758.5	15.9
Multi-family	404.1	7.8	309.7	6.5
Other	344.5	6.6	258.0	5.4
Total	$ 5,186.2	100.0%	$ 4,782.1	100.0%

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

Maturity Date of Mortgage Loans

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

	As of September 30, 2016 (Successor Company)	
	Outstanding Principal	% of Total
Years to Maturity:		
Due in one year or less	$ 39.9	0.8%
Due after one year through five years	733.9	14.2
Due after five years through ten years	1,571.4	30.3
Due after ten years	2,841.0	54.7
Total	$ 5,186.2	100.0%

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

Additionally, our loan terms usually allow borrowers to prepay their mortgage loan prior to the stated maturity or outside specified rate resetting windows. Prepayments are driven by factors specific to the activities of our borrowers as well as the interest rate environment. However, the majority of our mortgage loans contain yield maintenance prepayment provisions that we believe mitigate such prepayments. For the period February 1, 2016 to September 30, 2016, we received principal related to prepayments totaling $89.3, which generated prepayment-related investment income of $7.9. For the period January 1, 2016 to January 31, 2016, we received principal related to prepayments totaling $14.4, which generated minimal prepayment-related investment income. For the nine months ended September 30, 2015, we received principal related to prepayments totaling $111.5, which generated prepayment-related investment income of $11.6.

Investments in Limited Partnerships — Tax Credit Investments

We invest in limited partnership interests related to tax credit investments. Although these investments decrease our income on a pre-tax basis, they provide us with significant tax benefits that decrease our effective tax rate. Refer to Note 4 to the accompanying unaudited interim condensed consolidated financial statements for further discussion related to our investments in affordable housing project investments.

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

	Successor Company		Predecessor Company		
	For the Three Months Ended September 30, 2016	February 1 to September 30, 2016	January 1 to January 31, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Amortization, net of taxes	$ (6.8)	$ (18.0)	$ (2.3)	$ (7.6)	$ (17.5)
Write downs, net of taxes	(0.8)	(3.8)	(0.4)	(7.3)	(12.9)
Tax credits, net	13.5	36.7	4.1	18.2	48.4
Impact to net income	$ 5.9	$ 14.9	$ 1.4	$ 3.3	$ 18.0

The majority of our investments in limited partnerships relate to affordable housing. The tax credits from these partnerships are generally delivered in the first 10 years of the investment, with the largest portions provided in the middle years. We amortize these investments over the period during which partnership losses are expected to be recognized. The amortization schedule for each investment is updated periodically as new information related to the amount and timing of losses is received. Other tax credit investments generally provide tax credits during the first two years of the investment.

Liquidity and Capital Resources

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

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

Liquid Assets

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

We define liquid assets to include cash, cash equivalents, short-term investments, and publicly traded fixed maturities and equity securities. As of September 30, 2016 and December 31, 2015, our insurance company subsidiaries had liquid assets of $28.85 billion and $26.07 billion, respectively, and Symetra had liquid assets of $349.4 and $317.7, respectively. The portion of our total liquid assets consisting of cash and cash equivalents and short-term investments was $441.2 and $172.8 as of September 30, 2016 and December 31, 2015, respectively.

As of September 30, 2016, we had the ability to borrow, on an unsecured basis, a principal amount of $400.0 under a revolving line of credit arrangement with an expansion feature providing access to up to $100.0, for a total maximum principal amount of $500.0. There have been no borrowings under this line of credit.

On March 30, 2016, Symetra borrowed $300.0 under its delayed draw term loan agreement to settle its $300.0 Senior Notes, which matured on April 1, 2016. The term loan bears interest at a variable annual rate based on the London Interbank Offered Rate (LIBOR) or an alternate base rate plus an applicable margin. The term loan is scheduled to mature on March 30, 2018, which may be extended subject to certain conditions in the credit agreement.

Liquidity Requirements

The liquidity requirements of Symetra's insurance company subsidiaries principally relate to the liabilities associated with their insurance and investment products, operating costs and expenses, the payment of dividends to Symetra, and the payment of income taxes. Liabilities associated with insurance and investment products include the payment of benefits, as well as cash payments made in connection with policy and contract surrenders and withdrawals, and policy loans. Historically, Symetra's insurance company subsidiaries have used cash flows from operations, cash flows from invested assets and sales of investment securities 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 earlier than assumed when selecting assets to support these contractual obligations. We use surrender charges, market value adjustments (MVAs), and other contract provisions to mitigate the extent, timing and profitability impact of such withdrawals. While certain policy lapses and surrenders occur in the normal course of business, the current low interest rate environment generally has resulted in lower than expected lapses of our fixed annuities, as policyholders have limited alternatives to seek a higher return on their funds. If interest rates rise significantly, we will likely experience an increase in lapses.

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

The NAIC establishes risk-based capital (RBC) standards for life insurance companies. If an insurer's RBC falls below specified levels, the insurer would be subject to different degrees of regulatory action depending upon the level of deficiency.

As of September 30, 2016, Symetra Life Insurance Company, our primary insurance company subsidiary, had an estimated RBC ratio of 412%. Symetra Life Insurance Company's Statutory capital and surplus, including asset valuation reserve, was $2,424.3 as of September 30, 2016.

Use of non-GAAP Financial Measures

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

We have provided reconciliations between non-GAAP financial measures and their most directly comparable GAAP financial measures in the "—Results of Operations" section of this report. For a full description of each non-GAAP measure used by the Company prior to the Merger (Predecessor Company), refer to the section "—Use of non-GAAP Financial Measures" in our 2015 Annual Report "Management's Discussion and Analysis of Financial Condition and Results of Operations" on our website. Subsequent to the Merger (Successor Company), we have modified our definitions of Adjusted Operating Income and Pre-tax Adjusted Operating Income. In the following paragraphs we provide the Successor Company definitions of these non-GAAP measures.

Adjusted Operating Income

Adjusted operating income consists of net income, with adjustment to intangible asset amortization and excluding certain net realized gains (losses). These adjustments are net of taxes, calculated at the U.S. federal statutory income tax rate of 35%. For adjusted operating income, intangible asset amortization related to VODA and trade names is based on the projected cash flow pattern underlying the initial valuation of these assets. Excluded realized gains (losses) are associated with investment sales or disposals, investment impairments, changes in the fair value of mark-to-market investments and derivative investments (except for certain S&P 500 options associated with FIA policies primarily sold in the late 1990s), and changes in the fair value of embedded derivatives related to our FIA products, as well as the DAC, VOBA and DSI impacts related to these items.

Net income is the most directly comparable GAAP measure to adjusted operating income. Net income for any period presents the results of our insurance operations, as well as our net realized gains (losses) and intangible asset amortization calculated on a straight-line basis. We consider investment income generated by our invested assets to be part of the results of our insurance operations because they are acquired and generally held to maturity to generate income that we use to meet our obligations. Conversely, we do not consider many of the activities reported through net realized gains (losses) as part of the results of our insurance operations. The timing and amount of these gains (losses) are driven by investment decisions and external economic developments unrelated to our management of the insurance and underwriting aspects of our business. We also consider it useful to adjust the amortization of our intangible assets related to VODA and trade names to reflect the underlying projected cash flows and align the amortization expense with the expected economic benefits of the assets. Because these benefits primarily occur later in the assets' useful lives, straight-line amortization is used for GAAP reporting.

Certain realized gains (losses) are included in adjusted operating income. This includes gains (losses) on certain S&P 500 options supporting FIA policies primarily sold in the late 1990s and the realized losses associated with our tax credit investments. The Company's tax credit investment strategy results in realized losses on a pre-tax basis, which are more than offset by the tax benefits they provide. Our management of the business incorporates this investment strategy and, therefore, we include these realized gains (losses) along with the tax benefits they provide in adjusted operating income.

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

Pre-tax Adjusted Operating Income

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