As filed with the Securities and Exchange Commission on October 5, 2009.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SYMETRA FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	6311	20-0978027
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

777 108th Avenue NE, Suite 1200
Bellevue, WA 98004
(425) 256-8000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Randall H. Talbot
President and Chief Executive Officer
Symetra Financial Corporation
777 108th Avenue NE, Suite 1200
Bellevue, WA 98004
(425) 256-8000
(Name and address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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New York, NY 10019	Bellevue, WA 98004	(212) 455-2000
(212) 474-1000	(425) 256-8000	

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, $0.01 par value per share	$575,000,000.00	$32,085.00

(1) Includes shares issuable upon exercise of the underwriters' over-allotment options. See "Underwriting."
(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to rule 457(o) under the Securities Act of 1933, as amended.
(3) Pursuant to Rule 457(p) under the Securities Act of 1933, as amended, this amount is offset against by a total of $27,890.95 previously paid by Symetra Financial Corporation in connection with the filing of a registration statement on Form S-1 (Registration No. 333-144162), initially filed on June 29, 2007, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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SUBJECT TO COMPLETION, DATED OCTOBER 5, 2009

PROSPECTUS

Shares

SYMETRA FINANCIAL

Common Stock

This is Symetra Financial Corporation's initial public offering. We are selling shares of our common stock in this offering. The Selling Stockholders are selling shares of our common stock in the offering. We intend to use the net primary proceeds from this offering for general corporate purposes, which may include contributions of capital to our insurance and other subsidiaries. We will not receive any proceeds from the sale of shares by the Selling Stockholders. See "Use of Proceeds."

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. We intend to apply to list our common stock on the New York Stock Exchange under the symbol "SYA."

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 12 of this prospectus.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to Symetra (before expenses)	$	$
Proceeds to Selling Stockholders (before expenses)	$	$

The underwriters may also purchase up to an additional shares of common stock from the Company and the Selling Stockholders at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2009.

Joint Book-Running Managers

BofA Merrill Lynch **J.P. Morgan** **Goldman, Sachs & Co.** **Barclays Capital**

The date of this prospectus is , 2009.

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You should rely only on the information contained in this document or any free writing prospectus prepared by or on behalf of us. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information contained in this document may only be accurate on the date of this document.

Our insurance subsidiaries are domiciled in the states of Washington and New York. These states have enacted laws that require regulatory approval for the acquisition of "control" of insurance companies. Under these laws, there exists a presumption of "control" when an acquiring party acquires 10% or more of the voting securities of an insurance company or of a company which itself controls an insurance company. Therefore, any person acquiring 10% or more of our common stock would need the prior approval of the state insurance regulators of these states or a determination from such regulators that "control" has not been acquired.

Dealer Prospectus Delivery Obligation

Until , 2009 (the 25th day after the date of this prospectus), all dealers that effect transactions in our common shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PROSPECTUS SUMMARY

The following is a summary of the information contained in this prospectus, and it may not contain all the information that is important to you. You should read the entire prospectus carefully, especially the "Risk Factors" section, the consolidated financial statements and the accompanying notes included in this prospectus.

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

A glossary of selected insurance terms and defined terms used throughout this prospectus can be found under "Glossary of Selected Insurance and Defined Terms" on page G-1.

Our Business

We are a life insurance company focused on profitable growth in select group health, retirement, life insurance and employee benefits markets. Our operations date back to 1957 and many of our agency and distribution relationships have been in place for decades. We are headquartered in Bellevue, Washington and employ approximately 1,100 people in 19 offices across the United States, serving approximately 1.8 million customers.

As of June 30, 2009, our adjusted book value was $1,406.6 million, our stockholders' equity was $763.7 million and we had total assets of $21.1 billion. For the twelve months ended June 30, 2009, our operating return on average equity, or operating ROAE, was 10.7% and our return on equity, or ROE, was 7.5%. We define adjusted book value as stockholders' equity less accumulated other comprehensive income (loss), or AOCI, and we define operating ROAE as net operating income divided by average adjusted book value. Adjusted book value, net operating income and operating ROAE are non-GAAP measures. For reconciliations of adjusted book value to stockholders' equity and net operating income to net income, see page 40 of "Selected Historical Consolidated Financial Data."

We manage our business through the following five segments, four of which are operating:

- *Group.* We offer medical stop-loss insurance, limited medical benefit plans, group life insurance, accidental death and dismemberment insurance and disability insurance mainly to employer groups of 50 to 5,000 individuals. In addition to our insurance products, we offer managing general underwriting, or MGU, services through Medical Risk Managers, Inc, or MRM. Our Group segment generated segment pre-tax operating income of $66.9 million during 2008 and $28.7 million during the six months ended June 30, 2009.
- *Retirement Services.* We offer fixed and variable deferred annuities, including tax sheltered annuities, individual retirement accounts, or IRAs, and group annuities to qualified retirement plans, including Section 401(k), 403(b) and 457 plans. Our Retirement Services segment generated segment pre-tax operating income of $36.6 million during 2008 and $25.1 million during the six months ended June 30, 2009.
- *Income Annuities.* We offer single premium immediate annuities, or SPIAs, to customers seeking a reliable source of retirement income and structured settlement annuities to fund third party personal injury settlements. In addition, we offer our existing structured settlement clients a variety of funding services product options. Our Income Annuities segment generated segment pre-tax operating income of $36.5 million during 2008 and $24.7 million during the six months ended June 30, 2009.
- *Individual*. We offer a wide array of term, universal and variable life insurance as well as bank-owned life insurance, or BOLI. Our Individual segment generated segment pre-tax operating income of $59.7 million during 2008 and $35.7 million during the six months ended June 30, 2009.
- *Other.* This segment consists of unallocated corporate income, composed primarily of investment income on unallocated surplus, unallocated corporate expenses, interest expense on

debt, tax credits from certain investments, the results of small, non-insurance businesses that are managed outside of our operating segments, and inter-segment elimination entries. Our Other segment generated segment pre-tax operating loss of $31.6 million during 2008 and $1.7 million during the six months ended June 30, 2009.

We distribute our products nationally through an extensive and diversified independent distribution network. Our distributors include financial institutions, employee benefits brokers, third party administrators, specialty brokers, independent agents and advisors. We believe that our multi-channel distribution network allows us to access a broad share of the distributor and consumer markets for insurance and financial services products. For example, we currently distribute our annuity and life insurance products through approximately 15,000 independent agents, 26 key financial institutions and 3,500 independent employee benefits brokers. We continually add new distribution relationships to expand the breadth of partners offering our products.

Market Environment and Opportunities

We believe we are well positioned to capitalize on existing market opportunities, including:

- *Increasing need for retirement savings and income.* There are significant demographic factors that indicate increased need for retirement solutions. These factors include:
  - 76.8 million baby-boomers (Americans born between 1946 and 1964) who are at or near retirement age; and
  - 61.6 million members of Generation X (Americans born between 1965 and 1979) who are likely to fund their retirement from personal savings.

  Many of these individuals have experienced significant declines in the value of their savings as a result of recent market turmoil or have saved too little for retirement. According to the Employee Benefit Research Institute, or EBRI, as of 2007, approximately 78% of families with a head of household aged 55 to 65 participated in an employer-based retirement plan or IRA. EBRI estimates that the median value of this population's employer-based retirement plans declined 14.7% from approximately $81,000 in 2007 to approximately $69,100 in June 2009. As a result of these demographic factors, we expect greater demand for retirement savings products that supplement social security. In particular, we believe demand will continue to grow for products like immediate annuities that offer income streams that cannot be outlived.
- *Shift in customer demand toward simple to understand products.* The equity and bond market dislocation of the last 18 months shifted customer and distributor demand toward simple to understand and predictable products. Customers increasingly demand savings and income oriented products (such as fixed annuities) that offer transparency and stable returns that are higher than returns on savings accounts. Industry sales of savings and income oriented products have grown substantially while sales of equity market based products (such as variable annuities) have fallen. Illustrating this trend, industry sales of variable annuities declined by 26% in the first six months of 2009 compared to the equivalent 2008 period. Conversely, industry sales of fixed annuities grew by 46% over the same period.
- *Continued demand for affordable health insurance.* According to the Kaiser Family Foundation, health insurance premiums in the United States increased 131% from 1999 to 2009, while the Consumer Price Index increased only 28%. As health care costs continue to rise faster than inflation, the demand for affordable health insurance options has increased. In the United States, 75 million people under the age of 65 receive their benefits through self-funded plans, including 47% of workers in smaller firms and 76% of workers in midsize firms. We believe we can grow our business by providing employees with affordable access to health insurance through employer-sponsored limited benefit employee health plans and by offering group medical stop-loss insurance to medium and large businesses that self-fund their medical plans.

Our Competitive Strengths

Our competitive strengths enabled us to perform well across all of our operating segments through the recent market turmoil. Since January 1, 2008 we have added 22 distribution partners, developed 14 new products and grown our assets under management by $2.7 billion, or 15.6%. Our sales for the first six months of 2009 were $1.6 billion, an increase of 339% over our sales during the first six months of 2007. Our competitive strengths include:

Balance sheet focus. We are vigilant about maintaining a strong balance sheet in all economic environments. We believe our strong balance sheet will allow us to continue growing our business and market share as many of our competitors must first shore up their own balance sheets.

- *Superior investment management.* We pursue a value-oriented investment approach focused on disciplined matching of assets and liabilities and preservation of principal. We believe we have built a conservative asset portfolio illustrated by the following (as of June 30, 2009):
  - Subprime exposure of only $0.5 million
  - Alt-A exposure totaling less than 1% of invested assets, with 87% of Alt-A exposure being supported by fixed rate collateral
  - No exposure to option adjustable rate mortgages, or option ARMs
  - 97% of our commercial mortgage-backed security, or CMBS, portfolio is rated AAA and has a weighted-average credit enhancement of 27%
  - Minimal exposure to alternative assets, such as hedge funds and private equity funds
  - Below investment grade fixed maturities represent less than 7% of invested assets

  This investment approach has resulted in what we believe to be relatively strong performance. For example:
  - Our total pre-tax net realized gains (losses) on sales and impairments of fixed maturities cost 30 basis points for the first six months of 2009, cost 52 basis points for 2008, and cost an annualized average 17 basis points since January 1, 2005
  - Our commercial mortgage portfolio has no late payments and a weighted average loan-to-value ratio of 54%
  - Since January 1, 2005, our equity portfolio has grown at an annualized rate of 6.9% compared to an annualized return of (4.0)% for the S&P 500 Index
- *Disciplined liability risk management.* We have an attractive and diverse mix of businesses that, combined with our disciplined approach to asset/liability matching, enables us to stick to our strategy of offering simple to understand products without adding product features that create liability-side balance sheet volatility. Our liability portfolio includes:
  - No guaranteed living benefits, or GLBs, in variable annuity products
  - No shadow accounts in universal life products
  - No term products that are dependent on lapse-supported pricing and securitization of deficiency reserves
  - No high commission/long surrender period indexed annuities

  Because we do not offer these product features, we avoided having a complex derivative hedging portfolio similar to those found on the balance sheets of many of our competitors.
- *Strong financial position.* We have a strong and transparent balance sheet. We have no value of business acquired, or VOBA, on our balance sheet and minimal goodwill. We believe that we

compare favorably to our industry in terms of the following financial strength metrics (as of June 30, 2009):

- Our deferred acquisition costs, or DAC, is 22% of adjusted book value
- Our goodwill is 2% of adjusted book value
- Our adjusted leverage ratio is 18% (assigning 75% equity credit to our Capital Efficient Notes, or CENts)
- We have no outstanding debt balances maturing until 2016
- Adjusted book value is 100.0% of regulatory capital
- Our risk-based capital ratio is 370%
- Our AOCI improved from $(1,052.6) million at December 31, 2008 to $(642.9) million at June 30, 2009

Powerful and expanding national distribution network. We have a two-pronged approach to expanding product sales by working with our existing distribution relationships and by adding new distribution partners.

- *High quality distribution relationships*. We offer consumers access to our products through a national multi-channel network, including financial institutions, employee benefits brokers, third party administrators, specialty brokers and independent agents. We are adept at designing simple to understand, yet innovative products to meet the changing demands of the market. By working closely with our distributors, we are able to anticipate opportunities in the marketplace and rapidly address them. By treating our distributors as clients and providing them with outstanding levels of service, we have cultivated strong relationships over decades that we believe allow us to avoid competing on price alone. In addition, we have flexible information technology platforms that allow us to integrate our products onto the operating platforms of our distributors, which we believe provides us with a competitive advantage in attracting new distributors.
- *Strong bank distribution channel*. According to Kehrer — LIMRA, we were a top-five seller of fixed annuities through banks in the first six months of 2009. Our strong bank distribution relationships make us well-positioned to continue to take advantage of the increased investor demand for fixed annuities and to take market share away from financially stressed competitors. We also have increased our sales of single premium immediate annuities and single premium life insurance through existing and new bank distribution partners. During the first six months of 2009, our sales of single premium immediate annuities through banks increased 10% and single premium life volumes increased 34% as compared to the first six months of 2008.

Leading group medical stop-loss insurance provider. We have been a leading provider of group medical stop-loss insurance since 1976. We have built a consistently profitable platform with high levels of customer service and disciplined underwriting practices. In the last 25 years, our group medical stop-loss insurance business has experienced only two calendar years of net losses.

Diverse business mix. We believe that our diverse mix of businesses offers us a greater level of financial stability than many of our similarly-sized competitors across business and economic cycles. Given our lack of reliance on any particular product or line of business, we are able to allocate resources to markets with the highest potential returns at any given point in time. By doing so, we are able to avoid certain markets when they are experiencing heavy competition and related pricing pressure without sacrificing our ability to grow revenues.

Proven management team. We have a high quality management team with an average of 25 years of insurance-industry experience, led by Randy Talbot who has been our chief executive officer since 1998. Having spent a significant portion of his 34-year insurance industry career operating an insurance brokerage, Mr. Talbot intimately understands the needs of our distributors. We also have an experienced board of directors, which

includes industry professionals who have worked closely with us to develop our strategies and operating philosophies. Our long-term incentive plan aligns management's incentives with our stockholders' interests.

Our Growth Strategies

The recent market turmoil and its effects on our competitors present a compelling opportunity to continue adding business at attractive returns. Further, we believe our growth strategies are well aligned with the current market environment as well as the long-term competitive dynamics of our industry. We believe the following proven, long-term growth strategies position us well to consistently grow stockholder value despite periods of aggressive pricing by our competitors:

- *Sell simple to understand products.* We have built a reputation as a writer of simple to understand products that meet the needs of customers and our distribution partners. This reputation has been strengthened by the retrenchment of many of our competitors due to recent market events and the consistency of our presence and product lineup over the past several years. We believe independent distributors highly value our demonstrated ability to accept new business during turbulent conditions while maintaining strong financial performance. As a result, we are able to take advantage of the convergence of increasing customer desire for simple to understand products and the financial challenges of several market competitors.
- *Broaden and deepen distribution relationships.* Our distribution strategy is to deliver multiple products through a single point of sale, thereby reducing our distribution costs. We believe that we have an unprecedented opportunity to expand our existing relationships and build new long-term relationships due to the recent market disruption that has distracted and refocused our competitors. Since January 1, 2008, we have added eight new bank relationships with over 6,000 sales representatives. In addition, we have added 14 new independent distribution relationships which added 2,100 new sales representatives actively selling our products. These new relationships, in tandem with existing relationships, have enabled us to grow our sales from $373 million during the first six months of 2007 to $1.6 billion in the first six months of 2009.
- *Effectively deploy capital.* We intend to deploy our capital prudently while maximizing our profitability and long-term growth in stockholder value. Our capital management strategy is to maintain financial strength through conservative and disciplined risk management practices, capital efficient product design, effective asset/liability management and opportunistic market share growth in all our business segments. We will also maintain our conservative investment management philosophy, which includes holding a high quality investment portfolio and carefully matching our investment assets against the duration of our insurance product liabilities. This approach will enable us to remain flexible to allocate capital to opportunities within our business segments that offer the highest returns.

Risks Related to Our Business, Our Industry and this Offering

Investing in shares of our common stock involves substantial risk. The factors that could adversely affect our results and performance are discussed under the heading "Risk Factors" immediately following this summary. Before you invest in our shares, you should carefully consider all of the information in this prospectus, including matters set forth under the heading "Risk Factors," including:

- ***Impact of the credit crisis and economic downturn.*** The recent credit crisis, global capital markets conditions and economic downturn have adversely impacted and will continue to have an adverse impact on our business and on the financial services industry in general. Impacts have included and will include investment losses, less availability and/or more competition for appropriate investments to support our products, higher cash balances generating yields lower than needed to support our products, failure of key business partners, impacts on demand for our products from new and existing customers, reduced availability of capital, higher cost of capital and heightened scrutiny from regulators and ratings agencies. It is unclear what impact

financial rescue programs instituted by the U.S. federal government will have on the markets and on our business.

- ***Investment losses.*** The credit crisis and significant drop in the equity markets that began in the second half of 2007 and substantially increased during the fourth quarter of 2008 have resulted in, and may continue to result in, decreases in value of fixed maturity securities, equity securities and other investments in our investment portfolio, which have impacted and may continue to impact our results of operations and financial position.
- ***Exposure to interest rate fluctuations.*** Many of our insurance and investment products are sensitive to interest rate fluctuations and expose us to the risk that falling interest rates will reduce the "spread," or the difference between the returns we earn on the investments that support our obligations under our insurance and investment products and the amounts that we must credit to policyholders and contractholders. Generally, persistently low interest rates would have an adverse effect on our financial condition, results of operations and cash flows. Generally, inflation could adversely impact our financial condition, results of operations and cash flows due to potential higher policyholder withdrawals and asset sales at undesirable prices.
- ***Reserve requirements.*** Our calculations of reserves for estimated future benefit payments are based upon estimates and assumptions with regard to our future experience. Future experience is subject to many uncertainties and we cannot predict the ultimate amounts we will pay for future benefits or the timing of the payments. If reserves are insufficient to cover actual benefits and payments, we could be required to increase our reserves, which could adversely affect our financial condition and results.
- ***Deviation from assumptions upon which pricing is established.*** The price and expected future profitability of our insurance and annuity products are based in part upon expected patterns of premiums, expenses and benefits, using a number of assumptions, including those related to persistency, mortality and morbidity. Significant deviations from these assumptions could have an adverse affect on our financial condition, results of operations and cash flows.
- ***Amortization of deferred policy acquisition costs.*** Deferred policy acquisition costs, or DAC, represent certain costs that vary with, and are primarily related to, the sale and issuance of insurance policies and investment contracts and are deferred and amortized over the estimated policy and contract lives. Unfavorable experience with regard to expenses, investment returns, mortality, morbidity, withdrawals or lapses may increase the amortization of DAC, resulting in higher expenses and lower profitability.
- ***Potential downgrade in financial strength ratings.*** A downgrade in our financial strength ratings could have an adverse effect on our financial condition, results of operations and cash flows in several ways, including reducing new sales of products, adversely affecting our relationship with sales agents, increasing the number of policy surrenders and withdrawals, requiring us to reduce prices in order to compete and adversely impacting our ability to obtain reinsurance.
- ***Highly regulated industry.*** Our insurance businesses are subject to a wide variety of laws and regulations in various jurisdictions. Compliance with applicable laws and regulations is time consuming and personnel intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance efforts and other expenses of doing business.
- ***Proposals for national health care reform.*** We sell group medical stop-loss insurance and limited benefit employee health plans to employer groups. Proposals addressing the affordability and availability of health insurance, including reducing the number of uninsured, are pending in the U.S. Congress and in many states. While at this time we cannot predict whether or in what form these proposals will be enacted, national health care reform could have a material effect

on the profitability or marketability of our health insurance products and services and on our financial condition, results of operations and cash flows.

- ***Constraints related to holding company structure.*** As a holding company, we have no significant direct operations. Dividends and other permitted distributions from subsidiaries are expected to be our principal source of funds to meet ongoing cash requirements. These payments are limited by regulations in the jurisdictions in which our subsidiaries operate. If our subsidiaries are unable to pay dividends, we may have difficulty servicing our debt, paying dividends on our common stock and meeting our holding company expenses.

Financial Strength Ratings

Currently, the financial strength ratings of our primary life insurance subsidiaries are "A" ("Excellent," the third highest of 16 ratings) with a stable outlook from A.M. Best Company, Inc., "A" ("Strong," the sixth highest of 21 ratings) with a negative outlook from Standard & Poor's Rating Service, "A3" ("Good," the seventh highest of 21 ratings) with a stable outlook from Moody's Investors Service, Inc. and "A+" ("Strong," the fifth highest of 24 ratings) with a negative outlook from Fitch, Inc. These financial strength ratings should not be relied on with respect to making an investment in our common stock.

Use of Proceeds

We intend to use the net primary proceeds from this offering for general corporate purposes, which may include contributions of capital to our insurance and other subsidiaries. We will not receive any proceeds from the sale of shares by the Selling Stockholders.

The Selling Stockholders

In addition to the sale of shares of our common stock by the Company, members of the original investor group that formed Symetra by acquiring a group of life insurance and investment companies from Safeco Corporation on August 2, 2004 (which we refer to as the "Acquisition") may participate in this offering as Selling Stockholders. Upon consummation of this offering, affiliates of White Mountains Insurance Group, Ltd. and Berkshire Hathaway Inc. will collectively continue to beneficially own approximately % of our outstanding common stock.

Our Executive Offices

Symetra was incorporated in 2004 under the laws of Delaware. Our principal executive offices are located at 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004. Our telephone number is (425) 256-8000. Our internet address is www.symetra.com. **The information contained on or accessible from our website does not constitute a part of this prospectus and is not incorporated by reference herein**.

The Offering

Common stock offered by Symetra	shares
Common stock offered by the Selling Stockholders	shares
Common stock to be outstanding after this offering	shares
Over-allotment options	The underwriters have options to purchase a total of up to additional shares from the Company and the Selling Stockholders to cover over-allotments.
Use of proceeds	We intend to use the net primary proceeds from this offering for general corporate purposes, which may include contributions of capital to our insurance and other subsidiaries. We will not receive any proceeds from the sale of shares by the Selling Stockholders. See “Use of Proceeds.”
Listing	We will apply to list our common stock on the New York Stock Exchange, or NYSE, under the symbol “SYA.”
Dividend policy	We intend to pay quarterly dividends on our common stock. The declaration, payment and amount of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition and results of operations, liquidity requirements, market opportunities, capital requirements of our subsidiaries, legal requirements, regulatory constraints and other factors that our board of directors deems relevant. Dividends on our common stock will also be paid to holders of our outstanding warrants on a one-to-one basis.
Risk factors	See “Risk Factors” for a discussion of factors you should consider before investing in our common stock.

All information in this prospectus, unless otherwise indicated or the context otherwise requires:

- assumes the common stock will be sold at $ per share (the midpoint of the price range set forth on the cover of this prospectus);
- assumes no exercise of the underwriters’ over-allotment options;
- excludes 7,830,000 shares of common stock reserved for issuance pursuant to our Equity Plan;
- excludes 870,000 shares of common stock reserved for issuance pursuant to our Employee Stock Purchase Plan; and
- assumes no exercise of outstanding warrants to purchase 18,975,744 shares of common stock at an exercise price of $11.49 per share.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The summary historical consolidated financial and other data, except for non-GAAP financial measures, as of June 30, 2009 and for the six months ended June 30, 2009 and 2008 have been derived from our unaudited interim historical consolidated financial statements and the related notes, which have been prepared on a basis consistent with our audited consolidated financial statements and are included in this prospectus. In the opinion of management, such unaudited financial data, except for non-GAAP financial measures, reflects all historical and recurring adjustments necessary for a fair presentation of the results for these periods. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year or any future period. The summary historical consolidated financial and other data, except for non-GAAP financial measures, as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements and the related notes that are included elsewhere in this prospectus. The summary historical consolidated financial and other data, except for non-GAAP financial measures, as of December 31, 2006 have been derived from our audited consolidated financial statements that are not included in this prospectus. This summary data should be read in conjunction with our historical consolidated financial statements and related notes included in this prospectus, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
	(In millions, except per share data)				
Consolidated Income Statement Data:					
Revenues:					
Premiums	$ 288.1	$ 292.3	$ 584.8	$ 530.5	$ 525.7
Net investment income	545.8	476.4	956.5	973.6	984.9
Other revenues	28.5	35.6	67.8	68.7	56.1
Net realized investment gains (losses):					
Total other-than-temporary impairment losses on securities	(123.8)	(38.4)	(86.4)	(16.2)	(25.7)
Less: portion of losses recognized in other comprehensive income	67.5	—	—	—	—
Net impairment losses recognized in earnings	(56.3)	(38.4)	(86.4)	(16.2)	(25.7)
Other net realized investment gains (losses)	16.0	(0.5)	(71.6)	33.0	27.4
Total net realized investment gains (losses)	(40.3)	(38.9)	(158.0)	16.8	1.7
Total revenues	822.1	765.4	1,451.1	1,589.6	1,568.4
Benefits and expenses:					
Policyholder benefits and claims	176.5	180.4	348.5	267.1	264.3
Interest credited	408.7	377.0	766.1	752.3	765.9
Other underwriting and operating expenses	125.0	136.5	265.8	281.9	260.5
Interest expense	15.9	16.0	31.9	21.5	19.1
Amortization of deferred policy acquisition costs	22.6	10.6	25.8	18.0	14.6
Total benefits and expenses	748.7	720.5	1,438.1	1,340.8	1,324.4
Income from operations before income taxes	73.4	44.9	13.0	248.8	244.0
Provision (benefit) for income taxes:					
Current	11.5	23.5	23.8	62.8	92.4
Deferred	9.8	(10.4)	(32.9)	18.7	(7.9)
Total provision (benefit) for income taxes	21.3	13.1	(9.1)	81.5	84.5
Net income	$ 52.1	$ 31.8	$ 22.1	$ 167.3	$ 159.5
Net income per common share(1):					
Basic	$ 0.47	$ 0.29	$ 0.20	$ 1.50	$ 1.43
Diluted	$ 0.47	$ 0.29	$ 0.20	$ 1.50	$ 1.43
Weighted-average number of common shares outstanding:					
Basic	111.622	111.622	111.622	111.622	111.622
Diluted	111.622	111.622	111.622	111.622	111.622
Cash dividends declared per share	$ —	$ —	$ —	$ 1.79	$ 0.90
Non-GAAP Financial Measure(2):					
Net operating income	$ 77.5	$ 54.8	$ 122.9	$ 154.9	$ 159.8
Reconciliation to net income:					
Net income	$ 52.1	$ 31.8	$ 22.1	$ 167.3	$ 159.5
Less: Net realized investment gains (losses) (net of taxes)(3)	(26.2)	(25.3)	(102.7)	10.9	1.1
Add: Net realized and unrealized investment gains (losses) on FIA options (net of taxes)(4)	(0.8)	(2.3)	(1.9)	(1.5)	1.4
Net operating income	$ 77.5	$ 54.8	$ 122.9	$ 154.9	$ 159.8

	As of June 30, 2009	As of December 31, 2008	2007	2006
		(In millions, except share and per share data)		
Consolidated Balance Sheet Data:				
Total investments	$ 18,357.0	$ 16,252.5	$ 16,905.0	$ 17,305.3
Total assets	21,113.4	19,229.6	19,560.2	20,114.6
Total debt	448.8	448.8	448.6	298.7
Separate account assets	735.7	716.2	1,181.9	1,233.9
Accumulated other comprehensive income (loss) (net of taxes) (AOCI)	(642.9)	(1,052.6)	(12.5)	(0.5)
Total stockholders' equity	763.7	286.2	1,285.1	1,327.3
U.S. Statutory Financial Information:				
Statutory capital and surplus	$ 1,289.5	$ 1,179.0	$ 1,225.0	$ 1,266.2
Asset valuation reserve (AVR)	117.1	113.7	176.0	158.4
Statutory capital and surplus and AVR	$ 1,406.6	$ 1,292.7	$ 1,401.0	$ 1,424.6

	As of June 30, 2009	As of December 31, 2008	2007	2006
Book value per common share(5)	$ 6.84	$ 2.56	$ 11.51	$ 11.89
Non-GAAP Financial Measures(6):				
Adjusted book value	$ 1,406.6	$ 1,338.8	$ 1,297.6	$ 1,327.8
Reconciliation to stockholders' equity:				
Total stockholders' equity	$ 763.7	$ 286.2	$ 1,285.1	$ 1,327.3
Less: AOCI	(642.9)	(1,052.6)	(12.5)	(0.5)
Adjusted book value	$ 1,406.6	$ 1,338.8	$ 1,297.6	$ 1,327.8
Add: Assumed proceeds from exercise of warrants	218.0	218.0	218.0	218.0
Adjusted book value, as converted	$ 1,624.6	$ 1,556.8	$ 1,515.6	$ 1,545.8
Adjusted book value per common share(7)	$ 15.18	$ 14.45	$ 14.01	$ 14.33
Adjusted book value per common share, as converted(8)	$ 14.55	$ 13.95	$ 13.58	$ 13.85

	Twelve Months Ended June 30, 2009	December 30, 2008	December 30, 2007	December 30, 2006
ROE(9)	7.5%	2.6%	12.6%	12.8%
Average stockholders' equity(10)	$ 561.6	$ 861.8	$ 1,328.3	$ 1,249.5
Non-GAAP Financial Measure(11):				
Operating ROAE	10.7%	9.2%	11.2%	12.1%
Average adjusted book value(12)	$ 1,359.5	$ 1,329.8	$ 1,380.2	$ 1,324.2

(1) Net income per common share (basic and diluted) assumes that all participating securities, including warrants, have been outstanding since the beginning of the period using the two-class method.

(2) Management considers certain non-GAAP financial measures, including net operating income, to be a useful supplement to comparable GAAP measures in evaluating our financial performance and condition. These measures have been reconciled to their most comparable GAAP financial measures. We believe that the non-GAAP presentation of net operating income is valuable because excluding certain realized investment gains and losses, many of which are driven by investment decisions and external economic developments unrelated to the insurance and underwriting aspects of the business, reveals trends that may be otherwise obscured. As an example, changes in fair value on our equity trading portfolio are recorded

footnotes continued on following page

as realized investment gains and losses. These gains and losses are volatile, as evidenced by $4.2 million net trading gains (net of taxes of $2.3 million) for the six months ended June 30, 2009, compared to $45.0 million net trading losses (net of taxes of $24.2 million) for the year ended December 31, 2008. For a definition of these non-GAAP measures and other metrics used in our analysis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Use of non-GAAP Financial Measures."

(3) Net realized investment gains (losses) are reported net of taxes of $(14.1) million, $(13.6) million, $(55.3) million, $5.9 million and $0.6 million for the six months ended June 30, 2009 and 2008, and the twelve months ended December 31, 2008, 2007 and 2006, respectively.

(4) Net realized and unrealized investment gains (losses) on fixed income annuity, or FIA, options are reported net of taxes of $(0.4) million, $(1.3) million, $(1.0) million, $(0.8) million and $0.8 million for the six months ended June 30, 2009 and 2008, and the twelve months ended December 31, 2008, 2007 and 2006, respectively.

(5) Book value per common share is calculated based on stockholders' equity divided by outstanding common shares and shares subject to outstanding warrants, totaling 111,622,039.

(6) Management considers certain non-GAAP financial measures, including adjusted book value per common share and adjusted book value per common share, as converted, to be useful supplements to comparable GAAP measures in evaluating our financial performance and condition. The numerators of these measures have been reconciled to total stockholders' equity, their most comparable GAAP financial measure. We believe that these non-GAAP presentations are valuable because they exclude AOCI, which is primarily composed of the net unrealized gains (losses) on our fixed maturities and therefore fluctuates based on market conditions and other factors. The fair value of our fixed maturities can change significantly depending on the movement of interest rates and credit spreads. Since we purchase fixed maturities to back associated liabilities of similar duration, we typically hold these investments to maturity. As a result, we believe the fluctuating fair values of our investments, and related effects on AOCI, should be excluded from any evaluation of our stockholders' equity. By only considering GAAP measures, such as stockholders' equity, investors would not benefit from useful information that these non-GAAP measures provide. As an example, our AOCI improved $409.7 million, or 39%, from December 31, 2008 to June 30, 2009, due to credit market improvements and tightening of interest spreads. This contributed to a related increase in stockholders' equity over the same period of $477.5 million, or 167%. As a comparison, our adjusted book value increased $67.8 million, or 5%, during the same period. For a definition of these non-GAAP measures and other metrics used in our analysis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Use of non-GAAP Financial Measures."

(7) Adjusted book value per common share is calculated based on stockholders' equity less AOCI, divided by outstanding common shares of 92,646,295.

(8) Adjusted book value per common share, as converted gives effect to the exercise of the outstanding warrants and is calculated based on stockholders' equity less AOCI plus the assumed proceeds from the warrants, divided by outstanding common shares and shares subject to outstanding warrants, totaling 111,622,039.

(9) Return on stockholders' equity is calculated as net income divided by average stockholders' equity.

(10) Average stockholders' equity is derived by averaging ending stockholders' equity for the most recent five quarters.

(11) Management considers certain non-GAAP financial measures, including operating ROAE, to be useful supplements to comparable GAAP measures in evaluating our financial performance. Operating ROAE is calculated based on net operating income divided by average adjusted book value. The numerator and denominator of this measure have been reconciled to net income and stockholders' equity, respectively, their most comparable GAAP financial measures. We believe that the non-GAAP presentation of this measure is valuable because it enhances understanding of the efficiency with which we deploy our capital and provides a plain view of the performance of the insurance and underwriting aspects of our business. For a definition of these non-GAAP measures and other metrics used in our analysis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Use of non-GAAP Financial Measures."

(12) Average adjusted book value is derived by averaging ending adjusted book value for the most recent five quarters.

RISK FACTORS

You should carefully consider the following risks and other information in this prospectus before deciding to invest in shares of our common stock. Any of the risks described below could materially adversely affect our business, financial condition, results of operations and cash flows. In this event, the trading price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business

Markets in the United States and elsewhere have experienced extreme and unprecedented volatility and disruption, with adverse consequences to our liquidity, access to capital and cost of capital. Market conditions such as we have experienced since the second half of 2007 may significantly affect our ability to meet liquidity needs, including capital that may be required by our subsidiaries. We may seek additional debt or equity capital but be unable to obtain such capital.

We need liquidity to pay our policyholder benefits, operating expenses, interest on our debt and dividends on our capital stock, and to pay down or replace certain debt obligations as they mature. Without sufficient liquidity, we could be forced to curtail our operations, and our business could suffer. The principal sources of our liquidity are premiums earned on group life, health and individual insurance products, annuity considerations, deposit funds and cash flow from our investment portfolio and assets, consisting mainly of cash or assets that are generally readily convertible into cash. Sources of liquidity in normal markets also include a variety of short- and long-term instruments, including long-term debt and capital securities.

Disruptions, uncertainty or volatility in the financial markets may limit our access to capital required to operate our business and maintain desired financial ratios. These market conditions may limit our ability to access the capital necessary to grow our business in a timely manner, replace capital withdrawn by customers or raise new capital required by our subsidiaries as a result of volatility in the markets. As a result, we may be forced to delay raising capital, bear an unattractive cost of capital or be unable to raise capital at any price, which could decrease our profitability and significantly reduce our financial flexibility. Actions we might take to access financing may in turn cause rating agencies to reevaluate our ratings. Future deterioration of our capital position at a time when we are unable to access the long-term debt market could have a material adverse effect on our liquidity. Our internal sources of liquidity may prove to be insufficient.

Disruptions in the capital markets could adversely affect our ability to access sources of liquidity, as well as threaten to reduce our capital below a level that is consistent with our existing objectives. If this occurs, we may need to:

- further access external sources of capital, including the debt or equity markets;
- reduce or eliminate future stockholder dividends of our common stock;
- utilize unused borrowings for general corporate purposes;
- undertake additional capital management activities, including reinsurance transactions;
- limit or curtail sales of certain products and/or restructure existing products;
- undertake asset sales or internal asset transfers; and
- seek temporary or permanent changes to regulatory rules.

Certain of these actions may require regulatory approval and/or the approval of counterparties which are outside of our control or have economic costs associated with them.

We rely on our revolving credit facility as a potential source of liquidity which could be critical in enabling us to meet our obligations as they come due, particularly during periods when alternative sources of liquidity are limited. Our ability to borrow under this facility is conditioned on our satisfaction of covenants and other requirements contained in the facility, as described in “Description of Certain Indebtedness — Revolving Credit Facilities” on page 156. Our failure to satisfy these covenants and other requirements

would restrict our access to the facility when needed and, consequently, could have a material adverse effect on our financial condition and results of operations.

Difficult conditions in the credit and equity markets, and in the economy generally, have adversely affected and may continue to adversely affect our business and results of operations.

Conditions in the global capital markets and the economy generally, both in the United States and elsewhere around the world, have adversely affected our results of operations. The stress experienced by global capital markets that began in the second half of 2007 continued and substantially increased during the fourth quarter of 2008. While the second quarter of 2009 brought some turnaround in the capital markets, concerns about the availability and cost of credit, inflation, the U.S. mortgage market, the stability of banks and other financial institutions, and a declining real estate market in the United States continue and contribute to heightened market volatility and dampen expectations for the economy and the markets going forward. These factors, combined with declining business and consumer confidence, increased unemployment and volatile oil prices, have precipitated a sustained recession.

In particular, the credit, financial and economic crisis has had, and may have in the future, the following effects on our business and results of operations:

- significant losses in our investment portfolio, which have had an adverse effect on our stockholders' equity, statutory capital and net income;
- impairment of key business partners, including distribution partners and reinsurers;
- reduced demand for certain financial and insurance products due to financial hardships experienced by consumers and concern about the stability of the financial services industry;
- reduced demand for our insurance products and other related products and services in our group employer health insurance as employers have fewer employees requiring insurance coverage due to rising unemployment levels;
- less supply of appropriate investments to purchase to support our liabilities, therefore leading to higher cash balances yielding less than credited rates to our customers;
- an elevated incidence of claims, lapses or surrenders of policies, as some of our policyholders have chosen or may choose to defer or stop paying insurance premiums altogether, particularly in our Individual segment;
- increased scrutiny of our business and financial strength by ratings agencies (including negative ratings actions), regulators, agents who sell our products and other potential business partners; and
- increased utilization of health benefits by some insureds who may anticipate unemployment or loss of benefits.

In addition, general inflationary pressures may affect medical costs, increasing the costs of paying claims.

Our investment portfolio is subject to various risks that may diminish the value of our invested assets, reduce investment returns and erode capital.

The performance of our investment portfolio depends in part upon the level of and changes in interest rates and credit spreads, the overall performance of the economy, the creditworthiness of the specific obligors included in our portfolio, equity prices, liquidity and other factors, some of which are beyond our control. These factors could materially affect our investment results in any period and had an adverse impact on our investment results in 2008 and the first six months of 2009. In addition, given our reliance on external investment advisors, we could also be exposed to operational risks that may include, but are not limited to, a failure to follow our investment guidelines, technological and staffing deficiencies and inadequate disaster recovery plans.

Interest rate and credit spread risk

Fluctuations in interest rates and credit spreads can negatively affect the returns on our fixed maturity and short-term investments and can cause unrealized losses or reduce unrealized gains in our investment portfolios. Interest rates and credit spreads are highly sensitive to many factors, including governmental monetary policies, general investor sentiment, domestic and international economic and political conditions and other factors beyond our control.

The fair value of the fixed maturities in our portfolio and the investment income from these securities fluctuate depending on general economic and market conditions. The fair value generally increases or decreases in an inverse relationship with fluctuations in interest rates and credit spreads, while net investment income realized by us from future investments in fixed maturity securities will generally increase or decrease in step with interest rates and credit spreads. In addition, actual net investment income or cash flows from investments that carry prepayment risk, such as mortgage-backed and certain other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities, commercial mortgage obligations and other bonds in our investment portfolio are more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates, and we may be required to reinvest those funds in lower interest-bearing investments.

Because substantially all of our fixed maturities are classified as available-for-sale, changes in the fair value of these securities as described above are reflected as a component of comprehensive income. However, U.S. GAAP does not require similar fair value accounting treatment for the insurance liabilities that the fixed maturities support. Therefore, changes in the fair value of our fixed maturities caused by interest rate fluctuations are not offset in whole or in part by similar adjustments to the fair value of our insurance liabilities on the balance sheet.

In an attempt to mitigate these risks, we employ asset/liability matching strategies to reduce the adverse effects of interest rate volatility and to ensure that cash flows are available to pay claims as they become due. Our asset/liability matching strategies include:

- matching asset and liability cash flows;
- asset/liability duration management;
- structuring our fixed maturities and commercial mortgage loan portfolios to limit the effects of prepayments; and
- consistent monitoring of, and making appropriate changes to, the pricing of our products.

However, because these strategies may fail to eliminate or reduce the adverse effects of interest rate and credit spread volatility, significant fluctuations in the level of interest rates and credit spreads may have a material adverse effect on our financial condition, results of operations and cash flows.

Credit risk

From time to time, issuers of the fixed maturities that we own may default on principal and interest payments. Defaults by third parties in the payment or performance of their obligations could reduce our investment income and realized investment gains or result in realized investment losses. Further, the value of any particular fixed maturity security is subject to impairment based on the creditworthiness of a given issuer. Our fixed maturities portfolio also includes below investment grade securities, which generally provide higher expected returns but present greater risk and can be less liquid than investment grade securities. Further, an issuer’s inability to refinance or pay off debt could cause certain of our investment-grade maturities to present more significant credit risk than when we first invested. In addition, private equity buyouts could cause certain of our investment-grade fixed maturities to present more significant credit risk than when we first invested. A significant increase in defaults and impairments on our fixed maturities portfolio could materially adversely affect our financial condition, results of operations and cash flows. For further information on our fixed

maturities portfolio and credit-related impairments, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments.”

Issuers of the fixed maturities that we own may experience threats and performance deterioration that trigger rating agency downgrades. Although the issuers may not have defaulted on principal and interest payments with respect to these securities, we may be required by regulators and rating agencies to hold more capital in support of these investments. We could experience higher cost of capital and potential constraints on our ability to grow our business and maintain our own ratings.

Liquidity risk

Our investments in privately placed fixed maturities, mortgage loans, policy loans and limited partnership interests are relatively illiquid as compared to publicly traded fixed maturities and equities. If we require significant amounts of cash on short notice in excess of our normal cash requirements, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

A downgrade or a potential downgrade in our financial strength ratings could result in a loss of business.

Financial strength ratings, which various ratings organizations publish as measures of an insurance company’s ability to meet contractholder and policyholder obligations, are important to maintaining public confidence in our company and our products, the ability to market our products and our competitive position. Our principal life insurance company subsidiary, Symetra Life Insurance Company, has financial strength ratings of “A” (“Excellent,” third highest of 16 ratings) with a stable outlook from A.M. Best, “A” (“Strong,” sixth highest of 21 ratings) with a negative outlook from Standard & Poor’s, or S&P, “A3” (“Good,” seventh highest of 21 ratings) with a stable outlook from Moody’s and “A+” (“Strong,” fifth highest of 24 ratings) with a negative outlook from Fitch.

A downgrade in our financial strength ratings, or the announced potential for a downgrade, could have an adverse effect on our financial condition, results of operations and cash flows in several ways, including:

- reducing new sales of insurance products, annuities and other investment products;
- limiting our ability to offer structured settlement products;
- adversely affecting our relationships with independent sales intermediaries and our dedicated sales specialists;
- materially increasing the number or amount of policy surrenders and withdrawals by contractholders and policyholders;
- requiring us to reduce prices for many of our products and services to remain competitive; and
- adversely affecting our ability to obtain reinsurance or obtain reasonable pricing on reinsurance.

Defaults or volatility of performance in our commercial mortgage loans may adversely affect our profitability.

Our mortgage loans, which are collateralized by commercial properties, are subject to default risk. The carrying value of commercial mortgage loans is stated at outstanding principal less a valuation allowance. Our allowance provides for the risk of credit loss. The allowance includes a portfolio reserve for probable incurred but not specifically identified losses and loan specific reserves for non-performing loans. At June 30, 2009 and December 31, 2008, no mortgage loans were considered non-performing. The performance of our mortgage loan portfolio, however, may decline in the future. In addition, substantially all of our loans have balloon payment maturities. An increase in the default rate of our mortgage loan investments, caused by current or worsening economic conditions or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

Further, any geographic concentration of our commercial mortgage loans may have adverse effects on our loan portfolio and, consequently, on our consolidated results of operations or financial condition. While we seek to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on our loan portfolio. At June 30, 2009, approximately 29.3% of our commercial mortgage loans were located in California, 19.9% were located in Washington and 10.8% were located in Texas.

For additional information on our mortgage loan portfolio, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Investments — Mortgage Loans.”

Gross unrealized losses on fixed maturity and equity securities may be realized or result in future impairments, resulting in a reduction in our net income.

Fixed maturity and equity securities classified as available-for-sale are reported at their estimated fair value. Unrealized gains or losses on available-for-sale securities are recognized as a component of AOCI and are, therefore, excluded from net income. Our gross unrealized losses on available-for-sale fixed maturity and equity securities at June 30, 2009 were $1.4 billion. The portion of the gross unrealized losses for fixed maturity and equity securities where the estimated fair value has declined and remained below amortized cost or cost by 20% or more for six months or greater was $611.7 million at June 30, 2009. The accumulated change in estimated fair value of these available-for-sale securities is recognized in net income when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be other-than-temporary and an impairment charge is taken. Realized losses or impairments will have a material adverse affect on our net income in a particular quarterly or annual period.

Fluctuations in interest rates and interest rate spreads could adversely affect our financial condition, results of operations and cash flows.

Certain of our insurance and investment products, such as fixed annuities and universal life insurance, are sensitive to interest rate fluctuations and expose us to the risk that falling interest rates will reduce the “spread,” or the difference between the returns we earn on the investments that support our obligations under these products and the amounts that we must credit to policyholders and contractholders. This risk is exacerbated due to the existence of guaranteed minimum crediting rates established by our contracts and regulatory authorities and restrictions on the timing and frequency with which we can adjust our crediting rates. Accordingly, falling interest rates could have an adverse effect on our financial condition, results of operations and cash flows. Additionally, we may see interest rate fluctuations due to potential future inflation resulting from economic stimulus spending.

Our interest rate spreads and associated investment margins related to these spreads vary by product as follows:

- The interest rate spread on our Retirement Services segment’s fixed deferred annuity products was 1.73%, 1.67% and 1.68% for the six months ended June 30, 2009 and for the years ended December 31, 2008 and 2007, respectively, which yielded investment margins of $61.8 million, $89.8 million and $84.3 million, respectively.
- The interest rate spread on our Income Annuities segment’s products was 0.61%, 0.59% and 0.60% for the six months ended June 30, 2009 and for the years ended December 31, 2008 and 2007, respectively, which yielded investment margins of $21.2 million, $39.2 million and $43.0 million, respectively.
- The interest rate spread on our Individual segment’s universal life insurance products was 1.22%, 1.14% and 1.23% for the six months June 30, 2009 and for the years ended December 31, 2008 and 2007, respectively, which yielded investment margins of $5.1 million, $10.2 million and $10.2 million, respectively.

During periods of rising interest rates, we may determine to offer higher crediting rates on new sales of interest-sensitive products and to increase crediting rates on existing in force products, in each case in order

to maintain or enhance product competitiveness. In addition, periods of rising interest rates may cause increased policy surrenders, withdrawals and requests for policy loans as policyholders and contractholders allocate their assets into higher yielding investments. Increases in crediting rates, as well as surrenders and withdrawals, could have an adverse effect on our financial condition, results of operations and cash flows.

We calculate reserves for long-term disability and life waiver of premium claims using net present value calculations based on the actual interest rates in effect at the time claims are funded, as well as our expectations for future interest rates. Waiver of premium refers to a provision in a life insurance policy pursuant to which an insured with total disability, which has lasted for a minimum specified period, continues to receive life insurance coverage but no longer has to pay premiums for the duration of the disability or for a stated period. During periods of declining interest rates, reserves for new claims are calculated using lower discount rates, thereby increasing the net present value of those claims and the required reserves. Further, if actual interest rates used to establish reserves on open claims prove to be lower than our original expectations, we would be required to increase such reserves accordingly. As such, the increase in net present value calculations caused by declines in interest rates could have an adverse effect on our financial condition, results of operations and cash flows.

Our term life insurance products also expose us to the risk of interest rate fluctuations. The pricing and expected future profitability of these products are based in part on expected investment returns. Over time, term life insurance products generally produce positive cash flows as customers pay periodic premiums, which we invest as we receive them. Lower than expected interest rates may reduce our ability to achieve our targeted investment margins and may adversely affect our financial condition, results of operations and cash flows.

Our valuation of fixed maturity securities may include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to investment valuations that may materially adversely affect our results of operations or financial condition.

Fixed maturities are reported at fair value on our consolidated balance sheets and represent 92% of our invested assets. The accounting guidance regarding Fair Value Measurements establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The level in the fair value hierarchy is based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). As of both June 30, 2009 and December 31, 2008, approximately 95% and 5% of our fixed maturities were categorized as Level 2 and Level 3 investments, respectively. The determination of estimated fair values by management are made at a specific point in time, based on available market information and judgments regarding the timing and amounts of expected future cash flows and the credit standing of the issuer. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts. For additional information on our valuation methodology, see Note 7 to our audited consolidated financial statements.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain of our securities (for example, corporate private placements) if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation as well as valuation methods that require greater estimation, which could result in values that are different from the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within our consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value will have a material adverse effect on our results of operations or financial condition.

Downturns and volatility in equity markets could adversely affect the marketability of our products and our profitability.

Significant downturns and volatility in equity markets could have an adverse effect on our business in various ways. Market downturns and volatility may discourage purchases of separate account products, such as variable annuities and variable life insurance, which have returns linked to the performance of the equity markets and may cause some existing customers to withdraw cash values or reduce investments in those products.

Further, downturns and volatility in equity markets can have an adverse effect on the revenues and returns from our separate account products. Because these products depend on fees related primarily to the value of assets under management, a decline in the equity markets could reduce our revenues by reducing the value of the investment assets we manage.

We hold common stock and equity-like investments, primarily in our Income Annuities segment, that represent 1.1% of the fair value of our total invested assets as of June 30, 2009. Investments in common stock or equity-like securities generally provide higher expected total returns over the long term but present greater risk to preservation of principal than do our fixed income investments.

If our reserves for future policy benefits and claims are inadequate, we would be required to increase our reserve liabilities.

We calculate and maintain reserves for estimated future benefit payments to our policyholders and contractholders in accordance with U.S. GAAP. We release these reserves as those future obligations are extinguished. The reserves we establish necessarily reflect estimates and actuarial assumptions with regard to our future experience. These estimates and actuarial assumptions involve the exercise of significant judgment. Our future financial results depend upon the extent to which our actual future experience is consistent with the assumptions we have used in pricing our products and determining our reserves. Many factors can affect future experience, including economic, political and social conditions, inflation, healthcare costs and changes in doctrines of legal liability and damage awards in litigation. Therefore, we cannot predict the ultimate amounts we will pay for actual future benefits or the timing of those payments.

We regularly monitor our reserves. If we conclude that our reserves are insufficient to cover actual or expected policy and contract benefits and claims payments, we would be required to increase our reserves and incur income statement charges in the period in which we make the determination, which could adversely affect our financial condition and results of operations.

We may face unanticipated losses if there are significant deviations from our assumptions regarding the probabilities that our insurance policies or annuity contracts will remain in force from one period to the next or if morbidity and mortality rates differ significantly from our pricing expectations.

The prices and expected future profitability of our insurance and annuity products are based in part upon expected patterns of premiums, expenses and benefits, using a number of assumptions, including those related to persistency, mortality and morbidity. Persistency is the probability that a policy or contract will remain in force from one period to the next. The effect of persistency on profitability varies for different products. For most of our products, actual persistency that is lower than our assumptions could have an adverse impact on profitability, especially in the early years of a policy or contract primarily because we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy or contract. In addition, we may need to sell investments at a loss to fund withdrawals. For some of our life insurance policies, actual persistency in later policy durations that is higher than our persistency assumptions could have a negative impact on profitability. If these policies remain in force longer than we assumed, then we could be required to make greater benefit payments than we had anticipated when we priced these products.

In addition, we set prices for our insurance and certain annuity products based upon expected claims and payment patterns, using assumptions for, among other factors, morbidity rates and mortality rates of our

policyholders and contractholders. The long-term profitability of these products depends upon how our actual experience compares with our pricing assumptions. For example, if morbidity rates are higher, or mortality rates are lower, than our pricing assumptions, we could be required to make greater payments under certain annuity contracts than we had projected.

Because our assumptions are inherently uncertain, reserves for future policy benefits and claims may prove to be inadequate if actual experience is different from our assumptions. Although certain of our products permit us to increase premiums or reduce benefits during the life of the policy or contract, these changes may not be sufficient to maintain profitability. Moreover, many of our products either do not permit us to increase premiums or reduce benefits or may limit those changes during the life of the policy or contract. Therefore, significant deviations in experience from our assumptions regarding persistency and mortality and morbidity rates could have an adverse effect on our financial condition, results of operations and cash flows.

We may be required to accelerate the amortization of deferred policy acquisition costs, which would increase our expenses and reduce profitability.

Deferred policy acquisition costs, or DAC, represent certain costs which vary with and are primarily related to the sale and issuance of our products and are deferred and amortized over the estimated life of the related contracts. These costs include commissions in excess of ultimate renewal commissions and certain other sales incentives, solicitation and printing costs, sales material and other costs, such as underwriting and contract and policy issuance expenses. Under U.S. GAAP, DAC is amortized through income over the lives of the underlying contracts in relation to the anticipated recognition of premiums or gross profits for most of our products.

Our amortization of DAC generally depends upon anticipated profits from investments, surrender and other policy and contract charges, mortality, morbidity and maintenance and expense margins. Unfavorable experience with regard to expected expenses, investment returns, mortality, morbidity, withdrawals or lapses may cause us to increase the amortization of DAC, resulting in higher expenses and lower profitability.

We regularly review our DAC asset balance to determine if it is recoverable from future income. The portion of the DAC asset balance deemed to be unrecoverable, if any, is charged to expense in the period in which we make this determination. For example, if we determine that we are unable to recover DAC from profits over the life of a book of business of insurance policies or annuity contracts, we would be required to recognize the unrecoverable DAC amortization as a current-period expense. As of June 30, 2009, we had $307.4 million of DAC. Our amortization of DAC was $22.6 million during the six months ended June 30, 2009.

The occurrence of natural disasters, disease pandemics, terrorism or military actions could adversely affect our financial condition, results of operations and cash flows.

Our financial condition and results of operations are at risk of material adverse effects that could arise from catastrophic mortality and morbidity due to natural disasters, including floods, tornadoes, earthquakes and hurricanes, disease pandemics (e.g., H1N1 virus), terrorism and military actions. Such events could also lead to unexpected changes in persistency rates as policyholders and contractholders who are affected by the disaster may be unable to meet their contractual obligations, such as payment of premiums on our insurance policies or deposits into our investment products. The continued threat of terrorism and ongoing military actions may cause significant volatility in global financial markets, and a natural disaster or a disease pandemic could trigger an economic downturn in the areas directly or indirectly affected by the disaster. The effectiveness of external parties, including governmental and nongovernmental organizations, in combating the spread and severity of a disease pandemic could have a material impact on the losses experienced by us. Further, in our group health and life insurance operations, a localized event that affects the workplace of one or more of our customers could cause a significant loss due to mortality or morbidity claims.

We rely on reinsurance arrangements to help manage our business risks, and failure to perform by the counterparties to our reinsurance arrangements may expose us to risks we had sought to mitigate.

We utilize reinsurance to mitigate our risks in various circumstances. Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers. The total reinsurance recoverable amount due from reinsurers was $266.4 million as of June 30, 2009. Our reinsurers may be unable or unwilling to pay the reinsurance recoverable owed to us now or in the future or on a timely basis. A reinsurer's insolvency, inability or unwillingness to make payments under the terms of its reinsurance agreement with us could have an adverse effect on our financial condition, results of operations and cash flows.

Reinsurance may not be available, affordable or adequate to protect us against losses.

As part of our overall risk management strategy, we purchase reinsurance for certain risks underwritten by our various business segments. For example, we reinsure the mortality risk in excess of $0.5 million for most of our individual life insurance policies. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond our control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also increase. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will reduce our earnings. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business or result in the assumption of more risk with respect to those policies we issue.

The availability and cost of these reinsurance arrangements are subject to market conditions that are beyond our control. As a result, in the future, we may not be able to enter into reinsurance arrangements on attractive terms, if at all.

We may be unable to attract and retain independent sales intermediaries and dedicated sales specialists.

We distribute our products through financial intermediaries, independent producers and dedicated sales specialists. We compete with other financial institutions to attract and retain commercial relationships in each of these channels, and our success in competing for sales through these sales intermediaries depends upon factors such as:

- the amount of sales commissions and fees we pay;
- the breadth of our product offerings;
- the strength of our brand;
- our perceived stability and our financial strength ratings;
- the marketing and services we provide to them; and
- the strength of the relationships we maintain with individuals at those firms.

Our competitors may be effective in providing incentives to existing and potential distribution partners to favor their products or to reduce sales of our products. Our contracts with our distribution partners generally allow either party to terminate the relationship upon short notice. Our distribution partners do not make minimum purchase commitments, and our contracts do not prohibit our partners from offering products that compete with ours. Accordingly, our distribution partners may choose not to offer our products exclusively or at all, or may choose to exert insufficient resources and attention to selling our products.

Our future success is highly dependent on maintaining and growing both existing and new distribution relationships. We may have little or no contact with end customers of our products. As a result, we have little to no brand awareness with end customers which makes it more difficult to respond to evolving customer needs, thereby increasing our reliance on our distribution partners.

From time to time, due to competitive forces, we may experience unusually high attrition in particular sales channels for specific products. An inability to recruit productive independent sales intermediaries and dedicated sales specialists, or our inability to retain strong relationships with the individual agents at our independent sales intermediaries, could have an adverse effect on our financial condition, results of operations and cash flows.

Consolidation among distributors or potential distributors of our products may adversely affect the profitability of our business.

We distribute many of our products through financial institutions such as banks and broker-dealers. As capital, credit and equity markets continue to experience volatility, bank and broker-dealer consolidation activity may increase and negatively impact our sales, and such consolidation could increase competition for access to distributors, result in greater distribution expenses and impair our ability to market our products to our current customer base or to expand our customer base. As a result of recent consolidation in the financial services industry, a single financial institution accounted for a significant portion of our fixed annuity product sales in 2008 and through June 30, 2009. See “Business — Distribution.” If our relationship with this financial institution were to deteriorate, it is likely that we would experience a decline in our sales of such products.

Intense competition could adversely affect our ability to maintain or increase our market share and profitability.

Our businesses are subject to intense competition. We believe the principal competitive factors in the sale of our products are product features, price, commission structure, marketing and distribution arrangements, brand, reputation, financial strength ratings and service. Many other companies actively compete for sales in our retirement services, income annuity, individual and group markets, including other major insurers, banks, other financial institutions, mutual fund and asset management firms and specialty providers.

In many of our product lines, we face competition from companies that have greater market share or breadth of distribution, offer a broader range of products, services or features, assume a greater level of risk, have lower profitability expectations or have higher financial strength ratings than we do. Many competitors offer similar products and use similar distribution channels. The substantial expansion of banks’ and insurance companies’ distribution capacities and expansion of product features in recent years have intensified pressure on margins and production levels and have increased the level of competition in many of our product lines.

Our risk management policies and procedures may not be effective or may leave us exposed to unidentified or unanticipated risk, which could negatively affect our business.

Management of operational, legal and regulatory risks requires effective policies and procedures to record, verify and report on a large number of transactions and events. We have devoted resources to develop our policies and procedures to mitigate these risks and expect to continue to do so in the future. Even so, these policies and procedures may not be fully effective to mitigate all of these risks. Many of our methods for managing these risks and exposures are based upon historical statistical models and observed market behavior. As such, our methods may not be able to predict all future exposures. These could be significantly greater than our historical measures have indicated. In addition, our distribution network consists of a large number of third party agents and requires the implementation and oversight of policies and procedures to ensure that we are not unduly subjected to reputational, financial or other risks attributable to such third party agents. Other risk management methods depend upon the evaluation of information regarding markets and clients, or other matters that are publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated.

Changes in accounting standards issued by the Financial Accounting Standards Board or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are subject to the application of U.S. generally accepted accounting principles, which are periodically revised and/or expanded by recognized authorities, including the Financial Accounting Standards Board. Future accounting standards could change the current accounting treatment that we apply to our consolidated financial statements and such changes could have a material adverse effect on our reported financial condition and results of operations.

The failure to maintain effective and efficient information systems could adversely affect our business.

Our business is dependent upon our ability to keep pace with technological advances. Our ability to keep our systems fully integrated with those of our clients is critical to the operation of our business. Our failure to update our systems to reflect technological advancements or to protect our systems may adversely affect our relationships and ability to do business with our clients.

In addition, our business depends significantly on effective information systems, and we have many different information systems for our various businesses. We have committed and will continue to commit significant resources to develop, maintain and enhance our existing information systems and develop new information systems in order to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. Our failure to maintain effective and efficient information systems could have a material adverse effect on our financial condition and results of operations. If we do not maintain adequate systems, we could experience adverse consequences, including:

- inadequate information on which to base pricing, underwriting and reserving decisions;
- inadequate information for accurate financial reporting;
- the loss of existing customers;
- difficulty in attracting new customers;
- customer, provider and agent disputes;
- regulatory compliance problems, such as failure to meet prompt payment obligations;
- litigation exposure; or
- increases in administrative expenses.

If we are unable to maintain the availability of our systems and safeguard the security of our data, our ability to conduct business will likely be compromised, which may have a material adverse effect on our financial condition, results of operations and cash flows.

We use computer systems to store, retrieve, evaluate and use customer and company data and information. Additionally, our computer and information technology systems interface with and rely upon third party systems. Our business is highly dependent on our ability, and the ability of our affiliates, to access these systems to perform necessary business functions. This includes providing insurance quotes, processing premium payments, providing customer support, filing and paying claims and making changes to existing policies. Systems outages or outright failures would compromise our ability to perform these functions in a timely manner. This could hurt our relationships with our business partners and customers and harm our ability to conduct business. In the event of a disaster such as a blackout, a computer virus, an industrial accident, a natural catastrophe, a terrorist attack or war, our systems may not be available to our employees, customers or business partners for an extended period of time. If our employees are able to report to work, yet our systems or our data are destroyed or disabled, they may be unable to perform their duties for an extended period of time. Our systems could also be subject to similar disruptions due to physical and electronic break-ins or other types of unauthorized tampering with our systems. This may interrupt our business operations and may have a material adverse effect on our financial condition, results of operations and cash flows.

Failure to protect our clients' confidential information and privacy could adversely affect our business.

A number of our businesses are subject to privacy regulations and to confidentiality obligations. For example, the collection and use of patient data in our Group segment is the subject of national and state legislation, including the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and certain of the activities conducted by our businesses are subject to the privacy regulations of the Gramm-Leach-Bliley Act. We also have contractual obligations to protect certain confidential information we obtain from our existing vendors and clients. These obligations generally include protecting such confidential information in the same manner and to the same extent as we protect our own confidential information. The actions we take to protect such confidential information vary by business segment and may include, among other things:

- training and educating our employees regarding our obligations relating to confidential information;
- actively monitoring our record retention plans and any changes in state or federal privacy and compliance requirements;
- drafting appropriate contractual provisions into any contract that raises proprietary and confidentiality issues;
- maintaining secure storage facilities for tangible records; and
- limiting access to electronic information.

In addition, we must develop, implement and maintain a comprehensive written information security program with appropriate administrative, technical and physical safeguards to protect such confidential information. If we do not properly comply with privacy regulations and protect confidential information, we could experience adverse consequences, including regulatory sanctions, such as penalties, fines and loss of license, as well as loss of reputation and possible litigation.

Our business could be interrupted or compromised if we experience difficulties arising from outsourcing relationships.

We outsource certain technology and business functions to third parties, including a significant portion of our information technology function, and expect to continue to do so in the future. If we do not maintain an effective outsourcing strategy or third party providers do not perform as contracted, we may experience operational difficulties, increased costs and a loss of business that could have a material adverse effect on our consolidated results of operations.

Our credit facility subjects us to restrictive covenants that impose operating and financial restrictions on our operations and could limit our ability to grow our business.

We entered into a $200.0 million revolving credit facility on August 16, 2007. On February 12, 2009, Bank of America, N.A. issued a notice of default to Lehman Commercial Paper, Inc., one of the lending institutions in the syndicate with a commitment of $20.0 million, effectively limiting our ability to borrow under the revolving credit facility to $180.0 million. As of June 30, 2009, we had no balance outstanding under this facility. In connection with this facility, we have made covenants that may impose significant operating and financial restrictions on us. These restrictions limit the incurrence of additional indebtedness by our subsidiaries, limit the ability of us and our subsidiaries to create liens and impose certain other operating limitations. These restrictions could limit our ability to obtain future financing or take advantage of business opportunities. Furthermore, our credit facility requires us and our insurance subsidiaries to maintain specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If we are unable to comply with the covenants and ratios in our credit facility, we may be deemed in default under the facility, or we may be required to pay substantial fees or penalties to the lenders to obtain a waiver of any such default. Either development could have a material adverse effect on our business.

We may need additional capital in the future, which may not be available to us on favorable terms. Raising additional capital could dilute your ownership in the Company and may cause the market price of our common stock to fall.

We may need to raise additional funds through public or private debt or equity financings in order to:

- fund liquidity needs;
- refinance our senior notes or our Capital Efficient Notes (CENts);
- satisfy letter of credit or guarantee bond requirements that may be imposed by our clients or by regulators;
- acquire new businesses or invest in existing businesses;
- grow our business;
- otherwise respond to competitive pressures;
- maintain adequate risk-based capital; or
- maintain our target ratings from rating agencies.

Any additional capital raised through the sale of equity will dilute your ownership percentage in our company and may decrease the market price of our common stock. Furthermore, the securities may have rights, preferences and privileges that are senior or otherwise superior to those of our common stock. Any additional financing we may need may not be available on terms favorable to us.

To be eligible for borrowing under our revolving credit facility, we must not be in default of any payment obligations, covenants or other requirements set forth in the facility, and the representations and warranties that we make under the facility must continue to be true in all material respects. Accordingly, it is possible that we may not meet these requirements in the future and may not be eligible to borrow under our credit facility.

In connection with the CENts offering, we entered into a covenant that may limit our ability to undertake certain additional types of financing to repay or redeem the CENts.

Risks Related to Our Industry

Our industry is highly regulated and changes in regulations affecting our businesses may reduce our profitability and limit our growth.

Our insurance businesses are heavily regulated and are subject to a wide variety of laws and regulations in various jurisdictions. State insurance laws regulate most aspects of our insurance businesses and our insurance subsidiaries are regulated by the insurance departments of the various states in which they are domiciled and licensed.

State laws in the United States grant insurance regulatory authorities broad administrative powers with respect to various aspects of our insurance businesses, including:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving policy forms;
- regulating unfair trade and claims practices, including the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;

- establishing statutory capital and reserve requirements and solvency standards;
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;
- requiring regular market conduct examinations;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and
- regulating the types, amounts and valuation of investments.

State insurance regulators and the National Association of Insurance Commissioners, or NAIC, regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and thus could have an adverse effect on our business.

Currently, the U.S. federal government does not regulate directly the business of insurance. However, federal legislation and administrative policies in several areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. In addition, various forms of direct federal regulation of insurance have been proposed. These proposals include direct federal regulation of insurance through an optional federal charter and enhanced federal oversight through an Office of National Insurance. We cannot predict whether these or other proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws may have on our financial condition, results of operations and cash flows.

Many of our customers and independent sales intermediaries also operate in regulated environments. Changes in the regulations that affect their operations also may affect our business relationships with them and their ability to purchase or to distribute our products.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance efforts and other expenses of doing business.

U.S. federal and state securities laws apply to investment products that are also securities, including variable annuities and variable life insurance policies. As a result, some of our subsidiaries and the policies and contracts they offer are subject to regulation under these federal and state securities laws. Some of our insurance subsidiaries' separate accounts are registered as investment companies under the Investment Company Act of 1940. Some subsidiaries are registered as broker-dealers under the Securities Exchange Act of 1934, as amended, or Exchange Act, and are members of, and subject to regulation by, the Financial Industry Regulatory Authority, or FINRA. In addition, one of our subsidiaries also is registered as an investment adviser under the Investment Advisers Act of 1940.

Securities laws and regulations are primarily intended to ensure the integrity of the financial markets and to protect investors in the securities markets or investment advisory or brokerage clients. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with those laws and regulations.

Legal and regulatory investigations and actions are increasingly common in the insurance business and may result in financial losses and harm our reputation.

We face a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In our insurance operations, we may become subject to class actions and we are or may become subject to individual suits relating, among other things, to sales or underwriting practices, payment of contingent or other sales commissions, claims payments and procedures, product design, disclosure, administration, additional premium charges for premiums paid on a periodic basis, denial or delay

of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts, including punitive and treble damages, which may remain unknown for substantial periods of time.

For example, the mutual fund and insurance industry has been the focus of increased scrutiny and class action lawsuits related to "revenue sharing" practices by mutual funds with service providers and others in offering mutual fund investments in qualified retirement plans. The lawsuits allege that service providers were involved in self-dealing and prohibited transactions under the Employee Retirement Income Security Act, or ERISA. The outcome of these lawsuits is unknown. We have not been the subject of any inquiries or lawsuits regarding these practices. In addition, annuity sales to seniors are coming under increased scrutiny by FINRA and state insurance regulators, and have been the source of industry litigation in situations where annuity sales have allegedly been unsuitable for the seniors' financial needs.

We are also subject to various regulatory inquiries, such as information requests, subpoenas, market conduct exams and books and record examinations, from state and federal regulators and other authorities which may result in fines, recommendations for corrective action or other regulatory actions.

Current or future investigations and proceedings could have an adverse effect on our business. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have an adverse effect on our business. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal actions or precedents and industry-wide regulations or practices that could adversely affect our business.

Proposals for national health care reform could have a material adverse effect on the profitability or marketability of the health insurance products that we sell.

In our Group segment, we sell group medical stop-loss insurance and limited benefit employee health plans to employer groups. Addressing the affordability and availability of health insurance, including reducing the number of uninsured, is a major initiative of President Obama and members of the U.S. Congress, and proposals that would address these issues are pending in the U.S. Congress and in many states. The proposals vary, and include a public health plan and other private health plans for individual and small business customers, individual insurance mandates, the expansion of eligibility under existing Medicaid and/or Federal Employees Health Benefit Plan programs, minimum medical benefit ratios for health plans, mandatory issuance of insurance coverage and requirements that would limit the ability of health plans and insurers to vary premiums based on assessments of underlying risk. While certain of these measures would adversely affect us, at this time we cannot predict whether they will be enacted, and if enacted, the extent of the impact of these proposals on our business or results of operations. If any of these initiatives ultimately becomes effective, it could have a material adverse effect on the profitability or marketability of the health insurance products and services we sell and on our financial condition, results of operations and cash flows.

Medical advances, such as genetic research and diagnostic imaging, and related legislation could adversely affect the financial performance of our life insurance and annuities businesses.

Genetic research includes procedures focused on identifying key genes that render an individual predisposed to specific diseases such as particular types of cancer and other diseases. Other medical advances, such as diagnostic imaging technologies, may be used to detect the early onset of diseases such as cancer and cardiovascular disease. We believe that if individuals learn through medical advances that they are predisposed to particular conditions that may reduce life longevity or require long-term care, they will be more likely to purchase our life insurance policies or not to permit existing polices to lapse. In contrast, if individuals learn that they lack the genetic predisposition to develop the conditions that reduce longevity, they will be less likely to purchase our life insurance products but more likely to purchase certain annuity products. In addition, such individuals that are existing policyholders will be more likely to permit their policies to lapse.

If we were to gain access to the same genetic or medical information as our prospective policyholders and contractholders, then we would be able to take this information into account in pricing our life insurance

policies and annuity contracts. However, a growing body of law imposes limitations on an insurer's ability to use genetic information in underwriting.

Medical advances also could lead to new forms of preventive care. Preventive care could extend the life and improve the overall health of individuals. If this were to occur, the duration of payments under certain of our annuity products likely would increase, thereby reducing net earnings in that business.

Changes in tax laws could make some of our products less attractive to consumers and as a result have an adverse effect on our business.

Congress, from time to time, considers legislation that could make our products less attractive to consumers, including legislation that would reduce or eliminate the benefits derived from the tax deferred nature of life insurance and annuity products.

In addition, changes in tax laws could increase our tax liability or increase our reporting obligations. For example, in May 2009, President Obama released additional information about the tax proposals contained in his Fiscal Year 2010 Budget (the "Budget"). There are several proposals included in the Budget that are significant for life insurance companies. Those proposals include: modifying the dividends-received deduction for life insurance company separate accounts; requiring information reporting for private separate accounts of life insurance companies; imposing new reporting requirements and transfer-for-value rules on purchasers of certain life insurance contracts; expanding the interest expense disallowance for corporate-owned life insurance; requiring information reporting on payments to corporations; and increasing information return penalties. These proposals not only could increase our tax liabilities but also could reduce the attractiveness of certain products we sell. These proposals may not be enacted or may be modified by Congress prior to enactment.

Furthermore, the federal estate tax, which has undergone a gradual repeal since 2001 that will continue to be phased in through 2010, is scheduled to revert to pre-2001 law as of January 1, 2011. The repeal of and continuing uncertainty regarding the federal estate tax may adversely affect sales and surrenders of some of our estate planning products.

Failures elsewhere in the insurance industry could obligate us to pay assessments through guaranty associations.

When an insurance company becomes insolvent, guaranty associations in each of the 50 states levy assessments upon all companies licensed to write insurance in the relevant lines of business in that state, and use the proceeds to pay claims of policyholder residents of that state, up to the state-specific limit of coverage. The total amount of the assessment is based on the number of insured residents in each state, and each company's assessment is based on its proportionate share of premium volume in the relevant lines of business and could have an adverse effect on our results of operations. The failure of a large life, health or annuity insurer could trigger guaranty association assessments which we would be obligated to pay.

Risks Relating to this Offering and Ownership of Our Common Stock

As a holding company, Symetra Financial Corporation depends on the ability of its subsidiaries to transfer funds to it to meet its obligations and pay dividends.

Symetra Financial Corporation is a holding company for its insurance and financial subsidiaries with no significant operations of its own. Its principal sources of cash to meet its obligations and to pay dividends consist of dividends from its subsidiaries and permitted payments under tax sharing agreements with its subsidiaries. State insurance regulatory authorities limit the payment of dividends by insurance subsidiaries. Based on our statutory results as of December 31, 2008, our insurance subsidiaries may pay dividends to us of up to $117.9 million in the aggregate during 2009 without obtaining regulatory approval, provided that the aggregate dividends paid over the twelve months preceding any dividend payment made during 2009 do not exceed the $117.9 million limit. Competitive pressures generally require our insurance subsidiaries to maintain

financial strength ratings, which are partly based on maintaining certain levels of capital. These restrictions and other regulatory requirements, such as minimum required risk-based capital ratios, affect the ability of our insurance subsidiaries to make dividend payments. Limits on the ability of the insurance subsidiaries to pay dividends could adversely affect our liquidity, including our ability to pay dividends to stockholders and service our debt.

There are a number of other factors that could affect our ability to pay dividends, including the following:

- lack of availability of cash to pay dividends due to changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;
- unexpected or increased operating or other expenses or changes in the timing thereof;
- restrictions under Delaware law or other applicable law on the amount of dividends that we may pay;
- a decision by our board of directors to modify or revoke its policy to pay dividends; and
- the other risks described under “Risk Factors.”

The failure to maintain or pay dividends could adversely affect the trading price of our common stock.

There may not be an active, liquid trading market for our common stock.

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which an active trading market with adequate liquidity will develop. If an active trading market does not develop, you may have difficulty selling any of our common stock that you purchase and the value of your shares may be impaired.

If securities or industry analysts do not publish research or reports about our business, if they change their recommendations regarding our stock adversely or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us, our business or our industry. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

As a public company, we will become subject to additional financial and other reporting and corporate governance requirements.

We have historically operated our business as a private company. After this offering, we will become obligated to file with the Securities and Exchange Commission, or SEC, annual and quarterly information and other reports that are specified in Section 13 of the Exchange Act. We will also be required to ensure that we have the ability to prepare financial statements that are fully compliant with all SEC reporting requirements on a timely basis. We will also become subject to other reporting and corporate governance requirements, including the requirements of the NYSE and certain provisions of the Sarbanes-Oxley Act of 2002 and the regulations promulgated thereunder, which will impose significant compliance obligations upon us. As a public company, we will be required to:

- prepare and distribute periodic public reports and other stockholder communications in compliance with our obligations under the federal securities laws and NYSE rules;
- create or expand the roles and duties of our board of directors and committees of the board;
- institute more comprehensive financial reporting and disclosure compliance functions;

- involve and retain to a greater degree outside counsel and accountants in the activities listed above;
- enhance our investor relations function;
- establish new internal policies, including those relating to disclosure controls and procedures; and
- comply with the Sarbanes-Oxley Act of 2002, in particular Section 404 and Section 302.

These changes will require a significant commitment of additional expense and other resources. We may not be successful in implementing these requirements and implementing them could adversely affect our business or operating results. In addition, if we fail to implement the requirements with respect to our internal accounting and audit functions, our ability to report our operating results on a timely and accurate basis could be impaired.

Significant stockholders may be able to influence the direction of our business.

Upon completion of this offering, our principal stockholders, affiliates of White Mountains Insurance Group, Ltd. and Berkshire Hathaway Inc., will beneficially own approximately % and % of our outstanding shares of common stock, respectively. On matters that are brought to stockholders for their vote, they would continue to have the ability to significantly influence all matters requiring stockholder approval, including the nomination and election of directors and the determination of the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including amendments to our certificate of incorporation, potential mergers or acquisitions, asset sales and other significant corporate transactions. The interests of our principal stockholders may not coincide with the interests of the other holders of our common stock.

Our internal control over financial reporting does not currently meet the standards required by Section 404 of the Sarbanes-Oxley Act of 2002, and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a privately held company, we have not been required to maintain internal control over financial reporting in a manner that meets the standards of publicly traded companies required by Section 404 of the Sarbanes-Oxley Act, standards that we may be required to meet in the course of preparing our consolidated financial statements as of and for the year ended December 31, 2010. Although we have documentation of our internal controls, we do not document or test our compliance with these controls on a periodic basis in accordance with Section 404 of the Sarbanes-Oxley Act.

If, as a public company, we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to attest to the adequacy of our internal control over financial reporting. If we are unable to maintain adequate internal control over financial reporting, we may be unable to report our financial information on a timely basis, may suffer adverse regulatory consequences or violations of applicable stock exchange listing rules and may breach the covenants under our revolving credit facilities and our senior notes. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in our financial statements is also likely to suffer if we or our independent registered public accounting firm report a material weakness in our internal control over financial reporting. In addition, we will incur incremental costs in order to improve our internal control over financial reporting and comply with Section 404, including increased auditing and legal fees and costs associated with hiring additional accounting and administrative staff.

Our stock price may fluctuate significantly, and you may not be able to resell your shares at or above the initial public offering price.

The trading price of our common stock may be volatile and subject to wide price fluctuations in response to various factors, including:

- market conditions in the broader stock market in general;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- changes in interest rates;
- introduction of new services or announcements of significant contracts, acquisitions or capital commitments by us or our competitors;
- regulatory or political developments;
- issuance of new or changed securities analysts' reports or recommendations, or the announcement of any changes to our credit rating;
- additions or departures of key personnel;
- availability of capital;
- litigation and government investigations;
- legislative and regulatory developments;
- future sales of our common stock;
- investor perceptions of us and the life insurance industry; and
- economic conditions.

These and other factors may cause the market price of our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. Even factors that do not specifically relate to our company may materially reduce the market price of our common stock, regardless of our operating performance.

Future sales, or the perception of future sales, of a substantial amount of our common stock may depress the market price of our common stock.

Future sales, or the perception of future sales, of a substantial number of shares of our common stock in the public market after this offering could have a material adverse effect on the prevailing market price of our common stock.

Upon completion of this offering, we will have shares of common stock outstanding, or shares if we give effect to the exercise of all outstanding warrants. All shares sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares that may be held or acquired by affiliates of the Company, as that term is defined in the Securities Act.

In connection with this offering, we, each of our executive officers, directors and stockholders will have entered into lock-up agreements that prevent the sale of shares of our common stock for 180 days after the date of this prospectus, subject to an extension in certain circumstances described under "Underwriting." Following the expiration of the lock-up period, the remaining shares outstanding held by current stockholders of the Company will be available for sale pursuant to Rule 144, subject to compliance with the requirements and limitations under Rule 144. Furthermore, our existing stockholders will have the right, subject to certain conditions, to require us to register the sale of of their shares of our common stock under the Securities Act. By exercising their registration rights, and selling a large number of shares, our stockholders could cause the prevailing market price of our common stock to decline.

Purchasers of common stock will experience immediate dilution.

Based on the initial public offering price of $ per share (the midpoint of the price range shown on the cover page of this prospectus), purchasers of our common stock in this offering will experience an immediate dilution in the book value per share of common stock of $ from the offering price. Investors purchasing common stock in this offering will contribute approximately % of the total amount invested by stockholders since inception, but will only own approximately % of the shares of common stock outstanding. In addition, following this offering, a significant number of warrants to purchase our common stock will be outstanding. You will incur further dilution if outstanding warrants to purchase common stock are exercised. Also, our amended and restated certificate of incorporation allows us to issue significant numbers of additional shares, including shares that may be issued under the Equity Plan and Employee Stock Purchase Plan, which could result in further dilution to purchasers of our common stock in this offering.

Anti-takeover provisions in our charter documents could delay or prevent a change of control of our company and may result in an entrenchment of management and diminish the value of our common stock.

Our certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in management that our stockholders might deem advantageous. Specific provisions in our certificate of incorporation include:

- our ability to issue preferred stock with terms that the board of directors may determine, without stockholder approval;
- a classified board of directors;
- advance notice requirements for stockholder proposals and nominations;
- the absence of cumulative voting in the election of directors; and
- limitations on convening stockholder meetings.

These provisions in our certificate of incorporation and bylaws may frustrate attempts to effect a takeover transaction that is in the best interests of our minority stockholders. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging future takeover attempts.

Applicable insurance laws may make it difficult to effect a change of control of our company.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the insurer is domiciled. Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of the domestic insurer. These statutes may frustrate or delay attempts to effect a takeover transaction that would benefit our stockholders.

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking” statements that are intended to enhance the reader’s ability to assess our future financial and business performance. Forward-looking statements include, but are not limited to, statements that represent our 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. In addition, statements that refer to our future financial performance, anticipated growth and trends in our business and in our industry and other characterizations of future events or circumstances are forward-looking statements. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond our control or are subject to change, actual results could be materially different.

Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs with respect to, among other things, future events and financial performance. Except as required under the federal securities laws, we do not intend, and do not undertake, any obligation to update any forward-looking statements to reflect future events or circumstances after the date of such statements.

You should review carefully the section captioned “Risk Factors” in this prospectus for a complete discussion of the material risks of an investment in our common stock.

INDUSTRY AND MARKET DATA

This prospectus includes industry and government data and forecasts that we have prepared based, in part, upon industry and government data and forecasts obtained from industry and government publications and surveys. These sources include publications and data compiled by the Employee Benefit Research Institute, Kaiser Family Foundation, U.S. Census Bureau, National Coalition on Healthcare, U.S. Department of Commerce, Bureau of Economic Analysis, Self Insurance Institute of America and the White House's National Economic Council. Third party industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third party sources nor have we ascertained the underlying economic assumptions relied upon therein. Forecasts are particularly likely to be inaccurate, especially over long periods of time. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the section captioned "Risk Factors."

DILUTION

If you invest in our common stock in this offering, your interest in our company will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma book value per share of our common stock after giving effect to this offering.

Our book value per share represents the amount of our total assets less total liabilities, divided by the total number of shares of common stock then outstanding. As of , 2009, our book value was approximately $, or approximately $ per share based on shares of our common stock outstanding as of such date. After giving effect to the sale of shares of our common stock at an assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our book value as of , 2009, which we refer to as our pro forma book value, would have been approximately $, or $ per share of our common stock. This represents an immediate increase in the book value of $ per share to our existing stockholders, and an immediate dilution of $ per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	$
Book value per share as of , 2009	$
Change in per share attributable to new investors	$
Pro forma book value per share after giving effect to this offering	$
Dilution per share to new investors	$

The foregoing discussion and table do not give effect to shares of common stock that we will issue if the underwriters exercise their options to purchase additional shares in full. To the extent that these options are exercised, there may be further dilution to new investors.

The following table summarizes, as of , 2009, the number of shares of our common stock we issued and sold, the total consideration we received and the average price per share paid to us by our existing stockholders prior to this offering, and by new investors purchasing shares of common stock in this offering. The table assumes an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) and deducts estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders prior to this offering(1)		%	$	%	$
New investors in this offering					$
Total		100%	$	100%	

(1) The number of shares disclosed for the existing stockholders includes shares being sold by the Selling Stockholders in this offering. The number of shares disclosed for the new investors does not include the shares being purchased by the new investors from the Selling Stockholders in this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase or decrease our pro forma book value after giving effect to this offering by $ and increase or decrease the dilution to new investors by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

If the underwriters' options to purchase additional shares are exercised in full, the percentage of shares held by our existing stockholders will decrease to approximately % of the total number of shares of our common stock outstanding after this offering and the number of shares of our common stock held by new investors will increase to , or approximately % of the total number of shares of our common stock outstanding after this offering.

USE OF PROCEEDS

We expect to receive net primary proceeds from this offering of approximately $ million. We intend to use the net primary proceeds from this offering (including shares subject to the underwriters' options to purchase additional shares) for general corporate purposes, which may include contributions of capital to our insurance and other subsidiaries. Some of the shares of common stock offered by this prospectus are being sold by the Selling Stockholders. For information about the Selling Stockholders, see "Principal and Selling Stockholders." We will not receive any of the proceeds from the sale of shares by the Selling Stockholders.

DIVIDEND POLICY

We intend to pay quarterly cash dividends on our common stock at an initial rate of approximately $ per share. The declaration, payment and amount of future dividends to holders of our common stock will be at the discretion of our board of directors and will depend on many factors, including our financial condition and results of operations, liquidity requirements, market opportunities, capital requirements of our subsidiaries, legal requirements, regulatory constraints and other factors as the board of directors deems relevant. Dividends on our common stock will also be paid to holders of our outstanding warrants on a one-to-one basis.

We are a holding company with no significant business operations of our own. All of our business operations are conducted through our subsidiaries. Dividends and loans from, and cash generated by, our subsidiaries will be our principal sources of cash to repay indebtedness, fund operations and pay dividends. Accordingly, our ability to pay dividends to our stockholders will depend on the earnings and distributions of funds from our subsidiaries. See “Risk Factors — Risks Relating to this Offering and Ownership of Our Common Stock — As a holding company, Symetra Financial Corporation depends on the ability of its subsidiaries to transfer funds to it to meet its obligations and pay dividends.”

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2009 on an actual basis and on an as adjusted basis to give effect to receipt of the net primary proceeds from the sale by us in this offering of shares of common stock, assuming that this offering had been consummated on June 30, 2009. You should read this table in conjunction with our consolidated financial statements and related notes and the information provided in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of June 30, 2009	
	Actual	As Adjusted
	(In millions)	
Cash and cash equivalents	$ 435.0	$
Borrowings and other obligations:		
Revolving credit facility(1)	$ —	$ —
CENts	149.8	149.8
Senior notes	299.0	299.0
Total borrowings and other obligations	$ 448.8	$ 448.8
Stockholders' equity:		
Preferred stock, $0.01 par value; 10.0 million shares authorized, none issued	—	—
Common stock, $0.01 par value; 750.0 million shares authorized, 92.6 million shares issued and outstanding	0.9	
Additional paid-in capital	1,165.5	
Total paid-in capital	1,166.4	
Retained earnings	240.2	
Accumulated other comprehensive income (loss), net of taxes	(642.9)	
Total stockholders' equity	763.7	
Total capitalization	$ 1,212.5	$

(1) The revolving credit facility provides for borrowings of up to $200.0 million. On February 12, 2009, Bank of America, N.A. issued a notice of default to Lehman Commercial Paper, Inc., one of the lending institutions in the syndicate with a commitment of $20.0 million, effectively limiting our ability to borrow under the revolving credit facility to $180.0 million. As of June 30, 2009, we had no balance outstanding under this facility.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data, except for non-GAAP financial measures, as of June 30, 2009 and for the six months ended June 30, 2009 and 2008 have been derived from our unaudited interim historical consolidated financial statements, which have been prepared on a basis consistent with our audited consolidated financial statements, included elsewhere in this prospectus. In the opinion of management, such unaudited financial data, except for non-GAAP financial measures, reflects all historical and recurring adjustments necessary for a fair presentation of the results for these periods. The results of operations for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year or any future period. The selected historical consolidated financial data, except for non-GAAP financial measures, as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements that are included elsewhere in this prospectus. The selected historical consolidated financial data, except for non-GAAP financial measures, presented below as of December 31, 2006 and 2005 and for the year ended December 31, 2005 and as of December 31, 2004 and for the period from January 1, 2004 through August 1, 2004 and for the period from August 2, 2004 through December 31, 2004 have been derived from our audited consolidated financial statements that are not included in this prospectus.

On August 2, 2004, we completed the Acquisition which was accounted for using the purchase method of accounting, referred to as purchase GAAP accounting, or PGAAP. We do not believe the predecessor financial results prior to the Acquisition for the period from January 1, 2004 through August 1, 2004 are comparable to the results subsequent to the Acquisition. This lack of comparability is primarily due to significant changes in our operating costs and also because of PGAAP adjustments impacting net investment income, policyholder benefits and claims, interest credited amortization of deferred policy acquisition costs, intangible assets and net realized investment gains (losses). Under PGAAP, the purchase price is allocated to the estimated fair value of the tangible and identifiable assets acquired less liabilities assumed at the date of acquisition. In conjunction with PGAAP for the Acquisition, we were required to adjust our consolidated balance sheet to fair value and reset our existing deferred policy acquisition costs, goodwill and intangible asset balances at August 2, 2004 to zero.

In addition to our four operating segments and our Other segment, during the year ended December 31, 2005 and prior, our historical financial statements also include the results of Symetra Asset Management Company and the majority of the business of Symetra Services Corporation, which are presented in our historical financial statements as discontinued operations.

This selected historical consolidated financial data should be read in conjunction with other information contained in this prospectus, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,				August 2 through December 31,	Predecessor January 1 through August 1,
	2009	2008	2008	2007	2006	2005	2004	2004
	(In millions, except per share data)							
Consolidated Income Statement Data:								
Revenues:								
Premiums	$ 288.1	$ 292.3	$ 584.8	$ 530.5	$ 525.7	$ 575.5	$ 263.2	$ 357.9
Net investment income	545.8	476.4	956.5	973.6	984.9	994.0	411.1	693.7
Other revenues	28.5	35.6	67.8	68.7	56.1	58.6	27.1	43.9
Net realized investment gains (losses):								
Total other-than-temporary impairment losses on securities	(123.8)	(38.4)	(86.4)	(16.2)	(25.7)	(7.7)	(0.1)	(10.3)
Less: portion of losses recognized in other comprehensive income	67.5	—	—	—	—	—	—	—
Net impairment losses recognized in earnings	(56.3)	(38.4)	(86.4)	(16.2)	(25.7)	(7.7)	(0.1)	(10.3)
Other net realized investment gains (losses)	16.0	(0.5)	(71.6)	33.0	27.4	21.8	7.1	45.2
Total net realized investment gains (losses)	(40.3)	(38.9)	(158.0)	16.8	1.7	14.1	7.0	34.9
Total revenues	822.1	765.4	1,451.1	1,589.6	1,568.4	1,642.2	708.4	1,130.4
Benefits and Expenses:								
Policyholder benefits and claims	176.5	180.4	348.5	267.1	264.3	327.4	127.5	223.6
Interest credited	408.7	377.0	766.1	752.3	765.9	810.9	360.2	556.4
Other underwriting and operating expenses	125.0	136.5	265.8	281.9	260.5	273.2	123.3	187.2
Fair value of warrants issued to investors	—	—	—	—	—	—	101.5	—
Interest expense	15.9	16.0	31.9	21.5	19.1	12.4	3.5	—
Amortization of deferred policy acquisition costs	22.6	10.6	25.8	18.0	14.6	11.9	1.6	34.2
Total benefits and expenses	748.7	720.5	1,438.1	1,340.8	1,324.4	1,435.8	717.6	1,001.4
Income from continuing operations before income taxes	73.4	44.9	13.0	248.8	244.0	206.4	(9.2)	129.0
Provision (benefit) for income taxes:								
Current	11.5	23.5	23.8	62.8	92.4	22.2	21.3	0.9
Deferred	9.8	(10.4)	(32.9)	18.7	(7.9)	39.7	10.7	30.5
Total provision (benefit) for income taxes	21.3	13.1	(9.1)	81.5	84.5	61.9	32.0	31.4
Income from continuing operations	52.1	31.8	22.1	167.3	159.5	144.5	(41.2)	97.6
Income from discontinued operations (net of taxes)	—	—	—	—	—	1.0	(2.4)	2.3
Net income (loss)	$ 52.1	$ 31.8	$ 22.1	$ 167.3	$ 159.5	$ 145.5	$ (43.6)	$ 99.9
Net income per common share(1):								
Basic	$ 0.47	$ 0.29	$ 0.20	$ 1.50	$ 1.43	$ 1.30		
Diluted	$ 0.47	$ 0.29	$ 0.20	$ 1.50	$ 1.43	$ 1.30		
Weighted-average number of common shares outstanding:								
Basic	111,622	111,622	111,622	111,622	111,622	111,622		
Diluted	111,622	111,622	111,622	111,622	111,622	111,622		
Cash dividends declared per common share	$ —	$ —	$ —	$ 1.79	$ 0.90	$ —	$ —	
Non-GAAP Financial Measure(2):								
Net operating income (loss)	$ 77.5	$ 54.8	$ 122.9	$ 154.9	$ 159.8	$ 133.4	$ (46.9)	$ 75.5
Reconciliation to net income (loss):								
Net income (loss)	$ 52.1	$ 31.8	$ 22.1	$ 167.3	$ 159.5	$ 145.5	$ (43.6)	$ 99.9
Less: Net realized investment gains (losses)(3)	(26.2)	(25.3)	(102.7)	10.9	1.1	9.2	4.6	22.7
Add: Net realized and unrealized investment gains (losses) on FIA options(4)	(0.8)	(2.3)	(1.9)	(1.5)	1.4	(2.9)	1.3	(1.7)
Net operating income	$ 77.5	$ 54.8	$ 122.9	$ 154.9	$ 159.8	$ 133.4	$ (46.9)	$ 75.5

	As of June 30, 2009	As of December 31, 2008	2007	2006	2005	2004
			(In millions, except share and per share data)			
Consolidated Balance Sheet Data:						
Total investments	$ 18,357.0	$ 16,252.5	$ 16,905.0	$ 17,305.3	$ 18,332.8	$ 19,244.8
Total assets	21,113.4	19,229.6	19,560.2	20,114.6	20,980.1	22,182.0
Total debt	448.8	448.8	448.6	298.7	300.0	300.0
Separate account assets	735.7	716.2	1,181.9	1,233.9	1,188.8	1,228.4
Accumulated other comprehensive income (loss) (net of taxes) (AOCI)	(642.9)	(1,052.6)	(12.5)	(0.5)	136.6	312.9
Total stockholders' equity	763.7	286.2	1,285.1	1,327.3	1,404.9	1,435.8
U.S. Statutory Financial Information:						
Statutory capital and surplus	$ 1,289.5	$ 1,179.0	$ 1,225.0	$ 1,266.2	$ 1,260.1	$ 1,138.4
Asset valuation reserve (AVR)	117.1	113.7	176.0	158.4	140.9	107.6
Statutory capital and surplus and AVR	$ 1,406.6	$ 1,292.7	$ 1,401.0	$ 1,424.6	$ 1,401.0	$ 1,246.0
Book value per common share(5)	$ 6.84	$ 2.56	$ 11.51	$ 11.89	$ 12.59	$ 12.86
Non-GAAP Financial Measures(6):						
Adjusted book value	$ 1,406.6	$ 1,338.8	$ 1,297.6	$ 1,327.8	$ 1,268.3	$ 1,122.9
Reconciliation to stockholders' equity:						
Total stockholders' equity	$ 763.7	$ 286.2	$ 1,285.1	$ 1,327.3	$ 1,404.9	$ 1,435.8
Less: AOCI	(642.9)	(1,052.6)	(12.5)	(0.5)	136.6	312.9
Adjusted book value	$ 1,406.6	$ 1,338.8	$ 1,297.6	$ 1,327.8	$ 1,268.3	$ 1,122.9
Add: Assumed proceeds from exercise of warrants	218.0	218.0	218.0	218.0	218.0	218.0
Adjusted book value, as converted	$ 1,624.6	$ 1,556.8	$ 1,515.6	$ 1,545.8	$ 1,486.3	$ 1,340.9
Adjusted book value per common share(7)	$ 15.18	$ 14.45	$ 14.01	$ 14.33	$ 13.69	$ 12.12
Adjusted book value per common share, as converted(8)	$ 14.55	$ 13.95	$ 13.58	$ 13.85	$ 13.32	$ 12.01

	Twelve Months Ended				
	June 30, 2009	December 30, 2008	December 30, 2007	December 30, 2006	December 30, 2005
ROE(9)	7.5%	2.6%	12.6%	12.8%	9.9%
Average stockholders' equity(10)	$ 561.6	$ 861.8	$ 1,328.3	$ 1,249.5	$ 1,465.4
Non-GAAP Financial Measure(11):					
Operating ROAE	10.7%	9.2%	11.2%	12.1%	11.2%
Average adjusted book value(12)	$ 1,359.5	$ 1,329.8	$ 1,380.2	$ 1,324.2	$ 1,194.2

(1) Net income per common share (basic and diluted) assumes that all participating securities, including warrants, have been outstanding since the beginning of the period using the two-class method.

(2) Management considers certain non-GAAP financial measures, including net operating income (loss), to be a useful supplement to comparable GAAP measures in evaluating our financial performance and condition. These unaudited measures have been reconciled to their most comparable GAAP financial measures. We believe that the non-GAAP presentation of net operating income is valuable because excluding certain realized investment gains and losses, many of which are driven by investment decisions and external economic developments unrelated to the insurance and underwriting aspects of the business

footnotes continued on following page

reveals trends that may be otherwise obscured. As an example, changes in fair value on our equity trading portfolio are recorded as realized investment gains and losses. These gains and losses are volatile, as evidenced by $4.2 million net trading gains (net of taxes of $2.3 million) for the six months ended June 30, 2009, compared to $45.0 million net trading losses (net of taxes of $24.2 million) for the year ended December 31, 2008. For a definition of these non-GAAP measures and other metrics used in our analysis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Use of non-GAAP Financial Measures."

(3) Net realized investment gains (losses) are reported net of taxes of $(14.1) million, $(13.6) million, $(55.3) million, $5.9 million, $0.6 million and $4.9 million for the six months ended June 30, 2009 and 2008, and the twelve months ended December 31, 2008, 2007, 2006 and 2005, respectively. Prior and subsequent to the Acquisition, 2004 net realized investment gains were net of taxes of $2.4 million and $12.2 million, respectively.

(4) Net realized and unrealized investment gains (losses) on FIA options are reported net of taxes of $(0.4) million, $(1.3) million, $(1.0) million, $(0.8) million, $0.8 million and $(1.5) million for the six months ended June 30, 2009 and 2008, and the twelve months ended December 31, 2008, 2007, 2006 and 2005, respectively. Prior and subsequent to the Acquisition, 2004 net realized investment gains were net of taxes of $(0.9) million, and $0.7 million, respectively.

(5) Book value per common share is calculated based on stockholders' equity divided by outstanding common shares and shares subject to outstanding warrants totaling 111,622,039.

(6) Management considers certain non-GAAP financial measures, including adjusted book value per common share and adjusted book value per common share, as converted, to be useful supplements to comparable GAAP measures in evaluating our financial performance and condition. The numerators of these measures have been reconciled to total stockholders' equity, their most comparable GAAP financial measure. We believe that these non-GAAP presentations are valuable because they exclude AOCI, which is primarily composed of the net unrealized gains (losses) on our fixed maturities and therefore fluctuates based on market conditions and other factors. The fair value of our fixed maturities can change significantly depending on the movement of interest rates and credit spreads. Since we purchase fixed maturities to back associated liabilities of similar duration, we typically hold these investments to maturity. As a result, we believe the fluctuating fair values of our investments, and related effects on AOCI, should be excluded from any evaluation of our stockholders' equity. By only considering GAAP measures, such as stockholders' equity, investors would not benefit from useful information that these non-GAAP measures provide. As an example, our AOCI improved $409.7 million, or 39%, from December 31, 2008 to June 30, 2009, due to credit market improvements and tightening of interest spreads. This contributed to a related increase in stockholders' equity over the same period of $477.5 million, or 167%. As a comparison, our adjusted book value increased $67.8 million, or 5%, during the same period. For a definition of these non-GAAP measures and other metrics used in our analysis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Use of non-GAAP Financial Measures."

(7) Adjusted book value per common share is calculated based on stockholders' equity less AOCI, divided by outstanding common shares of 92,646,295.

(8) Adjusted book value per common share, as converted gives effect to the exercise of the outstanding warrants and is calculated based on stockholders' equity less AOCI plus the assumed proceeds from the warrants, divided by outstanding common shares and shares subject to outstanding warrants, totaling 111,622,039.

(9) Return on stockholders' equity is calculated as net income divided by average stockholders' equity.

(10) Average stockholders' equity is derived by averaging ending stockholders' equity for the most recent five quarters.

(11) Management considers certain non-GAAP financial measures, including operating ROAE, to be useful supplements to comparable GAAP measures in evaluating our financial performance. Operating ROAE is calculated based on net operating income divided by average adjusted book value. The numerator and denominator of this measure have been reconciled to net income and stockholders' equity, respectively, their most comparable GAAP financial measures. We believe that the non-GAAP presentation of this measure is valuable because it enhances understanding of the efficiency with which we deploy our capital and provides a plain view of the performance of the insurance and underwriting aspects of our business. For a definition of these non-GAAP measures and other metrics used in our analysis, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Use of non-GAAP Financial Measures."

(12) Average adjusted book value is derived by averaging ending adjusted book value for the most recent five quarters.

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

You should read the following discussion in conjunction with the audited and unaudited historical financial statements and the accompanying notes included in this prospectus, as well as the discussion under "Selected Historical Consolidated Financial Data." This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by any of the forward-looking statements as a result of various factors, including but not limited to those listed under "Risk Factors" and "Forward-Looking Statements." Our fiscal year ends on December 31 of each calendar year.

Management considers certain non-GAAP financial measures, including net operating income (loss), adjusted book value, adjusted book value, as converted and operating ROAE to be useful to investors in evaluating our financial performance and condition. These measures have been reconciled to their most comparable GAAP financial measures. For a definition of these non-GAAP measures and other metrics used in our analysis, see "— Use of non-GAAP Financial Measures."

Overview

We are a life insurance company focused on profitable growth in selected group health, retirement, life insurance and employee benefits markets. Our operations date back to 1957 and many of our agency and distribution relationships have been in place for decades. We are headquartered in Bellevue, Washington and employ approximately 1,100 people in 19 offices across the United States, serving approximately 1.8 million customers.

As of June 30, 2009, our adjusted book value was $1,406.6 million, our stockholders' equity was $763.7 million and we had total assets of $21.1 billion. For the twelve months ended June 30, 2009, our operating return on average equity, or operating ROAE, was 10.7% and our return on equity, or ROE, was 7.5%. We define adjusted book value as stockholders' equity less accumulated other comprehensive income (loss), or AOCI, and we define operating ROAE as net operating income divided by average adjusted book value. Adjusted book value, net operating income and operating ROAE are non-GAAP measures. For reconciliations of adjusted book value to stockholders' equity and net operating income to net income, see page 40 of "Selected Historical Consolidated Financial Data."

Our Operations

We conduct our business through five segments, four of which are operating:

- *Group.* We offer medical stop-loss insurance, limited medical benefit plans, group life insurance, accidental death and dismemberment insurance and disability insurance mainly to employer groups of 50 to 5,000 individuals. We also offer managing general underwriting, or MGU, services through MRM.
- *Retirement Services.* We offer fixed and variable deferred annuities, including tax sheltered annuities, individual retirement accounts, or IRAs, and group annuities to qualified retirement plans, including Section 401(k), 403(b) and 457 plans.
- *Income Annuities.* We offer single premium immediate annuities, or SPIAs, for customers seeking a reliable source of retirement income and structured settlement annuities to fund third party personal injury settlements. In addition, we offer our existing structured settlement clients a variety of funding services product options.
- *Individual.* We offer a wide array of term, universal and variable life insurance as well as bank-owned life insurance, or BOLI.
- *Other.* This segment consists of unallocated corporate income, composed primarily of investment income on unallocated surplus, unallocated corporate expenses, interest expense on debt, tax credits from our tax preferred affordable housing investments, the results of small,

non-insurance businesses that are managed outside of our operating segments, and inter-segment elimination entries.

Current Outlook

During the first half of 2009, the capital and credit markets showed signs of improvement following a period of extreme volatility and disruption for more than twelve months that affected equity market returns, interest rates, liquidity, access to capital and cost of capital. Economic conditions remain uncertain, leaving us exposed to further challenges to our financial condition and results from operations. If the current economic environment were to deteriorate further, it could lead to increased credit defaults, and additional write-downs of our securities for other-than-temporary impairments.

The tight liquidity in the credit markets in 2008 and 2009 resulted in our maintaining higher balances of cash and cash equivalent assets. Because of the maintenance of these higher balances of cash and cash equivalent assets, fewer of our assets were deployed in higher income earning assets, while our liabilities are increasing based on increasing credited rates to our customers. As a result, we have experienced lower growth in our investment income than expected, especially in our Retirement Services segment.

Despite the still challenging economic environment, we have seen increases, in the first six months of 2009 as compared to the equivalent period of 2008, in sales of our fixed deferred annuity product which offers our customers an easy to understand, stable return on their retirement savings. We have also experienced increases over the same period in sales of our single premium life insurance product and SPIA products.

We believe that the recent market disruption has created a tremendous opportunity to build our existing relationships and add new long-term relationships because of our simple to understand product designs and because many of our competitors are in the midst of cleaning up their product suites and balance sheets. We also seek to take advantage of favorable demographic trends, including increasing retirement savings and income needs and the growing demand for affordable health insurance.

Revenues and Expenses

We earn revenues primarily from premiums earned on group life and health and individual insurance products, cost of insurance, or COI, charges primarily from our universal life and BOLI products, net investment income, net realized investment gains and other revenues. Other revenues include mortality and expense, surrender and other administrative charges, revenues from our non-insurance businesses and revenues from fee arrangements with our reinsurance partners.

Each operating segment maintains its own portfolio of invested assets. The realized gains (losses) incurred are reported in the segment in which they occur. The unallocated portion of net investment income and the unallocated realized gains (losses) are reported in the Other segment.

Our primary expenses include interest credited, benefits and claims and general business and operating expenses, including commissions. We allocate certain corporate expenses to each of our operating segments using multiple factors which include headcount, allocated capital, account values and time study results.

Critical Accounting Policies and Estimates and Recently Issued Accounting Standards

The accounting policies discussed in this section are those that we consider to be particularly critical to an understanding of our financial statements because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on our financial results. For all of these policies, we caution that future events rarely develop exactly as forecast, and our management's best estimates may require adjustment. For a discussion of recently adopted and not yet adopted accounting standards, see Note 2 to our audited consolidated financial statements and Note 2 to our interim consolidated financial statements included elsewhere in this prospectus.

Other-Than-Temporary Impairments (OTTI)

One of the significant estimates related to available-for-sale securities is the evaluation of investments for OTTI. We analyze investments that meet our impairment criteria to determine whether the decline in value is other-than-temporary. The impairment review involves the finance investment management team, as well as our portfolio asset managers. To make this determination for each security, we consider both quantitative and qualitative criteria including:

- how long and by how much the fair value has been below cost or amortized cost;
- the financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential, or compliance with terms and covenants of the security;
- changes in the financial condition of the security's underlying collateral;
- any downgrades of the security by a rating agency;
- any reduction or elimination of dividends or nonpayment of scheduled interest payments; and
- for fixed maturities, our intent to sell the security or whether it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost considering any regulatory developments and our liquidity needs.

Based on the analysis, we make a judgment as to whether the loss is other-than-temporary. The amount of the loss recorded in our consolidated statements of operations is determined based on the accounting guidance in effect during the period of the other-than-temporary determination. We adopted new accounting guidance for impairments of our fixed maturities effective January 1, 2009. See Note 2 to our interim consolidated financial statements included elsewhere in this prospectus.

Prior to January 1, 2009, under the then existing accounting guidance, if the loss was determined to be other-than-temporary, we recorded an impairment charge equal to the difference between the fair value and the amortized cost basis of the security within net realized investment gains (losses) in our consolidated statements of income in the period that we made the determination. The fair value of the other-than-temporarily impaired investment became its new cost basis. We also recorded an impairment charge if we did not have the intent and/or the ability to hold the security until the fair value was expected to recover to amortized cost or until maturity, resulting in a charge recorded for a security that may not have had credit issues. This situation can exist as a result of certain portfolio management or cash management strategies.

Effective January 1, 2009, we adopted new accounting guidance for the recognition and disclosure of OTTI for our fixed maturities. Our marketable equity securities, available-for-sale consist primarily of non-redeemable preferred stock, which are evaluated similarly to fixed maturities. The adoption of the new accounting guidance required that OTTI losses be separated into the amount representing the decrease in cash flows expected to be collected ("credit loss"), which is recognized in earnings, and the amount related to all other factors ("noncredit loss"), which is recognized in other comprehensive income (loss). In addition, the new guidance replaces the requirement for management to assert that we have the intent and ability to hold an impaired security until recovery with the requirement that management assert that it does not have the intent to sell the security and that it is more likely than not that we will not be required to sell the security before recovery of our amortized cost basis. For securities we intend to sell or it is more likely than not that we will be required to sell the security before recovery, the impairment charge is equal to the difference between the fair value and the amortized cost basis of the security in the period of determination. In determining our intent to sell a security or whether it is more likely than not that we will be required to sell a security, we evaluate facts and circumstances such as decisions to reposition our security portfolio, sales of securities to meet any cash flow needs and sales of securities to capitalize on favorable pricing.

If we do not intend to sell a security but believe we will not recover all the security's contractual cash flow, the amortized cost is written down to our estimated recovery value and recorded as a realized loss in our consolidated statements of operations, as this is determined to be a credit loss. The remainder of the decline in

fair value is recorded as OTTI on fixed maturities not related to credit losses in AOCI, as this is determined to be a noncredit or recoverable loss. We determine the estimated recovery values by using discounted cash flow models that consider estimated cash flows under current and expected future economic conditions with various assumptions regarding timing and amount of principal and interest payments. The recovery value is based on our best estimate of expected future cash flows discounted at the security's effective yield prior to impairment. Our best estimate of future cash flows is based on assumptions, including various performance indicators, such as historical default and recovery rates, credit ratings, current delinquency rates and the structure of the issuer/security. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries. In addition, projections of expected future fixed maturity security cash flows may change based upon new information regarding the performance of the issuer and/or underlying collateral. Future impairments may develop if actual results underperform current cash flow modeling assumptions, which may be the result of macroeconomic factors, changes in assumptions used and specific deterioration in certain industry sectors or company failures.

As a result of the adoption of the new OTTI accounting guidance, we recorded a cumulative effect adjustment, resulting in an increase of $15.7 million, net of tax, to retained earnings as of January 1, 2009, with a corresponding decrease to AOCI, to reclassify the noncredit portion of previously other-than-temporarily impaired fixed maturity securities. In addition, the amortized cost basis of fixed maturity securities for which a noncredit OTTI loss was previously recognized was increased by $24.1 million.

As of June 30, 2009 and December 31, 2008, the fair value of our available-for-sale securities that are below cost or amortized cost by 20% or more were $1.8 billion and $2.5 billion, respectively. The unrealized losses on these securities were $839.7 million and $1.2 billion, respectively.

Fair Value

On January 1, 2008, we adopted fair value accounting guidance which allows companies, at their option, to make an election on an individual instrument basis to report financial assets and liabilities at fair value. The election must be made at the inception of a transaction and may not be reversed. The election may also be made for existing financial assets and liabilities at the time of adoption. Unrealized gains and losses on assets or liabilities for which the fair value option has been elected are reported in earnings.

We elected the fair value option for investments in common stock, which are presented as trading securities, and investments in certain limited partnerships (including hedge funds and private equity funds), regardless of ownership percentage, which are presented as investments in limited partnerships.

Also on January 1, 2008, we adopted the accounting guidance related to the framework for fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an "exit price"). The accounting guidance establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). The fair value hierarchy prioritizes fair value measurements into three levels based on the nature of the inputs. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. For further discussion of the levels of the fair value hierarchy, see Note 7 to our audited consolidated financial statements included elsewhere in this prospectus.

The availability of market observable information is the principal factor in determining the level that our investments are assigned in the fair value hierarchy. The following table summarizes our investments carried at fair value and the respective fair value hierarchy, based on input levels:

	As of June 30, 2009				
	Fair Value	Level 1	Level 2	Level 3	Level 3 Percent
Types of Investments					
U.S. government and agencies	$ 153.9	$ —	$ 153.9	$ —	—%
State and political subdivisions	449.2	—	442.1	7.1	0.0
Foreign governments	28.7	—	28.7	—	—
Corporate securities	11,216.4	—	10,469.3	747.1	4.4
Residential mortgage-backed securities	3,162.4	—	3,101.3	61.1	0.4
Commercial mortgage-backed securities	1,790.2	—	1,767.1	23.1	0.1
Other debt obligations	133.1	—	120.4	12.7	0.1
Total fixed maturities, available-for-sale	$ 16,933.9	$ —	$ 16,082.8	$ 851.1	5.0%
Marketable equity securities, available-for-sale	33.6	31.8	—	1.8	0.0
Marketable equity securities, trading	116.1	115.9	—	0.2	0.0
Short-term investments	2.6	2.6	—	—	—
Investments in limited partnerships	63.2	—	—	63.2	0.4
Other invested assets	1.2	—	—	1.2	0.0
Total Investments	$ 17,150.6	$ 150.3	$ 16,082.8	$ 917.5	5.4%

Valuation of Fixed Maturities

Fixed maturities include bonds, mortgage-backed securities and redeemable preferred stock. We classify all fixed maturities as available-for-sale and carry them at fair value. We report net unrealized investment gains and losses related to available-for-sale securities, which equals the difference between the fair value and the cost or amortized cost, in accumulated other comprehensive income (loss) in stockholders' equity. These investments are subject to impairment reviews to determine when a decline in fair value is other-than-temporary (see "Other-Than-Temporary Impairments" above). To determine the fair value of fixed maturities, we primarily utilize third party independent pricing services. We also utilize our investment advisors to assist us in determining fair value, primarily in situations where our pricing service is unable to obtain sufficient market observable information upon which to estimate the fair value of a particular security. We gain assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination through various processes including, but not limited to, evaluation of pricing methodologies, analytical reviews of certain prices and back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sales prices.

The third party independent pricing services we use have indicated they will only provide prices where observable inputs are available. Our pricing services utilize evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed income securities do not trade on a daily basis, evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations. In addition, the pricing services use models and processes to develop prepayment and interest rate scenarios. These models and processes take into account market convention. If sufficient objectively verifiable information about a security's valuation is not available, the pricing service will discontinue evaluating the security until it is able to obtain such information. Fixed maturity prices are generally classified into Level 2.

As of June 30, 2009, approximately 4% of our investment portfolio was invested in corporate private placement securities. The fair value of these assets is determined with the assistance of our investment

sub-advisor using a discounted cash flow approach. The discount rate is based on the current Treasury curve adjusted for credit and liquidity factors. The valuation model requires the use of inputs that may not be market observable and involves some degree of judgment. We consider this approach appropriate for this asset class. We classify most of these securities as Level 3.

We estimate that a 1% increase in interest rates would cause the fair value of our fixed maturity portfolio that is subject to interest rate risk to decline by approximately $0.90 billion and $0.81 billion, based on our securities positions as of June 30, 2009 and December 31, 2008, respectively (see "— Quantitative and Qualitative Disclosures about Market Risk — Sensitivity Analysis" on page 100 for further information).

Valuation of Marketable Equity Securities

Marketable equity securities, trading consists of investments in common stock. Marketable equity securities, available-for-sale primarily consists of non-redeemable preferred stock. Both consist primarily of investments in publicly traded companies. The fair values of our marketable equity securities are primarily based on quoted market prices in active markets for identical assets. We classify the majority of these securities as Level 1.

The impact of changes in the fair value of our trading portfolio is recorded in net realized investment gains (losses) in the consolidated statements of income. The impact of changes in the fair value of our available-for-sale portfolio is recorded as an unrealized gain or loss in AOCI, a separate component of equity. The available-for-sale marketable equity portfolio is subject to impairment reviews to determine when a decline in fair value is other-than-temporary.

We estimate that a 10% decline in market prices would cause the fair value of our equity investments to decline by approximately $23.4 million and $21.4 million as of June 30, 2009 and December 31, 2008, respectively (see "— Quantitative and Qualitative Disclosures about Market Risk — Sensitivity Analysis" on page 100 for further information).

Valuation of Investments in Limited Partnerships — Hedge Funds and Private Equity Funds

The fair value of our investments in limited partnership hedge funds and private equity funds is based upon our proportionate interest in the underlying partnership's or fund's net asset value (NAV). We use the NAV as the starting point in determining fair value. We believe it is the strongest component given that only in rare circumstances would an investor fail to get the NAV on the redemption date. Most funds contain a put feature through the redemption rights provisions, with no redemption fees, which allows us to put our equity interest in the hedge fund at the NAV. Adjustments to a hedge fund's NAV may be required to reflect, among other items, redemption fees, halts to redemptions and gates. We have considered these factors and concluded that these factors, if triggered and material, would warrant an adjustment to the fair value. Currently, no adjustment to the NAV is believed necessary. We classify these securities as Level 3.

We elected the fair value option of accounting for our investments in hedge funds and private equity funds. Accordingly, the impact of changes in the fair value of these investments is recorded in our consolidated statements of income and reported through net investment income.

Deferred Policy Acquisition Costs

We defer as assets certain costs, generally commissions, distribution costs and other underwriting costs, that vary with, and are primarily related to, the production of new and renewal business. We limit our deferral to acquisition expenses contained in our product pricing assumptions. The following table summarizes our DAC asset balances by segment:

	As of June 30, 2009	As of December 31, 2008	As of December 31, 2007
		(In millions)	
Group	$ 3.4	$ 3.3	$ 3.5
Retirement Services	234.6	183.0	84.3
Income Annuities	17.4	14.5	10.9
Individual	52.0	46.7	34.2
Total	$ 307.4	$ 247.5	$ 132.9

In our Group segment, the DAC amortization period for group medical stop-loss policies is one year as these policies are repriced on an annual basis.

In our Retirement Services, Income Annuities and Individual segments, we amortize acquisition costs over the premium paying period or over the lives of the policies in proportion to the future estimated gross profits, or EGPs, of each of these product lines, as follows:

- *Retirement Services.* The DAC amortization period is typically 20 years for the deferred annuities, although most of the DAC amortization occurs within the first 10 years because the EGPs are highest during that period. It is common for deferred annuity policies to lapse after the surrender charge period expires.
- *Income Annuities.* The DAC amortization period for SPIAs, including structured settlement annuities, is the benefit payment period. The benefit payment periods vary by policy; however, nearly all benefits are paid within 80 years of contract issue.
- *Individual.* The DAC amortization period related to universal life and variable life policies is typically 25 years and 20 years, respectively. DAC amortization related to our term life insurance policies is the premium paying period, which ranges from 10 to 30 years.

To determine the EGPs, we make assumptions as to lapse and withdrawal rates, expenses, interest margins, mortality experience, long-term equity market returns and investment performance. Estimating future gross profits is a complex process requiring considerable judgment and forecasting of events well into the future.

Changes to assumptions can have a significant impact on DAC amortization. In the event actual experience differs from our assumptions or our future assumptions are revised, we adjust our EGPs, which could result in a significant increase in amortization expense. We true up our assumptions with actual experience on a quarterly basis. For future assumptions we complete a study and refine our estimates of future gross profits annually during the third quarter. Upon completion of an assumption study, we revise our assumptions to reflect our current best estimate, thereby changing our estimate of projected EGPs used in the DAC asset amortization models. The following would generally cause an increase in DAC amortization expense: increases to lapse and withdrawal rates in the current period, increases to expected future lapse and withdrawal rates, increases to future expected expense levels, increases to interest margins in the current period, decreases to expected future interest margins and decreases to current or expected equity market returns. EGPs are adjusted quarterly to reflect actual experience to date or to change underlying key assumptions based on experience studies.

We regularly conduct DAC recoverability analyses. We compare the current DAC asset balance with the estimated present value of future profitability of the underlying business. The DAC asset balances are considered recoverable if the present value of future profits is greater than the current DAC asset balance.

In connection with our recoverability analyses, we perform sensitivity analyses on our two most significant DAC asset balances, which currently consist of our Retirement Services deferred annuity product and our Individual universal life product DAC asset balances, to capture the effect that certain key assumptions have on DAC asset balances. The sensitivity tests are performed independently, without consideration for any correlation among the key assumptions. The following depicts the sensitivities for our deferred annuity, universal life and BOLI DAC asset balances: if we changed our future lapse and withdrawal rate assumptions by a factor of 10%, the effect on the DAC asset balance is approximately $2.5 million; if we changed our future expense assumptions by a factor of 10%, the effect on the DAC asset balance is less than $0.2 million.

The DAC asset balance on the date of our Acquisition, August 2, 2004, was reset to zero in accordance with PGAAP. Because of this, quarterly updates to our DAC models to reflect actual experience have led to immaterial changes in the DAC asset balance and amortization, and the magnitude of the sensitivities is currently relatively small. We expect the DAC asset balance to grow as we continue to write new business, and as this occurs, we would expect the sensitivities to grow accordingly. In addition, depending on the amount and the type of new business written in the future we may determine that other assumptions may produce significant variations in our financial results.

Funds Held Under Deposit Contracts

Liabilities for fixed deferred annuity contracts and universal life policies, including BOLI, are computed as deposits net of withdrawals made by the policyholder, plus amounts credited based on contract specifications, less contract fees and charges assessed, plus any additional interest. The unamortized PGAAP reserve, related to the Acquisition, is also included in this balance. As of June 30, 2009, our funds held under deposit contracts totaled $18.1 billion.

For SPIAs, including structured settlements, liabilities are based on discounted amounts of estimated future benefits. Contingent future benefits are discounted with best-estimate mortality assumptions, which include provisions for longer life spans over time. The interest rate pattern used to calculate the reserves for SPIAs is set at issue for policies issued subsequent to the Acquisition or based upon prevailing market interest rates on August 2, 2004 for policies in existence on the Acquisition date. The interest rates within the pattern vary over time and start with interest rates that prevailed at contract issue or on the Acquisition date. As of June 30, 2009, the weighted average implied interest rate on the existing book of business is currently at 5.9% and will grade to an ultimate assumed level of 6.7% in approximately 17 years.

Future Policy Benefits

We compute liabilities for future policy benefits under traditional individual life and group life insurance policies on the level premium method, which uses a level premium assumption to fund reserves. We select the level of premiums at issuance so that the actuarial present value of future benefits equals the actuarial present value of future premiums. We set the interest, mortality and persistency assumptions in the year of issue and include provisions for adverse deviations. These liabilities are contingent upon the death of the insured while the policy is in force. We derive mortality assumptions from both company-specific and industry statistics. We discount future benefits at interest rates that vary by year of policy issue, are set initially at a rate consistent with portfolio rates at the time of issue, and graded to a lower rate, such as the statutory valuation interest rate, over time. Assumptions are made at the time each policy is issued, and do not change over time unless the liability amount is determined to be inadequate to cover future policy benefits. The provisions for adverse deviations are intended to provide coverage for the risk that actual experience may be worse than locked-in best-estimate assumptions.

We periodically compare our actual experience with our estimates of actuarial liabilities for future policy benefits. To the extent that actual policy benefits differ from the reserves established for future policy benefits, such differences are recorded in the results of operations in the period in which the variances occur, which could result in a decrease in profits, or possibly losses. No revisions to assumptions within the future policy benefits liabilities have been necessary and therefore we have not experienced any impact in our financial results due to changes in assumptions.

Policy and Contract Claims

Liabilities for policy and contract claims primarily represent liabilities for claims under group medical coverages and are established on the basis of reported losses. We also provide for claims incurred but not reported, or IBNR, based on expected loss ratios, claims paying completion patterns and historical experience. We continually review estimates for reported but unpaid claims and IBNR. Any necessary adjustments are reflected in current operating results. If expected loss ratios increase or expected claims paying completion patterns extend, the IBNR amount increases.

Income Taxes

The application of GAAP requires us to evaluate the recoverability of our deferred tax assets and establish a valuation allowance, if necessary, to reduce our deferred tax asset to an amount that is more likely than not to be realizable. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, we consider many factors, including: the nature and character of the deferred tax assets and liabilities; future reversals of existing temporary differences; operating income carry-backs or loss carry-forwards and their expirations; and any tax planning strategies we would employ to avoid a tax benefit expiring unused.

Our deferred tax assets are primarily related to unrealized losses, reserves, capitalization of policy acquisition costs and investment impairments. Due to the unprecedented volatility and disruption within the capital markets over the past year, the associated deferred tax assets within our investment portfolio have also been subject to this volatility. To assess the impact of this volatility, we reviewed the liquidity requirements of our invested assets as they relate to the liabilities associated with our insurance and investment products to determine the future reversals and the utilization of capital loss carry-backs and carry-forwards related to our investment timing differences.

Based upon the results of our valuation allowance determination, management believes it is more likely than not that the deferred tax asset will be realized.

Use of non-GAAP Financial Measures

Certain tables in this prospectus include non-GAAP financial measures. We believe these measures provide useful information to investors in evaluating our financial performance and condition. In the following paragraphs, we provide a definition of these non-GAAP measures.

Net operating income

Net operating income (loss) consists of net income (loss), less after-tax net realized investment gains (losses), plus after-tax net realized and unrealized investment gains (losses) on our fixed income annuity (FIA) options.

We believe that net operating income provides greater transparency than GAAP net income regarding the underlying performance of our insurance operations. As an example, we could produce a high level of net income in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio. Realized gains (losses) on our investment portfolio (except for the realized gains (losses) on our FIA options, as discussed below) are primarily driven by investment

decisions and external economic developments, the nature and timing of which are unrelated to the operating aspects of our business. By disclosing net operating income in addition to net income, we aim to provide investors with a view into the performance of our operations that might otherwise be masked by unrelated factors. As an example, changes in fair value on our equity trading portfolio are recorded as realized investment gains and losses. These gains and losses are volatile, as evidenced by $4.2 million net trading gains (net of taxes of $2.3 million) for the six months ended June 30, 2009, compared to $45.0 million net trading losses (net of taxes of $24.2 million) for the year ended December 31, 2008. We believe that it is useful for investors to evaluate both net income and net operating income.

Net operating income includes investment gains (losses) on our FIA options in our Retirement Services segment. We include these gains (losses) because they specifically reflect our management of certain of our insurance liabilities. Each year we use the realized gains from our FIA options to fund the interest credited on our FIA product. Since the investment performance from our FIA options is reported in realized gains (losses), we include this in our net operating income measure. See "— Segment Operating Results — Retirement Services" on page 61 for further information regarding realized gains (losses) related to our Retirement Services segment.

Our management and board of directors use net operating income to evaluate our operations, including assessing the effectiveness of operating and strategic decisions, management of insurance liabilities and financial planning. For instance, we use net operating income to help determine the renewal interest rates to credit to policyholders in Retirement Services. Because net operating income excludes the net realized investment gains (losses) described above, our management and board of directors also separately review net realized investment gains (losses) in connection with their review of our investment portfolio. Additionally, our management and board of directors examine our GAAP net income as part of their review of the overall financial results of the Company.

Net income (loss) is the most directly comparable GAAP measure. Net operating income should not be considered a substitute for net income. For a reconciliation of net operating income to net income, see page 40 of "Selected Historical Consolidated Financial Data."

Adjusted Book Value and Adjusted Book Value, as Converted

Management considers certain non-GAAP financial measures, including adjusted book value per common share and adjusted book value per common share, as converted, to be useful supplements to comparable GAAP measures in evaluating our financial performance and condition. The numerators of these measures have been reconciled to total stockholders' equity, their most comparable GAAP financial measure. We believe that these non-GAAP presentations are valuable because they exclude AOCI, which is primarily composed of the net unrealized gains (losses) on our fixed maturities and therefore fluctuates based on market conditions and other factors. The fair value of our fixed maturities can change significantly depending on the movement of interest rates and credit spreads. Since we purchase fixed maturities to back associated liabilities of similar duration, we typically hold these investments to maturity. As a result, we believe the fluctuating fair values of our investments, and related effects on AOCI, should be excluded from any evaluation of our stockholders' equity. By only considering GAAP measures, such as stockholders' equity, investors would not benefit from useful information that these non-GAAP measures provide. As an example, our AOCI improved $409.7 million, or 39%, from December 31, 2008 to June 30, 2009, due to credit market improvements and tightening of interest spreads. This contributed to a related increase in stockholders' equity over the same period of $477.5 million, or 167%. As a comparison, our adjusted book value increased $67.8 million, or 5%, during the same period.

Adjusted book value per common share is calculated based on stockholders' equity less AOCI, divided by outstanding common shares of 92,646,295.

Adjusted book value per common share, as converted gives effect to the exercise of the outstanding warrants and is calculated based on stockholders' equity less AOCI plus the assumed proceeds from the

warrants, divided by outstanding common shares and shares subject to outstanding warrants, totaling 111,622,039.

Operating ROAE

Operating ROAE consists of net operating income, a non-GAAP measure, divided by average adjusted book value, a non-GAAP measure. The numerator and denominator of this measure have been reconciled to net income and stockholders' equity, respectively, their most comparable GAAP financial measures. We believe that analysis of operating ROAE enhances understanding of the efficiency with which we deploy our capital and provides a plain view of the performance of the insurance and underwriting aspects of our business.

Net operating income, a non-GAAP measure, is included in the numerator of operating ROAE. The denominator, adjusted book value, excludes significant variances in AOCI driven by changes in interest rates including credit spreads which can significantly impact our AOCI. For example, our AOCI improved $409.7 million, or 39%, from December 31, 2008 to June 30, 2009. This variance, if included in our return on equity measure, could provide investors with an unrealistic view of our operations.

Operating ROAE should not be viewed as a substitute for return on equity, or ROE, defined as net income divided by average stockholders' equity for the period.

Results of Operations

Total Company

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this prospectus. Set forth below is a summary of our consolidated financial results for the six months ended June 30, 2009 and 2008 and for the years ended December 31, 2008, 2007 and 2006:

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
	(In millions, except per share data)				
Revenues:					
Premiums	$ 288.1	$ 292.3	$ 584.8	$ 530.5	$ 525.7
Net investment income	545.8	476.4	956.5	973.6	984.9
Other revenues	28.5	35.6	67.8	68.7	56.1
Net realized investment gains (losses)(1):					
Total other-than-temporary impairment losses on securities	(123.8)	(38.4)	(86.4)	(16.2)	(25.7)
Less: portion of losses recognized in other comprehensive income	67.5	—	—	—	—
Net impairment losses recognized in earnings	(56.3)	(38.4)	(86.4)	(16.2)	(25.7)
Other net realized investment gains (losses)	16.0	(0.5)	(71.6)	33.0	27.4
Total net realized investment gains (losses)	(40.3)	(38.9)	(158.0)	16.8	1.7
Total revenues	822.1	765.4	1,451.1	1,589.6	1,568.4
Benefits and Expenses:					
Policyholder benefits and claims	176.5	180.4	348.5	267.1	264.3
Interest credited	408.7	377.0	766.1	752.3	765.9
Other underwriting and operating expenses	125.0	136.5	265.8	281.9	260.5
Interest expense	15.9	16.0	31.9	21.5	19.1
Amortization of deferred policy acquisition costs	22.6	10.6	25.8	18.0	14.6
Total benefits and expenses	748.7	720.5	1,438.1	1,340.8	1,324.4
Income from operations before income taxes	73.4	44.9	13.0	248.8	244.0
Provision (benefit) for income taxes:					
Current	11.5	23.5	23.8	62.8	92.4
Deferred	9.8	(10.4)	(32.9)	18.7	(7.9)
Total provision (benefit) for income taxes	21.3	13.1	(9.1)	81.5	84.5
Net income	$ 52.1	$ 31.8	$ 22.1	$ 167.3	$ 159.5
Net income per common share(2):					
Basic	$ 0.47	$ 0.29	$ 0.20	$ 1.50	$ 1.43
Diluted	$ 0.47	$ 0.29	$ 0.20	$ 1.50	$ 1.43
Weighted-average number of common shares outstanding:					
Basic	111.622	111.622	111.622	111.622	111.622
Diluted	111.622	111.622	111.622	111.622	111.622
Non-GAAP Financial Measures(3):					
Net operating income	$ 77.5	$ 54.8	$ 122.9	$ 154.9	$ 159.8
Reconciliation to Net Income:					
Net income	$ 52.1	$ 31.8	$ 22.1	$ 167.3	$ 159.5
Less: Net realized investment gains (losses) (net of taxes)	(26.2)	(25.3)	(102.7)	10.9	1.1
Add: Net realized and unrealized investment gains (losses) on FIA options (net of taxes)	(0.8)	(2.3)	(1.9)	(1.5)	1.4
Net operating income	$ 77.5	$ 54.8	$ 122.9	$ 154.9	$ 159.8

(1) We adopted new OTTI accounting guidance effective January 1, 2009, which changed the recognition and measurement of OTTI for fixed maturities.

footnotes continued on following page

(2) Net income per common share (basic and diluted) assumes that all participating securities, including warrants, have been outstanding since the beginning of the period using the two-class method.

(3) Management considers certain non-GAAP financial measures, including net operating income, to be a useful supplement to comparable GAAP measures in evaluating our financial performance and condition. These unaudited measures have been reconciled to their most comparable GAAP financial measures. We believe that the non-GAAP presentation of net operating income is valuable because excluding certain realized capital gains and losses, many of which are driven by investment decisions and external economic developments unrelated to the insurance and underwriting aspects of the business, reveals trends that may be otherwise obscured. For a definition of these non-GAAP measures and other metrics used in our analysis, see "— Use of non-GAAP Financial Measures."

Six Months Ended June 30, 2009 Compared to the Six Months Ended June 30, 2008

Summary of results. Net income increased $20.3 million, or 63.8%, to $52.1 million from $31.8 million as a result of an increase in net operating income, which increased $22.7 million, or 41.4%, to $77.5 million from $54.8 million, offset by a small increase in net realized investment losses. The increase in net operating income is primarily due to an increase in the investment margin of $37.7 million (net investment income less interest credited) and a reduction in other underwriting and operating expenses. The increase in the investment margin was due to an increase in fixed annuities account value of $2.2 billion from increased sales and decreased policyholder lapses. Increased sales allowed us to fully defer our acquisition costs, resulting in an increase in DAC and driving a reduction in overall underwriting and operating expenses.

Net investment income. Net investment income represents the income earned on our investments, including mark-to-market gains (losses) on our investments in limited partnerships (hedge funds and private equity funds). Net investment income increased $69.4 million, or 14.6%, to $545.8 million from $476.4 million. This increase is due to a positive volume variance of $51.1 million as average invested assets increased to $19.3 billion from $17.5 billion, and a positive rate variance of $18.3 million as yields increased to 5.65% from 5.46%. The increase in yields is driven by a $12.8 million increase in income from our investments in limited partnerships and purchases of higher yielding assets in our Retirement Services segment.

Net realized investment gains (losses). Net realized investment gains (losses) consist of realized gains (losses) from sales of our investments, realized losses from investment impairments and changes in fair value on our trading portfolio and FIA options. Net realized investment losses increased $1.4 million, or 3.6%, to $40.3 million from $38.9 million. For the six months ended June 30, 2009, gross realized gains were $44.2 million, which included gross equity gains of $20.7 million and gross realized losses were $84.5 million, which included impairments of $56.3 million and gross equity losses of $14.2 million. For the six months ended June 30, 2008, gross realized gains were $29.1 million, including gross equity gains of $10.7 million, and gross realized losses were $68.0 million, which included impairments of $38.4 million and gross equity losses of $15.3 million. See "— Investments" for further information.

Interest credited. Interest credited represents interest credited to policyholder reserves and contractholder general account balances. Interest credited increased $31.7 million, or 8.4%, to $408.7 million from $377.0 million, caused by a $34.0 million increase in deferred annuities interest credited in our Retirement Services segment and a $2.2 million increase in Individual, partially offset by a $3.9 million decrease in Income Annuities. The increase in Retirement Services is due to a $2.2 billion, or 44.4%, increase in average fixed account value from increased sales of fixed deferred annuities and decreased policy lapses. The increase in Individual is primarily due to growth in the BOLI account value related to increased sales and strong persistency. The offset by Income Annuities was driven by lower required interest due to lower reserves as benefit payments exceeded new sales in addition to higher mortality gains in the first six months of 2009.

Other underwriting and operating expenses. Other underwriting and operating expenses represent total operating and commission expenses less deferred new business acquisition costs. Other underwriting and operating expenses decreased $11.5 million, or 8.4%, to $125.0 million from $136.5 million. The majority of the decline was attributable to increased deferral of new business acquisition costs in our Retirement Services

and Individual segments because of increased sales. This decline was also partially attributable to a reduction in employee costs due to employee attrition, reduced bonuses paid in 2009 and decreased IT related costs.

Provision (benefit) for income taxes. The provision for income taxes increased $8.2 million, to $21.3 million from $13.1 million, which is primarily due to the increase in income from continuing operations. The effective tax rate remained relatively flat, decreasing from 29.2% to 29.0%. The difference between the U.S. corporate federal income tax rate of 35.0% and the annualized effective rate of 29.0% is due almost entirely to tax credits from tax-advantaged federal affordable housing investments.

Twelve Months Ended December 31, 2008 Compared to the Twelve Months Ended December 31, 2007

Summary of results. Net income decreased $145.2 million, or 86.8%, to $22.1 million from $167.3 million as a result of an increase in net realized investment losses and a decrease in net operating income. We experienced net realized investment losses of $158.0 million, including impairments of $86.4 million and net losses on our common stock of $69.2 million, resulting from volatile markets in 2008. In 2008, we elected to record changes in fair value on equity securities in income.

Net operating income decreased $32.0 million, or 20.7%, to $122.9 million from $154.9 million. This is primarily due to mark-to-market losses on our investments in hedge funds and private equity funds recorded in net investment income, which totaled $24.4 million in 2008 compared to gains of $7.0 million in 2007. Additionally, the decrease was driven by an increase in the loss ratio in our Group segment and an increase in interest expense. The overall loss ratio in Group increased to 65.8% from 54.3% as a result of an increase in paid claims, primarily attributable to the medical stop-loss product. Interest expense increased as a result of issuing the $150.0 million of CENts in October 2007. The decreases in net operating income were mitigated by strong sales of fixed deferred annuities, which drove an increase in our fixed annuities account value and an increase in the investment margin related to these products.

Premiums. Premiums consist primarily of revenues from our group life and health and individual life insurance products, and COI charges on our universal life insurance and BOLI polices. Premiums increased $54.3 million, or 10.2%, to $584.8 million from $530.5 million. This increase was primarily due an increase of $57.7 million in our Group segment, as a result of strong sales of our medical stop-loss product. This was partially offset by a $3.5 million decrease in our Individual segment related to reinsured policies.

Net investment income. Net investment income decreased $17.1 million, or 1.8%, to $956.5 million from $973.6 million. Of this decrease, $38.9 million was the result of a negative rate variance as yields decreased to 5.38% from 5.60%, of which $35.6 million related mainly to mark-to-market losses on investments in limited partnerships. This decrease was partially offset by a $21.8 million positive volume variance as average invested assets increased to $17.8 billion from $17.4 billion resulting from positive net cash flows of fixed deferred annuities.

Net realized investment gains (losses). Net realized investment gains (losses) decreased $174.8 million, to a $158.0 million loss from a $16.8 million gain. For the year ended December 31, 2008, gross realized gains were $43.7 million including gross equity gains of $3.6 million and gross realized losses were $201.7 million, including impairments of $86.4 million and gross equity losses of $72.8 million. During 2008, the majority of realized gains (losses) from trading activity and impairment was in the Income Annuities segment. For the year ended December 2007, gross realized gains were $63.1 million and gross losses were $46.3 million, including impairments of $16.2 million. Gross gains included $14.4 million related to gains on sales of common stock and $37.1 million representing gains from the sales of mainly corporate securities, the majority of which is in the Income Annuities segment. See "— Investments" for further information.

Policyholder benefits and claims. Policyholder benefits and claims consist of benefits paid and reserve activity on group life and health and individual life products. In addition, we record, as a reduction of this expense, PGAAP reserve amortization related to our fixed deferred annuities and BOLI policies. The PGAAP reserve is amortized as a reduction to policyholder benefits according to our expected pattern of profitability of the book of business of policies in force on the Acquisition date. Policyholder benefits and claims increased $81.4 million, or 30.5%, to $348.5 million from $267.1 million. This increase was primarily

due to an $82.8 million increase in our Group segment caused by an increase in medical stop loss paid claims, and a year-over-year increase in reserve changes. Our Group claims increased due to growth in the block of business and a higher loss ratio on that business.

Interest credited. Interest credited increased $13.8 million, or 1.8%, to $766.1 million from $752.3 million. Of this increase, $11.4 million was primarily due to growth in the BOLI account values from new BOLI sales and strong persistency, and a $10.9 million increase primarily related to an increase in average fixed account value in Retirement Services. These were partially offset by a $7.0 million decrease in Income Annuities due to lower required interest on lower reserves and higher mortality gains in 2008.

Other underwriting and operating expenses. Other underwriting and operating expenses decreased $16.1 million, or 5.7%, to $265.8 million from $281.9 million. This decrease was primarily due to a $4.5 million decrease in professional services expenses, primarily IT related, and a reduction in general management expenses, which were primarily related to management bonuses. In addition, strong 2008 sales resulted in an increase in deferrable policy acquisition costs.

Interest expense. Interest expense represents interest on debt. Interest expense increased $10.4 million, or 48.4%, to $31.9 million from $21.5 million. This increase was due to interest expense on the $150.0 million CENts issued in October 2007. See "— Liquidity and Capital Resources" for further information.

Provision (benefit) for income taxes. The provision (benefit) for income taxes decreased $90.6 million, to a $9.1 million benefit from an $81.5 million provision. The effective tax rate decreased to (70.0)% from 32.8% primarily due to the significant reduction in income from continuing operations, an increase in affordable housing credits, a favorable decrease in prior year adjustments, and the favorable impact of the settlement of the 2004 — 2005 IRS examination of our life insurance subsidiaries.

Twelve Months Ended December 31, 2007 Compared to the Twelve Months Ended December 31, 2006

Summary of results. Net income increased $7.8 million, or 4.9%, to $167.3 million from $159.5 million due to a decrease in net operating income, offset by an increase in net realized investment gains excluding gains (losses) on the FIA options. Net operating income decreased $4.9 million, or 3.1%, to $154.9 million from $159.8 million. In 2007, total revenues increased to $1.59 billion from $1.57 billion in 2006. Key drivers in our 2007 performance include a 55.2% medical stop-loss — loss ratio in our Group segment along with increased premiums from increased sales, which was offset by lower profitability in our Retirement Services segment due to a decrease in account value as withdrawals exceeded new deposits and a decrease in the interest spread, driven by a decrease in PGAAP reserve amortization.

Premiums. Premiums increased $4.8 million, or 0.9%, to $530.5 million from $525.7 million. Premiums increased primarily due to strong 2007 sales of medical stop-loss coverage.

Net investment income. Net investment income decreased $11.3 million, or 1.1%, to $973.6 million from $984.9 million. Of this decrease, $32.1 million was due to a decrease in average invested assets to $17.4 billion from $18.0 billion, primarily in our Retirement Services segment. This decrease was partially offset by a positive rate variance of $20.8 million, which increased to 5.60% from 5.48%. The increase in yield was primarily due to the reinvestment of funds in higher yielding securities, an increase in the yield on short-term investments, the receipt of prepayment consent fees and a reduction in investment advisory fee expense.

Other revenues. Other revenues include mortality expense, surrender and other administrative charges, revenues from our non-insurance businesses and revenues from fee arrangements with our reinsurance partners. Other revenues increased $12.6 million, or 22.5%, to $68.7 million from $56.1 million. The increase is primarily due to an increase in fee revenue generated by our newly acquired subsidiary MRM and an increase in fee revenue in our broker-dealer operations.

Net realized investment gains. Net realized investment gains increased $15.1 million, to $16.8 million from $1.7 million. For the twelve months ended December 31, 2007, gross realized gains were $63.1 million

and gross realized losses were $46.3 million, including impairments of $16.2 million. Gross gains included $14.4 million related to gains on sales of common stock and $37.1 million representing gains from the sales of corporate securities, the majority of which is in the Income Annuities segment, as part of our portfolio rebalancing to increase yields. For the twelve months ending December 31, 2006, gross realized gains were $56.4 million, including $26.8 million in fixed maturity gains as part of our rebalancing strategy and $18.3 million in equity gains. Gross realized losses were $54.7 million, including impairments of $25.7 million.

Policyholder benefits and claims. Policyholder benefits and claims increased $2.8 million, or 1.1%, to $267.1 million from $264.3 million. This increase was primarily due to a $25.7 million reduction in our group benefits and claims, partially offset by a $10.7 million reduction in PGAAP reserve amortization, a $5.8 million increase in our Individual segment's paid claims and a $6.5 million increase in the change in reserves in our Individual segment.

Interest credited. Interest credited decreased $13.6 million, or 1.8%, to $752.3 million from $765.9 million. Of this decrease, $20.7 million was the result of a decrease in fixed account values in our Retirement Services segment. This was partially offset by an $8.1 million increase in our Individual segment that was primarily due to growth in the BOLI account values.

Other underwriting and operating expenses. Other underwriting and operating expenses increased $21.4 million, or 8.2%, to $281.9 million from $260.5 million. The increase is primarily due to a $9.0 million increase in corporate shared services expenses, a $5.5 million increase in distribution expenses, $2.7 million of expense related to our acquisition of MRM, and a $1.5 million increase in premium taxes. The increase in corporate shared services expenses includes $3.5 million of expenses related to our terminated 2007 initial public offering, or IPO, process and a $3.0 million increase in all employee bonus expenses. The increase in distribution expenses is also due to an increase in employee payroll and related benefit expenses and an increase in incentive compensation. The increase in premium taxes was due to new BOLI sales.

Provision for income taxes. The provision for income taxes decreased $3.0 million, to $81.5 million from $84.5 million. The effective tax rate decreased 1.8% to 32.8% from 34.6% due primarily to an increase in affordable housing credits, and the impact of prior year adjustment related to the 2006 tax year.

Segment Operating Results

The following table reconciles segment pre-tax operating income, which is used to measure our segments' performance, to income from operations before income taxes in our consolidated statements of income. More information about the results of each segment follows this table.

Pre-Tax Operating Income by Segment

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Group	$ 28.7	$ 26.4	$ 66.9	$ 91.6	$ 68.1
Retirement Services	25.1	14.6	36.6	34.2	62.4
Income Annuities	24.7	15.6	36.5	45.1	45.8
Individual	35.7	28.5	59.7	58.7	66.4
Other	(1.7)	(4.9)	(31.6)	0.1	1.8
Total segment pre-tax operating income	112.5	80.2	168.1	229.7	244.5
Add: Net realized investment gains (losses)	(40.3)	(38.9)	(158.0)	16.8	1.7
Less: Net realized and unrealized investment gains (losses) on FIA options	(1.2)	(3.6)	(2.9)	(2.3)	2.2
Income from operations before income taxes	$ 73.4	$ 44.9	$ 13.0	$ 248.8	$ 244.0

Group

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

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Revenues:					
Premiums	$ 217.6	$ 225.6	$ 449.8	$ 392.1	$ 387.3
Net investment income	8.8	9.2	17.8	18.1	18.0
Other revenues	8.5	9.6	19.0	15.2	10.2
Net realized investment losses:					
Total other-than-temporary impairment losses on securities	(5.1)	—	(0.1)	—	—
Less: portion of losses recognized in other comprehensive income	3.6	—	—	—	—
Net impairment losses recognized in earnings	(1.5)	—	(0.1)	—	—
Other net realized investment gains (losses)	0.1	—	—	(0.1)	(0.1)
Total net realized investment losses	(1.4)	—	(0.1)	(0.1)	(0.1)
Total revenues	233.5	244.4	486.5	425.3	415.4
Benefits and Expenses:					
Policyholder benefits and claims	148.2	154.7	295.9	213.1	230.8
Other underwriting and operating expenses	54.1	59.2	115.7	112.3	105.7
Amortization of deferred policy acquisition costs	3.9	4.1	8.1	8.4	10.9
Total benefits and expenses	206.2	218.0	419.7	333.8	347.4
Segment pre-tax income	27.3	26.4	66.8	91.5	68.0
Less: Net realized investment losses	(1.4)	—	(0.1)	(0.1)	(0.1)
Segment pre-tax operating income	$ 28.7	$ 26.4	$ 66.9	$ 91.6	$ 68.1

The following table sets forth selected historical operating metrics relating to our Group segment as of, or for, the periods ended:

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Group loss ratio(1)	68.1%	68.6%	65.8%	54.3%	59.6%
Expense ratio(2)	24.3%	25.3%	24.8%	27.8%	27.7%
Combined ratio(3)	92.4%	93.9%	90.6%	82.1%	87.3%
Medical stop-loss — loss ratio(4)	69.7%	70.1%	67.9%	55.2%	62.4%
Total sales(5)	$ 50.8	$ 87.4	$ 112.6	$ 86.2	$ 69.1

(1) Group loss ratio represents policyholder benefits and claims divided by premiums earned.

(2) Expense ratio is equal to 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) Medical stop-loss — loss ratio represents medical stop-loss policyholder benefits and claims divided by medical stop-loss premiums earned.

(5) Total sales represent annualized first-year premiums.

Six Months Ended June 30, 2009 Compared to the Six Months Ended June 30, 2008

Group summary of results. Our Group segment's pre-tax income increased $0.9 million, or 3.4%, to $27.3 million from $26.4 million due to an increase in segment pre-tax operating income, offset by an increase in net realized investment losses of $1.4 million. Segment pre-tax operating income increased $2.3 million, or 8.7%, to $28.7 million from $26.4 million primarily from a decrease in the combined ratio on a smaller book of medical stop-loss business driven by decreased premiums in 2009.

Premiums. Premiums decreased $8.0 million, or 3.5%, to $217.6 million from $225.6 million. This was primarily due to a $6.8 million decrease in medical stop-loss premiums as pricing increases have led to lower sales and renewals in 2009.

Policyholder benefits and claims. Policyholder benefits and claims decreased $6.5 million, or 4.2%, to $148.2 million from $154.7 million. This decrease was primarily driven by a lower loss ratio on a smaller premium base as described above. The loss ratio is above our long-term expectations as we have experienced more claims exceeding $0.5 million, many of which related to premature births.

Other underwriting and operating expenses. Other underwriting and operating expenses decreased $5.1 million, or 8.6%, to $54.1 million from $59.2 million. This is primarily due to a $2.8 million decrease in commission expense due to a decrease in sales and a lower average commission, and a $1.6 million decrease in other operating expenses due partially to a decrease in employees.

Twelve Months Ended December 31, 2008 Compared to the Twelve Months Ended December 31, 2007

Group summary of results. Our Group segment's pre-tax income decreased $24.7 million, or 27.0%, to $66.8 million from $91.5 million, primarily due to higher paid medical stop-loss claims as shown in the increase in the loss ratio, applied to a larger book of business driven by strong sales growth and renewals in 2008. In 2008, we adjusted pricing to grow the block. As a result, we generated more premiums, and experienced an increase in the actual loss ratio.

Premiums. Premiums increased $57.7 million, or 14.7%, to $449.8 million from $392.1 million. This was primarily due to a $58.4 million increase in medical stop-loss premiums, as a result of an increase in new sales and strong renewals.

Other revenues. Other revenues increased $3.8 million, or 25.0%, to $19.0 million from $15.2 million. Our subsidiary MRM, acquired in May 2007, generated revenues of $11.1 million in 2008, versus $6.4 million in 2007. This was partially offset by a decrease in revenues from our third party administrator.

Policyholder benefits and claims. Policyholder benefits and claims increased $82.8 million, or 38.9%, to $295.9 million from $213.1 million. This was primarily driven by the larger book of business on increased sales and renewals and the higher loss ratio described above.

Other underwriting and operating expenses. Other underwriting and operating expenses increased $3.4 million, or 3.0%, to $115.7 million from $112.3 million. This is primarily due to a $3.4 million increase in commission expense as a result of strong sales. The overall expense ratio improved by 3.0% in 2008.

Twelve Months Ended December 31, 2007 Compared to the Twelve Months Ended December 31, 2006

Group summary of results. Our Group segment's pre-tax income increased $23.5 million, or 34.6%, to $91.5 million from $68.0 million, primarily due to lower paid claims on our medical stop-loss product which was reflected in the reduction of our loss ratio to 55.2% from 62.4%. The 55.2% medical loss ratio was better than our expectations.

Premiums. Premiums increased $4.8 million, or 1.2%, to $392.1 million from $387.3 million. This was primarily due to a $6.4 million increase in medical stop-loss premiums, partially offset by a $1.5 million decrease in premiums from other products.

Other revenues. Other revenues increased $5.0 million, or 49.0%, to $15.2 million from $10.2 million. Our newly acquired subsidiary, MRM, generated revenues of $6.4 million, partially offset by a decrease in revenues from our third party administrator as a result of lower production.

Policyholder benefits and claims. Policyholder benefits and claims decreased $17.7 million, or 7.7%, to $213.1 million from $230.8 million. Paid claims decreased $25.7 million, primarily related to strong underwriting results and an unusual number of paid claims in excess of $0.5 million in 2006 that did not recur in 2007. This is partially offset by an increase in the change in claims due and unpaid of $8.4 million.

Other underwriting and operating expenses. Other underwriting and operating expenses increased $6.6 million, or 6.2%, to $112.3 million from $105.7 million. This is primarily due to increases in direct expenses and distribution expenses of $4.2 million and $2.7 million, respectively, and a $1.7 million reduction in DAC deferrals. The increase in direct expenses is primarily due to the acquisition of MRM, which contributed $2.7 million in expenses in 2007. This is partially offset by a $3.2 million decrease in commission expense, which is related to lower average commission costs on business written.

Retirement Services

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

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Revenues:					
Premiums	$ —	$ —	$ 0.1	$ —	$ 0.1
Net investment income	178.3	120.5	261.1	244.3	269.8
Other revenues	7.8	10.8	20.2	24.5	22.8
Net realized investment losses:					
Total other-than-temporary impairment losses on securities	(46.8)	(11.0)	(20.7)	(4.9)	(11.8)
Less: portion of losses recognized in other comprehensive income	21.5	—	—	—	—
Net impairment losses recognized in earnings	(25.3)	(11.0)	(20.7)	(4.9)	(11.8)
Other net realized investment gains (losses)	6.9	(2.4)	(0.1)	(4.9)	(5.2)
Total net realized investment losses	(18.4)	(13.4)	(20.8)	(9.8)	(17.0)
Total revenues	167.7	117.9	260.6	259.0	275.7
Benefits and Expenses:					
Policyholder benefits and claims	(0.9)	(4.3)	(6.8)	(8.3)	(16.5)
Interest credited	116.7	82.7	176.4	165.5	186.2
Other underwriting and operating expenses	27.7	30.3	57.4	69.1	61.7
Amortization of deferred policy acquisition costs	16.3	4.4	14.9	6.0	1.1
Total benefits and expenses	159.8	113.1	241.9	232.3	232.5
Segment pre-tax income	$ 7.9	$ 4.8	$ 18.7	$ 26.7	$ 43.2
Less: Net realized investment losses	(18.4)	(13.4)	(20.8)	(9.8)	(17.0)
Add: Net realized and unrealized investment gains (losses) on FIA options	(1.2)	(3.6)	(2.9)	(2.3)	2.2
Segment pre-tax operating income	$ 25.1	$ 14.6	$ 36.6	$ 34.2	$ 62.4

The following table sets forth selected historical operating metrics relating to our Retirement Services segment as of, or for, the periods ended:

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Account values — Fixed annuities	$ 7,025.6	$ 4,864.0	$ 5,724.9	$ 4,445.4	$ 4,922.5
Account values — Variable annuities	664.1	942.8	645.7	1,059.2	1,115.5
PGAAP reserve balance	0.7	5.3	2.2	9.9	18.4
Interest spread on average account values(1)	1.73%	1.65%	1.67%	1.68%	1.76%
Total sales(2)	$ 1,479.9	$ 662.8	$ 1,766.5	$ 692.3	$ 573.2

(1) Interest spread is the difference between net investment yield earned and the credited interest rate to policyholders. The investment yield is the approximate yield on invested assets in the general account attributed to the segment. The credited interest rate is the approximate rate credited on policyholder fixed account values within the segment. Interest credited is subject to contractual terms, including minimum guarantees. Interest spread tends to move gradually over time to reflect market interest rate movements and may reflect actions by management to respond to competitive pressures and profit targets.

(2) Total sales represent deposits for new policies.

Six Months Ended June 30, 2009 Compared to the Six Months Ended June 30, 2008

Retirement Services summary of results. Our Retirement Services' segment pre-tax income increased $3.1 million, or 64.6%, to $7.9 million from $4.8 million due to an increase in segment pre-tax operating income, partially offset by an increase in net realized investment losses due to increased investment impairments. Segment pre-tax operating income increased $10.5 million, or 71.9%, to $25.1 million from $14.6 million. Segment pre-tax income and operating income increased primarily due to an increase in sales and positive net cash flows of fixed deferred annuities which drove an increase in fixed annuities account value of $2.2 billion. We also experienced an increase in the interest spread on average account values, which increased to 1.73% from 1.65%. Although our yields increased, the 2009 yield was unfavorably impacted by an increase in uninvested cash caused by the increase in sales in a tight credit environment. This dampened growth in margins until the cash was invested, limiting the growth of pre-tax income. In addition, the increase in sales allowed us to fully defer acquisition expenses in 2009 resulting in lower other underwriting and operating expenses. Offsetting this was an increase in amortization of DAC of $11.9 million related to our growing DAC asset balance.

Net investment income. Net investment income increased $57.8 million, or 48.0%, to $178.3 million from $120.5 million. Of this increase, $49.9 million was a result of an increase in average invested assets, which grew to $6.6 billion from $4.7 billion, and a $7.9 million positive rate variance as yields increased to 5.39% from 5.16%.

Net realized investment losses. Net realized investment losses increased $5.0 million, or 37.3%, to $18.4 million from $13.4 million. For the six months ended June 30, 2009, gross realized gains were $13.9 million and gross realized losses were $32.3 million, including impairments of $25.3 million. For the six months ended June 30, 2008, gross realized gains were $2.1 million and gross realized losses were $15.5 million, including impairments of $11.0 million.

Policyholder benefits and claims. Policyholder benefits and claims decreased $3.4 million, or 79.1%, to $0.9 million from $4.3 million. This decrease was primarily driven by differences in the amount of PGAAP reserve amortization. The PGAAP reserve is amortized as a reduction to policyholder benefits according to our expected pattern of profitability of the book of business of policies in force at the time of the Acquisition. This pattern resulted in higher PGAAP reserve amortization in the years immediately following the Acquisition.

Interest credited. Interest credited increased $34.0 million, or 41.1%, to $116.7 million from $82.7 million due to a 38% increase in average fixed account values resulting from increased sales and higher persistency.

Amortization of deferred policy acquisition costs. Amortization of deferred policy acquisition costs increased $11.9 million to $16.3 million from $4.4 million, which was primarily driven by an increased DAC asset balance to amortize due to increased sales and an increase in margins in 2009, which resulted in higher amortization.

Twelve Months Ended December 31, 2008 Compared to the Twelve Months Ended December 31, 2007

Retirement Services summary of results. Our Retirement Services' segment pre-tax income decreased $8.0 million, or 30.0%, to $18.7 million from $26.7 million, due to an increase in segment pre-tax operating income offset by an increase in net realized investment losses. Segment pre-tax operating income increased $2.4 million, or 7.0%, to $36.6 million from $34.2 million. Segment pre-tax operating income benefited from strong sales and higher persistency leading to a growing block of business producing greater investment margin (net investment income less interest credited). Increased sales also resulted in an increase in DAC deferrals which contributed positively to lower net operating expense. Partially offsetting this was a decrease in other revenues of $4.3 million driven by lower fees on variable annuities due to the declines in the equity markets and an $8.9 million increase in amortization of DAC.

Net investment income. Net investment income increased $16.8 million, or 6.9%, to $261.1 million from $244.3 million. Of this increase, $17.0 million was a result of an increase in average invested assets, which increased to $5.1 billion from $4.7 billion. This was partially offset by a $0.2 million negative rate variance as yields decreased to 5.15% from 5.16%. Investment yields were unfavorably impacted in the latter half of 2008 by increased uninvested cash.

Other revenues. Other revenues decreased $4.3 million, or 17.6%, to $20.2 million from $24.5 million due to lower fees on variable annuities caused by a decline in the equity markets which impacted our variable annuities account value.

Net realized investment losses. Net realized investment losses increased $11.0 million to $20.8 million from $9.8 million. For the year ended December 31, 2008, gross realized gains were $11.0 million and gross realized losses were $31.8 million, including impairments of $20.7 million. For the year ended December 31, 2007, gross realized gains were $8.6 million and gross realized losses were $18.4 million, including impairments of $4.9 million.

Interest credited. Interest credited increased $10.9 million, or 6.6%, to $176.4 million from $165.5 million. This is due primarily to an increase in average fixed account values and higher crediting rates on new business.

Other underwriting and operating expenses. Other underwriting and operating expenses decreased $11.7 million, or 16.9%, to $57.4 million from $69.1 million. This change was primarily driven by increased sales in 2008, which resulted in an increase in deferrable policy acquisition costs. In 2008, we were able to fully defer acquisition expenses as a result of the increase in sales.

Amortization of deferred policy acquisition costs. Amortization of DAC increased $8.9 million to $14.9 million from $6.0 million. This change was primarily driven by a growing book of business and corresponding DAC asset.

Twelve Months Ended December 31, 2007 Compared to the Twelve Months Ended December 31, 2006

Retirement Services summary of results. Our Retirement Services segment pre-tax income decreased $16.5 million, or 38.2%, to $26.7 million from $43.2 million due to a decrease in segment pre-tax operating income of $28.2 million offset by a $11.7 million decrease in net realized investment losses excluding losses on FIA options. Segment pre-tax operating income decreased $28.2 million, or 45.2%, to $34.2 million from $62.4 million. Segment pre-tax operating income decreased due to a decline in account value as withdrawals

exceeded new deposits, a decrease in the interest spread on average account values driven by lower amortization of the PGAAP reserve, increased operating expenses and increased DAC amortization.

Net investment income. Net investment income decreased $25.5 million, or 9.5%, to $244.3 million from $269.8 million. Of this decrease, $34.4 million was a result of a decrease in average invested assets to $4.7 billion from $5.4 billion. This decrease was partially offset by a positive rate variance of $8.9 million due to improved yields related to our investment portfolio rebalancing strategy, which increased to 5.16% from 4.97%.

Net realized investment losses. Net realized investment losses decreased $7.2 million, or 42.4%, to $9.8 million from $17.0 million. For the year ended December 31, 2007, gross realized gains were $8.6 million and gross realized losses were $18.4 million, including impairments of $4.9 million. For the year ended December 31, 2006, gross realized gains were $8.6 million and gross realized losses were $25.6 million, including impairments of $11.8 million.

Policyholder benefits and claims. Policyholder benefits and claims increased $8.2 million, or 49.7%, to $8.3 million from $16.5 million. This increase was primarily driven by differences in the amount of PGAAP reserve amortization. The PGAAP reserve is amortized as a reduction to policyholder benefits according to our expected pattern of profitability of the book of business of policies in force at the time of the Acquisition. This pattern resulted in higher PGAAP reserve amortization in the years immediately following the Acquisition.

Interest credited. Interest credited decreased $20.7 million, or 11.1%, to $165.5 million from $186.2 million. This decrease is primarily due to a decrease in fixed account values as withdrawals exceeded deposits and a $5.2 million decrease in interest credited on our FIA products, which resulted from 3.5% growth in the S&P 500 Index in 2007 compared to 13.6% growth in the S&P 500 Index in 2006. These decreases were partially offset by a $5.5 million increase related to higher crediting rates and persistency.

Other underwriting and operating expenses. Other underwriting and operating expenses increased $7.4 million, or 12.0%, to $69.1 million from $61.7 million. This increase was primarily due to a $3.3 million increase in allocated corporate expenses, and a $2.9 million increase in distribution expenses.

Amortization of deferred policy acquisition costs. Amortization of deferred policy acquisition costs increased $4.9 million to $6.0 million from $1.1 million. This increase is primarily driven by a growing block of business and corresponding DAC, which increased to $84.3 million from $54.5 million at December 31, 2006. We experienced an increase in our DAC asset balance despite the decrease in fixed account value as customer withdrawals were primarily on products without DAC asset balances.

Income Annuities

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

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Revenues:					
Net investment income	$ 213.4	$ 208.5	$ 423.4	$ 439.3	$ 439.0
Other revenues	0.3	0.4	0.9	0.8	0.8
Net realized investment gains (losses):					
Total other-than-temporary impairment losses on securities	(52.2)	(19.3)	(35.4)	(8.0)	(9.4)
Less: portion of losses recognized in other comprehensive income	34.6	—	—	—	—
Net impairment losses recognized in earnings	(17.6)	(19.3)	(35.4)	(8.0)	(9.4)
Other net realized investment gains (losses)	6.4	2.4	(64.2)	31.0	26.2
Total net realized investment gains (losses)	(11.2)	(16.9)	(99.6)	23.0	16.8
Total revenues	202.5	192.0	324.7	463.1	456.6
Benefits and Expenses:					
Interest credited	178.0	181.9	364.5	371.5	371.8
Other underwriting and operating expenses	10.2	10.8	21.9	22.4	21.6
Amortization of deferred policy acquisition costs	0.8	0.6	1.4	1.1	0.6
Total benefits and expenses	189.0	193.3	387.8	395.0	394.0
Segment pre-tax income (loss)	$ 13.5	$ (1.3)	$ (63.1)	$ 68.1	$ 62.6
Less: Net realized investment gains (losses)	(11.2)	(16.9)	(99.6)	23.0	16.8
Segment pre-tax operating income	$ 24.7	$ 15.6	$ 36.5	$ 45.1	$ 45.8

The following table sets forth selected historical operating metrics relating to our Income Annuities segment as of, or for, the periods ended:

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Reserves(1)	$ 6,722.6	$ 6,848.7	$ 6,761.2	$ 6,895.4	$ 7,012.6
Interest spread(2)	0.61%	0.57%	0.59%	0.60%	0.66%
Mortality gains (losses)(3)	$ 3.8	$ 2.8	$ 2.1	$ (0.1)	$ 6.3
Total sales(4)	97.3	71.2	140.8	140.2	96.6

(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.

(2) Interest spread is the difference between net investment yield earned and the credited interest rate on policyholder reserves. The investment yield is the approximate yield on invested assets, excluding equities, in the general account attributed to the segment. The credited interest rate is the approximate rate credited on policyholder reserves within the segment and excludes the gains and losses from funding services and mortality.

(3) Mortality gains (losses) represent the difference between actual and expected reserves released on death of a life contingent annuity.

(4) Sales represent deposits for new policies.

Six Months Ended June 30, 2009 Compared to the Six Months Ended June 30, 2008

Income Annuities summary of results. Our Income Annuities segment pre-tax income increased $14.8 million to $13.5 million, from a $1.3 million loss. The improvement is primarily due to a $5.7 million decrease in net realized investment losses and an increase in segment pre-tax operating income. Segment pre-tax operating income increased $9.1 million to $24.7 million from $15.6 million, which was primarily due to an increase in net investment income, an increase in mortality gains, and lower credited interest due to lower reserves.

Net investment income. Net investment income increased $4.9 million, or 2.4%, to $213.4 million from $208.5 million. Of this increase, $7.3 million was the result of a positive rate variance as yields increased to 6.12% from 5.91%. Of this increase, $4.3 million is due to our investments in limited partnerships (primarily declines in fair value) in 2008. This increase was impacted by the transfer of all investments in limited partnerships held by our Income Annuities segment to the holding company, included in our Other segment, in exchange for equity securities, in the third quarter of 2008. This was partially offset by a $2.4 million decrease as average invested assets declined to $7.0 billion from $7.1 billion as a result of decreased reserves.

Net realized investment losses. Net realized investment losses decreased $5.7 million, or 33.7%, to $11.2 million from $16.9 million. For the six months ended June 30, 2009, gross realized gains were $24.8 million and gross realized losses were $36.0 million, including impairments of $17.6 million and net equity gains of $7.5 million. For the six months ended June 30, 2008, gross realized gains were $18.4 million and gross realized losses were $35.3 million, including impairments of $19.3 million, and net equity losses of $3.0 million. In the first half of 2008, certain Canadian bonds were sold at a gain, and reinvested in high quality, higher yield, longer duration corporate securities.

Interest credited. Interest credited decreased $3.9 million, or 2.1%, to $178.0 million from $181.9 million. This decrease primarily related to a $2.4 million decrease as a result of lower reserves and a $1.0 million increase in mortality gains.

Twelve Months Ended December 31, 2008 Compared to the Twelve Months Ended December 31, 2007

Income Annuities summary of results. Our Income Annuities segment pre-tax income (loss) decreased $131.2 million to a $63.1 million loss from a $68.1 million gain due to $99.6 million in net realized losses in 2008 compared to $23.0 million in net realized gains in 2007. Segment pre-tax operating income decreased $8.6 million, or 19.1%, to $36.5 million from $45.1 million, which was primarily due to lower investment yields driven by mark-to-market losses on our investments in limited partnerships.

Net investment income. Net investment income decreased $15.9 million, or 3.6%, to $423.4 million from $439.3 million. Of this decrease, $9.5 million was a result of a negative rate variance as yields decreased to 6.01% from 6.15%, and $6.4 million of the decrease was due to a decrease in average invested assets to $7.0 billion from $7.1 billion as a result of decreased reserves. In addition, this decrease was due to lower performance in our investments in limited partnerships. These losses totaled $1.8 million in 2008 compared to $7.0 million in gains in 2007. During the third quarter of 2008, we transferred all investments in limited partnerships held by our Income Annuities segment to the holding company, included in our Other segment, in exchange for marketable equity securities.

Net realized investment gains (losses). Net investment gains (losses) decreased $122.6 million to a $99.6 million loss from a $23.0 million gain. For the year ended December 31, 2008, gross realized gains were $15.2 million and gross realized losses were $114.8 million, including impairments of $35.4 million and losses in the fair value of our equity portfolio of $61.2 million. For the year ended December 31, 2007, gross realized gains were $40.4 million and gross realized losses were $17.4 million, including impairments of $8.0 million.

Interest credited. Interest credited decreased $7.0 million, or 1.9%, to $364.5 million from $371.5 million. This decrease primarily related to a $4.1 million decrease in interest as a result of lower reserves as benefit payments exceeded new deposits, and $2.2 million due to an increase in mortality gains.

Twelve Months Ended December 31, 2007 Compared to the Twelve Months Ended December 31, 2006

Income Annuities summary of results. Our Income Annuities segment pre-tax income increased $5.5 million, or 8.8%, to $68.1 million from $62.6 million. Segment pre-tax operating income decreased $0.7 million, or 1.5%, to $45.1 million from $45.8 million. Segment pre-tax operating income decreased due to a decrease in the interest spread on reserves, which was driven by higher crediting rates. A slight increase in employee payroll and benefit operating expenses also decreased operating results.

Net investment income. Net investment income increased $0.3 million, to $439.3 million from $439.0 million. Of this increase, $6.3 million related to improved yields on assets and investments in limited partnerships to 6.15% from 6.06%. This increase was partially offset by a $6.0 million decrease related to a decrease in average invested assets, which decreased to $7.1 billion from $7.2 billion.

Net realized investment gains. Net investment gains increased $6.2 million, or 36.9%, to $23.0 million from $16.8 million. For the year ended December 31, 2007, gross realized gains were $40.4 million and gross realized losses were $17.4 million, including impairments of $8.0 million. For the year ended December 31, 2006, gross realized gains were $34.2 million and gross realized losses were $17.4 million, including impairments of $9.4 million. We had higher realized gains in 2007 primarily due to gains related to a significant tender offer related to certain fixed maturities in our investment portfolio.

Interest credited. Interest credited decreased $0.3 million, or less than 0.1%, to $371.5 million from $371.8 million. Of this decrease, $5.0 million relates to a decrease in reserves and $2.0 million relates to an increase in gains from funding services activity. These decreases are offset by a $6.4 million change in mortality from mortality losses in the current year versus mortality gains in the prior year.

Individual

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

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Revenues:					
Premiums	$ 70.5	$ 66.7	$ 134.9	$ 138.4	$ 138.3
Net investment income	131.1	126.3	254.6	244.1	232.8
Other revenues	6.8	8.8	16.0	15.0	12.9
Net realized investment gains (losses):					
Total other-than-temporary impairment losses on securities	(13.8)	(2.9)	(15.9)	(1.9)	(2.9)
Less: portion of losses recognized in other comprehensive income	6.6	—	—	—	—
Net impairment losses recognized in earnings	(7.2)	(2.9)	(15.9)	(1.9)	(2.9)
Other net realized investment gains (losses)	2.8	0.5	(0.9)	0.4	(0.9)
Total net realized investment losses	(4.4)	(2.4)	(16.8)	(1.5)	(3.8)
Total revenues	204.0	199.4	388.7	396.0	380.2
Benefits and Expenses:					
Policyholder benefits and claims	29.2	30.0	59.4	62.3	50.0
Interest credited	115.7	113.5	227.7	216.3	208.2
Other underwriting and operating expenses	26.2	28.3	57.3	57.7	57.4
Amortization of deferred policy acquisition costs	1.6	1.5	1.4	2.5	2.0
Total benefits and expenses	172.7	173.3	345.8	338.8	317.6
Segment pre-tax income	$ 31.3	$ 26.1	$ 42.9	$ 57.2	$ 62.6
Less: Net realized investment losses	(4.4)	(2.4)	(16.8)	(1.5)	(3.8)
Segment pre-tax operating income	$ 35.7	$ 28.5	$ 59.7	$ 58.7	$ 66.4

The following table sets forth selected historical operating metrics relating to our Individual segment as of, and for the periods ended:

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Insurance in force(1)	$ 50,475.8	$ 51,977.7	$ 51,313.5	$ 52,055.6	$ 52,295.3
Mortality ratio(2)	80.6%	84.0%	79.2%	84.0%	74.7%
BOLI account value(3)	$ 3,741.2	$ 3,624.2	$ 3,700.4	$ 3,527.2	$ 3,346.8
UL account value(3)	580.0	575.7	580.3	573.6	565.1
PGAAP reserve balance	42.2	55.4	49.2	62.0	77.1
BOLI ROA(4)	1.29%	1.20%	1.13%	1.13%	1.18%
UL interest spread(5)	1.22%	1.19%	1.14%	1.23%	1.31%
Total sales, excluding BOLI(6)	$ 4.9	$ 3.3	$ 7.2	$ 8.5	$ 9.3
BOLI sales(7)	2.5	2.6	2.9	4.6	—

(1) Insurance in force represents dollar face amounts of policies.

(2) Mortality ratio represents actual mortality experience as a percentage of an industry mortality benchmark. This benchmark is an expected level of claims that is derived by applying our current in force business to the Society of Actuaries 1990-95 Basic Select and Ultimate Mortality Table.

(3) BOLI account value and UL account value represent our liability to our policyholders.

footnotes continued on following page

(4) The 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 value. The policy benefits used in this metric do not include expenses.

(5) UL interest spread is the difference between net investment yield earned and the credited interest rate to policyholders. The investment yield is the approximate yield on invested assets in the general account attributed to the UL policies. The credited interest rate is the approximate rate credited on UL policyholder fixed account values. Interest credited to UL policyholders' account values is subject to contractual terms, including minimum guarantees. Interest credited tends to move gradually over time to reflect market interest rate movements and may reflect actions by management to respond to competitive pressures and profit targets.

(6) Total sales, excluding BOLI represent annualized first year premiums and deposits for new policies excluding BOLI sales.

(7) BOLI sales represent 10% of new BOLI total deposits.

Six Months Ended June 30, 2009 Compared to the Six Months Ended June 30, 2008

Individual Summary of Results. Our Individual segment pre-tax income and operating income increased $5.2 million and $7.2 million, respectively, which was due primarily to better mortality, lower operating expenses, and increased BOLI ROA and UL interest spread. The increase in segment pre-tax income was partially offset by an increase in net realized investment losses.

Premiums. Premiums increased $3.8 million, or 5.7%, to $70.5 million from $66.7 million. This is primarily related to a decrease in ceded premiums, the annual increase in COI charges on the BOLI block of business due to aging of the covered BOLI lives, and an increase in UL premiums driven by an increase in premium loads and administrative charges on new business.

Net investment income. Net investment income increased $4.8 million, or 3.8%, to $131.1 million from $126.3 million. Of this increase, $4.2 million related to an increase in the average invested assets, which increased to $4.9 billion from $4.7 billion. In addition, net investment income increased $0.6 million as a result of an increase in yields.

Net realized investment losses. Net realized investment losses increased $2.0 million, or 83.3%, to $4.4 million from $2.4 million. For the six months ended June 30, 2009, gross realized gains were $3.3 million and gross realized losses were $7.7 million, including impairments of $7.2 million. For the six months ended June 30, 2008, gross realized gains were $1.0 million and gross realized losses were $3.4 million, including impairments of $2.9 million.

Interest credited. Interest credited increased $2.2 million, or 1.9%, to $115.7 million from $113.5 million. This increase was primarily related to growth in BOLI account value, which is growing as a result of new sales and strong persistency.

Twelve Months Ended December 31, 2008 Compared to the Twelve Months Ended December 31, 2007

Individual Summary of Results. Our Individual segment pre-tax income decreased $14.3 million, or 25.0%, to $42.9 million from $57.2 million due to an increase in segment pre-tax operating income offset by an increase in net realized investment losses of $15.3 million. Segment pre-tax operating income increased $1.0 million, or 1.7%, to $59.7 million from $58.7 million due to an increase in net investment income and favorable mortality, partially offset by decreased premiums and an increase in interest credited on our BOLI block of business.

Premiums. Premiums decreased $3.5 million, or 2.5%, to $134.9 million from $138.4 million. This is primarily related to lower sales and adjustments associated with reinsured policies that increased ceded premiums, partially offset by an increase in BOLI COI charges related to the increase in our BOLI account value due to new sales and the aging of covered BOLI lives.

Net investment income. Net investment income increased $10.5 million, or 4.3%, to $254.6 million from $244.1 million. Of this increase, $13.2 million related to an increase in the average invested assets, which increased to $4.8 billion from $4.5 billion mainly due to growth in BOLI account value. This increase was partially offset by a negative rate variance of $2.7 million due to decreasing yields, which decreased to 5.33% from 5.38%.

Net realized investment losses. Net realized investment losses increased $15.3 million to $16.8 million from $1.5 million. For the year ended December 31, 2008, gross realized gains were $1.3 million and gross realized losses were $18.1 million, including impairments of $15.9 million. For the year ended December 31, 2007, gross realized gains were $2.4 million and gross realized losses were $3.9 million, including impairments of $1.9 million.

Policyholder benefits and claims. Policyholder benefits and claims expense decreased $2.9 million, or 4.7%, to $59.4 million from $62.3 million. Of this decrease, $1.5 million was due to ceded maintenance reserve credit in 2008. In addition, mortality, which excludes BOLI experience, improved from 84.0% to 79.2% as claims decreased $0.8 million, but was offset by a decrease in the change in reserves primarily related to a $2.5 million adjustment from a refinement of our reserve methodology in 2007 in connection with an actuarial reserving software conversion. In addition, the benefit received from PGAAP reserve amortization decreased $2.2 million.

Interest credited. Interest credited increased $11.4 million, or 5.3%, to $227.7 million from $216.3 million. This increase was primarily due to an increase in our BOLI account values caused by new sales and strong persistency and a decrease in BOLI separate account claims, which resulted in an increase in interest credited related to BOLI separate account business.

Twelve Months Ended December 31, 2007 Compared to Twelve Months Ended December 31, 2006

Individual Summary of Results. Our Individual segment pre-tax income decreased $5.4 million, or 8.6%, to $57.2 million from $62.6 million. Segment pre-tax operating income decreased $7.7 million, or 11.6%, to $58.7 million from $66.4 million. This decrease in segment pre-tax operating income and pre-tax income was primarily due to a higher mortality ratio and lower BOLI ROA.

Net investment income. Net investment income increased $11.3 million, or 4.9%, to $244.1 million from $232.8 million. Of this increase, $3.7 million related to improved yields, which increased to 5.38% from 5.30%, and a $7.6 million increase related to an increase in the average invested assets, which increased to $4.5 billion from $4.4 billion.

Net realized investment losses. Net realized investment losses decreased $2.3 million, or 60.5%, to $1.5 million from $3.8 million. For the year ended December 31, 2007, gross realized gains were $2.4 million and gross realized losses were $3.9 million, including impairments of $1.9 million. For the year ended December 31, 2006, gross realized gains were $2.1 million and gross realized losses were $5.9 million, including impairments of $2.9 million.

Policyholder benefits and claims. Policyholder benefits and claims expense increased $12.3 million, or 24.6%, to $62.3 million from $50.0 million. This is primarily due to an increase in claims and unfavorable reserve adjustments. Claims increased $5.8 million mainly related to variable universal life, term life and BOLI separate account claims. On a net basis, we also recorded $6.5 million of unfavorable reserve adjustments which were due to changes in reserve assumptions and a refinement of our reserve methodology implemented in connection with an actuarial reserving software conversion and a reduction in the benefit received from PGAAP reserve amortization.

Other

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

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Revenues:					
Net investment income (losses)	$ 14.2	$ 11.9	$ (0.4)	$ 27.8	$ 25.3
Other revenues	5.1	6.0	11.7	13.2	9.4
Net realized investment gains (losses):					
Total other-than-temporary impairment losses on securities	(5.9)	(5.2)	(14.3)	(1.4)	(1.6)
Less: portion of loss recognized in other comprehensive income	1.2	—	—	—	—
Net impairment losses recognized in earnings	(4.7)	(5.2)	(14.3)	(1.4)	(1.6)
Other net realized investment gains (losses)	(0.2)	(1.0)	(6.4)	6.6	7.4
Total net realized investment gains (losses)	(4.9)	(6.2)	(20.7)	5.2	5.8
Total revenues	14.4	11.7	(9.4)	46.2	40.5
Benefits and Expenses:					
Interest credited	(1.7)	(1.1)	(2.5)	(1.0)	(0.3)
Other underwriting and operating expenses	6.8	7.9	13.5	20.4	14.1
Interest expense	15.9	16.0	31.9	21.5	19.1
Total benefits and expenses	21.0	22.8	42.9	40.9	32.9
Segment pre-tax income (loss)	$ (6.6)	$ (11.1)	$ (52.3)	$ 5.3	$ 7.6
Less: Net realized investment gains (losses)	(4.9)	(6.2)	(20.7)	5.2	5.8
Segment pre-tax operating income (loss)	$ (1.7)	$ (4.9)	$ (31.6)	$ 0.1	$ 1.8

Six Months Ended June 30, 2009 Compared to the Six Months Ended June 30, 2008

Other segment summary of results. Our Other segment pre-tax losses decreased $4.5 million, or 40.5%, to $6.6 million from $11.1 million due to a decrease in net realized investment losses and a decrease in pre-tax operating losses. Segment pre-tax operating losses decreased $3.2 million, or 65.3%, to $1.7 million from $4.9 million primarily due to an increase in net investment income of $2.3 million described below.

Net investment income. Net investment income is primarily non-allocated net investment income related to insurance surplus and corporate assets, including income (loss) on our investments in limited partnerships (hedge funds and private equity funds), which were transferred to the holding company and included in our Other segment beginning in September 2008. Net investment income increased $2.3 million, or 19.3%, to $14.2 million from $11.9 million. This increase was due to a $4.9 million positive rate variance as yields increased to 6.00% from 3.92%. This was partially offset by a negative volume variance of $2.6 million as non-allocated average invested assets declined to $473.8 million from $608.9 million. The impact of investments in limited partnerships, which is primarily reflected in the rate variance, was a gain of $7.3 million in 2009. In addition, our investments in affordable housing limited partnerships reduced investment income by $4.7 million and $5.9 million in 2009 and 2008, respectively.

Net realized investment losses. Net realized investment losses decreased $1.3 million, or 21.0%, to $4.9 million from $6.2 million. For the six months ended June 30, 2009, gross realized gains were $2.1 million and gross realized losses were $7.0 million, including impairments of $4.7 million and net losses on our equities trading portfolio of $1.1 million. For the six months ended June 30, 2008, gross realized gains

were $7.6 million and gross realized losses were $13.8 million, including impairments of $5.2 million and net losses in the fair value of our equities trading portfolio of $1.7 million.

Twelve Months Ended December 31, 2008 Compared to the Twelve Months Ended December 31, 2007

Other segment summary of results. Our Other segment pre-tax income (loss) decreased $57.6 million to a $52.3 million loss from a $5.3 million gain due to an increase of $25.9 million in net realized investment gains (losses) to a $20.7 million loss from a $5.2 million gain in 2007. Segment pre-tax operating income (loss) decreased $31.7 million to a $31.6 million loss from a $0.1 million gain. This is primarily due to a decrease in net investment income (loss) of $28.2 million and additional interest expense incurred in connection with our $150.0 million CENts offering in the fourth quarter of 2007.

Net investment income. Net investment income (losses) decreased $28.2 million to a $0.4 million loss from a $27.8 million gain. This decrease was driven primarily by a $24.9 million negative rate variance as yields decreased to (0.08)% from 4.69% primarily due to $22.5 million in losses on investments in limited partnerships, and a $3.3 million decrease due to a decrease in non-allocated average invested assets, to $522.6 million from $592.2 million.

Net realized investment gains (losses). Net realized investment gains (losses) decreased by $25.9 million to a $20.7 million loss from a $5.2 million gain. For the year ended December 31, 2008, gross realized gains were $16.2 million and gross realized losses were $36.9 million, including impairments of $14.3 million and losses in the fair value of our equities trading portfolio of $7.0 million. For the year ended December 31, 2007, gross realized gains were $11.7 million and gross realized losses were $6.5 million, including impairments of $1.4 million.

Other underwriting and operating expenses. Other underwriting and operating expenses decreased $6.9 million, or 33.8%, to $13.5 million from $20.4 million. The decrease was due to $3.0 million in costs related to our terminated IPO process during 2007 and a $1.4 million decrease in depreciation expense as certain significant assets became fully depreciated.

Interest expense. Interest expense increased $10.4 million, or 48.4%, to $31.9 million from $21.5 million. This increase was due to interest expense on the $150.0 million CENts issued in October 2007.

Twelve Months Ended December 31, 2007 Compared to the Twelve Months Year Ended December 31, 2006

Other segment summary of results. Our Other segment pre-tax income decreased $2.3 million, or 30.3%, to $5.3 million from $7.6 million. Segment pre-tax operating income decreased $1.7 million, or 94.4%, to $0.1 million from $1.8 million. This is primarily due to increased operating expenses related to our terminated IPO process in 2007 and increased amortization of information technology assets as well as additional interest expense incurred in connection with the $150.0 million CENts issued in October 2007.

Net investment income. Net investment income increased $2.5 million, or 9.9%, to $27.8 million from $25.3 million. This increase was related to a $56.1 million increase in non-allocated average invested assets, to $592.2 million at December 31, 2007 from $536.1 million at December 31, 2006.

Other revenues. Other revenues increased $3.8 million, or 40.4%, to $13.2 million from $9.4 million, due to increased revenue from our broker-dealer operations.

Net realized investment gains. Net realized investment gains decreased by $0.6 million, or 10.3%, to $5.2 million from $5.8 million. For the year ended December 31, 2007, gross realized gains were $11.7 million and gross realized losses were $6.5 million, including impairments of $1.4 million. For the year ended December 31, 2006, gross realized gains were $11.5 million and gross realized losses were $5.7 million, including impairments of $1.6 million.

Other underwriting and operating expenses. Other underwriting and operating expenses increased $6.3 million, or 44.7%, to $20.4 million from $14.1 million in 2006. This increase was primarily due to

$3.0 million of additional operating expenses related to our terminated IPO process during 2007 and $1.3 million of increased amortization of information technology assets.

Interest expense. Interest expense increased $2.4 million, or 12.6%, to $21.5 million from $19.1 million in 2006. This increase was due to interest expense on the $150.0 million CENts issued in October 2007.

Investments

Our investment portfolio is structured with the objective of supporting the expected cash flows of our liabilities and to 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 credit risk. Our investment portfolio mix as of June 30, 2009 consisted in large part of high quality fixed maturities and commercial mortgage loans, as well as a smaller allocation of high yield fixed maturities, marketable equity securities, investments in limited partnerships (which includes hedge funds, private equity funds and affordable housing) and other investments. We believe that prudent levels of investments in marketable equity securities within our investment portfolio offer enhanced long-term, after-tax total returns to support our longest duration liabilities.

The following table presents the composition of our investment portfolio at fair value:

	As of June 30, 2009	As of December 31, 2008
	(Dollars in millions)	
Types of Investments		
Fixed maturities, available-for-sale:		
Public	$ 16,158.5	$ 14,255.4
Private	775.4	632.2
Marketable equity securities, available-for-sale(1)	33.6	38.1
Marketable equity securities, trading(2)	116.1	106.3
Mortgage loans	1,038.2	988.7
Policy loans	74.1	75.2
Investments in limited partnerships(3)	151.4	138.3
Other invested assets(4)	9.7	18.3
Total	$ 18,357.0	$ 16,252.5

(1) Amount represents nonredeemable preferred stock and mutual fund assets.

(2) Amount represents investments in common stock.

(3) As of June 30, 2009 and December 31, 2008, these amounts included $63.2 million and $56.3 million carried at fair value, respectively.

(4) As of June 30, 2009 and December 31, 2008, these amounts included investments such as a note receivable, warrants, options and short-term investments.

The increase in invested assets in the first six months of 2009 is primarily due to portfolio growth generated by significant fixed deferred annuity sales of $1.4 billion and a net increase in the fair value of our fixed maturity securities driven by credit spreads tightening. As of June 30, 2009, net unrealized losses on our fixed maturities decreased $0.6 billion from $1.6 billion at December 31, 2008 to $1.0 billion at June 30, 2009.

Investment Returns

Return on invested assets is an important element of our financial results. During the second half of 2008, there were significant declines and high volatility in equity markets, a lack of liquidity in the credit

markets and a widening of credit spreads on fixed maturities. During the six months ended June 30, 2009, primarily in the second quarter of 2009, the equity markets improved and credit spreads tightened. Unrealized losses declined substantially in 2009 as the fair value of our investment portfolio increased due to credit spread tightening.

The following tables set forth the income yield and investment income excluding realized gains (losses) for each major investment category:

	Six Months Ended June 30, 2009		Six Months Ended June 30, 2008	
	Yield(1)	Amount	Yield(1)	Amount
		(Dollars in millions)		
Types of Investments				
Fixed maturities, available-for-sale	5.94%	$ 514.4	5.79%	$ 455.5
Marketable equity securities, available-for-sale	6.44	1.7	6.41	1.7
Marketable equity securities, trading	1.57	1.2	2.28	1.4
Mortgage loans	6.31	32.1	6.44	28.3
Policy loans	5.79	2.2	5.84	2.2
Investments in limited partnerships				
Hedge funds and private equity funds	20.82	7.3	(10.05)	(4.3)
Affordable housing(2)	(9.09)	(4.7)	(12.09)	(5.9)
Other income producing assets(3)	0.47	1.3	3.57	7.3
Gross investment income before investment expenses	5.75	555.5	5.57	486.2
Investment expenses	(0.10)	(9.7)	(0.11)	(9.8)
Net investment income	5.65%	$ 545.8	5.46%	$ 476.4

(1) Yields are determined based on monthly averages calculated using beginning and end-of-period balances. Yields are based on carrying values except for fixed maturities and equity securities. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost.

(2) Negative yield from affordable housing investments is offset by positive U.S. federal income tax benefits.

(3) Includes income from other invested assets, short-term investments and cash and cash equivalents.

The net investment income yield on our investment portfolio after investment expenses, excluding realized gains (losses), was 5.65% and 5.46% as of June 30, 2009 and 2008, respectively. The increase is primarily due to an increase in fixed maturity yield as we have been investing the $1.4 billion of cash generated from 2009 sales of fixed deferred annuities in higher yielding assets. In addition, the yield on investments in limited partnerships increased as a result of an increase in our hedge funds and private equity funds fair values in 2009 as compared to the same period in 2008, when we experienced declines in fair values due to the decline and volatility in the equity markets.

	Year Ended December 31, 2008		Year Ended December 31, 2007		Year Ended December 31, 2006	
	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount
			(Dollars in millions)			
Types of Investments						
Fixed maturities, available-for-sale	5.82%	$ 930.7	5.74%	$ 911.4	5.61%	$ 930.3
Marketable equity securities, available-for-sale	6.44	3.4	3.79	5.8	4.14	6.8
Marketable equity securities, trading	2.06	2.7	—	—	—	—
Mortgage loans	6.49	59.4	6.18	50.0	6.12	48.8
Policy loans	5.89	4.5	6.07	4.7	6.07	4.9
Investments in limited partnerships						
Hedge funds and private equity funds	(28.98)	(24.4)	9.39	7.0	8.48	4.7
Affordable housing(2)	(12.24)	(12.0)	(8.81)	(7.0)	—	—
Other income producing assets(3)	2.69	11.5	6.27	20.9	4.82	13.4
Gross investment income before investment expenses	5.49	975.8	5.71	992.8	5.61	1,008.9
Investment expenses	(0.11)	(19.3)	(0.11)	(19.2)	(0.13)	(24.0)
Net investment income	5.38%	$ 956.5	5.60%	$ 973.6	5.48%	$ 984.9

(1) Yields are determined based on monthly averages calculated using beginning and end-of-period balances. Yields are based on carrying values except for fixed maturities and equity securities. Yields for fixed maturities are based on amortized cost. Yields for equity securities are based on cost.

(2) Negative yield from affordable housing investments is offset by positive U.S. federal income tax benefits.

(3) Includes income from other invested assets, short-term investments and cash and cash equivalents.

The decrease in our net investment yield from 5.60% in 2007 to 5.38% in 2008 is primarily due to declines in the fair value of hedge funds and private equity funds. This decrease is mainly a result of equity market declines and volatility in the latter part of 2008. Yields of our fixed maturities grew due to sales of fixed maturity securities in the latter part of 2008 and re-investment opportunities at higher yields.

The following table sets forth the detail of our net realized gains (losses) before taxes. As the following table indicates, our gross gains on equities significantly increased in the six months ended June 30, 2009 as compared to 2008 as a result of improved market conditions. The gross realized gains on sales during 2008 are the result of gross gains on sales from our equity security portfolio and portfolio management activity that resulted in lengthening the duration of our fixed maturities in our Income Annuities investment portfolio.

	Six Months Ended June 30,		Year Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Gross realized gains on sales:					
Fixed maturities	$ 6.2	$ 9.5	$ 10.3	$ 37.1	$ 26.8
Marketable equity securities, available-for-sale	—	—	—	14.4	18.3
Marketable equity securities, trading	1.0	6.1	14.8	—	—
Total gross realized gains on sales	7.2	15.6	25.1	51.5	45.1
Gross realized losses on sales:					
Fixed maturities	(2.2)	(3.0)	(7.0)	(15.1)	(18.4)
Marketable equity securities, available-for-sale	—	—	—	(3.5)	(1.4)
Marketable equity securities, trading	(4.3)	(0.3)	(8.5)	—	—
Total gross realized losses on sales	(6.5)	(3.3)	(15.5)	(18.6)	(19.8)
Impairments:					
Public fixed maturity securities(1)	(27.9)	(12.2)	(31.9)	—	(8.9)
Private fixed maturity securities	(4.1)	(0.6)	(7.5)	(0.7)	—
Total credit-related	(32.0)	(12.8)	(39.4)	(0.7)	(8.9)
Other(2)	(24.3)	(25.6)	(47.0)	(15.5)	(16.8)
Total impairments	(56.3)	(38.4)	(86.4)	(16.2)	(25.7)
Gains (losses) on trading securities(3):					
Gross gains	20.7	10.7	3.6	—	—
Gross losses	(14.2)	(15.3)	(72.8)	—	—
Total net gains (losses) on trading securities	6.5	(4.6)	(69.2)	—	—
Other net investment gains (losses)(4):					
Other gross gains	16.3	2.8	15.0	11.6	11.3
Other gross losses	(7.5)	(11.0)	(27.0)	(11.5)	(9.2)
Net realized gains (losses) before taxes	$ (40.3)	$ (38.9)	$ (158.0)	$ 16.8	$ 1.7

(1) Public fixed maturity securities includes publicly traded securities and highly marketable private placements for which there is an actively traded market.

(2) As a result of new accounting guidance, beginning January 1, 2009, “other” includes only those impairments for which the Company had the intent to sell the security prior to recovery. Prior to January 1, 2009, under accounting guidance in effect at that time, “other” also included impairments where we did not have the intent and ability to hold the security to recovery.

(3) As of January 1, 2008, changes in fair value related to certain marketable equity securities are recognized in net realized gains (losses) due to the election of fair value option.

(4) Primarily consists of changes in fair value on derivatives instruments, the impact on DAC and deferred sales inducements and gains (losses) on calls and redemptions.

Impairments for the six months ended June 30, 2009 were $56.3 million, of which 56.8% were related to credit concerns of the issuer and 43.2% were due to our intent to sell a security. We implemented new accounting guidance for accounting for impairments on January 1, 2009 (see "— Critical Accounting Policies and Estimates and Recently Issued Accounting Standards"). Credit-related impairments increased by $19.2 million for the six months ended June 30, 2009, compared to the same period last year, primarily as a result of increased credit concerns, especially related to issuers of securities in our high yield portfolio which were below investment grade. The amount recognized as credit-related impairments is determined by management as the difference between a security's estimated recovery value and the amortized cost of the security.

The following table summarizes our five largest aggregate losses from impairments by each issuer's industry for the six months ended June 30, 2009, which represent $23.8 million, or 42.3%, of total impairments during this period. We had no significant losses on dispositions during this period.

	Six Months Ended June 30, 2009		
Industry	Impairment	Cost or Amortized Cost(1)	Fair Value
	(Dollars in millions)		
Publishing (public)	$ (6.7)	$ 1.5	$ 1.9
Other diversified financial services (public)	(6.0)	5.7	5.7
Broadcast and Cable T.V. (public)	(4.2)	2.9	2.9
Specialty chemicals (public)	(4.1)	—	—
Other diversified financial services (public)	(2.8)	21.4	14.5
Totals	$ (23.8)	$ 31.5	$ 25.0

(1) As of June 30, 2009, the cost or amortized cost represents our estimated recovery value, based on our discounted cash flow analysis.

Impairments for the year ended December 31, 2008 were $86.4 million, of which 45.6% were related to credit concerns about the issuer. Impairments increased by $70.2 million primarily due to credit issues, including bankruptcies and corporate security defaults, and our belief that certain investment declines were other-than-temporary. The following table summarizes our five largest aggregate losses on impairments by each issuer's industry for the year ended December 31, 2008. We had no significant losses on dispositions during this period.

	Year Ended December 31, 2008		
Industry	Impairment	Cost or Amortized Cost	Fair Value
	(Dollars in millions)		
Paper products (public)	$ (9.6)	$ 1.1	$ 1.1
FNMA (public)	(8.0)	0.4	0.1
Other diversified financial services (public)	(7.8)	6.7	4.6
Commercial printing (public)	(7.8)	0.2	0.2
Specialized finance (public)	(7.4)	7.0	5.1
Totals	$ (40.6)	$ 15.4	$ 11.1

Fixed Maturity Securities

Fixed maturities consist principally of publicly traded and privately placed debt securities, and represented 92.2% and 91.6% of invested assets as of June 30, 2009 and December 31, 2008, respectively.

Fair value of publicly traded fixed maturities represented 95.4% of total fixed maturities as of June 30, 2009. Privately placed fixed maturities represented 4.6% of total fixed maturities as of June 30, 2009. We invest in privately placed fixed maturities in an attempt to enhance the overall value of the portfolio, increase diversification and obtain higher yields than can ordinarily be obtained with comparable public market securities.

Fixed Maturity Securities Credit Quality

The Securities Valuation Office, or SVO, of the 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 include securities rated BBB- or higher by Standard & Poor's. NAIC designations of "3" through "6" are referred to as below investment grade, which include securities rated BB+ or lower by Standard & Poor's. As a result of time lags between the funding of investments, the finalization of legal documents and the completion of the SVO filing process, the fixed maturities portfolio generally includes securities that have not yet been rated by the SVO as of each balance sheet date. Pending receipt of SVO ratings, the categorization of these securities by NAIC designation is based on the expected ratings indicated by internal analysis.

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

		As of June 30, 2009			As of December 31, 2008		
NAIC	S&P Equivalent	Amortized Cost	Fair Value	% of Total Fair Value	Amortized Cost	Fair Value	% of Total Fair Value
		(Dollars in millions)					
1	AAA, AA, A	$ 10,253.3	$ 9,998.9	59.0%	$ 9,028.3	$ 8,566.3	57.5%
2	BBB	6,188.3	5,788.8	34.2	6,385.1	5,553.8	37.3
	Total investment grade	16,441.6	15,787.7	93.2	15,413.4	14,120.1	94.8
3	BB	832.4	673.6	4.0	639.3	475.6	3.2
4	B	417.5	314.9	1.9	313.1	216.1	1.5
5	CCC & lower	167.6	123.3	0.7	158.6	73.1	0.5
6	In or near default	58.6	34.4	0.2	4.0	2.7	0.0
	Total below investment grade	1,476.1	1,146.2	6.8	1,115.0	767.5	5.2
Total		$ 17,917.7	$ 16,933.9	100.0%	$ 16,528.4	$ 14,887.6	100.0%

As of June 30, 2009 securities with an amortized cost and fair value of $906.8 million and $864.3 million, respectively, have no rating from a nationally recognized securities rating agency. We derived the equivalent S&P credit quality rating for these securities based on the securities' NAIC rating designation.

As of June 30, 2009 below investment grade securities comprise 6.8% of our portfolio based on fair value. We had securities with an NAIC 6 designation with fair values of $34.4 million at of June 30, 2009, which included unrealized losses of $24.2 million. Of these unrealized losses, $12.3 million, or 50.8%, was from a single issuer. This issuer is current on its contractual payments and our analysis of the underlying credit and management's best estimates of discounted future cash flows support the recoverability of the amortized cost.

Certain of our fixed maturity securities are supported by guarantees from monoline bond insurers. As of June 30, 2009 fixed maturity securities with monoline guarantees had an amortized cost of $598.9 million, and fair value of $522.1 million with unrealized losses of $72.7 million. As of December 31, 2008 fixed maturity securities with monoline guarantees had an amortized cost of $602.4 million, and fair value of $511.4 million with unrealized losses of $91.0 million. Of the monoline bond insurers, MBIA represented the highest concentration representing 41.0% and 40.7% of the fair value at June 30, 2009 and December 31, 2008, respectively. The credit ratings of our fixed maturities set forth in the table above reflect, where

applicable, the guarantees provided by monoline bond insurers. The credit ratings of the monoline bond insurers, including MBIA, have declined over the last two years. Any further decline may lead to declines in the ratings of certain of our fixed maturities.

Fixed Maturity Securities and Unrealized Losses by Duration

The following table sets forth unrealized losses by the length of time for which the underlying available-for-sale security has been in an unrealized loss position for consecutive months.

	As of June 30, 2009		As of December 31, 2008	
	(Dollars in millions)			
Gross Unrealized losses(1):				
6-months or less:				
< 20%	$ 43.7	3.2%	$ 136.4	7.3%
³ 20%	24.0	1.8	113.6	6.1
	67.7	5.0	250.0	13.4
More than 6-months:				
< 20%	478.9	35.7	555.6	30.0
³ 20%	796.6	59.3	1,051.7	56.6
	1,275.5	95.0	1,607.3	86.6
Total	$ 1,343.2	100.0%	$ 1,857.3	100.0%

(1) As of June 30, 2009 includes $90.3 million of non-credit related OTTI.

As of June 30, 2009, $90.3 million of the total gross unrealized losses are related to the “non-credit” portion of OTTI (see “— Critical Accounting Policies and Estimates and Recently Issued Accounting Standards” for a detailed discussion of our impairment policy). We have not recognized the gross unrealized losses as OTTI, as each security is current on its contractual payments and our analysis of the underlying credit and management’s best estimate of discounted cash flows supported the recovery of the amortized cost of the security. We believe the recoverable value of these investments based on expected future cash flows is greater than or equal to the amortized cost, we do not have the intent to sell the security and it is more likely than not that we will not be required to sell the security before recovery of amortized cost. The declines in fair value are mainly due to credit spread widening and increased liquidity discounts, primarily related to our securities with maturities due after ten years.

Fixed Maturity Securities and Unrealized Gains and Losses by Security Sector

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

	As of June 30, 2009					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other-than-Temporary Impairments in AOCI(1)	Fair Value	% of Total Fair Value
	(Dollars in millions)					
Security Sector						
Corporate Securities:						
Consumer discretionary	$ 1,083.2	$ 14.1	$ (64.1)	$ (10.9)	$ 1,022.3	6.0%
Consumer staples	1,683.7	43.3	(55.9)	(1.3)	1,669.8	9.9
Energy	561.4	14.1	(22.8)	(0.6)	552.1	3.3
Financials	2,129.7	11.7	(377.8)	(11.6)	1,752.0	10.2
Health care	847.0	37.0	(9.5)	(1.9)	872.6	5.2
Industrials	1,853.6	42.0	(85.5)	(2.2)	1,807.9	10.7
Information technology	355.5	8.2	(7.0)	—	356.7	2.1
Materials	923.2	14.1	(101.4)	(15.6)	820.3	4.8
Telecommunication services	647.2	13.1	(56.2)	(1.1)	603.0	3.6
Utilities	1,838.7	25.8	(128.9)	(0.5)	1,735.1	10.2
Other	26.8	0.1	(2.3)	—	24.6	0.1
Total corporate securities	11,950.0	223.5	(911.4)	(45.7)	11,216.4	66.1
U.S. government and agencies	151.0	3.6	(0.6)	(0.1)	153.9	0.9
State and political subdivisions	488.5	1.9	(39.6)	(1.6)	449.2	2.7
Foreign governments	28.2	0.6	(0.1)	—	28.7	0.2
Residential mortgage-backed securities:						
Agency	2,511.7	107.5	(1.3)	—	2,617.9	15.5
Non-agency:						
Prime	510.6	1.1	(79.7)	(26.5)	405.5	2.4
Alt-A	168.5	—	(18.0)	(12.0)	138.5	0.8
Subprime	0.5	—	—	—	0.5	0.0
Total residential mortgage-backed securities	3,191.3	108.6	(99.0)	(38.5)	3,162.4	18.7
Commercial mortgage-backed securities	1,950.9	17.5	(178.1)	(0.1)	1,790.2	10.6
Other debt obligations	157.8	3.7	(24.1)	(4.3)	133.1	0.8
Total	$ 17,917.7	$ 359.4	$ (1,252.9)	$ (90.3)	$ 16,933.9	100.0%

(1) Effective January 1, 2009 we prospectively adopted new Other-Than-Temporary-Impairment (OTTI) accounting guidance, which changed the recognition and measurement of OTTI for debt securities. See "— Critical Accounting Policies and Estimates and Recently Issued Accounting Standards."

During the six months ended June 30, 2009 we increased our investments in the following corporate security sectors: consumer discretionary, consumer staples, materials and healthcare. Due to the tight credit

markets, we have pursued new issues of investment grade corporate securities with a focus on increasing yield while retaining quality.

Our fixed maturities holdings are diversified by industry and issuer. The portfolio does not have significant exposure to any single issuer. As of June 30, 2009 and December 31, 2008 the fair value of our combined corporate securities holdings in the ten issuers in which we had the greatest exposure was $1,065.3 million and $901.5 million, or approximately 9.5% and 9.7% of our corporate securities investments, respectively. Our exposure to the largest single issuer of corporate securities held at fair value as of June 30, 2009 and December 31, 2008 was $159.4 million and $149.4 million, which was 1.4% and 1.6% of our corporate securities investments, respectively.

The following table sets forth the fair value of our fixed maturities by sector as of December 31, 2008:

	As of December 31, 2008				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value
	(Dollars in millions)				
Security Sector					
Corporate Securities:					
Consumer discretionary	$ 891.5	$ 2.0	$ (153.6)	$ 739.9	5.0%
Consumer staples	1,533.2	16.6	(111.7)	1,438.1	9.7
Energy	414.5	9.9	(43.1)	381.3	2.6
Financials	2,040.7	7.1	(403.8)	1,644.0	11.0
Health care	548.8	17.1	(22.0)	543.9	3.6
Industrials	1,523.7	16.6	(136.9)	1,403.4	9.4
Information technology	300.6	1.3	(31.8)	270.1	1.8
Materials	834.6	3.7	(152.7)	685.6	4.6
Telecommunication services	619.7	5.2	(103.5)	521.4	3.5
Utilities	1,829.9	23.7	(203.0)	1,650.6	11.1
Other	26.9	1.9	(0.6)	28.2	0.2
Total corporate securities	10,564.1	105.1	(1,362.7)	9,306.5	62.5
U.S. government and agencies	155.5	5.2	(3.9)	156.8	1.1
State and political subdivisions	488.8	0.9	(64.8)	424.9	2.8
Foreign governments	31.4	3.2	—	34.6	0.2
Residential mortgage-backed securities:					
Agency	2,412.5	84.4	(0.2)	2,496.7	16.8
Non-agency:					
Prime	570.9	0.2	(97.8)	473.3	3.2
Alt-A	191.8	—	(36.3)	155.5	1.0
Subprime	0.9	—	(0.1)	0.8	0.0
Total residential mortgage-backed securities	3,176.1	84.6	(134.4)	3,126.3	21.0
Commercial mortgage-backed securities	1,912.7	17.5	(255.2)	1,675.0	11.3
Other debt obligations	199.8	—	(36.3)	163.5	1.1
Total	$ 16,528.4	$ 216.5	$ (1,857.3)	$ 14,887.6	100.0%

Fixed Maturity Securities by Contractual Maturity Date

The following table sets forth the amortized cost and fair value of our fixed maturities by contractual maturity dates as of the dates indicated:

Years to Maturity	As of June 30, 2009		As of December 31, 2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in millions)			
Due in one year or less	$ 449.6	$ 451.2	$ 384.9	$ 379.4
Due after one year through five years	2,870.6	2,876.3	2,573.2	2,382.7
Due after five years through ten years	4,032.4	3,930.2	2,967.4	2,609.9
Due after ten years	5,265.1	4,590.5	5,314.3	4,550.8
Residential mortgage-backed securities	3,191.3	3,162.4	3,176.1	3,126.3
Commercial mortgage-backed securities	1,950.9	1,790.2	1,912.7	1,675.0
Other debt obligations(1)	157.8	133.1	199.8	163.5
Total	$ 17,917.7	$ 16,933.9	$ 16,528.4	$ 14,887.6

(1) Other debt obligations includes $19.9 million and $7.6 million of amortized cost and fair value, respectively, of collateralized debt obligations at June 30, 2009. At December 31, 2008, these collateralized debt obligations were recorded in the ten years or greater category, with an amortized cost and fair value of $20.1 million and $6.3 million, respectively.

A large portion of our portfolio is due after ten years. Fixed maturities in this maturity category primarily back our long duration reserves in our Income Annuities segment, which can exceed a period of 30 years. The majority of the unrealized losses on our investment portfolio as of June 30, 2009 and December 31, 2008 related to these longer duration assets, which are more sensitive to interest rate fluctuations and credit spreads.

Residential Mortgage-Backed Securities (RMBS)

We purchase RMBS to diversify the portfolio risk from primarily corporate credit risk to a mix of credit and cash flow risk. 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 are loans to the most credit-worthy customers with high quality credit profiles.

The following table sets forth the fair value of the Company's investment in agency, prime, Alt-A and subprime RMBS and the percentage of total invested assets they represent:

	As of June 30, 2009		As of December 31, 2008	
	Fair Value	% of Total Invested Assets	Fair Value	% of Total Invested Assets
	(Dollars in millions)			
Agency	$ 2,617.9	14.3%	$ 2,496.7	15.4%
Non-agency:				
Prime	405.5	2.2	473.3	2.9
Alt-A	138.5	0.8	155.5	1.0
Subprime	0.5	—	0.8	—
Subtotal non-agency	544.5	3.0	629.6	3.9
Total	$ 3,162.4	17.3%	$ 3,126.3	19.3%

As of June 30, 2009, agency represented 82.8% of our RMBS holdings and we had nominal investments in subprime securities. Our agency RMBS have an actual or implied rating of AAA.

As of June 30, 2009, we classified $138.5 million of securities as Alt-A because we viewed each security to have overall collateral credit quality between prime and subprime, based on a review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. Of the total Alt-A securities, $114.4 million, or 82.6%, had an S&P credit rating of AAA as of June 30, 2009.

The following table sets forth the amortized cost of our non-agency RMBS by credit quality and year of origination (vintage). There were five securities totaling $93.0 million which were rated below investment grade by Moody's while S&P rated them investment grade, the majority of which were rated AAA by S&P. There was an additional $0.5 million, representing one security, which Moody's rated AAA while S&P rated it below investment grade.

	As of June 30, 2009 Highest Rating Agency Rating (Dollars in millions)						
Vintage	AAA	AA	A	BBB	BB and Below	Total Amortized Cost	As of December 31, 2008
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2008	—	—	—	—	—	—	—
2007	60.2	—	26.2	—	30.2	116.6	137.0
2006	115.6	—	—	67.3	57.8	240.7	269.3
2005	12.2	11.9	—	86.4	—	110.5	126.4
2004 & prior	211.0	—	—	—	0.8	211.8	230.9
Total	$ 399.0	$ 11.9	$ 26.2	$ 153.7	$ 88.8	$ 679.6	$ 763.6
% of cost	58.7%	1.8%	3.8%	22.6%	13.1%	100.0%	

The following table sets forth the fair value of our non-agency RMBS by credit quality and year of origination (vintage):

	As of June 30, 2009 Highest Rating Agency Rating (Dollars in millions)						
Vintage	AAA	AA	A	BBB	BB and Below	Total Fair Value	As of December 31, 2008
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2008	—	—	—	—	—	—	—
2007	54.3	—	16.6	—	23.7	94.6	116.7
2006	100.7	—	—	53.5	34.4	188.6	220.3
2005	7.3	10.8	—	52.3	—	70.4	98.5
2004 & prior	190.1	—	—	—	0.8	190.9	194.1
Total	$ 352.4	$ 10.8	$ 16.6	$ 105.8	$ 58.9	$ 544.5	$ 629.6
% of fair value	64.7%	2.0%	3.1%	19.4%	10.8%	100.0%	

We are primarily invested in AAA rated RMBS. Our Alt-A portfolio was 87% fixed rate collateral and 13% hybrid adjustable rate mortgages, or ARM, with no exposure to option ARM mortgages. Generally, fixed rate mortgages have performed better than both option ARMs and hybrid ARMs in the current mortgage crisis.

As of both June 30, 2009 and December 31, 2008, 75% of our non-agency RMBS are prime. As of June 30, 2009 and December 31, 2008, 63% and 64% have super senior subordination, respectively.

As of June 30, 2009, approximately 99% of our Alt-A, prime and total non-agency RMBS had an estimated weighted average credit enhancement of 14.7%, 8.1% and 9.8%, respectively.

Commercial Mortgage-Backed Securities (CMBS)

The following table sets forth the fair value of the Company's investment in CMBS and the percentage of total invested assets they represent:

	As of June 30, 2009		As of December 31, 2008	
	Fair Value	% of Total Invested Assets	Fair Value	% of Total Invested Assets
Agency	$ 427.8	2.3%	$ 434.9	2.7%
Non-agency	1,362.4	7.4	1,240.1	7.6
Total	$ 1,790.2	9.7%	$ 1,675.0	10.3%

We purchase CMBS to diversify the portfolio risk from primarily corporate credit risk to a mix of credit and cash flow risk. There have been disruptions in the CMBS market due to weakness in commercial real estate market fundamentals and reduced underwriting standards by some originators of commercial mortgage loans within the more recent vintage years (2006 and later). This has increased market belief that default rates will increase and has caused a reduction in market liquidity and availability of capital, increased spreads and repricing of risk. As of June 30, 2009 on an amortized cost basis, 96.8% of our CMBS were rated AAA, 2.3% were rated A and 0.9% were rated BB and below.

The following tables set forth the amortized cost of our non-agency CMBS by credit quality and year of origination (vintage). There were no variances between the highest rating agency rating presented in these tables and the lowest rating agency rating.

	As of June 30, 2009						
	Highest Rating Agency Rating						
	(Dollars in millions)						
Vintage	AAA	AA	A	BBB	BB and Below	Total Amortized Cost	As of December 31, 2008
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2008	67.9	—	—	—	—	67.9	67.8
2007	525.2	—	—	—	1.4	526.6	504.4
2006	126.4	—	—	—	12.2	138.6	128.3
2005	346.7	—	24.5	—	—	371.2	343.7
2004 & prior	410.3	—	11.2	—	—	421.5	445.9
Total	$ 1,476.5	$ —	$ 35.7	$ —	$ 13.6	$ 1,525.8	$ 1,490.1

The following tables set forth the fair value of our non-agency CMBS by credit quality and year of origination (vintage):

	As of June 30, 2009						
	Highest Rating Agency Rating						
	(Dollars in millions)						
Vintage	AAA	AA	A	BBB	BB and Below	Total Fair Value	As of December 31, 2008
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2008	55.6	—	—	—	—	55.6	54.7
2007	458.4	—	—	—	1.1	459.5	400.8
2006	106.5	—	—	—	6.1	112.6	102.2
2005	322.5	—	14.8	—	—	337.3	284.4
2004 & prior	388.4	—	9.0	—	—	397.4	398.0
Total	$ 1,331.4	$ —	$ 23.8	$ —	$ 7.2	$ 1,362.4	$ 1,240.1

U.S. CMBS securities have historically utilized a senior/subordinate credit structure to allocate cash flows and losses. This structure was changed in late 2004 and was in transition into early 2005 when fully implemented to include super-senior, mezzanine and junior AAA tranches. This change resulted in increasing the credit enhancement on the most senior tranche (super-senior) to 30%. The mezzanine AAAs typically have 20% credit enhancement and the junior AAAs generally have 14% credit enhancement. Credit enhancement refers to the weighted average percentage of outstanding capital structure that is subordinate in the priority of cash flows and absorbs losses first. Credit enhancement does not include any equity interest or principal in excess of outstanding debt. The super 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. We believe this additional credit enhancement is significant in a deep real estate downturn during which expected losses increase substantially.

The following tables set forth the amortized cost of our AAA non-agency CMBS by type and year of origination (vintage):

	As of June 30, 2009 (Dollars in millions)						
	Super Senior AAA Structures			Other AAA Structures			Total AAA Securities at Amortized Cost
Vintage	Super Senior	Mezzanine	Junior	Other Senior	Other Subordinate	Other	
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2008	67.9	—	—	—	—	—	67.9
2007	525.2	—	—	—	—	—	525.2
2006	126.4	—	—	—	—	—	126.4
2005	166.6	32.6	—	135.2	—	12.3	346.7
2004 & prior	—	—	—	343.3	45.6	21.4	410.3
Total	$ 886.1	$ 32.6	$ —	$ 478.5	$ 45.6	$ 33.7	$ 1,476.5

	As of December 31, 2008 (Dollars in millions)						
	Super Senior AAA Structures			Other AAA Structures			Total AAA Securities at Amortized Cost
Vintage	Super Senior	Mezzanine	Junior	Other Senior	Other Subordinate	Other	
2009	$ —	$ —	$ —	$ —	$ —	$ —	$ —
2008	67.8	—	—	—	—	—	67.8
2007	503.0	—	—	—	—	—	503.0
2006	116.1	—	—	—	—	—	116.1
2005	163.6	32.6	—	135.2	—	12.3	343.7
2004 & prior	—	—	—	349.1	58.6	25.8	433.5
Total	$ 850.5	$ 32.6	$ —	$ 484.3	$ 58.6	$ 38.1	$ 1,464.1

As the tables above indicate, our CMBS holdings are predominately in the most senior tranche of the structure type. As of June 30, 2009, on an amortized cost basis, 92.4% of our AAA-rated CMBS were in the most senior tranche. Approximately 96% of our CMBS as of June 30, 2009 had a weighted average estimated credit enhancement of 27.3%. Adjusted for defeased loans, which are loans whose cash flows have been replaced by U.S. Treasury securities, the weighted average credit enhancement of our CMBS as of June 30, 2009 was approximately 34%.

Asset-Backed Securities

The following table provides a break out of our asset-backed securities as of June 30, 2009 and December 31, 2008. We are not currently purchasing these types of securities.

	As of June 30, 2009		As of December 31, 2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in millions)			
Other asset-backed securities:				
Auto	$ 12.5	$ 12.8	$ 13.4	$ 12.2
Credit cards	67.8	70.8	105.0	97.6
Franchise	14.6	10.3	17.6	13.0
Manufactured homes	20.6	10.3	20.8	13.6
Utility	16.3	16.8	16.4	15.8
Other	6.1	4.8	6.5	5.0
Total other asset-backed securities	$ 137.9	$ 125.8	$ 179.7	$ 157.2

Return on Equity-Like Investments

Prospector manages our portfolio of equity-like investments, including publicly traded common stock and convertible securities. The following table compares our total return to the benchmark S&P 500 Index for the six months ended June 30, 2009, and for the years ended December 31, 2008, 2007 and 2006. We believe that these equity and equity-like investments are suitable for funding certain long duration liabilities in our Income Annuities segment. See “Business — Investments — Portfolio Managers” for further information regarding Prospector.

	Six Months Ended June 30,	Year Ended December 31,		
	2009	2008	2007	2006
Public equity	6.2%	(30.6)%	10.2%	26.1%
S&P 500 Index (total return)	3.2	(37.0)	5.5	15.8
Difference	3.0%	6.4%	4.7%	10.3%

Mortgage Loans

Our mortgage loan department originates new commercial mortgages and manages our existing commercial mortgage loan portfolio. The commercial mortgage holdings are secured by first-mortgage liens on income-producing commercial real estate, primarily in the retail, industrial and office building sectors. All loans are underwritten consistently to our standards based on loan-to-value ratios and debt service coverage based on income and detailed market, property and borrower analysis using our long-term experience in commercial mortgage lending. Most loans have personal guarantees and are inspected and evaluated annually. We diversify our mortgage loans by geographic region, loan size and scheduled maturities. Mortgage loans are reported net of an allowance for losses and including a PGAAP adjustment.

As of June 30, 2009, 81.9% of our total mortgage loans were under $5 million and our average loan balance was $1.8 million.

Composition of Mortgage Loans

The stress experienced in the U.S. financial markets and unfavorable credit market conditions led to a decrease in overall liquidity and availability of capital in the commercial mortgage loan market, which has led to greater opportunities for more selective loan originations. While we have begun to observe some weakness in commercial real estate fundamentals, we have experienced no delinquencies on our commercial mortgage loans during the six months ended June 30, 2009 and in the years since the Acquisition.

The following table sets forth the carrying value of our investments in commercial mortgage loans by geographic region:

	As of June 30, 2009		As of December 31, 2008	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Region:				
California	$ 305.1	29.3%	$ 265.3	26.8%
Washington	207.0	19.9	211.2	21.3
Texas	112.1	10.8	101.2	10.2
Oregon	61.5	5.9	65.8	6.7
Colorado	45.7	4.4	46.8	4.7
Arizona	35.5	3.4	31.9	3.2
Minnesota	31.1	3.0	31.8	3.2
Florida	25.6	2.5	27.4	2.8
Other	216.1	20.8	208.1	21.1
Total	$ 1,039.7	100.0%	$ 989.5	100.0%

The following table sets forth the carrying value of our investments in commercial mortgage loans by property type:

	As of June 30, 2009		As of December 31, 2008	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Property Type:				
Office Buildings	$ 352.4	33.9%	$ 331.8	33.5%
Industrial	318.7	30.6	309.2	31.3
Shopping Centers and Retail	283.4	27.3	259.7	26.2
Medical Buildings	38.2	3.7	41.7	4.2
Apartments	29.4	2.8	29.1	3.0
Other	17.6	1.7	18.0	1.8
Total	$ 1,039.7	100.0%	$ 989.5	100.0%

The following table sets forth the loan-to-value ratios for our mortgage loan portfolio:

Loan-to-Value Ratio	As of June 30, 2009	% of Portfolio
	(Dollars in millions)	
<or = 50%	$ 400.2	38.5%
51% − 60%	265.7	25.5
61% − 70%	191.2	18.4
71% − 75%	66.9	6.4
76% − 80%	15.3	1.5
81% − 100%	98.5	9.5
> 100%	1.9	0.2
	$ 1,039.7	100.0%

We use the loan-to-value ratio as our primary metric to assess the quality of our mortgage loans. The loan-to-value ratio, which is expressed as a percentage, compares the amount of the loan to the fair value of the underlying property collateralizing the loan. Loan-to-value ratios greater than 100% indicate that the loan amount is greater than the collateral value. A smaller loan-to-value ratio generally indicates a higher quality loan. As of June 30, 2009 and December 31, 2008, our mortgage loan portfolio had weighted average

loan-to-value ratios of 53.6% and 50.7%, respectively. The values used in calculating these loan-to-value ratios are developed as part of our annual review of the mortgage loan portfolio, which includes an internal evaluation of the underlying collateral value.

For loans originated in the six months ended June 30, 2009, 57.8% had a loan-to-value ratio of 50% or less, and no loans had a loan-to-value ratio of more than 70%. For loans originated during the year ended December 31, 2008, 35.3% had a loan-to-value ratio of 50% or less, and no loans had a loan-to-value ratio of more than 75%.

Maturity Date of Mortgage Loans

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

Years to Maturity	As of June 30, 2009		As of December 31, 2008	
	Carrying Value	% of Total	Carrying Value	% of Total
	(Dollars in millions)			
Due in one year or less	$ 8.1	0.8%	$ 5.0	0.5%
Due after one year through five years	77.6	7.5	78.8	8.0
Due after five years through ten years	445.5	42.8	391.9	39.6
Due after ten years	508.5	48.9	513.8	51.9
Total	$ 1,039.7	100.0%	$ 989.5	100.0%

Mortgage Loan Quality

Our allowance for losses on mortgage loans provides for the risk of credit loss inherent in the lending process. The allowance includes a portfolio reserve for probable incurred but not specifically identified losses and loan specific reserves for non-performing loans. We define non-performing loans as loans for which it is probable that amounts due according to the terms of the loan agreement will not be collected. The portfolio reserve for incurred but not specifically identified losses considers our past loan experience and the current credit composition of the portfolio, and takes into consideration market experience. We evaluate the allowance for losses on mortgage loans as of each reporting period and record adjustments when appropriate.

Our allowance for losses on mortgage loans was $5.2 million and $5.0 million as of June 30, 2009 and December 31, 2008, respectively. No loans were classified as non-performing.

Investments in Limited Partnerships — Affordable Housing Investments

We invest in tax-advantaged federal affordable housing investments through limited liability partnerships. These affordable housing investments are typically 15 year investments that provide tax credits in years one through ten. As of June 30, 2009, we were invested in seven limited partnership interests related to the federal affordable housing projects and other various state tax credit funds. We have unconditionally committed to provide capital contributions totaling approximately $115.4 million, of which the unfunded portion of $44.2 million is expected to be contributed over the next three years. These investments are accounted for under the equity method and are recorded at amortized cost in investments in limited partnerships, with the present value of unfunded contributions recorded in other liabilities.

Cumulative capital contributions of $71.2 million were paid as of June 30, 2009, with the remaining expected cash capital contributions payable as follows:

	Expected Capital Contributions (Dollars in millions)
2009	$ 4.3
2010	36.1
2011	2.0
2012	1.8
Total expected future capital contribution	$ 44.2

Although these investments decrease our net investment income over time on a pre-tax basis, they provide us with significant tax benefits.

The following table provides detail on the impact to net income of the amortization and the tax credits related to these investments:

	Six Months Ended June 30,		Year Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Amortization related to affordable housing investments, net of tax benefit	$ (3.0)	$ (3.8)	$ (7.8)	$ (4.6)	$ (0.9)
Affordable housing tax credits	4.8	4.3	8.3	4.5	1.0
Impact to net income	$ 1.8	$ 0.5	$ 0.5	$ (0.1)	$ 0.1

The following table provides the future estimated impact to net income:

	Impact to Net Income (After-Tax) (Dollars in millions)
2009	$ 0.9
2010	5.1
2011	6.2
2012 and beyond	17.0
Estimated impact to net income (net of taxes)	$ 29.2

Financial Strength Ratings

Rating organizations continually review the financial performance and condition of most insurers and provide financial strength ratings based on a company's operating performance and ability to meet obligations to policyholders. Ratings provide both industry participants and insurance consumers meaningful information on specific insurance companies and are an important factor in establishing the competitive position of insurance companies. In addition, ratings are important to maintaining public confidence in us and our ability to market our products.

Symetra Life Insurance Company, our principal life insurance subsidiary, is rated by A.M. Best, S&P, Moody's and Fitch as follows as of June 30, 2009:

	Financial Strength Rating			
	A.M. Best	S&P	Moody's	Fitch
Symetra Life Insurance Company	A	A	A3	A+

A.M. Best states that its “A” (Excellent) rating is assigned to those companies that have, in its opinion, an excellent ability to meet their ongoing obligations to policyholders. The “A” (Excellent) is the third highest of 16 ratings assigned by A.M. Best, which range from “A++” to “S.”

Symetra Life Insurance Company’s Financial Size Category, or FSC, ranking, as determined by A.M. Best, is XIII, the third highest of 15. A.M. Best indicates that the FSC is designed to provide an indicator of the size of a company in terms of its statutory surplus and related accounts.

Standard & Poor’s states that an insurer rated “A” (Strong) has strong financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings. The “A” range is the third highest of the four ratings ranges that meet these criteria, and also is the third highest of nine financial strength ratings ranges assigned by S&P, which range from “AAA” to “R.” A plus (+) or minus (−) shows relative standing in a rating category. Accordingly, the “A” rating is the sixth highest of S&P’s 21 ratings categories.

Moody’s Investors Service states that insurance companies rated “A3” (Good) offer good financial security. However, elements may be present that suggest a susceptibility to impairment sometime in the future. The “A” range is the third highest of nine financial strength rating ranges assigned by Moody’s which range from “Aaa” to “C.” Numeric modifiers are used to refer to the ranking within the group, with “1” being the highest and “3” being the lowest. Accordingly, the “A3” rating is the seventh highest of Moody’s 21 ratings categories.

Fitch states that insurance companies rated “A+” (Strong) are viewed as possessing strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small. The “A” rating category is the third highest of eight financial strength categories, which range from “AAA” to “D.” The symbol (+) or (-) may be appended to a rating to indicate the relative position of a credit within a rating category. These suffixes are not added to ratings in the “AAA” category or to ratings below the “CCC” category. Accordingly, the “A+” rating is the fifth highest of Fitch’s 24 ratings categories.

A.M. Best, S&P, Moody’s and Fitch review their ratings periodically and we cannot assure you that we will maintain our current ratings in the future. Other agencies may rate Symetra or our insurance subsidiaries on a solicited or unsolicited basis.

The A.M. Best, S&P, Moody’s and Fitch ratings included are not designed to be, and do not serve as, measures of protection or valuation offered to investors in this offering. These financial strength ratings should not be relied on with respect to making an investment in our securities.

Liquidity and Capital Resources

We conduct all our operations through our operating subsidiaries. Dividends from our subsidiaries and permitted payments under our tax sharing arrangements with our subsidiaries are Symetra’s principal sources of cash to pay stockholder dividends and meet Symetra’s obligations, including payments of principal and interest on notes payable.

Our primary uses of funds at our holding company level include payment of general operating expenses, payment of debt and other expenses related to holding company debt and payment of dividends to our stockholders. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors.

Since late 2007, the global financial markets have experienced unprecedented disruption, adversely affecting the business environment in general, as well as financial services companies in particular. While managing through these challenging market conditions, we benefit from the strength of our management philosophy, diversification of our business and strong financial fundamentals. We actively manage our

liquidity in light of changing market, economic and business conditions and we believe our liquidity levels are more than adequate to cover our exposures, as evidenced by the following:

- We continue to increase sales and recorded sales growth of 97.7% for the six months ended June 30, 2009 compared to the same period in 2008. Strong sales have led to strong cash inflows on our deposit contracts (annuities and universal life policies, including BOLI) of $1,655.6 million as of June 30, 2009, compared to $759.1 million as June 30, 2008.
- While certain lapses and surrenders occur in the normal course of business, these lapses and surrenders have not deviated materially from management expectations during the financial crisis. Lapse rates have increased slightly, but net cash flows remain positive.
- The amount of accumulated other comprehensive loss, net of taxes on our balance sheet decreased to $642.9 million as of June 30, 2009 from $1,052.6 million as of December 31, 2008. The primary driver of this decrease was due to the market showing signs of stabilization during 2009 and credit spreads tightening. We believe we are positioned to hold these investments to maturity because of our mix of insurance products and our disciplined asset/liability matching. We have $7,367.9 million of illiquid liabilities consisting of reserves for structured settlements and SPIAs that cannot be surrendered, deferred annuities with five-year payout provisions or market value adjustments, traditional life insurance, and group life and health policies. 67.4% of our accumulated other comprehensive loss is in the asset portfolios supporting these liabilities.
- Under a revolving line of credit arrangement, we have the ability to borrow on an unsecured basis up to a maximum principal amount of $180 million.

Liquidity Requirements and Sources of Liquidity

The liquidity requirements of our insurance subsidiaries principally relate to the liabilities associated with their various insurance and investment products, operating costs and expenses, the payment of dividends to us, and payment of income taxes. Liabilities arising from insurance and investment products include the payment of benefits, as well as cash payments in connection with policy and contract surrenders and withdrawals and policy loans. Historically, our insurance 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 also consider the risk of policyholder and contractholder withdrawals of funds earlier than our assumptions when selecting assets to support these contractual obligations. We use surrender charges and other contract provisions to mitigate the extent, timing and profitability impact of withdrawals of funds by customers from annuity contracts and deposit liabilities. The following table sets forth withdrawal characteristics of our general account annuity reserves and deposit liabilities as of June 30, 2009 and December 31, 2008.

	June 30, 2009		December 31, 2008	
	Amount	% of Total	Amount	% of Total
	(Dollars in millions)			
Illiquid Liabilities				
Structured settlements & other SPIAs(1)	$ 6,718.6	36.0%	$ 6,761.7	39.0%
Deferred annuities with 5-year payout provision or MVA(2)	396.0	2.1%	397.5	2.3%
Traditional insurance (net of reinsurance)(3)	184.5	1.0%	186.7	1.1%
Group health & life(3)	68.8	0.4%	71.5	0.4%
Total illiquid liabilities	7,367.9	39.5%	7,417.4	42.8%
Somewhat Liquid Liabilities				
Bank-owned life insurance (BOLI)(4)	3,812.2	20.4%	3,772.4	21.8%
Deferred annuities with surrender charges > 5%	4,145.6	22.2%	2,792.5	16.1%
Universal life with surrender charges > 5%	142.8	0.8%	139.1	0.8%
Total somewhat liquid liabilities	8,100.6	43.4%	6,704.0	38.7%
Fully Liquid Liabilities				
Deferred annuities with surrender charges of: 3-5%	405.6	2.2%	355.9	2.1%
0-3%	40.9	0.2%	39.9	0.2%
No surrender charges(5)	1,996.8	10.7%	2,056.3	11.9%
Universal life and whole life with surrender charges < 5%	439.1	2.3%	443.9	2.6%
Total Fully Liquid Liabilities	2,882.4	15.4%	2,896.0	16.8%
Other Policyholder Liabilities	321.8	1.7%	302.4	1.7%
Total Policyholder Liabilities(6)	$ 18,672.7	100.0%	$ 17,319.8	100.0%

(1) These contracts cannot be surrendered. The benefits are specified in the contracts as fixed amounts to be paid over the next several decades.

(2) In a liquidity crisis situation, we could invoke the five-year payout provision so that the contract value with interest is paid out ratably over five years.

(3) The surrender value on these contracts is generally zero.

(4) The biggest deterrent to surrender is the taxation on the gain within these contracts, which includes a 10% non-deductible penalty tax. Banks can exchange certain of these contracts with other carriers, tax-free. However, a significant portion of this business may not qualify for this tax-free treatment due to the employment status of the original covered employees.

(5) Approximately half of this business has been with the Company for over a decade, contains lifetime minimum interest guarantees of 4.0% to 4.5%, and has been free of surrender charges for many years. This business has experienced high persistency given the high lifetime guarantees that have not been available in the market on new issues for many years.

(6) Represents the sum of funds held under deposit contracts, future policy benefits and other policyholders' funds on the consolidated balance sheets.

Liquid Assets

Our insurance subsidiaries maintain 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, mortgage loans and marketable equity securities. Shorter-term liabilities are matched with fixed maturities that have short- and medium-term fixed maturities. In addition, our insurance subsidiaries hold highly liquid, high quality, short-term investment securities and other liquid investment-grade fixed maturities to fund anticipated operating expenses, surrenders and withdrawals.

We define liquid assets to include cash, cash equivalents, short-term investments, publicly traded fixed maturities and public equity securities. As of June 30, 2009 and December 31, 2008, our insurance subsidiaries had liquid assets of $16.7 billion and $14.7 billion, respectively, of our total liquid assets of $16.7 billion and $14.9 billion, respectively. The portion of total company liquid assets comprised of cash and cash equivalents and short-term investments was $437.6 million and $477.4 million as of June 30, 2009 and December 31, 2008, respectively. Our fixed maturities portfolio included below investment grade securities that comprised 6.8% and 5.2% of the total fair value of our total fixed maturities as of June 30, 2009 and December 31, 2008, respectively. In addition, our fixed maturities portfolio included non-rated securities that comprised 5.1% and 4.8% of the total fair value of our fixed maturities as of these dates.

We consider attributes of the various categories of liquid assets (for example, type of asset and credit quality) in calculating internal liquidity measures in order to evaluate 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 current liquidity requirements, including under foreseeable stress scenarios.

Given the size and liquidity profile of our investment portfolios, we believe that claim experience varying from our projections does not constitute a significant liquidity risk. Our asset/liability management process takes into account the expected maturity of investments and expected claim payments as well as the specific nature and risk profile of the liabilities. Historically, there has been no significant variation between the expected maturities of our investments and the payment of claims.

Capitalization

Our capital structure consists of notes payable and stockholders' equity. The following table summarizes our capital structure as of the dates indicated:

	June 30, 2009	December 31, 2008	December 31, 2007	December 31, 2006
		(Dollars in millions)		
Notes payable	$ 448.8	$ 448.6	$ 448.6	$ 298.7
Total stockholders' equity	763.7	286.2	1,285.1	1,327.3
AOCI	(642.9)	(1,052.6)	(12.5)	(0.5)
Stockholders' equity, excluding AOCI	1,406.6	1,338.8	1,297.6	1,327.8
Total capital, excluding AOCI	$ 1,855.4	$ 1,787.4	$ 1,746.2	$ 1,626.5
Debt to capital ratio, excluding AOCI	24.2%	25.1%	25.7%	18.4%

Our capitalization increased $68.0 million as of June 30, 2009 as compared to December 31, 2008. This increase was primarily due to a $67.8 million increase in total stockholders' equity due to net income of $52.1 million and a cumulative effect adjustment related to new accounting guidance which increased retained earnings as of January 1, 2009 by $15.7 million. Accumulated other comprehensive loss decreased primarily due to changes in net unrealized losses on available-for-sale securities of $468.4 million, partially offset by OTTIs not related to credit losses of $90.3 million.

Our capitalization increased $41.2 million as of December 31, 2008, as compared to December 31, 2007. This increase was driven by net income of $22.1 million and a cumulative effect adjustment related to new accounting guidance, which increased retained earnings by $19.1 million. Accumulated other

comprehensive loss increased by $1,040.1 million, primarily due to changes in net unrealized losses of $1,021.0 million. The increase in net unrealized losses was concentrated in our corporate fixed securities due to credit spreads widening and increased liquidity discounts during the volatile markets in 2008.

Our capitalization increased $119.7 million as of December 31, 2007 as compared to December 31, 2006 as we issued $150.0 million aggregate principal amount of CENts at an issue price of $149.8 million. We used the proceeds from the CENts and dividends from life insurance subsidiaries to pay two dividends to our stockholders, totaling $200.0 million.

Debt

The following table summarizes our debt instruments:

Description	Maturity Date	Maximum Amount Available as of June 30, 2009	Maximum Amount Available as of December 31, 2008	Maximum Amount Available as of December 31, 2007	Amount Outstanding as of June 30, 2009	Amount Outstanding as of December 31, 2008	Amount Outstanding as of December 31, 2007
		(Dollars in millions)					
Senior notes payable	4/1/2016	$ 300.0	$ 300.0	$ 300.0	$ 300.0	$ 300.0	$ 300.0
CENts	10/15/2067	150.0	150.0	150.0	150.0	150.0	150.0
Revolving credit facilities:							
Bank of America, N.A	8/16/2012	180.0	200.0	200.0	—	—	—
The Bank of New York:							
Holding company	n/a	—	—	25.0	—	—	—
Insurance subsidiary	n/a	—	—	25.0	—	—	—
Total notes payable and revolving credit facilities		$ 630.0	$ 650.0	$ 700.0	$ 450.0	$ 450.0	$ 450.0

Notes Payable

Senior Notes Due 2016

On March 30, 2006, we issued $300.0 million of 6.125% senior notes due April 1, 2016, which were issued at a discount yielding $298.7 million. Proceeds from the senior notes were used to pay down the outstanding principal on a variable rate revolving line of credit. Interest on the senior notes is payable semiannually in arrears, beginning on October 2, 2006.

The senior notes do not contain any financial covenants or any provisions restricting us from purchasing or redeeming capital stock, paying dividends or entering into a highly leveraged transaction, reorganization, restructuring, merger or similar transaction. In addition, we are not required to repurchase, redeem or modify the terms of any of the senior notes upon a change of control or other event involving Symetra.

For a description of additional terms, see “Description of Certain Indebtedness — 6.125% Senior Notes due 2016” on page 155.

Capital Efficient Notes Due 2067

On October 10, 2007, we issued $150.0 million aggregate principal amount CENts with a scheduled maturity date of October 15, 2037 and, subject to certain limitations, with a final maturity date of October 15, 2067. We issued the CENts at a discount yielding $149.8 million. For the initial ten-year period following the original issuance date, to but not including October 15, 2017, the CENts carry a fixed interest rate of 8.300% payable semi-annually. From October 15, 2017 until the final maturity date of October 15, 2067, interest on the CENts will accrue at a variable annual rate equal to the three-month LIBOR plus 4.177%, payable quarterly. We applied the net proceeds from the issuance to pay a special cash dividend to stockholders on October 19, 2007.

For a description of additional terms, see “Description of Certain Indebtedness — Capital Efficient Notes due 2067” on page 155.

Revolving Credit Facilities

Current Credit Facility. On August 16, 2007, we entered into a $200.0 million senior unsecured revolving credit agreement with a syndicate of lending institutions led by Bank of America, N.A. On February 12, 2009, Bank of America, N.A. issued a notice of default to Lehman Commercial Paper, Inc., one of the lending institutions in the syndicate with a commitment of $20.0 million, effectively limiting our ability to borrow under the revolving credit facility to $180.0 million. This credit facility matures on August 16, 2012, and loans under this facility bear interest at varying rates depending on our credit rating. This facility requires us to maintain specified financial ratios, and includes other customary restrictive and affirmative covenants. This revolving credit facility is available to provide support for working capital, capital expenditures and other general corporate purposes.

For a description of additional terms of this facility, see “Description of Certain Indebtedness — Revolving Credit Facilities” on page 156.

Prior Facility. In June 2004, we entered into a $370.0 million revolving credit facility with a syndicate of lending institutions led by Bank of America, N.A. On March 30, 2006, this revolving credit facility was reduced to $70 million and, on August 17, 2007, this revolving credit facility was closed and replaced with the current credit facility led by Bank of America, N.A. described above.

Closed Facilities. In addition, in 2005, we entered into two $25.0 million revolving credit facilities with The Bank of New York to support our overnight repurchase agreements program, which provides us with the liquidity to meet general funding requirements. On March 7, 2008, we closed both of these revolving credit facilities with The Bank of New York. We did not borrow under these facilities while they were in place.

Securities Lending

We participate in a securities lending program as a mechanism for generating additional investment income. Under the securities lending arrangements, certain securities we own are loaned to other institutions for short periods of time through a lending agent. The securities lending counterparty is required to provide initial collateral for the loaned securities, which is then invested by the lending agent. The collateral is required at a rate of 102% of the fair value of the loaned securities, is controlled by the lending agent and may not be sold or re-pledged. In the event that the lending agent does not return the full amount of collateral to the securities lending counterparty, we are obligated to make up any deficiency.

In late September 2008, we began reducing the exposure to securities lending by recalling loans from some of the more troubled financial services companies, and have reduced our exposure from $105.7 million at December 31, 2008 to $44.4 million at June 30, 2009. At June 30, 2009, there was approximately $0.8 million of unrealized losses related to the collateral invested. We expect to continue to reduce our securities lending portfolio during the remainder of 2009 and during 2010.

Dividends and Regulatory Requirements

The payment of dividends and other distributions to us by our insurance subsidiaries is controlled by insurance laws and regulations. In general, dividends in excess of prescribed limits are deemed “extraordinary” and require insurance regulatory approval. During the twelve months ended December 31, 2008, we received $100.0 million in dividends from our insurance subsidiaries. These dividends were considered extraordinary based on the timing of the dividend payment. We received $166.4 million and $122.5 million in dividends from our insurance subsidiaries in 2007 and 2006, respectively.

Based on our statutory results, as of December 31, 2008, our insurance subsidiaries may pay dividends of up to $117.9 million to us during 2009 without needing to obtain regulatory approval. To support the growing sales of our products and maintain financial strength ratings, we target a risk-based capital level

of at least 350% in our life insurance company. To maintain this level, we are currently not planning on paying dividends from our insurance subsidiaries in 2009.

Cash Flows

The following table sets forth a summary of our consolidated cash flows for the six months ended June 30, 2009 and 2008, and for the years ended December 31, 2008, 2007 and 2006.

	Six Months Ended June 30,		Year Ended December 31,		
	2009	2008	2008	2007	2006
			(Dollars in millions)		
Net cash flows from operating activities	$ 360.5	$ 388.0	$ 733.0	$ 813.8	$ 794.6
Net cash flows from investing activities	(1,325.5)	(965.1)	(976.8)	522.3	908.9
Net cash flows from financing activities	932.0	712.0	457.9	(1,335.4)	(1,561.3)

Operating Activities

Cash flows from our operating activities are primarily driven by the amounts and timing of cash received for premiums on our group medical stop-loss, group life and term life insurance products, income including dividends and interest on our general account investments, as well as the amounts and timing of cash disbursed for our payment of policyholder benefits and claims, underwriting and operating expenses and income taxes. The following discussion highlights key drivers in the level of cash flows generated from our operating activities:

- *Six months ended June 30, 2009 and 2008.* Net cash provided by operating activities for the six months ended June 30, 2009 was $360.5 million, a $27.5 million decrease over the same period in 2008. This decrease was primarily the result of decline in premiums received from our group medical stop-loss products and an increase in cash paid to settle policyholder benefits and claims.
- *Years ended December 31, 2008 and 2007.* Net cash provided by operating activities for the year ended December 31, 2008 was $733.0 million, an $80.8 million decrease over the same period in 2007. This decrease was primarily the result of an increase in cash paid to settle policyholder benefits and claims related to our group medical stop-loss products, and an increase in paid commissions related to our deferred annuity products. In addition, interest payments in 2008 increased compared to 2007 as a result of the CENts sold in October 2007.
- *Years ended December 31, 2007 and 2006.* Net cash provided by operating activities for the year ended December 31, 2007 was $813.8 million, a $19.2 million increase over the same period in 2006. This increase was primarily the result of the timing of certain cash settlements related to certain receivables, changes in current and deferred taxes payable and an increase in realized investment gains due to trading activities.

Investing Activities

Cash flows from our investing activities are primarily driven by the amounts and timing of cash received from our sales of investments and from maturities and calls of fixed maturity securities, as well as the amounts and timing of cash disbursed for our purchases of investments. The following discussion highlights key drivers in the level of cash flows generated from our investing activities:

- *Six months ended June 30, 2009 and 2008.* Net cash used in investing activities for the six months ended June 30, 2009 was $1,325.5 million, a $360.4 million increase from the same period in 2008. The increase was primarily the result of higher purchases and lower sales of fixed maturities as we experienced an increase in policyholder account balances related to increased sales primarily of fixed deferred annuities. This was partially offset by a reduction in

maturities, calls and paydowns. In addition, securities lending activity resulted in net cash used in investing of securities lending collateral of $586.6 million in 2008 compared to cash collateral returned of $59.6 million in 2009.

- *Years ended December 31, 2008 and 2007.* Net cash used in investing activities for the year ended December 31, 2008 was $976.8 million, a $1,499.1 million decrease from the same period in 2007. The decrease was primarily the result of lower sales of fixed maturities due to decreased withdrawals from certain of our products. In addition, we originated $224.5 million in new mortgage loans in 2008, an increase of $74.5 million.
- *Years ended December 31, 2007 and 2006.* Net cash provided by investing activities during the year ended December 31, 2007 was $522.3 million, a $386.6 million decrease from the same period in 2006. The decrease was primarily the result of management of our fixed maturities and marketable equity securities, as purchases increased $887.1 million, and sales increased by $447.2 million. In addition, we used $22.0 million to acquire MRM.

Financing Activities

Cash flows from our financing activities are primarily driven by the amounts and timing of cash received from deposits into certain life insurance and annuity policies and proceeds from our issuances of debt, as well as the amounts and timing of cash disbursed to fund withdrawals from certain life insurance and annuity policies, repayments of debt and dividend distributions to our stockholders. The following discussion highlights key drivers in the level of cash flows generated from our financing activities:

- *Six months ended June 30, 2009 and 2008.* Net cash provided by financing activities for the six months ended June 30, 2009 was $932.0 million, a $220.0 million increase over the same period in 2008. This was primarily due to an $896.5 million increase in deposits primarily related to the sales of fixed deferred annuities referred to in investing activities above. This was partially offset by a $57.4 million increase in withdrawals for 2009 compared to 2008, primarily due to a BOLI withdrawal of $59.0 million in 2009, and a $646.2 million decrease in securities lending collateral. Securities lending activity resulted in net cash collateral received of $586.6 million in 2008 compared to cash collateral returned of $59.6 million in 2009.
- *Years ended December 31, 2008 and 2007.* Net cash provided by financing activities for the year ended December 31, 2008 was $457.9 million, a $1,793.3 million increase over the same period in 2007. This was primarily due to a $1,150.8 million increase in deposits and a $562.3 million decrease in withdrawals in 2008 over 2007. Sales of fixed deferred annuities increased in 2008 as our distribution channel strategy matured. Also, withdrawals decreased as products containing a surrender charge free period passed the surrender charge free window. In addition, in 2007, we received $149.8 million in proceeds from our CENts offering and paid $200.0 million in stockholder dividends.
- *Years ended December 31, 2007 and 2006.* Net cash used in financing activities during the year ended December 31, 2007 was $1,335.4 million, a $225.9 million decrease over the same period in 2006. We incurred a net cash outflow from financing activities in both periods as policyholder withdrawals exceeded deposits; however, compared to 2006 we experienced a $159.5 million increase in policyholder deposits as a result of sales, and a $131.7 million reduction in policyholder withdrawals as two large blocks of annuities exited an 18-month period of surrendering without charges in the fourth quarter of 2007. In addition, in 2007, we received $149.8 million in proceeds from our CENts offering and paid $200.0 million in stockholders dividends. In 2006 we received $298.7 million in proceeds from our senior debt offering and paid $100.0 million in stockholder dividends.

Contractual Obligations and Commitments

We enter into obligations with third parties in the ordinary course of our operations. These obligations as of December 31, 2008 are set forth in the table below. However, we do not believe that our cash flow requirements can be assessed based upon an analysis of these obligations as the funding of these future cash

obligations will be from future cash flows from premiums, deposits, fees and investment income that are not reflected in the table below. In addition, our operations involve significant expenditures that are not based upon commitments, including expenditures for income taxes and payroll.

Contractual Obligations	Payments Due by Year				
	Total	2009	2010-2011	2012-2013	2014 and thereafter
			(Dollars in millions)		
Insurance obligations(1)	$ 41,330.3	$ 1,575.4	$ 2,959.0	$ 2,813.9	$ 33,982.0
Notes payable	450.0	—	—	—	450.0
Interest on notes payable	242.6	30.8	61.7	61.7	88.4
Securities collateral on securities lending(2)	105.7	105.7	—	—	—
Purchase and lending commitments:					
Investments in limited partnerships(3)	93.8	60.8	31.2	1.8	—
Commercial mortgage loans(4)	9.0	9.0	—	—	—
Other(5)	9.1	2.0	4.1	3.0	—
Operating lease obligations(6)	46.8	7.9	14.6	13.5	10.8
Licensing fees(7)	18.3	11.6	6.7	—	—
Total	$ 42,305.6	$ 1,803.2	$ 3,077.3	$ 2,893.9	$ 34,531.2

(1) Includes estimated claim and benefit, policy surrender, reinsurance premiums and commission obligations on in force insurance policies and deposit contracts. Estimated claim and benefit obligations are based on mortality, morbidity and lapse assumptions comparable with our historical experience. In contrast to this table, our obligations recorded in our consolidated balance sheets do not incorporate future credited interest for deposit contracts or tabular interest for insurance policies. Therefore, the estimated obligations for insurance liabilities presented in this table significantly exceed the liabilities recorded in reserves for future annuity and contract benefits and the liability for policy and contract claims. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results. We have not included the variable separate account obligations as these obligations are legally insulated from general account obligations and will be fully funded by cash flows from separate account assets. We expect to fund the obligations for insurance liabilities from cash flows from general account investments and future deposits and premiums.

(2) We have accepted cash collateral in connection with our securities lending program and reinvested this collateral in investments with a fair value of $105.7 million. Since the timing of the return of collateral is uncertain, the return of collateral has been included in the payments due in less than one year. For more information, see Note 6, “Securities Lending Program,” to our audited consolidated financial statements included elsewhere in this prospectus.

(3) We have investments in twelve limited partnership interests related to tax-advantaged affordable housing projects and various state tax credit funds, and five private equity partnerships. We will provide capital contributions to the five private equity partnerships through 2015 with a remaining committed amount of $37.0 million at the discretion of the general partner, subject to certain contribution limits. Since the timing of payment is uncertain, the unfunded amount has been included in the payment due in less than one year. For more information, see Note 17, “Commitments and Contingencies,” to our audited consolidated financial statements included elsewhere in this prospectus. Amounts recorded on the balance sheet are included in “other liabilities.”

(4) Unfunded mortgage loan commitments as of December 31, 2008.

footnotes continued on following page

(5) In connection with the acquisition of MRM in May 2007, we committed to pay $14.0 million to the selling stockholder over a period of five years, including $10.2 million which is contingent upon the achievement of certain annual profitability targets. For more information, see Note 11, “Acquisitions,” to our audited consolidated financial statements included in this prospectus.

(6) Includes minimum rental commitments on leases for office space, commercial real estate and certain equipment. For more information, see Note 17, “Commitments and Contingencies,” to our audited consolidated financial statements included elsewhere in this prospectus.

(7) Includes contractual commitments for a service agreement to outsource the majority of our information technology infrastructure. For more information, see Note 17, “Commitments and Contingencies,” to our audited consolidated financial statements included elsewhere in this prospectus.

On August 1, 2009, we entered into a service agreement with a third party service provider to outsource the majority of its information technology infrastructure, effectively terminating the previous agreement, referred to in the table under licensing fees, scheduled to expire in July 2010 and renewing with the same vendor. Under the terms of the service agreement, we agreed to pay $4.3 million for the five months ended December 31, 2009, $21.7 million in 2010-2011, $21.5 million in 2012-2013 and $6.4 million in 2014 and thereafter. These amounts are not included in the table above.

Off-balance Sheet Transactions

We do not have off-balance sheet transactions.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to potential fluctuations in earnings, cash flows and the fair value of certain assets and liabilities due to changes in market interest rates and equity prices.

We enter into market-sensitive instruments primarily for purposes other than trading, namely to support our insurance liabilities.

Interest Rate Risk

Our exposure to interest rate risk relates to the market price and/or cash flow variability associated with changes in market interest rates.

An increase in market interest rates from current levels would generally be a favorable development for us. If market interest rates increase, we would expect to earn additional investment income, to have increased annuity and universal life insurance sales, and to limit the potential risk of margin erosion due to minimum guaranteed crediting rates. However, an increase in interest rates would also increase the unrealized net loss position of the investment portfolio. In addition, if interest rates rise quickly enough within a short time period, certain lines of business that are interest sensitive are exposed to lapses as policyholders seek higher yielding investments.

Our investment portfolios primarily consist of investment grade fixed maturity securities, including public and privately-placed corporate bonds, residential mortgage-backed securities and commercial mortgage-backed securities. The carrying value of our investment portfolio as of December 31, 2008 and 2007 was $16.3 billion and $16.9 billion, respectively, of which 91.6% in 2008 and 92.3% in 2007 was invested in fixed maturities. The primary market risk to our investment portfolio is interest rate risk associated with investments in fixed maturity securities. The fair value of our fixed maturities fluctuates depending on the interest rate environment. During periods of declining interest rates, paydowns on mortgage-backed securities and collateralized mortgage obligations increase and we would generally be unable to reinvest the proceeds of such prepayments at comparable yields. The weighted-average duration of our fixed maturity portfolio was approximately 5.6 and 6.1 years as of December 31, 2008 and 2007, respectively.

We manage our exposure to interest rate risk through asset allocation limits, limiting the purchase of negatively convex assets and asset/liability duration matching. Each line of business has an investment policy based on its specific liability characteristics.

Equity Risk

We are exposed to equity price risk on our common stock and other equity holdings. In addition, asset fees calculated as a percentage of the separate account assets are a source of revenue to us. Gains and losses in the equity markets result in corresponding increases and decreases in our separate account assets and asset fee revenue.

In addition, a decrease in the value of separate account assets may cause an increase in guaranteed minimum death benefit, or GMDBs, claims. However, most of our GMDBs on individual variable annuities are reinsured. In recent years, the supply of reinsurance has dwindled and costs have risen. Therefore, we have not obtained GMDB reinsurance on new sales.

We manage equity price risk on investment holdings through industry and issuer diversification and asset allocation techniques.

Derivative Financial Instruments

We make minimal use of derivative financial instruments as part of our risk management strategy. We use indexed call options to manage our exposure to changes in the S&P 500 Index. Our exposure is related to our closed FIA block of business, which credits policyholders' account values based on gains in the S&P 500 Index.

In addition, in 2007 and 2006, we entered into interest rate swaps, which qualified as cash flow hedges of the forecasted issuance of the CENts and the senior notes to hedge our exposure to interest rate fluctuations prior to the note issuances.

As a matter of policy, we have not, and do not intend to, engage in derivative market-making, speculative derivative trading or other speculative derivatives activities.

Sensitivity Analysis

Sensitivity analysis measures the impact of hypothetical changes in interest rates and other market rates or prices on the profitability of market-sensitive financial instruments.

The following discussion about the potential effects of changes in interest rates and equity market prices is based on so-called "shock-tests," which model the effects of interest rate and equity market price shifts on our financial condition and results of operations. Although we believe shock tests provide the most meaningful analysis, they are constrained by several factors, including the necessity to conduct the analysis based on a single point in time and by their inability to include the extraordinarily complex market reactions that normally would arise from the market shifts modeled. Although the following results of shock tests for changes in interest rates and equity market prices may have some limited use as benchmarks, they should not be viewed as forecasts. These forward-looking disclosures also are selective in nature and address only the potential impacts on our financial instruments. They do not include a variety of other potential factors that could affect our business as a result of these changes in interest rates and equity market prices.

One means of assessing exposure of our fixed maturities portfolio to interest rate changes is a duration-based analysis that measures the potential changes in fair value resulting from a hypothetical change in interest rates of 100 basis points across all maturities. This is sometimes referred to as a parallel shift in the

yield curve. Our investment manager uses Derivative Solutions, a fixed-income analytics tool, to model and calculate the duration and convexity of our asset portfolio. Under this model, with all other factors constant and assuming no offsetting change in the fair value of our liabilities, we estimated that such an increase in interest rates would cause the fair value of our fixed maturities portfolio to decline by approximately $0.90 billion and $0.81 billion, based on our securities positions as of June 30, 2009 and December 31, 2008, respectively.

One means of assessing exposure to changes in equity market prices is to estimate the potential changes in values on our equity investments resulting from a hypothetical broad-based decline in equity market prices of 10%. Using this assumption, with all other factors constant, we estimate that such a decline in equity market prices would cause the fair value of our investment portfolio to decline by approximately $23.4 million and $21.4 million as of June 30, 2009 and December 31, 2008, respectively. In addition, fluctuations in equity market prices affect our revenues and returns related to our variable annuity and life products, which depend upon fees that are related primarily to the fair value of the underlying assets.

BUSINESS

Overview

Our Business

We are a life insurance company focused on profitable growth in select group health, retirement, life insurance and employee benefits markets. Our first day of operations as an independent company was August 2, 2004, when Symetra completed the Acquisition. Our operations date back to 1957 and many of our agency and distribution relationships have been in place for decades. We are headquartered in Bellevue, Washington and employ approximately 1,100 people in 19 offices across the United States, serving approximately 1.8 million customers.

As of June 30, 2009, our adjusted book value was $1,406.6 million, our stockholders' equity was $763.7 million, and we had total assets of $21.1 billion. For the twelve months ended June 30, 2009, our operating return on average equity, or operating ROAE, was 10.7% and our return on equity, or ROE, was 7.5%. We define adjusted book value as stockholders' equity less accumulated other comprehensive income (loss), or AOCI, and we define operating ROAE as net operating income divided by average adjusted book value. Adjusted book value, net operating income and operating ROAE are non-GAAP measures. For reconciliations of adjusted book value to stockholders' equity and net operating income to net income, see page 40 of "Selected Historical Consolidated Financial Data."

We manage our business through the following five segments, four of which are operating:

- *Group.* We offer medical stop-loss insurance, limited medical benefit plans, group life insurance, accidental death and dismemberment insurance and disability insurance mainly to employer groups of 50 to 5,000 individuals. In addition to our insurance products, we offer managing general underwriting, or MGU, services through Medical Risk Managers, Inc, or MRM. Our Group segment generated segment pre-tax operating income of $66.9 million during 2008 and $28.7 million during the six months ended June 30, 2009.
- *Retirement Services.* We offer fixed and variable deferred annuities, including tax sheltered annuities, individual retirement accounts, or IRAs, and group annuities to qualified retirement plans, including Section 401(k), 403(b) and 457 plans. Our Retirement Services segment generated segment pre-tax operating income of $36.6 million during 2008 and $25.1 million during the six months ended June 30, 2009.
- *Income Annuities.* We offer single premium immediate annuities, or SPIAs, to customers seeking a reliable source of retirement income and structured settlement annuities to fund third party personal injury settlements. In addition, we offer our existing structured settlement clients a variety of funding services product options. Our Income Annuities segment generated segment pre-tax operating income of $36.5 million during 2008 and $24.7 million during the six months ended June 30, 2009.
- *Individual.* We offer a wide array of term, universal and variable life insurance as well as bank-owned life insurance, or BOLI. Our Individual segment generated segment pre-tax operating income of $59.7 million during 2008 and $35.7 million during the six months ended June 30, 2009.
- *Other.* This segment consists of unallocated corporate income, composed primarily of investment income on unallocated surplus, unallocated corporate expenses, interest expense on debt, tax credits from certain investments, the results of small, non-insurance businesses that are managed outside of our operating segments, and inter-segment elimination entries. Our Other segment generated segment pre-tax operating loss of $31.6 million during 2008 and $1.7 million during the six months ended June 30, 2009.

See Note 22 to our audited consolidated financial statements for selected financial information by segment.

We distribute our products nationally through an extensive and diversified independent distribution network. Our distributors include financial institutions, employee benefits brokers, third party administrators, specialty brokers, independent agents and advisors. We believe that our multi-channel distribution network allows us to access a broad share of the distributor and consumer markets for insurance and financial services products. For example, we currently distribute our annuity and life insurance products through approximately 15,000 independent agents, 26 key financial institutions and 3,500 independent employee benefits brokers. We continually add new distribution relationships to expand the breadth of partners offering our products.

Market Environment and Opportunities

We believe we are well positioned to capitalize on existing market opportunities, including:

- *Increasing need for retirement savings and income.* There are significant demographic factors that indicate increased need for retirement solutions. These factors include:
  - 76.8 million baby-boomers (Americans born between 1946 and 1964) who are at or near retirement age; and
  - 61.6 million members of Generation X (Americans born between 1965 and 1979) who are likely to fund their retirement from personal savings.

  Many of these individuals have experienced significant declines in the value of their savings as a result of recent market turmoil or have saved too little for retirement. According to the Employee Benefit Research Institute, or EBRI, as of 2007, approximately 78% of families with a head of household aged 55 to 65 participated in an employer-based retirement plan or IRA. EBRI estimates that the median value of this population's employer-based retirement plans declined 14.7% from approximately $81,000 in 2007 to approximately $69,100 in June 2009. As a result of these demographic factors, we expect greater demand for retirement savings products that supplement social security. In particular, we believe demand will continue to grow for products like immediate annuities that offer income streams that cannot be outlived.
- *Shift in customer demand toward simple to understand products.* The equity and bond market dislocation of the last 18 months shifted customer and distributor demand toward simple to understand and predictable products. Customers increasingly demand savings and income oriented products (such as fixed annuities) that offer transparency and stable returns that are higher than returns on savings accounts. Industry sales of savings and income oriented products have grown substantially while sales of equity market based products (such as variable annuities) have fallen. Illustrating this trend, industry sales of variable annuities declined by 26% in the first six months of 2009 compared to the equivalent 2008 period. Conversely, industry sales of fixed annuities grew by 46% over the same period.
- *Continued demand for affordable health insurance.* According to the Kaiser Family Foundation, health insurance premiums in the United States increased 131% from 1999 to 2009, while the Consumer Price Index increased only 28%. As health care costs continue to rise faster than inflation, the demand for affordable health insurance options has increased. In the United States, 75 million people under the age of 65 receive their benefits through self-funded plans, including 47% of workers in smaller firms and 76% of workers in midsize firms. We believe we can grow our business by providing employees with affordable access to health insurance through employer-sponsored limited benefit employee health plans and by offering group medical stop-loss insurance to medium and large businesses that self-fund their medical plans.

Our Competitive Strengths

Our competitive strengths enabled us to perform well across all of our operating segments through the recent market turmoil. Since January 1, 2008 we have added 22 distribution partners, developed 14 new products and grown our assets under management by $2.7 billion, or 15.6%. Our sales for the first six months

of 2009 were $1.6 billion, an increase of 339% over our sales during the first six months of 2007. Our competitive strengths include:

Balance sheet focus. We are vigilant about maintaining a strong balance sheet in all economic environments. We believe our strong balance sheet will allow us to continue growing our business and market share as many of our competitors must first shore up their own balance sheets.

- *Superior investment management.* We pursue a value-oriented investment approach focused on disciplined matching of assets and liabilities and preservation of principal. We believe we have built a conservative asset portfolio illustrated by the following (as of June 30, 2009):
  - Subprime exposure of only $0.5 million
  - Alt-A exposure totaling less than 1% of invested assets, with 87% of Alt-A exposure being supported by fixed rate collateral
  - No exposure to option adjustable rate mortgages, or option ARMs
  - 97% of our commercial mortgage-backed security, or CMBS, portfolio is rated AAA and has a weighted-average credit enhancement of 27%
  - Minimal exposure to alternative assets, such as hedge funds and private equity funds
  - Below investment grade fixed maturities represent less than 7% of invested assets

  This investment approach has resulted in what we believe to be relatively strong performance. For example:
  - Our total pre-tax net realized gains (losses) on sales and impairments of fixed maturities cost 30 basis points for the first six months of 2009, cost 52 basis points for 2008, and cost an annualized average 17 basis points since January 1, 2005
  - Our commercial mortgage portfolio has no late payments and a weighted average loan-to-value ratio of 54%
  - Since January 1, 2005, our equity portfolio has grown at an annualized rate of 6.9% compared to an annualized return of (4.0)% for the S&P 500 Index
- *Disciplined liability risk management.* We have an attractive and diverse mix of businesses that, combined with our disciplined approach to asset/liability matching, enables us to stick to our strategy of offering simple to understand products without adding product features that create liability-side balance sheet volatility. Our liability portfolio includes:
  - No guaranteed living benefits, or GLBs, in variable annuity products
  - No shadow accounts in universal life products
  - No term products that are dependent on lapse-supported pricing and securitization of deficiency reserves
  - No high commission/long surrender period indexed annuities

  Because we do not offer these product features, we avoided having a complex derivative hedging portfolio similar to those found on the balance sheets of many of our competitors.
- *Strong financial position.* We have a strong and transparent balance sheet. We have no value of business acquired, or VOBA, on our balance sheet and minimal goodwill. We believe that we compare favorably to our industry in terms of the following financial strength metrics (as of June 30, 2009):
  - Our deferred acquisition costs, or DAC, is 22% of adjusted book value
  - Our goodwill is 2% of adjusted book value

- Our adjusted leverage ratio is 18% (assigning 75% equity credit to our Capital Efficient Notes, or CENts)
- We have no outstanding debt balances maturing until 2016
- Adjusted book value is 100.0% of regulatory capital
- Our risk-based capital ratio is 370%
- Our AOCI improved from $(1,052.6) million at December 31, 2008 to $(642.9) million at June 30, 2009

Powerful and expanding national distribution network. We have a two-pronged approach to expanding product sales by working with our existing distribution relationships and by adding new distribution partners.

- *High quality distribution relationships.* We offer consumers access to our products through a national multi-channel network, including financial institutions, employee benefits brokers, third party administrators, specialty brokers and independent agents. We are adept at designing simple to understand, yet innovative products to meet the changing demands of the market. By working closely with our distributors, we are able to anticipate opportunities in the marketplace and rapidly address them. By treating our distributors as clients and providing them with outstanding levels of service, we have cultivated strong relationships over decades that we believe allow us to avoid competing on price alone. In addition, we have flexible information technology platforms that allow us to integrate our products onto the operating platforms of our distributors, which we believe provides us with a competitive advantage in attracting new distributors.
- *Strong bank distribution channel.* According to Kehrer — LIMRA, we were a top-five seller of fixed annuities through banks in the first six months of 2009. Our strong bank distribution relationships make us well-positioned to continue to take advantage of the increased investor demand for fixed annuities and to take market share away from financially stressed competitors. We also have increased our sales of single premium immediate annuities and single premium life insurance through existing and new bank distribution partners. During the first six months of 2009, our sales of single premium immediate annuities through banks increased 10% and single premium life volumes increased 34% as compared to the first six months of 2008.

Leading group medical stop-loss insurance provider. We have been a leading provider of group medical stop-loss insurance since 1976. We have built a consistently profitable platform with high levels of customer service and disciplined underwriting practices. In the last 25 years, our group medical stop-loss insurance business has experienced only two calendar years of net losses.

Diverse business mix. We believe that our diverse mix of businesses offers us a greater level of financial stability than many of our similarly-sized competitors across business and economic cycles. Given our lack of reliance on any particular product or line of business, we are able to allocate resources to markets with the highest potential returns at any given point in time. By doing so, we are able to avoid certain markets when they are experiencing heavy competition and related pricing pressure without sacrificing our ability to grow revenues.

Proven management team. We have a high quality management team with an average of 25 years of insurance-industry experience, led by Randy Talbot who has been our chief executive officer since 1998. Having spent a significant portion of his 34-year insurance industry career operating an insurance brokerage, Mr. Talbot intimately understands the needs of our distributors. We also have an experienced board of directors, which includes industry professionals who have worked closely with us to develop our strategies and operating philosophies. Our long-term incentive plan aligns management’s incentives with our stockholders’ interests.

Our Growth Strategies

The recent market turmoil and its effects on our competitors present a compelling opportunity to continue adding business at attractive returns. Further, we believe our growth strategies are well aligned with the current market environment as well as the long-term competitive dynamics of our industry. We believe the following proven, long-term growth strategies position us well to consistently grow stockholder value despite periods of aggressive pricing by our competitors:

- *Sell simple to understand products.* We have built a reputation as a writer of simple to understand products that meet the needs of customers and our distribution partners. This reputation has been strengthened by the retrenchment of many of our competitors due to recent market events and the consistency of our presence and product lineup over the past several years. We believe independent distributors highly value our demonstrated ability to accept new business during turbulent conditions while maintaining strong financial performance. As a result, we are able to take advantage of the convergence of increasing customer desire for simple to understand products and the financial challenges of several market competitors.
- *Broaden and deepen distribution relationships.* Our distribution strategy is to deliver multiple products through a single point of sale, thereby reducing our distribution costs. We believe that we have an unprecedented opportunity to expand our existing relationships and build new long-term relationships due to the recent market disruption that has distracted and refocused our competitors. Since January 1, 2008, we have added eight new bank relationships with over 6,000 sales representatives. In addition, we have added 14 new independent distribution relationships which added 2,100 new sales representatives actively selling our products. These new relationships, in tandem with existing relationships, have enabled us to grow our sales from $373 million during the first six months of 2007 to $1.6 billion in the first six months of 2009.
- *Effectively deploy capital.* We intend to deploy our capital prudently while maximizing our profitability and long-term growth in stockholder value. Our capital management strategy is to maintain financial strength through conservative and disciplined risk management practices, capital efficient product design, effective asset/liability management and opportunistic market share growth in all our business segments. We will also maintain our conservative investment management philosophy, which includes holding a high quality investment portfolio and carefully matching our investment assets against the duration of our insurance product liabilities. This approach will enable us to remain flexible to allocate capital to opportunities within our business segments that offer the highest returns.

Group

Overview

We offer a full range of employment-based benefit products and services targeted primarily at employers, unions and public agencies with 50 to 5,000 employees. Group's products include group medical stop-loss insurance sold to employer self-funded health plans; limited medical benefits insurance for employees not able to participate in a traditional health plan, such as part-time, seasonal and temporary workers; group life, accidental death and dismemberment insurance; and disability products. We purchase reinsurance coverage to limit our exposure to losses from our group medical stop-loss, life, short-term disability and long-term disability products. In general, we retain group medical stop-loss risk up to $1.0 million per individual and reinsure the remainder. We reinsure 50% of our Group life risk and cap our liability at $0.5 million per individual. Our short-term and long-term disability risk is 100% reinsured, except for the short-term disability product sold within limited benefit medical plans, which is not reinsured.

We sell through several types of distributors within the Group segment, including third party administrators or TPAs, employee benefits brokers, consultants and Administrative Services Only, or ASO, arrangements. ASOs are fully insured networks that also offer our group medical stop-loss insurance.

We work closely with employee benefits brokers, consultants and the employer to design benefit plans to meet the employer's particular requirements. Our customers primarily are small and mid-size employers that require knowledgeable employee benefits brokers, consultants and insurance company representatives to understand their individual financial needs and employee profiles, and to customize benefit plans that are appropriate for them. We believe our extensive experience and expertise in group medical stop-loss insurance, limited medical benefits insurance, group life, accidental death and dismemberment insurance and disability products provide us with opportunities to support close broker relationships and to provide employers innovative and customer-centric benefit plans.

Products

Group Medical Stop-Loss

Our group medical stop-loss insurance, our leading product in the Group segment, is provided to employers that self-fund their employees' health claim costs. Such employers provide a health plan to their employees and pay all claims and administrative costs. Our product helps employers manage health expenses by reimbursing specific claim amounts above a certain dollar deductible and by reimbursing aggregate claims above a total dollar threshold. Group medical stop-loss is our biggest Group product and represented 90.5% of earned premiums in our Group segment for the six months ended June 30, 2009.

Limited Medical Benefits

Our limited medical benefits insurance is provided to employers for health coverage to employees not otherwise eligible to participate in traditional plans, such as part-time, seasonal and temporary workers. The employer has a great deal of flexibility in choosing benefits available to employees and therefore managing total health costs incurred by the employer. Our limited medical benefits product represented 7.0% of earned premiums in our Group segment for the six months ended June 30, 2009.

Life Insurance, Accidental Death and Dismemberment

Our group term life insurance product provides benefits in the event of an insured employee's death. The death benefit can be based upon an individual's earnings or occupation, or can be fixed at a set dollar amount. Our products also include optional accidental death and dismemberment coverage as a supplement to our term life insurance policies. This coverage provides benefits for an insured employee's loss of life, limb or sight as a result of accidental death or injury.

Disability Insurance

Our group long-term disability coverage is designed to cover the risk of employee loss of income during prolonged periods of disability. Our group short-term disability coverage provides partial replacement of an insured employee's weekly earnings in the event of disability resulting from an injury or illness. Benefits can be a set dollar amount or based upon a percentage of earnings. We reinsure 100% of the risk associated with this business.

Underwriting and Pricing

Group insurance pricing reflects the employer group's claims experience and the risk characteristics of each employer group. The employer's group claims experience is reviewed at the time the policy is issued and each renewal year thereafter, resulting in ongoing adjustments to pricing. The key pricing and underwriting criteria are medical cost trends, the employer's selected provider network discount structure, the employer group's demographic composition, including the age, gender and family composition of the employer group's members, the industry, geographic location, regional economic trends, plan design and prior claims experience.

We face significant competition in the Group segment operations. Our competitors include large and highly rated insurance carriers. Some of these competitors have greater resources than we do, and many of them offer similar products and use similar distribution channels. We strive to write and renew only business

that meets our return targets, and this discipline sometimes leads to a negative impact on our market share. However, this remains consistent with our focus on profitability. Competition is based primarily upon product pricing and features, compensation and benefits structure and support offered.

Pricing in the medical stop-loss insurance market has proven to be cyclical. Recently, we have seen generally disciplined pricing in the medical stop-loss insurance market, which may suggest a developing trend towards higher pricing for this product line, based on our experience with previous pricing cycles.

Retirement Services

Overview

Our Retirement Services operation offers a full range of fixed and variable deferred annuities in both the qualified and non-qualified markets. Qualified contracts include IRAs, Roth IRAs, tax-sheltered annuities (marketed to teachers and not-for-profit organizations) and Section 457 plans. We offer these products to a broad range of consumers who want to accumulate tax-deferred assets for retirement, desire a reliable source of income during their retirement or seek to protect against outliving their assets during retirement.

We offer our annuities primarily through financial institutions, broker-dealers, independent agents, financial advisors and worksite employee benefits specialists.

The demand for fixed annuities has increased as consumers seek the simple to understand stable return offered by fixed annuity products. We believe that demand for fixed annuity and other investment products that help consumers supplement their social security benefits with reliable retirement income will endure as consumers rebuild and refocus on savings after the recent market turmoil.

We offer a variety of simple variable annuity products that position us to increase sales to consumers looking to maximize earnings over the long-term and have a tolerance for some volatility in their underlying investments.

We believe that the small to mid-sized employer market place will be an area of fixed and variable annuity sales growth as more employers eliminate traditional pensions and offer defined contribution plans with lower administrative costs. As employers drive down employee costs, we believe they still want to offer competitive retirement benefit plans as long as the administrative costs are reasonable. Our products are designed to allow employers to provide their employees with attractive retirement investments for a relatively low cost. Once those retirement plan customers decide to retire or rollover their funds, we offer a suite of IRAs, Roth IRAs, immediate annuities and other retirement vehicles. It is our goal to capture and hold those customers by offering products that address their evolving needs and through excellent service to our distribution partners and customers.

Products

Fixed Annuities

We offer fixed single premium and flexible premium deferred annuities that provide for a premium payment at time of issue, an accumulation period and an annuity payout period beginning at some future date. Our most popular products are our Select and Custom series that offer three, five and seven-year surrender charge periods and a choice of one, three, or five-year interest rate lock periods. After the interest rate lock period, the crediting rate is subject to change at our discretion (subject to the minimum guaranteed rate in the contract) based upon competitive factors, portfolio earnings rate, prevailing market rates and product profitability. Our fixed annuity contracts are supported by our general account, and the accrual of interest is generally on a tax-deferred basis to the owner. The majority of our fixed annuity contract owners retain their contracts through the surrender penalty period. After one year in the annuity contract, the contract owner may elect to take the accumulated value of the annuity and convert it to a series of future payments that are received over a selected period of time.

Our fixed annuity contracts permit the contract owners at any time during the accumulation period to withdraw all or part of the premium paid, plus the amount credited to their accounts, subject to contract

provisions such as surrender charges that vary depending upon the terms of the product. The contracts impose surrender charges that typically vary from 5.0% to 8.0% of the amount withdrawn, starting in the year of contract issue and decreasing to zero over a three to eight-year period. Approximately $4.7 billion, or 66.4%, of the total account value of our fixed annuities as of June 30, 2009, were subject to surrender charges.

As market conditions change, we change the initial crediting rate for newly issued fixed deferred annuities. We maintain the initial crediting rate for a minimum period of one year or the guarantee period, whichever is longer. Thereafter, we may adjust the crediting rate annually for any given deposit. Most of our recently issued annuity contracts have lifetime minimum guaranteed crediting rates between 1.0% and 1.5%.

Our earnings from fixed annuities are based upon the spread between the crediting rate on our fixed annuity contracts and the returns we earn in our general account on our investment of premiums, less acquisition and administrative expenses.

Variable Annuities

We offer variable annuities that allow the contract owner to make payments into a guaranteed-rate account and separate accounts divided into subaccounts that invest in underlying investment portfolios. Like a deferred fixed annuity, a deferred variable annuity has an accumulation period and a payout period. Although the fixed-rate account is credited with interest in a manner similar to a fixed deferred annuity, there is no guaranteed minimum rate of return for investments in the subaccounts, and the contract owner bears the entire risk associated with the performance of these subaccounts, subject to the guaranteed minimum death benefit or any other benefit offered under the contract.

Similar to our fixed annuities, our variable annuity contracts permit the contract owner to withdraw all or part of the premiums paid, plus the amount credited to the contract owner’s account, subject to contract terms such as surrender charges. The cash surrender value of a variable annuity contract depends upon the allocation of payments between fixed and variable subaccounts, how long the contract has been in force, and the investment performance of the variable subaccounts to which the contract owner has allocated assets.

Variable annuities provide us with fee revenue in the form of flat-fee charges, mortality and expense risk charges, and asset related administration charges. The mortality and expense risk charge and asset related administration charge equal a percentage of the contract owner’s assets in the separate account and typically range from 1.00% to 1.55% per annum. In addition, some contracts may offer the option for contract owners to purchase additional features, such as GMDB, for additional fees that are paid for through charges equal to a percentage of the contract owner’s assets. Substantially all of our GMDB risk on our individual variable annuities is reinsured.

Our variable annuity strategy is to offer simple product designs that emphasize long-term returns for the customer. We do not offer the myriad of complex guaranteed living benefits found in most of the products on the market. As a result, we are not a significant writer of variable annuity business. Unlike some of our competitors, we are not having to reprice our products to properly charge for these features. Our Symetra Focus Variable Annuity product is an example of our approach to the variable annuity marketplace. Focus is one of the most cost-effective products on the market. Because of the cost-effective design, Focus is one of the few variable annuities available featuring index investment options from Vanguard. The product’s low-cost structure and well-respected investment options are designed to benefit the clients. The lower cost structure allows our clients to keep a greater share of investment returns in their accounts as opposed to paying fees for benefits that may not be needed. For clients that seek an income solution from their variable product, we offer standard annuitization features and a long-life benefit that is funded over time. Our long-life benefit is unique in the industry and works like a multi-premium immediate annuity, or MPIA, with a deferred payment start date.

Historically, we have seen variable annuity sales decline during and after equity market declines and volatility, but we expect Focus to garner more sales as consumers gain more confidence in the equity market and the competition continues to reduce guaranteed living benefit options or increase the costs of these benefits.

Retirement Plans

We offer a wide range of annuities to fund employer-sponsored retirement plans, which include 401(k) plans (including traditional, Safe Harbor and SIMPLE profit sharing plans), 403(b) plans and Section 457 plans.

Underwriting and Pricing

We price our products based upon our expected investment returns and our expectations for mortality, longevity and the probability that a policy or contract will remain in force from one period to the next, referred to as persistency, for the group of our contract owners as a whole, taking into account mortality improvements in the general population and our historical experience. We price deferred annuities by analyzing longevity and persistency risk, volatility of expected earnings on our assets under management, risk profile of the product, special reserving and capital requirements, and the expected expenses we will incur.

Income Annuities

Overview

We offer immediate annuities that guarantee a series of payments that continue either for a certain number of years or for the remainder of an annuitant's life.

We offer structured settlement contracts that provide an alternative to a lump sum settlement, generally in a personal injury lawsuit or worker's compensation claim, and typically are purchased by property and casualty insurance companies for the benefit of an injured claimant. The structured settlements provide scheduled payments over a fixed period or, in the case of a life-contingent structured settlement, for the life of the claimant, or a combination of fixed and life contingent payments.

Products

Immediate Annuities

We have recently experienced year-over-year increases in our sales of our immediate annuities products. We anticipate further increases in sales given the demographic trend of greater numbers of people approaching retirement age and their corresponding need for dependable retirement income that lasts their entire life. We believe that we are one of the most innovative designers of immediate annuity products.

Immediate annuities differ from deferred annuities in that they provide for contractually guaranteed payments that generally begin within one year of issue. Generally the immediate annuities available in the marketplace do not provide for surrender or policy loans by the contractholder. We offer a liquidity feature that allows the contractholder to withdraw portions of the future payments. We also offer a feature that allows benefits to be converted to a lump sum after death of the annuitant. We recently introduced the Freedom Income product that enables the customer to pick a payment start date several years after contract purchase. This product is a cost effective means of funding a future income stream.

Structured Settlements

Structured settlement contracts provide an alternative to a lump sum settlement, generally in a personal injury lawsuit or worker's compensation claim, and typically are purchased by property and casualty insurance companies for the benefit of an injured claimant. The structured settlements provide scheduled payments over a fixed period or, in the case of a life-contingent structured settlement, for the life of the claimant, and may have a guaranteed minimum period of payments. Structured settlement contracts also may provide for irregularly scheduled payments to coincide with anticipated medical or other claimant needs. These settlements offer tax-advantaged, long-term financial security to the injured party and facilitate claim settlement for the property and casualty insurance carrier. Structured settlement contracts are long-term in nature, guarantee a fixed benefit stream and generally do not permit surrender or borrowing against the amounts outstanding under the contract. In 2005, we introduced funding services to clients with financial

circumstances that may have changed from the time they originally received a structured settlement. Our initial funding service product provides an immediate lump sum payment to replace future benefit payments and includes coordinating the court approval process. In 2009, we expanded the funding service product offerings to allow clients to receive a lump sum and to change the timing of future benefit payments. This product has been well received by our clients and the courts.

Our current financial strength ratings limit our ability to offer structured settlement contracts. If our principal life insurance company subsidiary, Symetra Life Insurance Company, increases its financial strength ratings from "A" (Excellent) to "A+" (Excellent) from A.M. Best, courts will be more willing to approve structured settlement contract arrangements from us. Improving this key rating will allow us to participate fully in this market.

Underwriting and Pricing

We price immediate annuities and structured settlements using industry produced annuity mortality information, our mortality experience and assumptions regarding continued improvement in annuitant longevity, as well as assumptions regarding investment yields at the time of issue and thereafter. Our structured settlement contracts and traditional immediate annuities can be underwritten in our medical department by medical doctors and other trained medical personnel. If the medical department determines the annuitant has a shorter or longer than standard life expectancy, we can adjust our pricing to reflect that information.

Our earnings from immediate annuities and structured settlement annuities are driven by the spread on the returns we earn in our general account on our investment of premiums and the interest rate we used to determine the amount of income payments a client receives at the time they purchase their annuity.

Earnings increase or decrease on these products depending on our mortality experience.

Individual

Overview

Life insurance provides protection against financial hardship after the death of an insured by providing cash payments to the beneficiaries of the policyholder. Single premium life and universal life insurance products also provide an efficient way for assets to be transferred to heirs. Our principal individual life insurance product is term life, which provides life insurance coverage with guaranteed level premiums for a specified period of time with little or no buildup of cash value that is payable upon lapse of the coverage. In addition to term life insurance, we offer universal life insurance products, which are designed to provide protection for the entire life of the insured and may include a buildup of cash value that can be used to meet the policyholder's particular financial needs during the policyholder's lifetime. We also sell bank-owned life insurance, or BOLI, to financial institutions seeking a fixed yield investment that efficiently matches future employee benefit liabilities.

We price our traditional insurance policies based primarily upon our own historical experience in the underwriting risk categories that we target. We target individuals in preferred risk categories and offer them attractive products at competitive prices in addition to targeting more standard risks. Persons in preferred risk categories include healthier individuals who generally have family histories that do not present increased mortality risk. We also have significant expertise in evaluating people with health problems and offer appropriately priced coverage for people who meet our underwriting criteria.

We offer our life insurance products primarily through three distribution channels: independent agents and financial advisors, financial institutions, and specialty agents for BOLI. We believe there are opportunities to expand our sales through each of these distribution channels.

Products

Term Life Insurance

Our term life insurance policies provide a death benefit if the insured dies while the coverage is in force. Term life policies have little to no cash value buildup and therefore rarely have a payment due if and when a policyholder decides to lapse the policy. As of June 30, 2009, we had $180.9 million of reserves associated with our term life and other traditional life products.

Our primary term life insurance products have guaranteed level premiums for initial terms of 10, 15, 20 or 30 years. After the guaranteed period expires, premiums increase annually and the policyholder has the option to continue under the current policy by paying the increased premiums without demonstrating insurability or qualifying for a new policy by submitting again to the underwriting process. Coverage continues until the insured reaches the policy expiration age or the policyholder ceases to make premium payments or otherwise terminates the policy, including potentially converting to a permanent plan of insurance. The termination of coverage is called a lapse. For newer policies, we seek to reduce lapses at the end of the guaranteed period by gradually grading premiums to the attained age scale of the insured over the five years following the guaranteed period. After this phase-in period, premiums continue to increase as the insured ages.

In 2009, we launched a new term insurance product designed primarily for the mortgage term market. This product allows customers to safeguard their home (often their most valuable asset) in the event of death. This product includes an optional return of premium feature allowing for the customer to pay additional premiums for the comfort of knowing they will receive back at a minimum what they paid in premiums.

We design and price our term insurance to limit the impact from statutory reserves mandated by the valuation of life insurance policies model regulation, also known in the insurance industry as XXX deficiency reserves. We had $7.4 million of XXX reserves as of June 30, 2009. Our product pricing is not dependent on securitization of XXX deficiency reserves.

Universal Life Insurance

Our universal life insurance policies provide policyholders with lifetime death benefit coverage, the ability to accumulate assets on a flexible, tax-deferred basis and the option to access the cash value of the policy through a policy loan, partial withdrawal or full surrender. Our universal life products also allow policyholders to adjust the timing and amount of premium payments. We credit premiums paid, less certain expenses, to the policyholder’s account and from that account deduct regular expense charges and certain risk charges, known as COI, which generally increase from year to year as the insured ages. Our universal life insurance policies accumulate cash value that we pay to the insured when the policy lapses or is surrendered. Most of our universal life policies also include provisions for surrender charges for early termination and partial withdrawals. As of June 30, 2009, we had $591.1 million of reserves associated with various universal life products.

We credit interest on policyholder account balances at a rate determined by us, but not less than a contractually guaranteed minimum. Our in force universal life insurance policies generally have minimum guaranteed crediting rates ranging from 3.0% to 4.5% for the life of the policy.

We design and price our universal life insurance products to limit the impact from statutory reserves mandated by the valuation of life insurance policies model regulation, also known in the insurance industry as AXXX deficiency reserves. We had $19.3 million of AXXX reserves as of June 30, 2009. Our product pricing is not dependent on securitization of AXXX deficiency reserves.

Bank-Owned Life Insurance (BOLI)

Our life insurance business also includes $3.9 billion of BOLI statutory reserves. Many financial institutions purchased several billion dollars of BOLI as a means of generating the cash flow needed to fund benefit liabilities. A fixed rate BOLI product is a highly stable, low-risk source of financing that can offer net annual after-tax returns that are generally higher than traditional bank investments. Over the last few years

some financial institutions bought variable BOLI products and experienced significant volatility and write-downs associated with those products. Our book of BOLI business is 100% fixed.

Underwriting and Pricing

We believe our rigorous underwriting and pricing practices are significant drivers of the consistent profitability of our life insurance business. Our fully underwritten term life insurance is 50% to 90% reinsured, which limits mortality risk retained by us. We set pricing assumptions for expected claims, lapses, investment returns, expenses and customer demographics based on our own relevant experience and other factors. Our strategy is to price our products competitively for our target risk categories and not necessarily to be equally competitive in all categories.

Our fully underwritten policies place each insurable life insurance applicant in one of eight primary risk categories, depending upon current health, medical history and other factors. Each of these eight categories has specific health criteria, including the applicant's history of using nicotine products. We consider each life insurance application individually and apply our guidelines to place each applicant in the appropriate risk category, regardless of face value or net amount at risk. We may decline an applicant's request for coverage if the applicant's health or other risk factor assessment is unacceptable to us. We do not delegate underwriting decisions to independent sales intermediaries. Instead, all underwriting decisions are made by our own underwriting personnel or by our automated underwriting system. We often share information with our reinsurers to gain their insights on potential mortality and underwriting risks and to benefit from their broad expertise. We use the information we obtain from the reinsurers to help us develop effective strategies to manage our underwriting risks. For specific markets where fully underwritten products are not preferred by the distributor, we have developed specially priced products to support a "simplified issue" process. This process enables us to reach applicants not called on by traditional insurance agents. "Simplified issue" contracts are typically generated via worksite sales to employees and sales to retail bank customers. Insurance amounts are limited and separate underwriting guidelines are applied for simplified issue policies.

Other

Our Other segment consists primarily of unallocated surplus net investment income, unallocated operating expenses including interest expense on debt, tax credits from certain investments, the results of small, non-insurance businesses that are managed outside of our operating segments and intersegment elimination entries.

Operating Subsidiaries

Symetra Financial Corporation is a holding company, and we conduct business through our subsidiaries. Our primary operating subsidiaries are as follows:

Name	Operating Segment	Other Information
Symetra Life Insurance Company	All segments	Primary operating subsidiary
First Symetra National Life Insurance Company of New York	Primarily Retirement Services	
Clearscape Funding Corporation	Other	
Symetra Assigned Benefits Service Company	Income Annuities	Structured settlements
Symetra Securities, Inc.	Retirement Services	Broker-dealer; distributor
Symetra Investment Services, Inc.	Other	Broker-dealer; distributor
Medical Risk Managers, Inc.	Group	Managing general underwriter
Health Network Strategies, LLC	Group	60% owned joint venture

Distribution

We distribute our products through an extensive and diversified distribution network. We believe access to a variety of distribution channels enables us to respond effectively to changing consumer needs and distribution trends. We compete with other financial services companies to attract and retain relationships in each

of these channels. Some of the factors that lead to our success in competing for sales through these channels include amount of sales commissions and fees we pay, breadth of our product offerings, our perceived stability and our financial strength ratings, marketing and training we provide and maintenance of key relationships with individuals at those firms. We believe we have a well diversified multi-channel distribution network to capture a broad share of the distributor and consumer markets for insurance and financial services products.

Our Group segment distributes their products through employee benefits brokers, ASOs and TPAs.

Our Individual, Retirement Services and Income Annuities segments distribute their products through the following channels:

- financial institutions;
- brokerage general agencies and independent agents; and
- structure settlement specialty brokers.

The following table sets forth our annualized first-year premiums and deposits on new policies in our Group, Retirement Services, Income Annuities and Individual segments:

Sales for the Year Ended December 31, 2008
by Distribution Channel

Distribution Channel	Segment			
	Group(1)	Retirement Services(2)	Income Annuities(3)	Individual(4)
	(In millions)			
Financial institutions	$ —	$ 1,558.5	$ 70.7	$ 1.8
Employee benefits brokers/TPAs	112.6	—	—	—
Independent agents/BGAs	—	208.0	45.7	5.3
Structured settlements/BOLI	—	—	24.4	2.9

(1) Includes medical stop-loss, life, disability and limited medical benefits insurance.

(2) Includes deferred and variable annuities and retirement programs.

(3) Includes immediate annuities and structured settlements.

(4) Includes term, universal, single premium, BOLI and variable life insurance.

Financial Institutions. We have agency agreements with 26 key financial institutions, accounting for approximately 39,000 agents and registered representatives in all 50 states. We use financial institutions to distribute a significant portion of our fixed and variable annuities, as well as a growing portion of our life insurance policies.

One financial institution, JPMorgan Chase & Co., accounted for a significant portion of our total sales in 2008 and through June 30, 2009, selling primarily fixed annuity products. In September of 2008, JPMorgan Chase & Co. (which owns the Chase banking business) acquired the banking operations of Washington Mutual, Inc. Prior to that acquisition, Chase and Washington Mutual each individually accounted for a significant portion of our total sales. We do not believe that the acquisition has negatively affected our distribution relationship with the combined institution.

Employee Benefits Brokers, Third Party Administrators. We distribute our Group segment products through approximately 2,100 agencies in the employee benefits broker/third party administrator channel. This distribution channel is also supported by approximately 30 of our employees located strategically across a nationwide network of 16 regional offices.

Independent Agents, Brokerage General Agencies. We distribute life insurance and fixed and deferred annuities through approximately 15,000 independent agents located throughout the United States from

approximately 8,300 different agencies. These independent agents market our products and those of other insurance companies.

Structured Settlements. We distribute structured settlements through approximately 560 settlement consultants representing 85 agencies in 44 states and the District of Columbia. We believe our ability to participate and compete effectively in the sales of structured settlements will depend on our ability to achieve upgrades from the ratings agencies.

Marketing

We promote and differentiate our products and services through the breadth of our product offerings, technology services, specialized support for our distributors and innovative marketing programs to help distributors grow their business with our products.

We have customized our marketing approach to promote our brand to distributors of our products whom we believe have the most influence in our customers' purchasing decisions. We built our brand among this constituency in three phases: an outreach to our employees to understand and deliver on the brand, an outreach to our independent producers in our sales channels and a prudent consumer outreach. These programs include advertising in trade and business periodicals, consumer advertising with a small, prudent budget leveraged by its ties to our producers, media outreach to both trade and consumer periodicals and community outreach, including partnering with distributors.

At the product level, we simplify the sales process so that the recommendation to purchase our product is as easy and seamless as possible. This is accomplished through our product collateral, technology in the sales process and ease of service after the sale.

We seek to build recognition of our brand and maintain strong relationships with leading distributors by providing a high level of specialized support, such as product training, sales solutions, and financial product design for targeted customers.

Reserves

Overview

We calculate and maintain reserves for estimated future benefit payments to our policyholders and contractholders in accordance with U.S. GAAP. We establish reserves at amounts that we expect to be sufficient to satisfy our policy obligations. We release these reserves as those future obligations are extinguished. The reserves we establish necessarily reflect estimates and actuarial assumptions with regard to our future experience. These estimates and actuarial assumptions involve the exercise of significant judgment. Our future financial results depend significantly upon the extent to which our actual future experience is consistent with the assumptions we have used in pricing our products and determining our reserves. Many factors can affect future experience, including economic and social conditions, inflation, healthcare costs, changes in doctrines of legal liability and damage awards in litigation. Therefore, we cannot determine with complete precision the ultimate amounts we will pay for actual future benefits or the timing of those payments.

Individual and Group Life Insurance and Group Health Insurance

We establish reserves for life insurance policies based upon generally recognized actuarial methods. We use mortality tables in general use in the United States, modified where appropriate to reflect relevant historical experience and our underwriting practices. Persistency, expense and interest rate assumptions are based upon relevant experience and expectations for future development.

The liability for policy benefits for universal life insurance and BOLI policies is equal to the balance that accrues to the benefit of policyholders, including credited interest, plus any amount needed to provide for additional benefits. We also establish reserves for amounts that we have deducted from the policyholder's

balance to compensate us for services to be performed in future periods. The BOLI life reserves were reset to fair value on the date of the Acquisition.

Our reserves for unpaid group life and health insurance claims, including our stop-loss medical and other lines, are estimates of the ultimate net cost of both reported losses that have not yet been settled and incurred but as yet unreported losses. Reserves for incurred but as yet unreported claims are based upon historic incidence rates, severity rates, reporting delays and any known events that we believe will materially affect claim levels.

Reserves for long-term disability claims are based upon factors including recovery, mortality, expenses, Social Security and other benefit offsets and interest rates. They represent the actuarial present value of benefits and associated expenses for current claims, reported claims that have not yet completed and incurred claims that have not yet been reported. Claims on long-term disability insurance policies consist of payments to be made periodically, generally monthly, in accordance with the contractual terms of the policy.

Retirement Services and Income Annuities

For our investment contracts, which are primarily deferred annuities, contractholder liabilities are equal to the accumulated contract account values, which generally consist of an accumulation of deposit payments, less withdrawals, plus investment earnings and interest credited to the account, less expense, mortality and product charges, if applicable. We also maintain a separate reserve for any expected future payments in excess of the account value due to the potential death of the contractholder. The reserves were reset to fair value on the date of the Acquisition.

Reserves for future policy benefits on our immediate fixed annuity contracts are calculated based upon actuarial assumptions regarding the interest to be earned on the assets underlying the reserves and, if applicable, the annuitant's life expectancy. The reserves were reset to fair value on the date of the Acquisition, with adjustments to future interest and mortality assumptions.

Investments

Investment Management Overview

In managing our investments, we are focused on disciplined matching of our assets to our liabilities and preservation of principal. Within this framework, we seek to generate appropriate risk-adjusted returns through careful individual security analysis.

For each of our operating segments and for our unallocated surplus, we separate our investments into one or more distinct portfolios. Our investment strategy for each portfolio is based on the expected cash flow characteristics of the portion of the liabilities of the business segment associated with the portfolio. The strategies are regularly monitored through a review of portfolio metrics, such as effective duration, yield curve sensitivity, convexity, liquidity, asset sector concentration and credit quality.

In general, we purchase high quality assets to pursue the following investment strategies for our operating segments:

- *Group.* We invest in short duration fixed income corporate bonds.
- *Retirement Services.* We invest in short to medium duration fixed income corporate bonds, mortgage backed securities, commercial loans and a modest amount of below investment grade bonds.
- *Income Annuities.* The Income Annuities segment has liability payments that run well beyond 40 years. The majority of the segment's portfolio is invested in long duration fixed income corporate bonds, mortgage-backed securities and commercial loans. In addition, we invest in equities to support liability payments due more than 40 years in the future.
- *Individual.* We invest in medium to long duration fixed income corporate bonds, mortgage-backed securities, commercial mortgages and a modest amount of below investment grade bonds.

- *Other.* We invest in short to medium duration fixed income assets.

We are exposed to three primary sources of investment risk:

- *Credit risk* — risk relating to the uncertainty associated with the continued ability of a given obligor to make timely payments of principal and interest;
- *Interest rate and credit spread risk* — risk relating to the market price and/or cash flow variability associated with changes in market yield curves and credit spreads; and
- *Equity risk* — risk relating to adverse fluctuations in a particular common stock.

Our ability to manage these risks while generating an appropriate investment return is essential to our business and our profitability.

We manage credit risk by analyzing issuers, transaction structures and, for our commercial mortgage portfolio, real estate properties. We use analytic techniques to monitor credit risk. For example, we regularly measure the probability of credit default and estimated loss in the event of such a default, which provides us with early notification of worsening credit. If an issuer downgrade causes our holdings of that issuer to exceed our risk thresholds, we automatically undertake a detailed review of the issuer's credit. We also manage credit risk through industry and issuer diversification and asset allocation practices. For commercial real estate loans, we manage credit risk through geographic and product-type diversification and asset allocation. We routinely review different issuers and sectors and conduct more formal quarterly portfolio reviews.

We mitigate interest rate and credit spread risk through rigorous management of the relationship between the duration of our assets and the duration of our liabilities, seeking to minimize risk of loss in both rising and falling interest rate and widening credit spread environments.

We mitigate equity risk by limiting the size of our equity portfolio to correlate with our exposure to long duration obligations in our income annuities segment and the ability of our capital base to absorb downside volatility without creating capital ratio stress and/or constraints on growth. We invest in relatively concentrated positions in the United States and other developed markets. The investments are identified using a bottom-up fundamental analysis and value oriented investment approach.

Portfolio Managers

Other than our commercial mortgage portfolio, which is managed by our employees, we have hired professional investment advisors to invest our assets. As of June 30, 2009, our $17.9 billion (amortized cost) fixed income portfolio is managed by White Mountains Advisors LLC, or WM Advisors, and our $0.2 billion equity portfolio is managed by Prospector Partners, LLC, or Prospector.

WM Advisors seeks to reduce and manage credit risk by focusing on capital preservation, fundamental credit analysis, value-oriented security selection and quick action as a security's outlook changes. WM Advisors directly invests the bulk of our fixed income investments, while hiring sub-advisors for private placements, high yield bonds and bank loans. The sub-advisors work under WM Advisors' direction to manage our credit and interest rate risk and preserve the integrity of our asset/liability matching. The sub-advisors are:

- *Principal Global Investors, or Principal.* Principal manages our investment grade private placement portfolio and some fallen angel below investment grade assets. As of June 30, 2009, Principal managed approximately $1.4 billion of our asset portfolio.
- *Pioneer Investment Management, or Pioneer.* Pioneer manages our high yield investment portfolio. Pioneer seeks to generate high current yield while preserving principal. As of June 30, 2009, Pioneer managed approximately $0.4 billion of our asset portfolio.
- *Wellington Management, or Wellington.* Wellington manages our bank loan portfolio and some fallen angel below investment grade assets. As of June 30, 2009, Wellington managed approximately $52.7 million of our asset portfolio.

Prospector manages our equity portfolio. Prospector's investment strategy is to maximize absolute total return through investments in a variety of equity and equity-related instruments, including convertible preferred and convertible debt securities.

Our in-house mortgage loan department originates new commercial mortgage loans and manages our existing commercial loan portfolio. The commercial mortgage holdings are whole loans secured by first liens on income producing properties. There are no construction, development or land loans in the portfolio. Over our 35 year history in this asset class, we have had very strong investment experience through all parts of the real estate cycle. This success is attributed to underwriting standards that include large equity and debt service coverage requirements, and strong real estate and borrower analysis. Typically the loans have personal recourse. All aspects of the investment process including origination, due diligence, underwriting, approval and closing are handled internally.

For further information on our investment portfolio, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Investments" and "Certain Relationships and Related Transactions."

Reinsurance

We engage in the industry practice of reinsuring portions of our insurance risk with reinsurance companies through both treaty and facultative reinsurance agreements. We use reinsurance to diversify our risks and manage loss exposures primarily in our Group and Individual segments. The use of reinsurance permits us to write policies in amounts larger than the risk we are willing to retain.

We cede insurance primarily on a treaty basis, under which risks are ceded to a reinsurer on specific books of business where the underlying risks meet certain predetermined criteria. To a lesser extent, we cede insurance risks on a facultative basis, under which the reinsurer's prior approval is required on each risk reinsured. The use of reinsurance does not discharge us, as the insurer, from liability on the insurance ceded. We, as the insurer, are required to pay the full amount of our insurance obligations even in circumstances where we are entitled or able to receive payments from our reinsurer. The principal reinsurers to which we cede risks have A.M. Best financial strength ratings ranging from "A+" to "A-."

We had reinsurance recoverables of $266.4 million and $264.2 million as of June 30, 2009 and December 31, 2008, respectively. The following table sets forth our exposure to our principal reinsurers, including reinsurance recoverables as of December 31, 2008 and the A.M. Best ratings of those reinsurers as of that date:

	Reinsurance Recoverable	A.M. Best Rating
	(In millions)	
Reinsurance Group of America (RGA)	$94.3	A+
Transamerica Life Insurance Company	69.8	A+
UNUM Life Insurance Company of America (UNUM)	51.1	A−
Lincoln National Life Insurance Company	24.7	A+

In the table above, the reinsurance recoverables under our agreements with RGA, UNUM and Lincoln represent the reinsurance exposure of these parties to us under the reinsurance policies. The reinsurance recoverable under our agreement with Transamerica represents our share of the proceeds generated under this policy.

Under most of our reinsurance agreements, we obtain reinsurance to mitigate some or all of the risk of the policies we issue, particularly the risk of substantial loss from death of an individual or catastrophic loss, and in other cases where the reinsurer offers a particular expertise. Some of these agreements are coinsurance arrangements, whereby we only obtain reinsurance for a portion of the risk, and retain the remainder. In some cases, we instead act as a reinsurer (or coinsurer) of another life insurance company.

The following is a brief summary of our reinsurance agreements with the parties listed in the table above:

- *Reinsurance Group of America.* Under our agreements with RGA, RGA reinsures the risk of a large loss on term life insurance and universal life insurance policies. These are typically coinsurance or yearly renewable term arrangements, whereby we cede 50% or more of the claims liability to RGA. These agreements do not have a fixed term. Either party can terminate these agreements with respect to future business with 90 days' written notice to the other party.
- *Transamerica Life Insurance Company.* Under an agreement with Transamerica, we act as their reinsurer with respect to 28.6% of a BOLI policy. BOLI is life insurance purchased by a bank to insure the lives of bank employees, usually officers and other highly compensated employees. BOLI policies are commonly used by banks to fund employee pension plans and benefit plans. Transamerica invests the policy premiums paid by the bank, and manages those investments subject to the terms of the policy. We have assumed 28.6% of the claims liability under this policy, and receive 28.6% of the proceeds generated under the policy. The term of this agreement is perpetual. We are only allowed to terminate this agreement in the event Transamerica fails to pay amounts due to us under this agreement or in the event of fraud, misrepresentation or breach of this agreement by Transamerica.
- *UNUM Life Insurance Company of America.* We cede all of our Group Long-Term-Disability and Short-Term-Disability claims liability through a reinsurance pool. The pool of reinsurers may change each year for new claims. UNUM covers the substantial majority of this business. This agreement does not have a fixed term. Either we or the insurance pool can terminate the agreement with respect to future business by providing 90 days' written notice to the other party.
- *Lincoln National Life Insurance Company.* Under our agreements with Lincoln, we primarily cede claims liability under 10, 15 and 20-year term life insurance policies to Lincoln. These are typically coinsurance arrangements, whereby we cede 50% or more of the claims liability to Lincoln. These agreements do not have a fixed term. Either party can terminate these agreements with respect to future business upon 90 days' written notice to the other party.

Risk Management

Overview

Risk management is a critical part of our business and we have adopted risk management processes in virtually every aspect of our operations, including product development, underwriting, investment management, asset/liability management and technology development projects. The primary objective of these risk management processes is to reduce the variations we experience from our expected results.

We use a risk model that draws on the risk-based capital concepts. Risks are classified into four main categories:

- investment risks;
- pricing risks, including determination of adequate spreads or premiums, and estimation of claims, both expected and catastrophic;
- interest rate risk, including asset liability duration matching exposures; and
- other business risks, including business continuity, data security and other operational risks.

Operations and Technology

Service and Support

We have a dedicated team of service and support personnel, as well as Affiliated Computer Services, or ACS, based in Dallas, Texas, our outsourced provider, that deliver automation solutions to drive competitive advantage, to achieve earnings growth objectives and to control the cost of doing business. We mainly follow a buy-versus-build approach in providing application and business processing services that accelerate delivery and responsiveness. We also develop proprietary software for competitive or economic benefits.

Operating Centers

In August 2009, we signed a new outsourcing agreement with ACS. The renewal of the agreement expires in July 2014, with two one-year extensions at our election. The scope of the contract with ACS includes the management of the following:

- data center: mainframe, Wintel systems, storage, web services and disaster recovery;
- distributed computing: field office services, desktop support and asset management;
- data network: network infrastructure, carrier services and secured remote access;
- voice communications: voice systems, wireless and contact center technologies;
- help desk supporting: infrastructure, packaged software and password resets;
- output processing: print and mail fulfillment, archive and online viewing; and
- content management: imaging and content management system.

Under this agreement, we are obligated to pay an annual service fee of approximately $10.8 million. These fees are subject to adjustments based on a variety of factors, including product utilization and reductions for failure to meet service level standards.

The agreement may be terminated by us for convenience prior to the end of the five-year term upon ninety days' notice and payment by us of a termination fee, which is currently $4.7 million if the entire agreement is terminated. The termination fee generally declines over time and is pro-rated based on which service(s) are terminated and their related fixed and variable costs, including depreciable asset and investment costs and non-amortizable investment costs. In the event of termination, we have the right to acquire hardware and software assets used by ACS to provide services to us.

On September 28, 2009, ACS and Xerox Corporation announced a definitive agreement for Xerox to acquire ACS. We do not currently believe that this acquisition will materially affect our relationship with ACS.

Competition

We face significant competition for customers and distributors from insurance and other financial services companies in each of our businesses. Our competitors include other large and highly rated insurance carriers. Some of these competitors have greater resources than we do, and many of them offer similar products and use similar distribution channels. Competition in our operating business segments is based on a number of factors, including:

- quality of service;
- product features;
- price;
- commissions;
- ability to purchase attractive assets;
- scope of distribution;

- financial strength ratings; and
- name recognition.

The relative importance of these factors depends on the particular product and market. We compete for customers and distributors with insurance companies and other financial services companies in our various businesses.

Financial Strength Ratings

Rating organizations continually review the financial performance and condition of most insurers and provide financial strength ratings based on a company's operating performance and ability to meet obligations to policyholders. Ratings provide both industry participants and insurance consumers meaningful information on specific insurance companies and are an important factor in establishing the competitive position of insurance companies. In addition, ratings are important to maintaining public confidence in us and our ability to market our products.

Symetra Life Insurance Company, our principal life insurance subsidiary, is currently rated by A.M. Best, S&P, Moody's and Fitch as follows:

Financial Strength Rating	A.M. Best	S&P	Moody's	Fitch
Symetra Life Insurance Company	A	A	A3	A+

A.M. Best states that its "A" (Excellent) rating is assigned to those companies that have, in its opinion, an excellent ability to meet their ongoing obligations to policyholders. The "A" (Excellent) is the third highest of 16 ratings assigned by A.M. Best, which range from "A++" to "S."

Symetra Life Insurance Company's Financial Size Category, or FSC, ranking, as determined by A.M. Best is XIII, the third highest of 16. A.M. Best indicates that the FSC is designed to provide an indicator of the size of a company in terms of its statutory surplus and related accounts.

Standard & Poor's states that an insurer rated "A" (Strong) has strong financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings. The "A" range is the third highest of the four ratings ranges that meet these criteria, and also is the third highest of nine financial strength ratings ranges assigned by S&P, which range from "AAA" to "R." A plus (+) or minus (−) shows relative standing in a rating category. Accordingly, the "A" rating is the sixth highest of S&P's 21 ratings categories.

Moody's Investors Service states that insurance companies rated "A3" (Good) offer good financial security. However, elements may be present that suggest a susceptibility to impairment sometime in the future. The "A" range is the third highest of nine financial strength rating ranges assigned by Moody's which range from "Aaa" to "C." Numeric modifiers are used to refer to the ranking within the group, with "1" being the highest and "3" being the lowest. Accordingly, the "A3" rating is the seventh highest of Moody's 21 ratings categories.

Fitch states that insurance companies rated "A+" (Strong) are viewed as possessing strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small. The "A" rating category is the third highest of eight financial strength categories, which range from "AAA" to "D." The symbol (+) or (−) may be appended to a rating to indicate the relative position of a credit within a rating category. These suffixes are not added to ratings in the "AAA" category or to ratings below the "CCC" category. Accordingly, the "A+" rating is the fifth highest of Fitch's 24 ratings categories.

A.M. Best, S&P, Moody's and Fitch review their ratings periodically and we cannot assure you that we will maintain our current ratings in the future. Other agencies may rate Symetra or our insurance subsidiaries on a solicited or unsolicited basis.

The A.M. Best, S&P, Moody's and Fitch ratings included are not designed to be, and do not serve as, measures of protection or valuation offered to investors in this offering. These financial strength ratings should not be relied on with respect to making an investment in our securities.

Employees

As of September 30, 2009, we had approximately 1,100 full-time and part-time employees. We believe our employee relations are satisfactory. To the best of our knowledge, none of our employees is subject to a collective bargaining agreement.

Facilities

We lease approximately 353,000 square feet of office space in various locations throughout the United States, which consists primarily of 292,000 square feet of office space at our headquarters in Bellevue, Washington.

Most of our leases have lease terms ranging from one to ten years. Our aggregate annual rental expense under these leases was $8.0 million during 2008.

We believe our properties are adequate for our business as presently conducted.

Legal Proceedings

We are regularly a party to litigation, arbitration proceedings and governmental examinations in the ordinary course of our business. While we cannot predict the outcome of any pending or future litigation or examination, we do not believe that any pending matter, individually or in the aggregate, will have a material adverse effect on our business.

REGULATION

Our insurance operations are subject to a wide variety of laws and regulations. State insurance laws regulate most aspects of our insurance businesses, and our insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and licensed. Our insurance products and thus our businesses also are affected by U.S. federal, state and local tax laws. Insurance products that constitute "securities," such as variable annuities and variable life insurance, also are subject to federal and state securities laws and regulations. The SEC, FINRA and state securities authorities regulate these products.

Our broker-dealers are subject to federal and state securities and related laws. The SEC, FINRA and state securities authorities are the principal regulators of these operations.

The purpose of the laws and regulations affecting our insurance and securities businesses is primarily to protect our customers and not our noteholders or stockholders. Many of the laws and regulations to which we are subject are regularly re-examined, and existing or future laws and regulations may become more restrictive or otherwise adversely affect our operations.

In addition, insurance and securities regulatory authorities increasingly make inquiries regarding compliance by us and our subsidiaries with insurance, securities and other laws and regulations regarding the conduct of our insurance and securities businesses. We cooperate with such inquiries and take corrective action when warranted.

Many of our customers and agents also operate in regulated environments. Changes in the regulations that affect their operations also may affect our business relationships with them and their ability to purchase or to distribute our products.

Insurance Regulation

Our insurance subsidiaries are licensed and regulated in all states in which they conduct insurance business. The extent of this regulation varies, but most states have laws and regulations governing the financial condition of insurers, including standards of solvency, types and concentration of investments, establishment and maintenance of reserves, credit for reinsurance and requirements of capital adequacy, and the business conduct of insurers, including marketing and sales practices and claims handling. In addition, statutes and regulations usually require the licensing of insurers and their agents, the approval of policy forms and related materials and the approval of rates for certain lines of insurance. The types of insurance laws and regulations applicable to us or our insurance subsidiaries are described below.

Insurance Holding Company Regulation

All states in which our insurance subsidiaries conduct insurance business have enacted legislation that requires each insurance company in a holding company system, except captive insurance companies, to register with the insurance regulatory authority of its state of domicile and to furnish that regulatory authority financial and other information concerning the operations of, and the interrelationships and transactions among, companies within its holding company system that may materially affect the operations, management or financial condition of the insurers within the system. These laws and regulations also regulate transactions between insurance companies and their parents and affiliates. Generally, these laws and regulations require that all transactions within a holding company system between an insurer and its affiliates be fair and reasonable and that the insurer's statutory surplus following any transaction with an affiliate be both reasonable in relation to its outstanding liabilities and adequate to its financial needs. Statutory surplus is the excess of admitted assets over statutory liabilities. For certain types of agreements and transactions between an insurer and its affiliates, these laws and regulations require prior notification to, and non-disapproval or approval by, the insurance regulatory authority of the insurer's state of domicile.

Policy Forms

Our insurance subsidiaries' policy forms are subject to regulation in every state in which such subsidiaries are licensed to transact insurance business. In most states, policy forms must be filed prior to their use.

Dividend Limitations

As a holding company with no significant business operations of its own, Symetra depends on dividends or other distributions from its subsidiaries as the principal source of cash to meet its obligations, including the payment of interest on and repayment of principal of any debt obligations and payment of dividends to stockholders and stock repurchases. The payment of dividends or other distributions to Symetra by its insurance subsidiaries is regulated by the insurance laws and regulations of their respective states of domicile. In the state of Washington, the state of domicile of Symetra's principal insurance subsidiary, Symetra Life Insurance Company, an insurance company subsidiary may not pay an "extraordinary" dividend or distribution until 30 days after the insurance commissioner has received sufficient notice of the intended payment and has not objected or has approved the payment within the 30-day period. An "extraordinary" dividend or distribution is defined under Washington law as a dividend or distribution that, together with other dividends and distributions made within the preceding twelve months, exceeds the greater of:

- 10% of the insurer's statutory surplus as of the immediately prior year end; or
- the statutory net gain from the insurer's operations for the prior year.

State laws and regulations also prohibit an insurer from declaring or paying a dividend except out of its statutory surplus or require the insurer to obtain regulatory approval before it may do so. In addition, insurance regulators may prohibit the payment of ordinary dividends or other payments by our insurance subsidiaries to Symetra (such as a payment under a tax sharing agreement or for employee or other services) if they determine that such payment could be adverse to our policyholders or contractholders.

Market Conduct Regulation

The laws and regulations of U.S. jurisdictions include numerous provisions governing the marketplace activities of insurers, including provisions governing the form and content of disclosure to consumers, product illustrations, advertising, product replacement, suitability, sales and underwriting practices, complaint handling and claims handling. State jurisdictions generally enforce these provisions through periodic market conduct examinations.

Statutory Examinations

As part of their regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records, accounts and business practices of insurers domiciled in their jurisdictions. These examinations generally are conducted in cooperation with the insurance departments of several other states under guidelines promulgated by the NAIC. In the three-year period ended December 31, 2008 and through June 30, 2009, we have not received any material adverse findings resulting from any insurance department examinations of our insurance subsidiaries.

Guaranty Associations and Similar Arrangements

Most states require life insurers licensed to write insurance within the state to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies of insurers who become impaired or insolvent. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets.

We had net aggregate assessments (refunds) levied against or received by our insurance subsidiaries totaling $(1.7) million, $0.1 million, $0.2 million and $0.2 million for the six months ended June 30, 2009 and for the years ended December 31, 2008, 2007 and 2006, respectively. Included in the net amount above are refunds totaling $2.3 million received during the six months ended June 30, 2009, primarily from two states related to assessments we paid prior to 1998. Although the amount and timing of future assessments are not predictable, we have established reserves for guaranty fund assessments that we consider adequate for assessments with respect to insurers that currently are subject to insolvency proceedings.

Change of Control

The laws and regulations of the states in which our insurance subsidiaries are domiciled require that a person obtain the approval of the insurance commissioner of the insurance company's jurisdiction of domicile prior to acquiring control of the insurer. Generally, such laws provide that control over an insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of the insurer. In considering an application to acquire control of an insurer, the insurance commissioner generally will consider such factors as the experience, competence and financial strength of the applicant, the integrity of the applicant's board of directors and executive officers, the acquiror's plans for the management and operation of the insurer, and any anti-competitive results that may arise from the acquisition. In addition, a person seeking to acquire control of an insurance company is required in some states to make filings prior to completing an acquisition if the acquiror and the target insurance company and their affiliates have sufficiently large market shares in particular lines of insurance in those states. Approval of an acquisition may not be required in these states, but the state insurance departments could take action to impose conditions on an acquisition that could delay or prevent its consummation. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control involving us, including through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable.

Policy and Contract Reserve Sufficiency Analysis

Under the laws and regulations of their states of domicile, our life insurance subsidiaries are required to conduct annual analyses of the sufficiency of their life and health insurance and annuity statutory reserves. In addition, other jurisdictions in which these subsidiaries are licensed may have certain reserve requirements that differ from those of their domiciliary jurisdictions. In each case, a qualified actuary must submit an opinion that states that the aggregate statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for the associated contractual obligations and related expenses of the insurer. If such an opinion cannot be provided, the affected insurer must set up additional reserves by moving funds from surplus. Our life insurance subsidiaries submit these opinions annually to applicable insurance regulatory authorities.

Surplus and Capital Requirements

Insurance regulators have the discretionary authority, in connection with the ongoing licensing of our insurance subsidiaries, to limit or prohibit the ability of an insurer to issue new policies if, in the regulators' judgment, the insurer is not maintaining a minimum amount of surplus or is in hazardous financial condition. Insurance regulators may also limit the ability of an insurer to issue new life insurance policies and annuity contracts above an amount based upon the face amount and premiums of policies of a similar type issued in the prior year. We do not believe that the current or anticipated levels of statutory surplus of our insurance subsidiaries present a material risk that any such regulator would limit the amount of new policies that our insurance subsidiaries may issue.

Risk-based Capital

The NAIC has established risk-based capital standards for life insurance companies as well as a model act with the intention that these standards be applied at the state level. The model act provides that life insurance companies must submit an annual risk-based capital report to state regulators reporting their risk-

based capital based upon four categories of risk: asset risk, insurance risk, interest rate risk and business risk. For each category, the capital requirement is determined by applying factors to various asset, premium and reserve items, with the factor being higher for those items with greater underlying risk and lower for less risky items. The formula is intended to be used by insurance regulators as an early warning tool to identify possible weakly capitalized companies for purposes of initiating further regulatory action.

If an insurer's risk-based capital falls below specified levels, the insurer would be subject to different degrees of regulatory action depending upon the level. These actions range from requiring the insurer to propose actions to correct the capital deficiency to placing the insurer under regulatory control. As of June 30, 2009, the risk-based capital of each of our life insurance subsidiaries exceeded the level of risk-based capital that would require any of them to take or become subject to any corrective action.

Statutory Accounting Principles

Statutory accounting principles, or SAP, is a basis of accounting developed by state insurance regulators to monitor and regulate the solvency of insurance companies. In developing SAP, insurance regulators were primarily concerned with assuring an insurer's ability to pay all its current and future obligations to policyholders. As a result, statutory accounting focuses on conservatively valuing the assets and liabilities of insurers, generally in accordance with standards specified by the insurer's domiciliary state. Uniform statutory accounting practices are established by the NAIC and generally adopted by regulators in the various states. These accounting principles and related regulations determine, among other things, the amounts our insurance subsidiaries may pay to us as dividends. The values for assets, liabilities and equity reflected in financial statements prepared in accordance with U.S. GAAP may be different from those reflected in financial statements prepared under SAP.

Regulation of Investments

Each of our insurance subsidiaries is subject to laws and regulations that require diversification of its investment portfolio and limit the amount of investments in certain asset categories, such as below investment grade fixed maturities, real estate, equity investments and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring surplus, and, in some instances, would require divestiture of such non-complying investments. We believe the investments held by our insurance subsidiaries comply with these laws and regulations.

Federal Regulation

Our variable life insurance and variable annuity products generally are "securities" within the meaning of federal and state securities laws. As a result, they are registered under the Securities Act of 1933 (or are exempt from registration) and are subject to regulation by the SEC, FINRA and state securities authorities. Federal and state securities regulation similar to that discussed below under "— Other Laws and Regulations — Securities Regulation" affect investment advice, sales and related activities with respect to these products.

Although the federal government does not comprehensively regulate the business of insurance, federal legislation and administrative policies in several other areas, including taxation, privacy regulation, financial services regulation and pension and welfare benefits regulation, can also significantly affect the insurance industry.

From time to time, federal measures are proposed that may significantly affect the insurance business, including direct federal regulation of insurance through an optional federal charter, enhanced federal oversight of insurance through an Office of National Insurance, comprehensive health care reform, limitations on antitrust immunity, tax incentives for lifetime annuity payouts, simplification bills affecting tax-advantaged or tax-exempt savings and retirement vehicles, and proposals to modify or make permanent the estate tax repeal enacted in 2001. We cannot predict whether these or other proposals will be adopted, or what impact, if any, such proposals may have on our business.

Changes in Tax Laws

Congress, from time to time, considers legislation that could make our products less attractive to consumers, including legislation that would reduce or eliminate the benefits derived from the tax deferred nature of life insurance and annuity products.

In addition, changes in tax laws could increase our tax liability or increase our reporting obligations. For example, in May 2009, President Obama released additional information about the tax proposals contained in his Fiscal Year 2010 Budget (the "Budget"). There are several proposals included in the Budget that are significant for life insurance companies. Those proposals include modifying the dividends-received deduction for life insurance company separate accounts; requiring information reporting for private separate accounts of life insurance companies; imposing new reporting requirements and transfer-for-value rules on purchasers of certain life insurance contracts; expanding the interest expense disallowance for corporate-owned life insurance; requiring information reporting on payments to corporations; and increasing information return penalties. These proposals not only could increase our tax liabilities but also could reduce the attractiveness of certain products we sell. These proposals may not be enacted or may be modified by Congress prior to enactment.

Furthermore, the federal estate tax, which has undergone a gradual repeal since 2001 that will continue to be phased in through 2010, is scheduled to revert to pre-2001 law as of January 1, 2011. The repeal of and continuing uncertainty regarding the federal estate tax may adversely affect sales and surrenders of some of our estate planning products.

Other Laws and Regulations

Securities Regulation

Certain of our subsidiaries and certain policies and contracts offered by them, are subject to various levels of regulation under the federal securities laws administered by the SEC. One of our subsidiaries is an investment advisor registered under the Investment Advisers Act of 1940. Certain of its employees are licensed as investment advisory representatives in the states where those employees have clients. Some of our insurance company separate accounts are registered under the Investment Company Act of 1940. Some annuity contracts and insurance policies issued by some of our subsidiaries are funded by separate accounts, the interests in which are registered under the Securities Act of 1933 and the Investment Company Act of 1940. Certain of our subsidiaries are registered and regulated as broker-dealers under the Securities Exchange Act of 1934 and are members of, and subject to regulation by, the FINRA, as well as by various state and local regulators. The registered representatives of our broker-dealers are also regulated by the SEC and FINRA and are also subject to applicable state and local laws.

These laws and regulations are primarily intended to protect investors in the securities markets and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include suspension of individual employees, suspension or limitation of sales of our products, limitations on the activities in which the investment adviser or broker-dealer may engage, suspension or revocation of the investment adviser or broker-dealer registration, censure or fines. We may also be subject to similar laws and regulations in the states in which we provide investment advisory services, offer the products described above, or conduct other securities-related activities.

Certain of our subsidiaries also sponsor and manage investment vehicles and issue annuities that rely on certain exemptions from registration under the Investment Company Act of 1940 and the Securities Act of 1933. Nevertheless, certain provisions of the Investment Company Act of 1940 and the Securities Act of 1933 apply to these investment vehicles and the securities issued by such vehicles. The Investment Company Act of 1940, the Investment Advisers Act of 1940 and the Securities Act of 1933, including the rules promulgated thereunder, are subject to change which may affect our subsidiaries that sponsor and manage such investment vehicles. Our costs may increase or we may exit markets to the extent certain of our vehicles and annuities are required to comply with increased regulation and liability under the securities laws.

ERISA and Internal Revenue Code Considerations

We provide certain products and services to certain employee benefits plans that are subject to ERISA or the Internal Revenue Code. As such, our activities are subject to the restrictions imposed by ERISA and the Internal Revenue Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries and the requirement under ERISA and the Internal Revenue Code that fiduciaries may not cause a covered plan to engage in certain prohibited transactions with persons who have certain relationships with respect to such plans. The applicable provisions of ERISA and the Internal Revenue Code are subject to enforcement by the U.S. Department of Labor, the IRS and the Pension Benefit Guaranty Corporation.

USA Patriot Act

The USA Patriot Act of 2001, or the Patriot Act, which was renewed for an additional four years in 2006, contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers and other financial services companies including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. The increased obligations of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, require the implementation and maintenance of internal practices, procedures and controls. We believe that we have implemented, and that we maintain, appropriate internal practices, procedures and controls to enable us to comply with the provisions of the Patriot Act.

Privacy of Consumer Information

U.S. federal and state laws and regulations require financial institutions, including insurance companies, to protect the security and confidentiality of consumer financial information and to notify consumers about their policies and practices relating to their collection and disclosure of consumer information and their policies relating to protecting the security and confidentiality of that information. Similarly, federal and state laws and regulations also govern the disclosure and security of consumer health information. In particular, regulations promulgated by the U.S. Department of Health and Human Services regulate the disclosure and use of protected health information by health insurers and others, the physical and procedural safeguards employed to protect the security of that information and the electronic transmission of such information. Congress and state legislatures are expected to consider additional legislation relating to privacy and other aspects of consumer information.

MANAGEMENT

Directors and Executive Officers

Set forth below is a list of the directors and principal executive officers of Symetra as of September 30, 2009. The positions listed are of Symetra unless otherwise indicated.

Name	Age	Positions
Lowndes A. Smith	70	Director, Chairman of the Board
Lois W. Grady	64	Director, Vice Chairman of the Board
Randall H. Talbot	56	Director, President and Chief Executive Officer
Margaret A. Meister	44	Executive Vice President and Chief Financial Officer
Jennifer V. Davies	51	Senior Vice President — Enterprise Development
Michael W. Fry	48	Senior Vice President — Group Division, Symetra Life Insurance Company
Richard J. Lindsay	53	Senior Vice President — Life & Annuities Division, Symetra Life Insurance Company
Patrick B. McCormick	52	Senior Vice President — Distribution, Symetra Life Insurance Company
George C. Pagos	59	Senior Vice President, General Counsel and Secretary
Tommie D. Brooks	39	Vice President and Chief Actuary — Symetra Life Insurance Company
Christine A. Katzmar Holmes	50	Vice President — Human Resources and Administration
Troy J. Olson-Blair	54	Vice President — Information Technology
David T. Foy	43	Director
Sander M. Levy	47	Director
Robert R. Lusardi	52	Director
David I. Schamis	35	Director

Lowndes A. Smith has been a director of Symetra since June 2007 and has served as Chairman of the Board since May 2009. Mr. Smith serves as Managing Partner of Whittington Gray Associates. Mr. Smith formerly served as Vice Chairman of The Hartford Financial Services Group, Inc. (“The Hartford”) and President and CEO of Hartford Life Insurance Company. He joined The Hartford in 1968. Mr. Smith also serves as Chairman of OneBeacon Insurance Group, Ltd. and is a director of White Mountains Insurance Group, Ltd. and 76 investment companies in the mutual funds of The Hartford. He received his B.S. degree from Babson College.

Lois W. Grady has been a director of Symetra since August 2004 and has served as Vice Chairman of the Board since May 2009. Ms. Grady served as Executive Vice President and Director of Investment Products Services of Hartford Life, Inc. from 2002 until her retirement in April 2004 and as Senior Vice President and Director of Investment Products Services of Hartford Life, Inc. from 1998 through 2002. She began her career with Hartford Life in 1983. She is also a director of OneBeacon Insurance Group, Ltd. Ms. Grady received her B.S. degree from Southern Connecticut State University.

Randall H. Talbot has been a director, Chief Executive Officer and President of Symetra since August 2004 and director and President of Symetra Life Insurance Company since joining in February 1998. He is also an officer and director of various affiliates of Symetra. From 1988 to 1998, he was Chief Executive Officer and President of Talbot Financial Corporation. Mr. Talbot is also a director of Concur Technologies, Inc. He received his B.S. degree from Arizona State University.

Margaret A. Meister has been Executive Vice President and Chief Financial Officer of Symetra since February 2006 and Executive Vice President and Chief Financial Officer of Symetra Life Insurance Company since March 2006. She is also a director of Symetra Life Insurance Company as well as an officer and director of various affiliates of Symetra. Ms. Meister is a fellow of the Society of Actuaries. She joined Symetra Life

Insurance Company in 1988 and served in a variety of positions, including Chief Actuary and Vice President, prior to being promoted to her current position. Ms. Meister received her B.A. degree from Whitman College.

Jennifer V. Davies has been Senior Vice President of Symetra since June 2007 and of Symetra Life Insurance Company since August 2004 and is responsible for Enterprise Development. She is also a director of Symetra Life Insurance Company as well as an officer and director of various affiliates of Symetra. Ms. Davies joined Symetra Life Insurance Company in 1992, and served in a variety of positions, including Vice President, prior to being promoted to her current position. Ms. Davies was employed by Sons of Norway from 1986 to 1992, and ITT/Hartford Life Insurance Company from 1982 to 1986. Ms. Davies received her B.A. degree from the University of Minnesota and her M.A. degree from the University of Virginia.

Michael W. Fry has been Senior Vice President of Symetra Life Insurance Company since May 2008 and is responsible for the operations of its Group Division. He also serves as an officer and director of various Symetra affiliates. Prior to his current position, Mr. Fry served as Vice President of Symetra Life Insurance Company from February 2003 until May 2008. Prior to joining Symetra in August 2002, Mr. Fry was Vice President of Swiss Re's Group Division. Mr. Fry graduated from Indiana University with a degree in Accounting.

Richard J. Lindsay has been Senior Vice President of Symetra Life Insurance Company since August 2006 and is responsible for the operations of its Life & Annuities Division. He also serves as an officer and director of other various Symetra affiliates. Prior to joining Symetra Life Insurance Company, Mr. Lindsay had worked for AIG VALIC since 1998, where his last position was as an Executive Vice President of AIG VALIC and as President of VALIC Financial Advisors, an affiliated broker-dealer. Prior to joining AIG VALIC, Mr. Lindsay spent 11 years with CoreStates Financial Corp. Mr. Lindsay received his B.A. degree from Brown University, his M.B.A. degree from Wharton School of the University of Pennsylvania, and his J.D. degree from Temple University.

Patrick B. McCormick has been Senior Vice President of Symetra Life Insurance Company since June 1999 and is responsible for Distribution. Mr. McCormick joined Symetra Life Insurance Company in 1995, and served in a variety of positions, including Vice President, prior to being promoted to his current position. He is also an officer and director of other various affiliates of Symetra.

George C. Pagos has been Senior Vice President of Symetra and Symetra Life Insurance Company since September 2007 and General Counsel and Secretary of Symetra and Symetra Life Insurance Company since August 2004. He is also a director of Symetra Life Insurance Company as well as an officer and director of various affiliates of Symetra. Mr. Pagos joined Symetra Life Insurance Company in 1976 and served in a variety of positions, including Vice President, prior to being promoted to his current position. Mr. Pagos received his B.A. degree from George Washington University and his J.D. degree from the University of Maryland.

Tommie D. Brooks has been Vice President of Symetra since March 2007 and Vice President and Chief Actuary of Symetra Life Insurance Company since March 2007. Mr. Brooks joined Symetra Life Insurance Company in 1992, and served in a variety of managerial positions throughout the Company. Mr. Brooks attained the Fellow of the Society of Actuaries in 1998 and earned his B.S. in Math and Actuarial Sciences from Central Washington University.

Christine A. Katzmar Holmes has been Vice President of Symetra since August 2004 and is responsible for Human Resources, Service Operations and Security. Ms. Katzmar Holmes joined Symetra Life Insurance Company in 2001 as Vice President. From 1991 to 2001, she was with Safeco Insurance Company, where she held a variety of positions, including Human Resources Director. She is also an officer of various affiliates of Symetra. Ms. Katzmar Holmes received her B.S. degree from Miami University, Ohio.

Troy J. Olson-Blair has been Vice President of Symetra since June 2007 and is responsible for Information Technology. She has been Vice President of Symetra Life Insurance Company since 2000 and also served as Chief Information Officer since 2004. She has been responsible for Information Technology since joining the Company. Prior to Symetra, Ms. Olson-Blair held a variety of technical and managerial positions with Safeco Insurance Company that spanned twenty years; her last position was AVP and director for IT

Operations. Ms. Olson-Blair's background includes application development, voice and data communications, networking, web services and ITIL service level management.

David T. Foy has been a director of Symetra since March 2004 and served as Chairman of the Board from August 2004 until May 2009. He has been Executive Vice President and Chief Financial Officer of White Mountains Insurance Group, Ltd. since 2003. Previously, he was Senior Vice President and Chief Financial Officer of Hartford Life, Inc., which he joined in 1993. From 1989 to 1993, Mr. Foy was with Milliman and Robertson, an actuarial consulting firm. He is also a director of OneBeacon Insurance Group, Ltd. He received his B.S. degree from the Rochester Institute of Technology.

Sander M. Levy has been a director of Symetra since August 2004. He has been Managing Director of Vestar Capital Partners, a private equity firm, since 1988. He was previously a member of the Management Buyout Group of The First Boston Corporation. He received his B.S. degree from the Wharton School of the University of Pennsylvania, and his M.B.A. degree from Columbia Business School. He is also a director of Validus Holdings, Ltd, Duff & Phelps Corporation and Wilton Re Holdings Limited.

Robert R. Lusardi has been a director of Symetra since August 2005. He has been President and Chief Executive Officer of White Mountains Financial Services LLC since February 2005. Prior to joining White Mountains, Mr. Lusardi was an Executive Vice President of XL Capital Ltd. from 1998 to 2005 and was a Managing Director at Lehman Brothers, where he was employed from 1980 to 1998. He is also a director of two NYSE listed companies, OneBeacon Insurance Group, Ltd. and Primus Guaranty, Ltd. He received his B.A. and M.A. degrees from Oxford University, and his M.B.A. from Harvard University.

David I. Schamis has been a director of Symetra since August 2004. He has been Managing Director of J.C. Flowers & Co. LLC since 2000. Previously, he was with Salomon Smith Barney from 1995 to 2000. He received his B.A. degree from Yale University. Mr. Schamis also serves as the Chairman of the Board of Crump Group, Inc., and is a director of Fox-Pitt Kelton LLC, Affirmative Insurance Holdings, Inc. and MF Global, Ltd.

Composition of the Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our board of directors currently consists of seven members, four of whom we believe are independent directors under currently applicable listing standards of the NYSE.

Our board of directors is divided into three classes of directors who serve in staggered three-year terms, as follows:

- Class I directors are Messrs. Lusardi and Schamis, and their terms will expire at the annual meeting of stockholders to be held in 2011;
- Class II directors are Messrs. Levy and Smith, and their terms will expire at the annual meeting of stockholders to be held in 2012; and
- Class III directors are Messrs. Foy and Talbot and Ms. Grady, and their terms will expire at the annual meeting of stockholders to be held in 2010.

At each annual meeting of our stockholders, the successors to the directors whose terms expire at each such meeting will be elected to serve until the third annual meeting after their election or until their successor has been elected. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes serving for the remainder of their respective three-year terms.

Upon completion of the offering, our finance committee will consist of Mr. Foy, Mr. Levy and Mr. Smith. The majority of the members of the finance committee will be independent directors according to the rules and regulations of the NYSE.

Our board of directors has adopted a written charter for the finance committee, which will be available on our website as of the date of this offering.

Compensation Committee Interlocks and Insider Participation

Upon completion of this offering, our board of directors will have a compensation committee as described above. None of our executive officers will serve as a member of our compensation committee, and none of them have served, or will be permitted to serve, on the compensation committee (or any other committee serving a similar function) of any entity of which an executive officer is expected to serve as a member of our compensation committee.

Code of Business and Financial Conduct and Corporate Governance Guidelines

Our board of directors has adopted a code of business and financial conduct applicable to our directors, officers and employees, to be effective upon the completion of this offering, as well as corporate governance guidelines, each in accordance with applicable rules and regulations of the SEC and the NYSE. The code of business and financial conduct and the corporate governance guidelines will be available on our website as of the date of this offering.

Compensation Discussion and Analysis

Named Executive Officers

The following Compensation Discussion and Analysis describes the compensation earned by, awarded to or paid to our Chief Executive Officer, our Chief Financial Officer and our three other most highly paid executive officers in 2008 as determined under the rules of the SEC, collectively referred to as the Named Executive Officers and listed below:

- *Randall H. Talbot,* President and Chief Executive Officer
- *Margaret A. Meister,* Executive Vice President and Chief Financial Officer
- *Roger F. Harbin,* Executive Vice President and former Chief Operating Officer (Mr. Harbin ceased providing services as an executive officer as of January 1, 2009)
- *Richard J. Lindsay,* Senior Vice President, Life & Annuities Division, Symetra Life Insurance Company
- *Patrick B. McCormick,* Senior Vice President, Distribution, Symetra Life Insurance Company

Compensation Philosophy

Our overall executive compensation program is designed to align the financial interests of our executives with those of our stockholders. We focus on pay-for-performance (both individual and company performance) by providing incentives that emphasize long-term value creation, thereby putting a large portion of our executives' pay at risk. Based on this philosophy, the compensation committee has maintained base salaries that may be lower than those paid by other financial services companies and life insurers and has chosen not to provide pensions or other perquisites, choosing instead to grant the largest portion of compensation as long-term incentive compensation which is based on the growth of intrinsic business value per share.

Pay-for-performance. A majority of our executive officers' compensation is directly linked to our short- and long-term financial goals, thereby providing incentives for both short- and long-term results. Our Annual Incentive Bonus Plan rewards performance relative to short-term results based on a combination of meeting company performance goals and individual performance goals. The Symetra Financial Corporation Performance Share Plan (the "Performance Share Plan") rewards long-term performance relative to financial goals set on three-year cycles.

Pay at risk. The pay at risk approach of our incentive compensation is intended to align with the executive officer's impact on company performance over the short-and long-term. All executive officers have a significant amount of their total annual compensation at risk through company performance-based incentives.

Competitive opportunities. As we grow and strive to reach competitive financial goals, our need for experienced executive talent will continue. Our compensation opportunities must be competitive to allow us to attract and retain talented executives in our field.

Compensation Process

The compensation committee, according to its charter, is responsible for approving all compensation for our Named Executive Officers as well as our other executive officers and for administering the Performance Share Plan with respect to all participants.

The compensation committee relies on Randall H. Talbot, our Chief Executive Officer, and Christine A. Katzmar Holmes, our Vice President of Human Resources, to recommend compensation programs and awards for executive officers, subject to compensation committee approval, and to administer approved programs for all employees. Mr. Talbot and Ms. Katzmar Holmes attend compensation committee meetings and, at the committee's request, present management's analysis and recommendations regarding compensation actions including our base salaries, Annual Incentive Bonus Plan, Performance Share Plan and Equity Plan.

Compensation actions are typically considered at the first meeting of the compensation committee of each year after financial results for the prior year are available. In the meeting, Mr. Talbot also presents a self-evaluation outlining his performance to assist the compensation committee in determining his total compensation for the year. The compensation committee then holds a private session to discuss and determine Mr. Talbot's total compensation.

The compensation committee is composed of members with extensive business experience who have, based on their experience, set compensation levels and performance targets at what they believe to be appropriate levels.

Elements of Compensation

We currently compensate our executives through a combination of base salary, annual incentive compensation or, in the case of our sales executive, sales incentive compensation, and long-term incentive compensation.

Base salary. Our philosophy is to make base salary a relatively smaller portion of the overall compensation package of our executive officers relative to what we believe to be common in the industry. While executive performance is annually reviewed, base salaries for executives are not regularly adjusted. Our practice of not adjusting base salaries based on performance is consistent with our philosophy that the majority of compensation should be variable based on our actual long-term and short-term performance and that of the executive.

Annual incentive compensation. We pay annual incentive cash awards to our Named Executive Officers, other than Mr. McCormick, through the Annual Incentive Bonus Plan in March of each year for performance in the prior calendar year. The Annual Incentive Bonus Plan awards are based on our fulfillment of performance goals set at the beginning of the year and the executive's individual role in that goal fulfillment.

The compensation committee determines the performance goals and approves the target aggregate bonus pool for the Annual Incentive Bonus Plan each year. The actual aggregate bonus pool for the Annual Incentive Bonus Plan is determined by the sum of all participants' target awards and can range from 0% to 200% of this target, based on our fulfillment of performance goals. The Annual Incentive Bonus Plan establishes the metric used to determine the actual aggregate bonus pool as the growth in our intrinsic business value per share, which is the average of the growth of both our GAAP book value per share and enterprise value per share during the plan year. For 2008, the growth target was 13%. If the average growth was 10% or lower, the plan would not be funded. If the average growth fell between 10% and 13%, the aggregate bonus pool would be less than 100% of the target. If the average growth met or exceeded 13%, the aggregate bonus pool would grow proportionately up to a maximum of 200% of the target if average growth met or exceeded 16%.

After the aggregate bonus pool for the Annual Incentive Bonus Plan is established, each executive is allocated a portion of the pool based on his or her individual target and individual performance. The individual target bonus for the CEO and CFO is equal to 50% of his or her base salary while the individual target bonus for Mr. Lindsay is 35% of base salary. The 2008 individual target bonus for our former COO was 50% of his base salary. After reviewing the performance of each executive, Mr. Talbot recommends to the compensation committee a percentage of that executive's individual target to be paid for the performance year based on such executive's individual performance compared to goals or expectations set by such executive and Mr. Talbot. Mr. Talbot's recommended annual incentive bonus is subject to the total funding level for the Annual Incentive Bonus Plan and the average percentage of target bonuses paid to the executive team.

In 2008, the growth in our intrinsic business value per share was less than 10%. However, to recognize our company's solid operating performance despite the significant downturn in the financial markets, the board of directors, in its discretion outside of the Annual Incentive Bonus Plan, approved an aggregate bonus pool for bonuses paid in March 2009 that was equal to 65% of the target bonus pool under the Annual Incentive Bonus Plan. The board of directors determined that this discretionary bonus pool would be apportioned amongst the participants in the Annual Incentive Bonus Plan in the same manner as it would have been pursuant to the Annual Incentive Bonus Plan.

Since the discretionary aggregate bonus pool for 2008 was funded at 65% of the target, the executives, based on their individual performance, were eligible to receive 65% of the amount of target bonuses for which they would have been eligible under the Annual Incentive Bonus Plan. The compensation committee then made the final determination of the amount to be received by each executive. For 2008, Mr. Talbot received 100% of 65% of his individual target based on the average percentage of bonuses paid to the executive team. Ms. Meister received 115% of 65% of her individual target in order to recognize her outstanding accomplishments. Mr. Harbin received 85% of 65% of his individual target due to the transition of his COO duties to others by the end of 2008. Mr. Lindsay received 100% of 65% of his individual target to recognize the breadth of his responsibilities as head of the Life & Annuities Division.

Combining our overall company performance and individual performance in determining the amount to be received by each executive ensures that the interests of each executive are aligned with our goals for financial success and that each executive is rewarded for individual performance. In 2008, the Annual Incentive Bonus was designed to constitute 5%, 11%, 8% and 11% of total target compensation for Mr. Talbot, Ms. Meister, Mr. Harbin and Mr. Lindsay, respectively.

Sales incentive compensation. All sales employees, including Mr. McCormick, participate in a sales incentive program. The targets for Mr. McCormick's Sales Incentive Plan are designed to motivate him to develop new distribution relationships and expand existing relationships. Mr. McCormick earns a percentage of sales for each product line for new net sales volumes. The percentages decrease after a prescribed sales-volume threshold is met. The percentages and thresholds differ from product to product within each product line. The range of percentages that applies before a sales threshold is met is 0.00001%-0.005% and the range of sales thresholds is $20,000,000-$1,000,000,000. The range of percentages that applies after a sales threshold is met is 0.000005%-0.001%. Mr. McCormick's sales incentive target was 33% of his target total compensation for 2008.

Long-Term Incentive Compensation

The Performance Share Plan. We primarily provide long-term incentives to our Named Executive Officers and other executive officers through the Performance Share Plan. This long-term incentive compensation is in the form of unit-based performance awards. Awards are granted annually. Each award period is typically three years, therefore overlapping other award periods. At the time of grant, each target performance unit has the financial value of $100.00. Thereafter, each target performance unit has a notional value of $100.00 x (1 + aggregate percentage growth per share). At the end of the award period, the compensation committee determines the level of attainment of the performance target and assigns a performance percentage of 0% to 200% of target based on that determination. The matured performance units

are paid in cash in an amount equal to the then notional value of the target shares multiplied by the performance percentage.

For the 2007-2009 and 2008-2010 Performance Share Plan cycles, the performance target is 13% compound annualized growth in our intrinsic business value per share with a threshold performance target of 10% and a maximum performance target of 16%. Growth in our intrinsic business value per share equals the average of the compound annualized growth rates during the award period of the GAAP book value per share and the enterprise value per share, excluding unrealized gains or losses other than unrealized gains or losses on equities held as investments.

For the 2009-2011 Performance Share Plan cycle, the performance target is 13% modified operating return on equity averaged over the award period measured by modified operating income divided by beginning of year GAAP book value with a threshold performance target of 8% and a maximum performance target of 18%. Modified operating income equals net income minus realized gains/(losses) minus hedge funds investment income plus 30 year ‘‘A’’ Bond investment income substituted for equities/hedge fund performance (valued quarterly). The metrics used to calculate the performance target were changed for the 2009-2011 Performance Share Plan cycle in order to focus management on achieving core earnings goals that are within their control and to mitigate the volatile effects of upward and downward movements on equities and hedge funds.

The performance percentage ranges from 0% to 200% for all currently running performance cycles, although the board of directors retains the discretion to make an award outside the Performance Share Plan if the threshold is not met. For the 2007-2009 and the 2008-2010 cycles, if the compound annualized growth is 10% or lower, the performance percentage will be 0%. If the compound annualized growth is 16% or higher, the maximum performance percentage of 200% applies. For annualized percentage growth between 10% and 16%, the performance percentage will be determined on the basis of straight line interpolation. For the 2009-2011 cycle, if the modified operating return on equity is 8% or lower, the performance percentage will be 0%. If the modified operating return on equity is 18% or higher, the maximum performance percentage of 200% applies. For modified operating return on equity between 8% and 18%, the performance percentage will be determined on the basis of straight line interpolation.

For the 2006-2008 Performance Share Plan, the performance targets and threshold were not met. The actual compound annualized growth over the three year cycle was 9.34%. However, the board of directors used its discretion to make an award outside of the Performance Share Plan. The board of directors, in its discretion, approved a 50% payout to recognize the growth in operating return on equity and other areas within control of management, despite the significant downturn in the financial markets.

The “Grant of Plan-Based Awards in 2008” table on page 138 sets forth the grants made under the Performance Share Plan to each Named Executive Officer in 2008. For the Performance Share Plan, our CEO’s recommendations and our compensation committee’s determinations with respect to the size of awards to participants are subjective, and no proportional or other mathematical formula is applied, nor are any specific factors considered. Our CEO receives the largest grant because he is responsible for our company’s overall business and financial performance. Our CFO’s awards have increased each year to reflect her increased level of responsibility. The former COO’s award is reflective of his duties as COO at the time of his grant. The Senior Vice President, Life & Annuities receives a significant grant because Mr. Lindsay is accountable for several product line results. Our Senior Vice President, Distribution, receives a relatively smaller grant because his sales incentive plan, which is also performance based, already constitutes a significant component of his overall compensation.

The target grants for the 2008-2010 performance share award period constituted 85%, 76%, 80%, 57% and 45% of target total compensation for Mr. Talbot, Ms. Meister, Mr. Harbin, Mr. Lindsay and Mr. McCormick, respectively. Although awards of performance shares were not specifically set at these percentages, the Performance Share Plan is designed such that our Named Executive Officers have a substantial proportion of their target total compensation linked to the achievement of company performance targets.

The Equity Plan. We maintain an Equity Plan to provide long-term incentives to our Named Executive Officers and other employees, our non-employee directors and any consultants. Prior to 2009, we did not make grants under the Equity Plan. Our compensation committee administers the Equity Plan and determines which individuals are eligible to receive awards, the number of shares or units to be granted, the exercise or purchase price for awards, the vesting schedule for each award and the maximum term of each award. Awards may consist of stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares/units and other stock-based awards. On August 24, 2009, pursuant to the Equity Plan, our CEO and CFO received grants for 75,270 and 7,890 shares of restricted stock, respectively, that are scheduled to vest on December 31, 2011, subject to their continued employment through such date. These grants of restricted stock to our CEO and CFO were made to align the interests of these executives directly with the interests of our stockholders.

Employment/severance/change-in-control arrangements. We have no employment agreements with our executive officers. All of our executive officers are "at will" employees. In the event of a termination of an executive officer's employment by us without cause or by the executive due to a constructive termination, in either case within 12 months (in the case of the Equity Plan) or within 24 months (in the case of the Performance Share Plan) of a change in control, executives receive certain payments and accelerated vesting under our Performance Share Plan and our Equity Plan as described in more detail beginning on page 142. We provide for this change-in-control benefit as an incentive and retention mechanism that provides security to our executives in the event that we experience a change in ownership.

Retirement benefits. All of our employees, including our Named Executive Officers, may participate in our qualified 401(k) plan, which includes a safe harbor employer match. The safe harbor employer match is equal to 100% of the employee contributions up to the first 6% of eligible compensation. We have no defined benefit pension plans, non-qualified deferred compensation plans or retiree medical plans.

Perquisites. Our executive officers receive the same benefits that are available to all employees. Benefits such as medical and dental insurance, life insurance, short- and long-term disability, vacation and sick leave, tuition reimbursement and professional education funding, charitable gift matching, employee referral program and relocation assistance are available to all employees. All employees are also eligible for several discount programs including fitness club memberships, computers/software, wireless programs, office supplies, rental cars and hotels for personal use.

Tax and Accounting Implications of Executive Compensation Programs

After the consummation of this offering, Section 162(m) of the Internal Revenue Code would limit the deductibility of the compensation of our Named Executive Officers to $1,000,000 per individual to the extent that such compensation is not "performance-based" as defined in Section 162(m). We intend to rely on an exemption from Internal Revenue Code Section 162(m) for compensation plans adopted prior to a company's initial public offering. This transition exemption for our compensation plans will no longer be available to us after the date of our annual meeting that occurs after the third calendar year following the year of our initial public offering, or if we materially modify the plan earlier. We will continue to consider the implications of Internal Revenue Code Section 162(m) and the limits of deductibility of compensation in excess of $1,000,000 as we design our compensation programs going forward.

Summary Compensation Table

The following table presents compensation earned during 2008 by the Company's CEO, CFO and its three most highly compensated executive officers other than the CEO and CFO (the "Named Executive Officers").

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total Compensation ($)
Randall H. Talbot						
President and Chief Executive Officer	2008	525,000	2,131,403	—	14,461	2,670,864
Margaret A. Meister						
Executive Vice President and Chief Financial Officer	2008	295,962	535,451	—	14,173	845,586
Roger F. Harbin(4)						
Executive Vice President and former Chief Operating Officer	2008	400,000	927,491	—	14,304	1,341,795
Richard J. Lindsay						
Senior Vice President, Life & Annuities	2008	285,000	293,595	—	14,159	592,754
Patrick B. McCormick						
Senior Vice President, Sales and Distribution	2008	200,000	179,738	175,099	14,225	569,062

(1) Represents the discretionary amounts awarded for the 2008 Annual Incentive Bonuses and the 2006-2008 Performance Share Plan paid in March 2009. Mr. Talbot received $170,625 for his Annual Incentive Bonus and $1,960,778 for his 2006-2008 Performance Share Plan. Ms. Meister received $110,616 for her Annual Incentive Bonus and $424,835 for her 2006-2008 Performance Share Plan. Mr. Harbin received $110,500 for his Annual Incentive Bonus and $818,991 for his 2006-2008 Performance Share Plan. Mr. Lindsay received $64,838 for his Annual Incentive Bonus and $228,757 for his 2006-2008 Performance Share Plan. Mr. McCormick received $179,738 for his 2006-2008 Performance Share Plan.

(2) Represents amount Mr. McCormick earned for his 2008 Sales Incentive Plan.

(3) Represents (i) employer contributions to the Symetra Financial Retirement Savings Plan equal to $13,800 for each of our Named Executive Officers and (ii) employer-paid life insurance premiums with respect to each Named Executive Officer.

(4) Mr. Harbin ceased providing services as an executive officer as of January 1, 2009.

Grant of Plan-Based Awards in 2008

The following table summarizes the estimated future payouts under grants made by us to the Named Executive Officers in 2008 under our incentive plans:

Name	Non-Equity Incentive Plan(1)	Cycle	Number of Units Granted	Threshold ($)	Target ($)	Maximum ($)
	Annual Incentive Plan	2008	n/a	8,750	262,500	525,000
Randall H. Talbot	Performance Share Plan	2008-2010	30,000	133,463	4,328,691	9,365,376
	Annual Incentive Plan	2008	n/a	4,933	147,981	295,962
Margaret A. Meister	Performance Share Plan	2008-2010	10,000	44,488	1,442,897	3,121,792
	Annual Incentive Plan	2008	n/a	6,667	200,000	400,000
Roger F. Harbin	Performance Share Plan	2008-2010	10,000	44,488	1,442,897	3,121,792
	Annual Incentive Plan	2008	n/a	3,325	99,750	199,500
Richard J. Lindsay	Performance Share Plan	2008-2010	3,500	15,571	505,014	1,092,627
	Sales Incentive Plan	2008	n/a	n/a	284,890	n/a
Patrick B. McCormick	Performance Share Plan	2008-2010	2,750	12,234	396,797	858,493

(1) On March 5, 2008, the 2008 targets of the Annual Incentive Plan were approved for Mr. Talbot, Ms. Meister, Mr. Harbin and Mr. Lindsay. Mr. McCormick's 2008 Sales Incentive Plan was approved by Mr. Talbot on December 20, 2007. On March 5, 2008, all Named Executive Officers were granted shares in the 2008-2010 Performance Share Plan. Each share is initially valued at $100.00.

Employee Benefit Plans

The following is a summary of our primary employee benefit plans:

Annual Incentive Bonus Plan

Annual incentive cash awards are paid to our Named Executive Officers, other than Mr. McCormick, pursuant to the Annual Incentive Bonus Plan. A description of the material terms of the Annual Incentive Bonus Plan, and the payouts received by our Named Executive Officers with respect to 2008, is on page 133 of "— Elements of Compensation."

Sales Incentive Plan

Our sales employees, including Mr. McCormick, receive short-term incentive compensation through the Sales Incentive Plan. A description of the material terms of the Sales Incentive Plan, and the payout received by Mr. McCormick with respect to 2008, is on page 134 of "— Elements of Compensation."

Performance Share Plan

We provide our Named Executive Officers with long-term incentive compensation primarily through grants pursuant to the Performance Share Plan. A description of the material terms of the Performance Share Plan, the payouts received by our Named Executive Officers with respect to the 2006-2008 performance cycle, and the terms of the awards outstanding pursuant to the 2007-2009, 2008-2010 and 2009-2011 performance cycles, are on page 134 of "— Elements of Compensation."

Equity Plan

Background. The purpose of the Symetra Financial Corporation Equity Plan (the "Equity Plan") is to advance the Company's and our stockholders' interests by providing long-term incentives to our employees, directors and consultants. The Equity Plan became effective in 2007 and has a ten-year term. Prior to 2009,

we did not make grants under the Equity Plan, and long-term incentive compensation remains primarily provided by the Performance Share Plan.

Administration. Our compensation committee administers the Equity Plan, and determines which individuals are eligible to receive awards, the type of awards and number of shares or units to be granted, the exercise or purchase price for awards, the vesting schedule for each award and the maximum term of each award (subject to the limits set forth in the Equity Plan). The compensation committee has authority to interpret the Equity Plan, and any determination by the compensation committee will be final.

Share Reserve. We have reserved 7,830,000 shares of our common stock for issuance under the Equity Plan. This reserve, and all limits referenced below, is subject to adjustment in the event of stock splits or similar capitalization events.

Eligibility. The individuals eligible to participate in the Equity Plan include our officers and other employees, our non-employee directors and any consultants.

Limit on Awards. During any calendar year, the maximum aggregate number of shares subject to awards granted to any individual shall be 435,000.

Equity Awards. The Equity Plan permits us to grant the following types of awards:

- *Restricted Stock.* A restricted stock award is a grant of shares or an offer by us to sell shares of our common stock subject to a risk of forfeiture and/or a right of repurchase by us upon the termination of employment of the participant on such terms (including price and timing) as may be determined by the compensation committee. This risk of forfeiture and/or right of repurchase may lapse according to vesting conditions, which may include performance conditions, a time-based schedule or a combination thereof, to be determined in each case by the compensation committee. In the event of death or disability of a holder of restricted stock subject to vesting other than monthly vesting, the risk of forfeiture and/or our right to repurchase such shares shall lapse with respect to a pro rata portion of the restricted shares equal to the percentage of the vesting period that has elapsed. The compensation committee also has the discretion to waive all or a portion of the risk of forfeiture and/or our right to repurchase shares of restricted stock in the event of a participant's voluntary resignation or retirement. In the event of a change of control followed by termination without cause or constructive termination of the participant within twelve months, the restrictions on such participant's restricted stock will lapse.

- *Stock Options.* The Equity Plan provides for the grant of incentive stock options (commonly referred to as ISOs) to employees and non-qualified stock options (commonly referred to as NSOs) to employees, directors and consultants. The compensation committee determines the terms of options, provided that ISOs are subject to statutory limitations. The compensation committee determines the exercise price for a stock option, within the terms and conditions of the Equity Plan and applicable law, provided that the exercise price of an ISO may not be less than 100% (or 110% in the case of a recipient who is a ten percent stockholder) of the fair market value of our common stock on the date of grant. ISOs exercisable for no more than 435,000 shares may be issued to a participant in any one year.

  Options granted under the Equity Plan will vest at the rate specified by the compensation committee, with the vesting schedule for each stock option to be set forth in the stock option agreement for such option grant. Generally, the committee determines the term of stock options granted under the Equity Plan, up to a maximum term of ten years.

  After termination of an optionee's employment, the optionee may exercise the vested portion of each option for the period of time stated in the option agreement to which such option relates. The compensation committee also has the discretion to permit exercise of the unvested portion of an option in the event of voluntary resignation or retirement. Generally, if termination is due to disability, the vested portion of each option will remain exercisable for three years following the date of disability, and in the event of death of an optionee, the vested portion of each option

will remain exercisable by such optionee's estate for one year. In all other cases, the vested portion of each option will generally remain exercisable for three months following termination of employment. However, an option may not be exercised later than its expiration date.

Notwithstanding the above, in the event of a change of control of Symetra, followed by termination without cause or constructive termination (as such terms are defined in the Equity Plan) of an optionee within twelve months of the change of control, such optionee's stock options will become 100% vested and exercisable for up to 30 days following such termination.

- *Stock Appreciation Rights.* Stock appreciation rights provide for a payment, or payments, in cash or shares of common stock, to the participant based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price. The exercise price of a stock appreciation right may not be less than 100% of the fair market value of our common stock on the date of grant of the stock appreciation right. Stock appreciation rights are otherwise generally subject to the same terms and limitations as described above for stock options, including vesting acceleration upon termination following a change of control.

- *Restricted Stock Units.* Restricted stock units represent the right to receive, without payment to the Company, an amount of shares of our common stock equal to the number of shares underlying the restricted stock units multiplied by the fair market value of a share on the date of vesting of the restricted stock units. The compensation committee may, at its discretion, impose vesting conditions, which may include performance conditions, a time-based vesting schedule or a combination thereof, on the exercise of such units. A participant's restricted stock units generally terminate in the event the participant's employment terminates prior to payment with respect to the units. However, in the event of death or disability of a holder of restricted stock units that are subject to vesting other than monthly vesting, the holder will receive payment for a pro rata percentage of the unvested units equal to the percentage of the vesting period that has elapsed. The compensation committee also has the discretion to make payment with respect to all or a portion of the unvested restricted stock units held by a participant in the event of such participant's voluntary resignation or retirement. In the event of a change of control followed by termination without cause or constructive termination of the participant within twelve months, such participant's restricted stock units that were outstanding on the date of termination will be cancelled and such participant will receive a cash payment equal to the product of the number of restricted stock units and the fair market value of a share of our common stock on the date of termination.

- *Performance Shares/Units.* A performance share award entitles a participant to receive all or part of the value of a specified number of hypothetical shares if specified performance objectives, as determined by the compensation committee, are satisfied during a specified award period. The payout under a performance share award is the product of (1) the target number of performance shares subject to award, (2) the performance percentage and (3) the fair market value of a share on the date the award is paid or becomes payable to the participant.

  Performance units are similar to performance shares, except that the value is based on a fixed dollar value or formula specified by the committee, rather than the fair market value of a share on the date the award is paid or payable (as with performance shares). The maximum value of performance units that may be earned by a participant for any single award period of one year or longer may not exceed $25 million.

  At the end of the award period for performance shares or performance units, the compensation committee assigns a performance percentage that is between 0% and 200% depending on the extent to which the applicable performance objectives were met during the award period. Performance shares and units may be settled in cash, shares of our common stock, other securities, other awards, other property or any combination thereof, as determined by the compensation committee.

A participant's performance shares or units are cancelled if the participant's employment is terminated prior to end of the award period. However, if a participant dies or becomes disabled during the performance period, such award is paid to such participant (or such participant's estate) on a pro-rata basis. In the event of a change of control followed by termination without cause or constructive termination of the participant within twelve months, the participant's performance share/unit award shall be paid out on a pro rata basis according to the percentage of months during the award period that have elapsed, with a performance percentage of 100%.

- *Other Stock-Based Awards.* The compensation committee also has the discretion to issue other equity-based awards under the Equity Plan, including fully-vested shares of common stock.

Awards Not Transferable. Awards under the Equity Plan are generally non-transferable, except to a participant's estate in the event of the participant's death.

Adjustments. The compensation committee is authorized to make adjustments to the terms and conditions of awards in recognition of certain unusual or nonrecurring events, including but not limited to extraordinary dividends, stock splits, mergers or a change in control of Symetra. In such events, the committee has the discretion to do what it determines is appropriate or desirable, including providing for the substitution or assumption of awards, accelerating the vesting of or the lapse of restrictions on awards, terminating the awards or making a cash payment in consideration for the cancellation of the awards.

Amendment and Termination. The Equity Plan may be amended or terminated at any time upon approval of our board of directors, provided that no amendment or termination will adversely affect outstanding awards. The Equity Plan will terminate on the earlier of the termination of the Equity Plan by our board of directors or ten years from the effective date of the Equity Plan.

Employee Stock Purchase Plan

Background. Our employee stock purchase plan is designed to enable eligible employees to periodically purchase shares of our common stock at a discount. Purchases are accomplished through participation during discrete offering periods. Our employee stock purchase plan is intended to qualify as an employee stock purchase plan under section 423 of the Internal Revenue Code of 1986, as amended. Our board of directors adopted our employee stock purchase plan in October 2007.

Share Reserve. We have initially reserved 870,000 shares of our common stock for issuance under our employee stock purchase plan.

Administration. Our compensation committee administers our employee stock purchase plan. Our employees generally are eligible to participate in our employee stock purchase plan if they are employed on a salaried basis by us, or a subsidiary of ours that we designate, for 20 or more hours per week and more than five months in a calendar year. Employees who are 5% stockholders, or would become 5% stockholders as a result of their participation in our employee stock purchase plan, are ineligible to participate in our employee stock purchase plan. We may impose additional restrictions on eligibility as well.

Under our employee stock purchase plan, eligible employees may acquire shares of our common stock by accumulating funds through payroll deductions. Our eligible employees may select a rate of payroll deduction up to 15% of their cash compensation (or such lower limit as determined by the compensation committee). We also have the right to amend or terminate our employee stock purchase plan, except that, subject to certain exceptions, no such action may adversely affect any outstanding rights to purchase stock under the plan. Our employee stock purchase plan will remain in effect until terminated by our compensation committee.

Purchase Rights. When an offering period commences, our employees who meet the eligibility requirements for participation in that offering period and who elect to participate are granted a non-transferable option to purchase shares in that offering period. An employee's participation automatically ends upon termination of employment for any reason. An employee may withdraw from the plan at any time at

least five business days prior to a purchase date, and in such event shall receive a refund of all of such employee's payroll deductions deposited to date into the plan.

No offering period will commence until this offering is complete. Each offering period will be for approximately six months (commencing on the first trading day on or immediately after February 15 and August 15 of each year and terminating on the trading day on or immediately preceding the next August 14 or February 14, respectively). The duration and timing of offering periods may be changed by the compensation committee without stockholder approval if such change is announced prior to the scheduled beginning of the offering period to be effected thereafter.

No participant will have the right to purchase our shares at a rate which, when aggregated with purchase rights under all our employee stock purchase plans that are also outstanding in the same calendar year(s), has a fair market value of more than $25,000, determined as of the first trading day of the applicable offering period, for each calendar year in which such right is outstanding. The purchase price for shares of our common stock purchased under our employee stock purchase plan will be 85% of the closing trading price per share of our common stock as reported by the NYSE on the last date of each purchase period.

Change in Control. In the event of a change in control of Symetra, the acquiring entity shall assume the outstanding purchase rights. In the event the acquiring entity refuses to do so, the purchase and offering periods then in progress shall terminate prior to the date of closing of the change of control transaction.

401(k) Plan

We offer Section 401(k) plan to all employees who meet specified eligibility requirements. Eligible employees may contribute up to 100% of their eligible compensation, subject to limitations established under Section 401(k). We match participant contributions dollar-for-dollar, up to 6% of their compensation. Participants are immediately vested in their contributions.

Potential Payments Upon Termination or Change in Control

We have no employment agreements with our Named Executive Officers that would provide payments upon termination of employment.

Annual Incentive Bonus Plan

The Annual Incentive Bonus Plan requires that an executive be an active employee on December 31 of the plan year, and remain continuously employed by the Company through the award payout date, in order to be eligible to receive a bonus award. Exceptions to this include death, disability, retirement at age 65 or older or position elimination. In these cases, the bonus will be based on eligible earnings paid through the executive's last day of work within the plan year and is modified by the funding level of the aggregate bonus pool.

Sales Incentive Plan

Mr. McCormick's Sales Incentive Plan provides that if he leaves his position for any reason, he will be paid for production earned through the end of the last full month of employment.

Performance Share Plan

The Performance Share Plan provides that, except for the change in control provision described below, the executive would immediately forfeit all outstanding awards upon termination of employment prior to the end of the applicable award period. The board of directors, at its discretion, may provide that if an executive dies, retires, is disabled or is granted a leave of absence, or if the executive is otherwise terminated in a manner reasonably judged to be not seriously detrimental to our company, then all or a portion of the executive's award, as determined by the board, may be paid to the executive (or beneficiary).

The Performance Share Plan includes a "double trigger" change in control provision which provides that if a participant's employment is terminated without cause or constructively terminated within 24 months after a change in control of our company, each award held by the participant prior to the change in control is cancelled and the participant is entitled to receive an award payment equal to the product of (a) the then financial value of 100% of the performance shares and (b) the performance percentage, which is based on the level of attainment of the performance goal as of the last day of the calendar quarter ending prior to the date of the termination event. Alternatively, following the change in control, if the participant remains continuously employed through the end of the award period, then the participant will receive those awards for which the participant would have been paid had the change in control not occurred. For purposes of the Performance Share Plan, a change in control occurs when any person or group, other than White Mountains or Berkshire Hathaway, an underwriter or an employee benefit plan of the Company, becomes the beneficial owner of 35% or more of the Company's outstanding common stock.

Under the Performance Share Plan, a "constructive termination" is defined as a termination of the participant's employment at the initiative of the participant following a material decrease in salary or a material diminution in the participant's authority, duties or responsibilities.

Restricted Stock Agreements

Restricted Stock Agreements with Mr. Talbot and Ms. Meister provide that the restricted stock will vest on December 31, 2011, subject to their continued employment through such date. In the event of the executive's voluntary termination or termination with cause (as defined in the Equity Plan), all of the unvested shares will be forfeited. If the executive's employment is terminated by us without cause or due to the executive's death or disability, the following amounts of restricted stock will become vested: if such termination is on or after December 31, 2009 but prior to December 31, 2010, one-third of the restricted stock will vest. If such termination is on or after December 31, 2010 but prior to December 31, 2011, two-thirds of the restricted stock will vest.

In the event of a change in control followed by termination without cause or constructive termination (as defined in the Equity Plan) of the executive within twelve months, the restrictions on all of the executive's restricted stock will lapse.

Potential Payments Upon Termination

The following table shows the potential payments that would be made by us to each of the Named Executive Officers assuming that each executive's employment was terminated due to death, disability, retirement at age 65 or older or position elimination on December 31, 2008 whether or not a change in control has occurred.

Executive	2008 Annual Incentive Bonus Plan ($)(1)	2007-2009 Performance Share Plan ($)(2)	2008-2010 Performance Share Plan ($)(2)	Total ($)
Randall H. Talbot	170,625	0	0	170,625
Margaret A. Meister	96,188	0	0	96,188
Roger F. Harbin	130,000	0	0	130,000
Richard J. Lindsay	64,838	0	0	64,838
Patrick B. McCormick	175,099	0	0	175,099

(1) Reflects the amount payable under the 2008 Annual Incentive Bonus Plan, except with respect to Mr. McCormick, who would instead receive payment under his Sales Incentive Plan. This amount is payable in the event of death, disability, retirement at age 65 or older or elimination of position, whether or not a change in control of the Company has occurred. This figure represents 100% of the executive's individual target modified by the funding level of the aggregate bonus pool. In March 2009, the board of

directors approved the funding of the aggregate bonus pool at 65% of the target level, even though the Company performance goal was not met.

(2) No payment would have been made in respect of performance units because performance goals were not met in 2008, which affected the 2007-2009 and 2008-2010 Performance Share Plans as of December 31, 2008. The board of directors, at its discretion, may elect to award all or a portion of the grant to an executive in the event of such executive's death, retirement, disability or leave of absence, or in the event of termination in a manner not determined to be seriously detrimental to the Company.

Compensation of Directors

The following table presents compensation paid to our board of directors for the year ended December 31, 2008:

Name	Fees Earned or Paid in Cash ($)	Total ($)
David T. Foy(1)	64,000	64,000
Lois W. Grady(2)	41,750	41,750
Sander M. Levy(3)	51,900	51,900
Robert R. Lusardi(4)	28,000	28,000
David I. Schamis(5)	36,900	36,900
Lowndes A. Smith(6)	31,800	31,800
Randall H. Talbot(7)	—	—

(1) Includes chairman of the board retainer, annual retainer, and board, audit committee and compensation committee meeting fees. Mr. Foy served as chairman of the board until May 2009.

(2) Includes chairman of the compensation committee retainer, annual retainer and board and compensation committee meeting fees. Ms. Grady also serves on the First Symetra National Life Insurance Company of New York board of directors and audit committee.

(3) Includes chairman of the audit committee retainer, annual retainer and board and audit committee meeting fees. Mr. Levy also serves on the First Symetra National Life Insurance Company of New York board of directors and audit committee. All compensation is paid to Vestar Capital Partners.

(4) Includes annual retainer and board meeting fees.

(5) Includes annual retainer, and board and audit committee meeting fees. Mr. Schamis also serves on the First Symetra National Life Insurance Company of New York board of directors and audit committee. All compensation is paid to J.C. Flowers & Co. LLC.

(6) Includes annual retainer and board and compensation committee meeting fees. Mr. Smith has served as chairman of the board since May 2009. Mr. Smith also serves on the First Symetra National Life Insurance Company of New York board of directors.

(7) Mr. Talbot is our employee and receives no additional retainer or fee for board participation.

Our directors, who are not employees of the Company, are entitled to the following compensation for service on our board of directors and board committees beginning in 2009:

- Chairman of the board additional annual retainer: $300,000
- Vice chairman of the board additional annual retainer: $40,000
- Board member annual retainer: $20,000

- Audit committee chairman annual retainer: $15,000
- Compensation committee chairman annual retainer: $10,000
- Finance committee chairman annual retainer: $15,000
- Nominating and corporate governance committee chairman annual retainer: $15,000
- Board meeting participation: $2,000
- Committee meeting participation: $1,000

In addition, members of the board of directors of First Symetra National Life Insurance Co. of New York receive an annual retainer of $500, and fees of $100 per board meeting and $50 per committee meeting attended.

We reimburse our directors for first class travel, hotel accommodations, meals, and other necessary expenses.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following is a summary of each transaction or series of similar transactions since January 1, 2006 to which we were or are a party in which the amount involved exceeded or exceeds $120,000 and in which any of our directors or executive officers, any holder of 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Investment Management Agreement with White Mountains Advisors LLC

A majority of our investments are managed by WM Advisors, a wholly owned subsidiary of White Mountains Insurance Group, Ltd. The total fees incurred with respect to WM Advisors under our existing investment management agreements, or IMAs, with them for the six months ended June 30, 2009 and for the years ended December 31, 2008, 2007 and 2006, respectively, were $6.9 million, $14.6 million, $15.3 million and $20.2 million. We and certain of our subsidiaries intend to enter into an amended investment management agreement, or the WMA Agreement, on substantially the same terms as our existing IMAs with WM Advisors pursuant to which WM Advisors will continue to supervise and direct the fixed income and alternative investment portion of our investment portfolio in accordance with our investment philosophy described under “Business — Investments.”

Under the WMA Agreement and consistent with the existing IMAs, WM Advisors will have full discretion and authority to make all investment decisions in respect of the fixed income and alternative investment portion of our investment portfolio on our behalf and at our sole risk, and to do anything which WM Advisors deems is required, appropriate or advisable in connection with the foregoing.

The assets of our portfolio will be held in one or more separately identifiable accounts in the custody of a bank or similar entity designated by us and acceptable to WM Advisors. We will be responsible for custodial arrangements and the payment of all custodial charges and fees.

We will agree to pay annual investment management fees generally based on the month-end market/book values held under custody as set forth in the table below (which are substantially the same as the fees under our existing IMAs):

	Value	Annual Fee
Investment grade fixed maturities:		
Up to $1 billion	Book	10.0 basis points
		(0.1% or 0.001)
$1 billion — $2 billion	Book	8.5 basis points
$2 billion — $5 billion	Book	7.5 basis points
Greater than $5 billion	Book	2.5 basis points
High yield debt	Market	25.0 basis points
Equities	Market	100.0 basis points
Fully funded hedge funds, private equity funds and other deferred fundings:		
First two years of fund’s life	Committed	100.0 basis points
Thereafter	Market	100.0 basis points
Affordable Housing Credit Funds:		
First year of fund’s life	Committed	100.0 basis points
Thereafter	Market	10.0 basis points

We will pay WM Advisors a quarterly fee for portfolio management services computed at the annual rate of one-half basis point (0.005%) of the aggregate value of the net assets of the aggregate investment

account, which includes equities and commercial mortgage loans in addition to the items managed by WM Advisors.

WM Advisors will provide reports containing a detailed listing of invested assets and transactions in our investment portfolio, as well as various other analytical reports as outlined by Symetra, at least quarterly. We will review periodically the performance of and the fees paid to WM Advisors under the WMA Agreement.

The WMA Agreement will provide for an initial fixed term of one year, which will be extendible by us for an additional year (a second year) and, if so extended, for a second additional year (a third year). Following the end of the initial term and any extensions, the WMA Agreement may be terminated by either party upon 60 days' written notice.

WM Advisors also provides investment advisory services to White Mountains Insurance Group, Ltd., its subsidiaries and a number of its affiliates.

Investment Management Agreement with Prospector Partners, LLC

Prospector is a registered investment adviser managing assets for corporations, foundations, endowments and high net worth individuals. Mr. John D. Gillespie, the founder and Managing Member of Prospector, is a director of White Mountains Insurance Group, Ltd. Historically, Prospector managed most of the publicly traded common equity and convertible securities in our portfolio through a sub-advisory agreement with WM Advisors. As of June 30, 2009, Prospector served as a discretionary advisor to WM Advisors under the sub-advisory agreement with respect to approximately $0.2 billion of specified assets in our combined insurance and non-insurance portfolios. For the six months ended June 30, 2009 and during the years ended December 31, 2008, 2007 and 2006, respectively, we incurred $0.8 million, $1.9 million, $2.1 million and $1.8 million in fees with respect to the Prospector portfolio. These fees are included in the WM Advisor fees mentioned above.

We intend to enter into a separate investment management agreement with Prospector, or the Prospector Agreement, pursuant to which Prospector will agree to supervise and direct the publicly traded common equity and convertible securities portion of our investment portfolio in accordance with its investment strategy described under "Business — Investments." Under the Prospector Agreement, Prospector will have discretion and authority with respect to the portfolio it manages for us that is substantially similar to WM Advisors' discretion and authority under the WMA Agreement. The assets of our portfolio will be held in one or more separately identifiable accounts in the custody of a bank or similar entity designated by us and acceptable to Prospector. We will be responsible for custodial arrangements and the payment of all custodial charges and fees.

Under the Prospector Agreement, we will agree to pay annual investment management fees based on aggregate net assets under management according to the following schedule:

Assets Under Management	Annual Fee
Up to $200 million	100.0 basis points
$200 million to $400 million	50.0 basis points
Greater than $400 million	25.0 basis points

The Prospector Agreement will have an initial fixed term of three years, which will be extendible by us for an additional year (a fourth year) at or prior to the end of the second year of the term and, if so extended, for a second additional year (a fifth year) at or prior to the end of the third year of the term. The Prospector Agreement will be terminable by us only (i) for cause (including material non-performance by Prospector), (ii) if either John D. Gillespie or Richard P. Howard are no longer affiliated with Prospector or (iii) if there is a change in control of Prospector. Following the end of the initial term and any extensions, the Prospector Agreement may be terminated by either party on 60 days' written notice. We will review periodically the performance of and the fees paid to Prospector under the Prospector Agreement.

Relationships and Transactions with White Mountains Insurance Group, Ltd. and its Affiliates

We are party to certain shareholders agreements, dated as of March 8, 2004, March 19, 2004 and April 16, 2004, with our stockholders. The shareholders agreements will terminate on the consummation of this offering other than certain provisions relating to registration rights, transfer restrictions, tag-along rights, competition and confidentiality. In addition, following an initial public offering and so long as White Mountains Insurance Group, Ltd. holds at least 20% of our outstanding common stock, assuming exercise of any outstanding warrants, each stockholder party to a shareholder's agreement is required to vote its shares for two board members designated by White Mountains Insurance Group, Ltd., which will be reduced to one nominee so long as White Mountains Insurance Group, Ltd. holds at least 10%, but less than 20%, of our outstanding common stock.

Relationships and Transactions with Others

The following transactions involve the operations of our subsidiary, Symetra Life Insurance Company, or Symetra Life, and were entered into in the ordinary course of business.

Symetra Life entered into a coinsurance reinsurance agreement with Wilton Reassurance Company, or Wilton Re. For the six months ended June 30, 2009 and for the years ended December 31, 2008, 2007 and 2006, we recorded ceded premiums of $1.0 million, $1.8 million, $1.7 million and $1.4 million, respectively, and recovered ceded losses of $0.3 million, $0.9 million, $0.3 million and $0.2 million, respectively. Vestar Capital Partners, which holds 6,089,999 shares of our common stock, has an investment interest in Wilton Re. Mr. Sander M. Levy, one of our directors and our audit committee chairman, serves on the board of directors of Wilton Re. Mr. Levy is not directly involved in the business dealings between the two companies but disclosed the relationship to our audit committee, which ratified the relationship.

Symetra Life is a party to several coinsurance reinsurance agreements with General Re Life Corporation. General Re Life Corporation is the North American life and health reinsurance company of General Re Corporation, a subsidiary of Berkshire Hathaway Inc., which beneficially owns 26,887,872 shares of our common stock, which includes warrants exercisable for 9,487,872 shares. For the six months ended June 30, 2009 and the years ended December 31, 2008, 2007 and 2006, we recorded ceded premiums of $0.3 million, $0.5 million, $0.4 million and $0.1 million, respectively. No ceded losses have been recovered under these agreements.

Symetra Life entered in to an accident and health reinsurance agreement with a related party, White Mountains Re America, a subsidiary of White Mountains Insurance Group, Ltd. For the six months ended June 30, 2009 and the year ended December 31, 2008, we recorded ceded premiums of $0.8 million and $2.1 million, respectively, and recovered ceded losses of $1.5 million and $1.1 million, respectively.

Symetra Life issued an insurance policy for both specific and aggregate excess loss coverage to Essent Healthcare with an effective date of January 1, 2008. Vestar Capital Partners has an investment in Essent Healthcare. Premiums received for the six months ended June 30, 2009 and the year ended December 31, 2008 were $0.1 million and $0.1 million, respectively. We recorded losses of $0.0 million and $0.6 million, for the six months ended June 30, 2009 and for the year ended December 31, 2008, respectively.

Symetra Life issued an insurance policy for specific excess loss coverage to Moody's Corporation, with an effective date of January 1, 2008. The policy was terminated as of December 31, 2008. Berkshire Hathaway Inc. has an investment in Moody's Corporation. We recorded premiums of $0.3 million for the year ended December 31, 2008.

Symetra Life issued medical stop-loss and group life insurance policies with a related party, MidAmerican Energy Holdings Company, an affiliate of Berkshire Hathaway Inc., beginning January 1, 2006. The policy was terminated as of December 31, 2006. Premiums received from MidAmerican Energy Holdings Company for the year ended December 31, 2006 were $2.7 million and ceded losses for the years ended December 31, 2007 and 2006 were $0.6 million and $1.0 million, respectively.

Symetra Life holds $3.1 million fair value of Class B common stock in Berkshire Hathaway Inc. as of June 30, 2009 and December 31, 2008. During the six months ended June 30, 2009, we purchased $0.3 million fair value and sold no shares of Berkshire Hathaway Inc. Class B common stock. During 2008, we had purchases of $2.1 million and sales of $3.1 million related to our holdings in Berkshire Hathaway Inc.

One of our subsidiaries, Symetra Assigned Benefits Service Company (SABSCO), in the ordinary course of business, accepted the assignment of periodic payment obligations from related parties OneBeacon Insurance Group (OB) and United Stated Liability Insurance Company (USLI). OB and USLI are affiliated companies of White Mountains Insurance Group, Ltd. and Berkshire Hathaway Inc., respectively. For the six months ended June 30, 2009 and the years ended December 31, 2008, 2007 and 2006, SABSCO purchased $1.1 million, $0.0 million, $0.6 million and $0.4 million, respectively, in structured settlement annuities from Symetra Life to fund these obligations for OB and purchased $0.3 million in structured settlement annuities from Symetra Life to fund these obligations for USLI for the year ended December 31, 2007.

Procedures for Approval of Related Party Transactions

Prior to this offering, we did not have a written policy relating to the approval of related party transactions. Any such transactions were approved by our board of directors or audit committee in accordance with applicable law.

In connection with this offering, we will adopt a written policy relating to the approval of related party transactions. We will review all relationships and transactions in which we and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our legal staff will be primarily responsible for the development and implementation of processes and controls to obtain information from our directors and executive officers with respect to related party transactions and for determining, based on the facts and circumstances, whether we or a related person have a direct or indirect material interest in the transaction.

In addition, our audit committee will review and approve or ratify any related party transaction reaching a certain threshold of significance. As set forth in the audit committee's charter to be effective upon completion of this offering, in the course of its review and approval or ratification of a related party transaction, the committee will consider:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to us;
- whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and
- any other matters the audit committee deems appropriate.

Any member of the audit committee who is a related person with respect to a transaction under review will not be permitted to participate in the deliberations or vote respecting approval or ratification of the transaction. However, such director may be counted in determining the presence of a quorum at a meeting of the committee that considers the transaction.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth, as of June 30, 2009, information regarding the beneficial ownership of our common stock by:

- each person known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each Selling Stockholder;
- each of our current directors;
- each of our named executive officers; and
- our directors and named executive officers as a group.

Beneficial ownership is determined in accordance with the SEC rules and includes voting or investment power with respect to the securities. Shares of common stock subject to options and warrants that are currently exercisable or exercisable within 60 days are deemed to be outstanding and beneficially owned by the person holding such options and warrants. Such shares, however, are not deemed to be outstanding for the purposes of computing the percentage ownership of any other person.

Percentage of beneficial ownership is based on 92,646,295 shares of our common stock outstanding as of June 30, 2009. Unless otherwise indicated, the address for all beneficial owners is c/o Symetra Financial Corporation, 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004.

			Shares Offered		Shares Beneficially Owned After Offering			
	Shares of Common Stock Beneficially Owned Prior to the Offering		Assuming No Exercise of Over-Allotment Options	Assuming Full Exercise of Over-Allotment Options	Assuming No Exercise of Over-Allotment Options		Assuming Full Exercise of Over-Allotment Options	
Beneficial Owner of 5% or More:	**Number**	**%**	**Number**	**Number**	**Number**	**%**	**Number**	**%**
Berkshire Hathaway Inc	26,887,872(1)(2)	26.3%						
White Mountains Insurance Group, Ltd	26,887,872(1)(3)	26.3						
Franklin Mutual Advisers, LLC	10,875,000(4)	11.7						
Caxton Associates, L.L.C.	6,090,000(5)	6.6						
OZ Master Fund, Ltd.	6,090,000(6)	6.6						
Vestar Capital Partners	6,089,999(7)	6.6						
Highfields Capital Management LP	6,089,998(8)	6.6						
Other Selling Stockholders:								
Directors and Executive Officers:								
David T. Foy	26,887,872(1)(9)	26.3%						
Randall H. Talbot	65,250	*						
Jennifer V. Davies								
Michael W. Fry								
Patrick B. McCormick								
Margaret A. Meister								
Lois W. Grady								
Sander M. Levy	6,089,999(10)	6.6						
Robert R. Lusardi	26,887,872(1)(11)	26.3						
David I. Schamis	2,175,000(12)	2.3						
Lowndes A. Smith								
Directors and executive officers as a group (16 persons)	35,218,121	34.5						

* Represents ownership of less than 1%

footnotes continued on following page

(1) Includes warrants exercisable for 9,487,872 shares.

(2) Represents shares held by General Reinsurance Corporation.

(3) Represents shares held by White Mountains Holdings (NL) B.V.

(4) Represents 1,183,200 shares held by Franklin Mutual Beacon Fund, 445,440 shares held by Franklin Mutual Recovery Fund, 255,780 shares held by Mutual Beacon Fund (Canada), 1,020,510 shares held by Mutual Financial Services Fund, 3,434,760 shares held by Mutual Qualified Fund, 84,390 shares held by Mutual Recovery Fund, Ltd. and 4,450,920 shares held by Mutual Beacon Fund.

(5) Represents shares held by CxLife, LLC.

(6) Represents shares held by OZ Management LP.

(7) Represents 128,424 shares held by Vestar Symetra LLC and 5,961,575 shares held by Vestar Capital Partners IV, LP, entities which are affiliated with or managed by Vestar Capital Partners.

(8) Represents 553,876 shares held by Highfields Capital I LP, 1,306,426 shares held by Highfields Capital II LP and 4,229,696 shares held by Highfields Capital III L.P.

(9) Represents shares owned by affiliates of White Mountains Insurance Group, Ltd., of which Mr. Foy is an executive officer. Mr. Foy disclaims beneficial ownership of all such shares.

(10) Represents shares owned by affiliates of Vestar Capital Partners, of which Mr. Levy is a Managing Director. Mr. Levy disclaims beneficial ownership of all such shares.

(11) Represents shares owned by affiliates of White Mountains Insurance Group, Ltd., of which Mr. Lusardi is an executive officer. Mr. Lusardi disclaims beneficial ownership of all such shares.

(12) Represents shares owned by affiliates of J.C. Flowers & Co. LLC, of which Mr. Schamis is a Managing Director. Mr. Schamis disclaims beneficial ownership of all such shares.

DESCRIPTION OF CAPITAL STOCK

The following information reflects our certificate of incorporation and bylaws as these documents will be in effect upon completion of this offering. Our certificate of incorporation and bylaws will be filed as exhibits to the registration statement of which this prospectus forms a part. The summaries of these documents are qualified in their entirety by reference to the full text of the documents.

General

Our authorized capital stock consists of 750,000,000 shares of common stock, $0.01 par value per share and 10,000,000 shares of preferred stock, $0.01 par value per share. As of June 30, 2009, there were 92,646,295 shares of our common stock issued and outstanding held by 58 stockholders of record and no shares of preferred stock outstanding.

Immediately prior to this offering, there has been no public market for our common stock. Although we will apply to list our common stock on the NYSE, we cannot assure you that a market for our common stock will develop or if it develops that it will be sustained.

Common Stock

Voting Rights

Each share of our common stock entitles the holder to one vote with respect to each matter presented to our stockholders. Our common stock votes as a single class. The approval of matters brought before the stockholders requires the affirmative vote of the holders of a majority of the shares of common stock represented and voting, except where otherwise required by law or by our certificate of incorporation or bylaws. Pursuant to our certificate of incorporation, an increase or decrease in the number of authorized shares of our common stock or preferred stock requires the affirmative vote of the holders of a majority in voting power of our stock entitled to vote thereon. Holders of our common stock will not have cumulative voting rights.

Dividends

Holders of common stock and warrant holders will share equally in any dividend declared by our board of directors, subject to the rights of the holders of any outstanding preferred stock, on a one-for-one basis.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, holders of our common stock would be entitled to share ratably in our assets that are legally available for distribution to stockholders after payment of liabilities. If we have any preferred stock outstanding at such time, holders of the preferred stock may be entitled to distributions and/or liquidation preferences. In either such case, we must pay the applicable distribution to the holders of our preferred stock before we may pay distributions to the holders of our common stock.

Other Rights

Our stockholders have no preemptive or other rights to subscribe for additional shares. All holders of our common stock are entitled to share equally on a share-for-share basis in any assets available for distribution to common stockholders upon our liquidation, dissolution or winding up. All outstanding shares are, and all shares offered by this prospectus will be, when sold, validly issued, fully paid and nonassessable.

Warrants

We currently have outstanding warrants to purchase 18,975,744 shares of our common stock at an exercise price of $11.49 per share. If our warrants were exercised on a cashless basis, we would have had 0, 3,295,414, 0 and 8,278,376 additional shares of common stock outstanding for the six months ended June 30, 2009 and 2008, and for the years ended December 31, 2008 and 2007, respectively.

The exercise price and number of shares of common stock for each warrant are subject to anti-dilution adjustments in respect of certain events. If certain of these events occur, the warrant holders will

receive the right to receive the full intrinsic value of the warrants instead of the stock acquirable and receivable upon exercise. In the event we pay cash or stock dividends or other distributions to our common stockholders, the warrant holders will also receive such dividends or distributions on a one-to-one basis.

Preferred Stock

Our board of directors is authorized, subject to the limits imposed by the Delaware General Corporation Law, or DGCL, to issue to up 10,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the rights, preferences, privileges, qualifications, limitations and restrictions of the shares of each wholly unissued series. Our board of directors is also authorized to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders.

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that affect adversely the voting power or other rights of our common stockholders. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control, causing the market price of our common stock to decline, or impairing the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of preferred stock.

Certain Anti-Takeover Provisions of our Charter and Bylaws and the Delaware Law

Upon completion of this offering, we will have the following provisions in our certificate of incorporation and bylaws that could deter, delay or prevent a third party from acquiring us, even if doing so would benefit our stockholders.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire us. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers or changes in control or management of our Company.

Classified Board of Directors

Our certificate of incorporation provides that our board of directors is divided into three classes. Each class of directors serves three-year terms.

Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals

Our bylaws provide that special meetings of the stockholders may be called only upon the request of the majority of the board of directors or upon request of the president. Our bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

Our bylaws establish advance notice procedures with respect to stockholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order for any matter to be “properly brought” before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the directors then in office, even though less than a quorum, and not by the stockholders. Our bylaws allow the chairman of a meeting of the stockholders to adopt rules and regulations for the conduct of meetings that may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror’s own slate of directors or otherwise attempting to obtain control of us.

No Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our certificate of incorporation provides otherwise. Our certificate of incorporation provides that any action required or permitted to be taken by our stockholders may be effected at a duly called annual or special meeting of our stockholders and may not be effected by written consent.

Certain Other Provisions of our Charter and Bylaws and the Delaware Law

Board of Directors

Our certificate of incorporation provides that the number of directors will be fixed in the manner provided in our bylaws. Our bylaws provide that the number of directors will be fixed from time to time solely pursuant to a resolution adopted by the board of directors. Our board of directors currently has seven members who serve staggered terms as described above.

Limitations of Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (unlawful dividends); or
- for transactions from which the director derived improper personal benefit.

Our certificate of incorporation and bylaws provide that we shall indemnify our directors and officers to the fullest extent permitted by law. We are also expressly authorized to carry directors' and officers' insurance providing indemnification for our directors, officers and certain employees and agents for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Transfer Agent and Registrar

The transfer agent and registrar of our common stock is .

New York Stock Exchange Listing

We intend to apply to have our common stock listed on the NYSE under the symbol "SYA."

DESCRIPTION OF CERTAIN INDEBTEDNESS

6.125% Senior Notes due 2016

In March 2006, we issued $300.0 million aggregate principal amount of 6.125% senior notes due 2016, at a price of $298.7 million in proceeds prior to commissions and discounts for the initial purchasers and offering expenses. Interest on the senior notes is payable semi-annually on April 1 and October 1 of each year.

The senior notes are unsecured senior obligations and are equal in right of payment to all existing and future unsecured senior indebtedness. The senior notes are redeemable at our option at any time, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the senior notes or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the notes (exclusive of interest accrued to the date of redemption), discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the U.S. Treasury rate plus 25 basis points, plus, in each case accrued and unpaid interest thereon to the date of redemption.

The indenture for the senior notes contains covenants that, among other things, limit the ability of our subsidiaries to:

- create liens;
- enter into certain sale and leaseback transactions; and
- enter into certain mergers and acquisitions.

The senior notes do not contain any financial covenants or any provisions restricting us from purchasing or redeeming capital stock, paying dividends or entering into a highly leveraged transaction, reorganization, restructuring, merger or similar transaction. In addition, we are not required to repurchase, redeem or modify the terms of any of the notes upon a change of control or other event involving us.

The indenture for the senior notes provides for events of default that, if any of them occurs, would permit or require the principal of, premium, if any, interest and any other monetary obligations on the senior notes to become or to be declared to be immediately due and payable. These events of default include default in the payment of interest or principal, default in the performance of covenants under the indenture and default under the terms of any instrument evidencing or securing indebtedness of us that results in the acceleration of the payment of such indebtedness or constitutes the failure to pay the principal of such indebtedness when due, in each case where the total amount of such indebtedness has an outstanding aggregate principal amount greater than $25.0 million.

Capital Efficient Notes due 2067

On October 10, 2007, we issued $150.0 million aggregate principal amount of CENts. The CENts were purchased by a syndicate of initial purchasers, led by J.P. Morgan Securities Inc. and Lehman Brothers Inc., and were eligible for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act or to non-U.S. persons pursuant to Regulation S under the Securities Act.

The CENts bear interest at a fixed annual rate of 8.300% to but not including October 15, 2017, and at a floating annual rate equal to three-month LIBOR plus 4.177% thereafter. We may elect to defer the payment of interest for up to ten years. The CENts have a scheduled maturity date of October 15, 2037, provided that we raise sufficient funds from the sale of qualifying capital securities as specified in the CENts. If we do not raise sufficient funds, we are obligated to use commercially reasonable efforts to sell enough qualifying capital securities to permit repayment of the CENts in full on each interest payment date thereafter. On October 15, 2067, we must pay any remaining amounts due under the CENts, whether or not we have sold sufficient qualifying capital securities.

We may redeem the CENts, in whole or in part, at any time before October 15, 2017, at a redemption price equal to the greater of 100% of the principal amount or a make-whole price as set forth in the CENts, in either case plus accrued and unpaid interest, including deferred interest. However, if a special event occurs, we

may redeem the CENts, in whole but not in part, at a redemption price equal to the greater of 100% of the principal amount or a special event make-whole price as set forth in the CENts, in either case plus accrued and unpaid interest, including deferred interest. We may redeem the CENts after October 15, 2017 on each interest payment date thereafter, at a price equal to 100% of the principal amount of the CENts plus accrued and unpaid interest, including deferred interest.

In connection with the CENts offering, we entered into a covenant in favor of the holders of our $300.0 million principal amount senior notes, pursuant to which we may not repay or redeem the CENts prior to October 15, 2047 unless the repayment or redemption is financed from the offering of replacement capital securities, as specified in the CENts.

Revolving Credit Facilities

Long-Term Facility

On August 16, 2007, we entered into a $200.0 million senior unsecured revolving credit agreement with a syndicate of lending institutions led by Bank of America, N.A. The credit facility matures on August 16, 2012. The revolving credit facility is available to provide support for working capital, capital expenditures and other general corporate purposes, including permitted acquisitions, issuance of letters of credits, refinancing and payment of fees in connection with this facility. This new credit facility replaced our prior $70.0 million revolving credit facility.

The facility enables us to obtain letters of credit of up to $50.0 million and short-term loans of up to $10.0 million, which would count against the $200.0 million limit. We can increase the $200.0 million limit by up to an additional $100.0 million, upon the agreement of any lender to lend such additional amount, without the consent of the other lenders. In addition, we may, with the consent of individual lenders, elect to extend the term of the facility by up to two additional one-year periods. On February 12, 2009, Bank of America, N.A. issued a notice of default to Lehman Commercial Paper, Inc., one of the lending institutions in the syndicate with a commitment of $20 million, effectively limiting our ability to borrow under the revolving credit facility to $180.0 million.

Loans under the credit facility bear interest, at our election, at a spread above LIBOR, or at a base rate. The initial spread above the LIBOR rate is 36 basis points, and may vary from 19 to 60 basis points depending on our credit rating. The base rate is equal to the higher of 50 basis points above the federal funds rate, and the Bank of America prime rate. Interest under LIBOR-based loans is payable periodically, with the period at the election of the Company (but at most annually). Interest under base rate loans is payable quarterly. In addition, we are obligated to pay a facility fee of between six and 15 basis points, depending on our credit rating, quarterly over the term of the facility, as well as letter of credit and other fees as applicable.

Under the terms of the credit agreement, we are required to maintain certain financial ratios. In particular, each of our material insurance subsidiaries must maintain a risk-based capital ratio of at least 200%, measured at the end of each year, and our debt-to-capitalization ratio may not exceed 37.5%, measured at the end of each quarter. In addition, we have agreed to other covenants restricting the ability of our subsidiaries to incur additional indebtedness, our ability to create liens and our ability to change our fiscal year and to enter into new lines of business, as well as other customary affirmative covenants.

To be eligible for borrowing funds under this facility, the representations and warranties that we make in the credit agreement must continue to be true in all material respects, and we must not be in default under the facility, including failure to comply with the covenants described above.

As of September 30, 2009, we had no borrowings outstanding under this facility.

SHARES ELIGIBLE FOR FUTURE SALE

Before this offering, there has been no public market for our common stock. We cannot predict the effect, if any, that market sales of shares or the availability of shares will have on the market price of our common stock. Sales of substantial amounts of common stock in the public market, or the perception that such sales could occur, could cause the prevailing market price to decrease or to be lower than it might be in the absence of those sales or perceptions.

Sales of Restricted Securities

Upon the closing of this offering, we will have outstanding approximately shares of common stock. We have no shares of common stock held in treasury. All of the shares of our common stock sold in this offering will be freely tradeable without restriction under the Securities Act of 1933, as amended (the "Securities Act"), except for any shares that may be acquired by an affiliate of us, as the term "affiliate" is defined in Rule 144 under the Securities Act. Persons who may be deemed to be affiliates generally include individuals or entities that control, are controlled by, or are under common control with, us and may include our directors and officers as well as our significant stockholders. Following the expiration of the lock-up agreements described below, the remaining shares outstanding held by current stockholders of the Company will be available for sale pursuant to Rule 144, subject to compliance with the requirements and limitations under Rule 144, all as further described below.

Rule 144

Generally, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who has beneficially owned "restricted" shares for at least six months, will be entitled to sell within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of common stock, which will equal approximately shares of common stock immediately after this offering; and
- the average weekly trading volume of the common stock on the open market during the four calendar weeks preceding the filing of notice with respect to such sale.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and the availability of current public information about our company.

In addition, under Rule 144, a person who is not currently an affiliate of ours, and who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares without restriction, provided that until the shares have been held for at least one year, they may only be sold subject to the availability of current public information about us.

Lock-Up Arrangements

In connection with this offering, each of our executive officers, directors and stockholders have agreed to enter into lock-up agreements described under "Underwriting" that restrict the sale of shares of our common stock and securities convertible into or exchangeable or exercisable for common stock for up to 180 days after the date of this prospectus, subject to an extension in certain circumstances. Following the expiration of the lock-up period, our stockholders will have the right, subject to certain conditions, to require us to register the sale of their remaining shares of our common stock under federal securities laws. By exercising their registration rights, and selling a large number of shares, our stockholders could cause the prevailing market price of our common stock to decline.

Warrants

We currently have outstanding warrants to purchase 18,975,744 shares of our common stock at an exercise price of $11.49 per share. The warrants permit the holders to exercise either by paying the full exercise price in cash, or by means of a cashless exercise, whereby the holders would surrender a right to receive that number of shares having a value equal to the exercise price of the warrants. In the event the holders pay the exercise price in cash, the shares will be subject to the holding period and other requirements of Rule 144. In the event of a cashless exercise, the shares will be deemed to have been acquired at the time of issuance of the warrants, in which case the holding period will be met and the shares will be eligible for resale subject to compliance with the other requirements of Rule 144 and the lock-up agreements described above.

Registration Statements

Following the completion of this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act to register the shares of our common stock that are issuable pursuant to the Equity Plan and the 2008 Employee Stock Purchase Plan. Such registration statements will become effective immediately upon filing, and shares covered by such registration statements will be eligible for sale in the public market immediately after the effective date, upon expiration of the lock-up agreements, and subject to vesting of such shares and to Rule 144 volume limitations applicable to affiliates.

MATERIAL UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-U.S. STOCKHOLDERS

This is a general summary of material U.S. federal income and estate tax considerations with respect to your acquisition, ownership and disposition of common stock if you purchase your common stock in this offering, you will hold the common stock as a capital asset and you are a beneficial owner of shares other than:

- an individual citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in, or under the laws of, the United States or any political subdivision of the United States;
- a partnership or other entity taxable as a partnership for U.S. federal income tax purposes;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source;
- a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or
- a trust that has a valid election in place to be treated as a U.S. person.

This summary does not address all of the U.S. federal income and estate tax considerations that may be relevant to you in light of your particular circumstances or if you are a beneficial owner subject to special treatment under U.S. income tax laws (such as a "controlled foreign corporation," "passive foreign investment company," company that accumulates earnings to avoid U.S. federal income tax, foreign tax-exempt organization, financial institution, broker or dealer in securities, insurance company, regulated investment company, real estate investment trust, financial asset securitization investment trust, person who holds common stock as part of a hedging or conversion transaction or as part of a short-sale or straddle, or former U.S. citizen or resident). This summary does not discuss any aspect of U.S. federal alternative minimum tax, state, local or non-U.S. taxation. This summary is based on current provisions of the U.S. Internal Revenue Code of 1986, as amended ("Code"), Treasury regulations, judicial opinions, published positions of the United States Internal Revenue Service ("IRS") and all other applicable authorities as of the date hereof, all of which are subject to change, possibly with retroactive effect.

If a partnership holds our common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisor.

THIS DISCUSSION IS PROVIDED FOR GENERAL INFORMATION ONLY AND DOES NOT CONSTITUTE LEGAL AND/OR TAX ADVICE TO ANY PROSPECTIVE PURCHASER OF OUR COMMON STOCK. WE URGE PROSPECTIVE NON-U.S. STOCKHOLDERS TO CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND NON-UNITED STATES INCOME AND OTHER TAX CONSIDERATIONS OF ACQUIRING, HOLDING AND DISPOSING OF SHARES OF COMMON STOCK.

Dividends

In general, any distributions we make to you with respect to your shares of common stock that constitute dividends for U.S. federal income tax purposes will be subject to U.S. withholding tax at a rate of 30% of the gross amount, unless you are eligible for a reduced rate of withholding tax under an applicable income tax treaty and you provide proper certification of your eligibility for such reduced rate (generally, on an IRS Form W-8BEN). A distribution will constitute a dividend for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined under the Code. Any distribution not constituting a dividend will be treated first as reducing your basis in your shares of common stock and, to the extent it exceeds your basis, as capital gain.

Dividends we pay to you that are effectively connected with your conduct of a trade or business within the United States (and, if certain income tax treaties apply, are attributable to a U.S. permanent establishment maintained by you) generally will not be subject to U.S. withholding tax if you comply with applicable certification and disclosure requirements. Instead, such dividends generally will be subject to U.S. federal income tax, net of certain deductions, at the same graduated individual or corporate rates applicable to U.S. persons. If you are a corporation, effectively connected income may also be subject to a "branch profits tax" at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty). Dividends that are effectively connected with your conduct of a trade or business but that under an applicable income tax treaty are not attributable to a U.S. permanent establishment maintained by you may be eligible for a reduced rate of U.S. withholding tax under such treaty, provided you comply with certification and disclosure requirements necessary to obtain treaty benefits.

Sale or Other Disposition of Common Stock

You generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of your shares of common stock unless:

- the gain is effectively connected with your conduct of a trade or business within the United States (and, under certain income tax treaties, is attributable to a U.S. permanent establishment you maintain);
- you are an individual, you are present in the United States for 183 days or more in the taxable year of disposition and you meet other conditions, and you are not eligible for relief under an applicable income tax treaty; or
- we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes (which we believe we are not and have never been, and do not anticipate we will become) and, in the event that our common stock is regularly traded on an established securities market, you hold or have held, directly or indirectly, at any time within the shorter of the five-year period preceding disposition or your holding period for your shares of common stock, more than 5% of our common stock.

Gain that is effectively connected with your conduct of a trade or business within the United States generally will be subject to U.S. federal income tax, net of certain deductions, at the same rates applicable to U.S. persons. If you are a corporation, the branch profits tax (described above) also may apply to such effectively connected gain. If the gain from the sale or disposition of your shares is effectively connected with your conduct of a trade or business in the United States but under an applicable income tax treaty is not attributable to a permanent establishment you maintain in the United States, your gain may be exempt from U.S. tax under the treaty. If you are described in the second bullet point above, you generally will be subject to U.S. tax at a rate of 30% on the gain realized, although the gain may be offset by some U.S. source capital losses realized during the same taxable year.

Information Reporting and Backup Withholding

We must report annually to the IRS the amount of dividends or other distributions we pay to you on your shares of common stock and the amount of tax we withhold on these distributions regardless of whether withholding is required. The IRS may make copies of the information returns reporting those distributions and amounts withheld available to the tax authorities in the country in which you reside pursuant to the provisions of an applicable income tax treaty or exchange of information treaty.

Under certain circumstances, the United States imposes backup withholding on dividends and certain other types of payments to U.S. persons. You will not be subject to backup withholding on dividends you receive on your shares of common stock if you provide proper certification of your status as a non-U.S. person or you are a corporation or one of several types of entities and organizations that qualify for exemption (an "exempt recipient").

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale of your shares of common stock outside the United States through a foreign office of a foreign broker that does not have certain specified connections to the United States. However, if you sell your shares of common stock through a U.S. broker or the U.S. office of a foreign broker, the broker will be required to report the amount of proceeds paid to you to the IRS and also perform backup withholding on that amount unless you provide appropriate certification to the broker of your status as a non-U.S. person or you are an exempt recipient. Information reporting will also apply if you sell your shares of common stock through a foreign broker deriving more than a specified percentage of its income from U.S. sources or having certain other connections to the United States, unless such broker has documenting evidence in its records that you are a non-U.S. person and certain other conditions are met or you are an exempt recipient.

Any amounts withheld with respect to your shares of common stock under the backup withholding rules will be refunded to you or credited against your U.S. federal income tax liability, if any, by the IRS if the required information is furnished in a timely manner.

Estate Tax

Common stock owned or treated as owned by an individual who is not a citizen or resident (as defined for U.S. federal estate tax purposes) of the United States at the time of his or her death will be included in the individual's gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax unless an applicable treaty provides otherwise.

UNDERWRITING

We and the Selling Shareholders intend to offer the shares in the United States and Canada through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc., Goldman, Sachs & Co. and Barclays Capital Inc. are acting as joint book-running managers and as representatives of each of the underwriters named below. Subject to the terms and conditions described in an underwriting agreement among us, the Selling Stockholders and the underwriters, we and the Selling Stockholders have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us and the Selling Stockholders, the number of shares of common stock listed opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
J.P. Morgan Securities Inc.	
Goldman, Sachs & Co.	
Barclays Capital Inc.	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us and the Selling Stockholders that the underwriters propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us and the Selling Stockholders. The information assumes either no exercise or full exercise by the underwriters of their over-allotment options.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to the Company	$	$	$
Proceeds, before expenses, to the Selling Stockholders	$	$	$

The expenses of this offering, not including the underwriting discount, are estimated at $ million and are payable by us.

Over-allotment Options

The Company and the Selling Stockholders have granted options to the underwriters to purchase a total of up to additional shares at the public offering price, less the underwriting discount. The underwriters may exercise these options for 30 days from the date of this prospectus solely to cover any over-allotments. If the underwriters exercise these options, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Indemnification

We and the Selling Stockholders have agreed to indemnify the several underwriters against certain liabilities, including certain liabilities under the Security Act, or to contribute to payments that the underwriters may be required to make for these liabilities.

No Sales of Similar Securities

We and each of our executive officers, directors and stockholders have agreed, with exceptions, not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of the representatives. Specifically, we and these other individuals and entities have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- lend or otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Notwithstanding the foregoing, if: (1) during the last 17 days of the 180-day lock-up period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day lock-up period, then the restrictions imposed by this lock-up provision shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable, unless the representatives waive, in writing, such extension.

New York Stock Exchange Listing

We expect the shares to be approved for listing on the NYSE under the symbol "SYA." In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange. Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us, the Selling Stockholders and the representatives. In addition to

prevailing market conditions, the factors to be considered in determining the initial public offering price are as follows:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;
- our financial information;
- the history of, and the prospects for, our company and the industry in which we compete;
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after this offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price. If the representatives elect to engage in such transactions, they may discontinue them at any time without notice.

In connection with this offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ over-allotment options described above. The underwriters may close out any covered short position by either exercising their over-allotment options or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment options. “Naked” short sales are sales in excess of the over-allotment options. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with this offering, certain of the underwriters, their affiliates or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, the underwriters or their affiliates may facilitate Internet distribution for this offering to certain of their Internet subscription customers. In those cases, prospective investors may view offering terms online and, depending upon the particular underwriter, prospective investors may be allowed to place orders online. The underwriters may allocate a limited number of shares for sale to their online brokerage customers. An electronic prospectus is available on the Internet web sites of certain of the underwriters and their affiliates. Other than the prospectus in electronic format, the information on the web sites of the underwriters and their affiliates is not part of this prospectus and should not be relied upon by investors.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial banking and other dealings in the ordinary course of business with us, our affiliates, and White Mountains Insurance Group, Ltd. They have received, or may in the future receive, customary fees and commissions for these transactions.

For example, J.P. Morgan Securities Inc. and Banc of America Securities LLC (an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated) were initial purchasers in connection with the offering of our 6.125% senior notes due 2016 and were initial purchasers in connection with the offering of our Capital Efficient Notes due 2067. JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities Inc., was involved in the financing of the Acquisition. JPMorgan Chase Bank, N.A., Merrill Lynch Bank USA (an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated), an affiliate of Goldman, Sachs & Co. and Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, are lenders under our revolving credit facility. Under such facility, Bank of America, N.A. also serves as administrative agent, swing line lender and issuing lender, Banc of America Securities LLC serves as sole lead arranger and sole book manager and JPMorgan Chase Bank, N.A. serves as syndication agent. We are party to an arm's length distribution relationship with Chase Insurance Agency, Inc. (an affiliate of J.P. Morgan Securities Inc.) in connection with the sale of our immediate annuity products. Howard L. Clark, Jr., Vice Chair of Barclays Capital Inc., is a director of White Mountains Insurance Group, Ltd.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area, or EEA, which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the underwriters to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares shall result in a requirement for the publication by us or any representative of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision, and the representation below, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(a) it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

Notice to Prospective Investors in Switzerland

This document, as well as any other material relating to the shares which are the subject of the offering contemplated by this prospectus, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The shares will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The shares are being offered in Switzerland by way of a private placement (i.e., to a small number of selected investors only), without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by us from time to time. This document, as well as any other material relating to the shares, is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The shares which are the subject of the offering contemplated by this prospectus may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this document you should consult an authorised financial adviser.

Notice to Prospective Investors in Hong Kong

This prospectus has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The shares will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, (ii) where no consideration is given for the transfer or (iii) by operation of law.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the

relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

LEGAL MATTERS

The validity of our common stock offered hereby will be passed upon for us by Cravath, Swaine & Moore LLP, New York, New York. The underwriters are being represented in connection with this offering by Simpson Thacher & Bartlett LLP, New York, New York. An investment vehicle comprised of several partners of Simpson Thacher & Bartlett LLP, members of their families, related persons and others owns interests representing less than 1% of the capital commitments of funds affiliated with Vestar that hold an interest in Symetra Financial Corporation.

EXPERTS

The consolidated financial statements and schedules of Symetra Financial Corporation at December 31, 2008 and 2007, and for each of the three years in the three-year period ended December 31, 2008, appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act of 1933, as amended, with respect to the common stock we propose to sell in this offering. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement. For further information about us and the common stock we propose to sell in this offering, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. The registration statement may be inspected without charge at the principal office of the SEC in Washington, D.C. and copies of all or any part of the registration statement may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates by mail from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. The SEC's toll-free number is 1-800-SEC-0330. In addition, the SEC maintains a website (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. Prior to this offering, we were not required to file reports with the SEC.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act. The periodic reports and other information that we file with the SEC will be available for inspection and copying at the SEC's public reference facilities and on the website of the SEC referred to above.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Symetra Financial Corporation

We have audited the accompanying consolidated balance sheets of Symetra Financial Corporation (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Symetra Financial Corporation at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7 to the financial statements, in 2008 the Company changed its method of accounting for certain marketable equity securities, hedge funds and private equity funds.

/s/ Ernst & Young LLP

Seattle, Washington
March 6, 2009

CONSOLIDATED BALANCE SHEETS

	December 31, 2008	December 31, 2007
	(In millions, except share and per share data)	
ASSETS		
Investments:		
Available-for-sale securities:		
Fixed maturities, at fair value (cost: **$16,528.4** and $15,644.2, respectively)	$14,887.6	$15,599.9
Marketable equity securities, at fair value (cost: **$52.5** and $174.7, respectively)	38.1	200.8
Trading securities:		
Marketable equity securities, trading, at fair value (cost: **$152.1** and $0, respectively)	106.3	—
Mortgage loans, net	988.7	845.5
Policy loans	75.2	77.2
Short-term investments	9.4	10.9
Investments in limited partnerships (includes **$56.3** and $70.3 measured at fair value, respectively)	138.3	158.8
Other invested assets	8.9	11.9
Total investments	16,252.5	16,905.0
Cash and cash equivalents	468.0	253.9
Accrued investment income	206.3	194.5
Accounts receivable and other receivables	61.7	57.4
Reinsurance recoverables	264.2	253.9
Deferred policy acquisition costs	247.5	132.9
Goodwill	24.3	22.3
Current income tax recoverable	21.1	4.5
Deferred income tax assets, net	785.8	203.1
Property, equipment, and leasehold improvements, net	18.9	23.3
Other assets	57.4	44.2
Securities lending collateral	105.7	283.3
Separate account assets	716.2	1,181.9
Total assets	$19,229.6	$19,560.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Funds held under deposit contracts	$16,810.4	$15,562.0
Future policy benefits	392.1	384.9
Policy and contract claims	133.1	110.9
Unearned premiums	11.9	11.5
Other policyholders' funds	117.3	56.8
Notes payable	448.8	448.6
Other liabilities	207.9	235.2
Securities lending payable	105.7	283.3
Separate account liabilities	716.2	1,181.9
Total liabilities	18,943.4	18,275.1
Commitments and contingencies *(Note 17)*		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 750,000,000 shares authorized; 92,646,295 shares issued and outstanding as of December 31, 2008 and 2007	0.9	0.9
Additional paid-in capital	1,165.5	1,165.5
Retained earnings	172.4	131.2
Accumulated other comprehensive loss, net of taxes	(1,052.6)	(12.5)
Total stockholders' equity	286.2	1,285.1
Total liabilities and stockholders' equity	$19,229.6	$19,560.2

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
		(In millions, except per share data)	
Revenues:			
Premiums	$ 584.8	$ 530.5	$ 525.7
Net investment income	956.5	973.6	984.9
Other revenues	67.8	68.7	56.1
Net realized investment gains (losses)			
Total other-than-temporary impairment losses on securities	(86.4)	(16.2)	(25.7)
Less: portion of losses recognized in other comprehensive income (loss)	—	—	—
Net impairment losses recognized in earnings	(86.4)	(16.2)	(25.7)
Other net realized investment gains (losses)	(71.6)	33.0	27.4
Total net realized investment gains (losses)	(158.0)	16.8	1.7
Total revenues	1,451.1	1,589.6	1,568.4
Benefits and expenses:			
Policyholder benefits and claims	348.5	267.1	264.3
Interest credited	766.1	752.3	765.9
Other underwriting and operating expenses	265.8	281.9	260.5
Interest expense	31.9	21.5	19.1
Amortization of deferred policy acquisition costs	25.8	18.0	14.6
Total benefits and expenses	1,438.1	1,340.8	1,324.4
Income from operations before income taxes	13.0	248.8	244.0
Provision (benefit) for income taxes:			
Current	23.8	62.8	92.4
Deferred	(32.9)	18.7	(7.9)
Total provision (benefit) for income taxes	(9.1)	81.5	84.5
Net income	$ 22.1	$ 167.3	$ 159.5
Net income per common share:			
Basic	$ 0.20	$ 1.50	$ 1.43
Diluted	$ 0.20	$ 1.50	$ 1.43
Weighted-average number of common shares outstanding:			
Basic	111.622	111.622	111.622
Diluted	111.622	111.622	111.622
Cash dividends declared per common share	$ —	$ 1.79	$ 0.90

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
			(In millions)		
Balances at January 1, 2006	$ 0.9	$ 1,165.5	$ 101.9	$ 136.6	$ 1,404.9
Comprehensive income, net of taxes:					
Net income	—	—	159.5	—	159.5
Other comprehensive income, net of taxes:					
Net unrealized losses on investment securities (net of taxes: $(75.4))	—	—	—	(140.0)	(140.0)
Derivatives qualifying as cash flow hedges (net of taxes: $1.6)	—	—	—	2.9	2.9
Total comprehensive income, net of taxes					22.4
Dividend distributions	—	—	(100.0)	—	(100.0)
Balances at December 31, 2006	$ 0.9	$ 1,165.5	$ 161.4	$ (0.5)	$ 1,327.3
Balances at January 1, 2007	$ 0.9	$ 1,165.5	$ 161.4	$ (0.5)	$ 1,327.3
Cumulative effect adjustment — new accounting guidance (net of taxes: $(1.3))	—	—	2.5	(2.5)	—
Comprehensive income, net of taxes:					
Net income	—	—	167.3	—	167.3
Other comprehensive income, net of taxes:					
Net unrealized losses on investment securities (net of taxes: $(2.5))	—	—	—	(4.6)	(4.6)
Derivatives qualifying as cash flow hedges (net of taxes: $(2.6))	—	—	—	(4.9)	(4.9)
Total comprehensive income, net of taxes					157.8
Dividend distributions	—	—	(200.0)	—	(200.0)
Balances at December 31, 2007	$ 0.9	$ 1,165.5	$ 131.2	$ (12.5)	$ 1,285.1
Balances at January 1, 2008	$ 0.9	$ 1,165.5	$ 131.2	$ (12.5)	$ 1,285.1
Cumulative effect adjustment — new accounting guidance (net of taxes: $(10.3))	—	—	19.1	(19.1)	—
Comprehensive income, net of taxes:					
Net income	—	—	22.1	—	22.1
Other comprehensive income, net of taxes:					
Net unrealized losses on investment securities (net of taxes: $(549.8))	—	—	—	(1,021.0)	(1,021.0)
Total comprehensive loss, net of taxes					(998.9)
Balances at December 31, 2008	$ 0.9	$ 1,165.5	$ 172.4	$ (1,052.6)	$ 286.2

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
		(In millions)	
Cash flows from operating activities			
Net income	$ 22.1	$ 167.3	$ 159.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Net realized investment (gains) and losses	158.0	(16.8)	(1.7)
Accretion of fixed maturity investments and mortgage loans	36.4	58.3	72.4
Accrued interest on bonds	(33.4)	(38.5)	(43.4)
Amortization and depreciation	14.6	13.6	12.0
Deferred income tax provision (benefit)	(32.9)	18.7	(7.9)
Interest credited on deposit contracts	766.1	752.3	765.9
Mortality and expense charges and administrative fees	(96.7)	(94.1)	(91.2)
Changes in:			
Accrued investment income	(11.8)	12.2	7.2
Deferred policy acquisition costs	(89.6)	(42.3)	(39.1)
Other receivables	(13.7)	17.2	(28.9)
Future policy benefits	7.2	8.5	4.9
Policy and contract claims	22.2	(8.6)	(16.1)
Accrued income taxes	(16.6)	(7.1)	28.8
Other assets and liabilities	1.2	(24.1)	(29.0)
Other, net	(0.1)	(2.8)	1.2
Total adjustments	710.9	646.5	635.1
Net cash provided by operating activities	733.0	813.8	794.6
Cash flows from investing activities			
Purchases of:			
Fixed maturities and marketable equity securities	(2,286.7)	(2,646.3)	(1,759.2)
Other invested assets and investments in limited partnerships	(33.5)	(62.6)	(12.5)
Issuances of mortgage loans	(224.5)	(150.0)	(122.0)
Issuances of policy loans	(16.2)	(17.8)	(19.6)
Maturities, calls, paydowns, and other	922.0	974.8	912.8
Securities lending collateral returned, net	174.4	159.9	151.0
Acquisitions, net of cash received	(9.2)	(22.0)	—
Sales of:			
Fixed maturities and marketable equity securities	371.8	2,123.8	1,676.6
Other invested assets and investments in limited partnerships	29.6	13.2	6.8
Repayments of mortgage loans	80.1	94.8	99.1
Repayments of policy loans	17.0	18.7	20.7
Net (increase) decrease in short-term investments	1.5	38.0	(41.5)
Purchases of property, equipment, and leasehold improvements	(2.0)	(2.2)	(3.2)
Other, net	(1.1)	—	(0.1)
Net cash provided by (used in) investing activities	(976.8)	522.3	908.9
Cash flows from financing activities			
Policyholder account balances:			
Deposits	$ 1,970.8	$ 820.0	$ 660.5
Withdrawals	(1,322.0)	(1,884.3)	(2,016.0)
Securities lending collateral paid, net	(174.4)	(159.9)	(151.0)
Repayment of notes payable	—	—	(300.0)
Proceeds from notes payable	—	149.8	298.7
Dividend distributions	—	(200.0)	(100.0)
Other, net	(16.5)	(61.0)	46.5
Net cash provided by (used in) financing activities	457.9	(1,335.4)	(1,561.3)
Net increase in cash and cash equivalents	214.1	0.7	142.2
Cash and cash equivalents at beginning of period	253.9	253.2	111.0
Cash and cash equivalents at end of period	$ 468.0	$ 253.9	$ 253.2
Supplemental disclosures of cash flow information			
Net cash paid during the year for:			
Interest	$ 31.3	$ 18.5	$ 17.8
Income taxes	40.4	69.6	62.8
Non-cash transactions during the year:			
Investments in limited partnerships and capital obligations incurred	4.2	20.0	19.9

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts in millions, unless otherwise stated)

1. Organization and Description of Business

Symetra Financial Corporation is a Delaware corporation privately owned by an investor group led by White Mountains Insurance Group, Ltd. and Berkshire Hathaway Inc. The accompanying financial statements include on a consolidated basis the accounts of Symetra Financial Corporation and its subsidiaries, which are collectively referred to as "Symetra Financial" or "the Company."

The Company's subsidiaries offer group and individual insurance products and retirement products, including annuities marketed through professional agents and distributors in all states and the District of Columbia. The Company's principal products include medical stop-loss insurance, fixed and variable deferred annuities, single premium immediate annuities and individual life insurance.

The Company's primary operating subsidiaries and insurance subsidiaries are as follows:

- Symetra Life Insurance Company
- First Symetra National Life Insurance Company of New York
- Symetra National Life Insurance Company
- Symetra Securities, Inc.
- Symetra Investment Services, Inc.
- Symetra Assigned Benefits Service Company
- Clearscape Funding Corporation
- Medical Risk Managers Holdings, Inc. (MRM)

Common and Preferred Stock (in millions, except par value and share amounts)

The Company has 750,000,000 authorized shares of common stock, $0.01 par value per share, and 10,000,000 authorized shares of preferred stock, $0.01 par value per share. The Company's Board of Directors has the authority to designate the preferred stock into series and to designate the voting powers, preferences and other rights of the shares of each series without further stockholder approval. In 2004, the Company issued warrants to its two lead investors. The warrants remained outstanding as of December 31, 2008, and are exercisable at any time until August 2, 2014, for 18,975,744 shares of common stock in the aggregate at an exercise price of $11.49 per share.

On October 26, 2007, the Company executed a 7.7-for-1 stock dividend (substantially equivalent to an 8.7-for-1 stock split) that increased the shares of common stock outstanding from 10,649,000 to 92,646,295, and the shares subject to outstanding warrants from 2,181,120 to 18,975,744. The stock split, effected in the form of a dividend, has been reflected retroactively in these financial statements for all periods presented.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that may affect the amounts reported in the consolidated financial statements and accompanying notes.

The most significant estimates include those used to determine the following: valuation of investments; the identification of other-than-temporary impairments of investments; the balance, recoverability and amortization of deferred policy acquisition costs (DAC); the liabilities for funds held under deposit contracts, future policy benefits, and policy and contract claims; and income taxes. The recorded amounts

reflect management's best estimates, though actual results could differ from those estimates. Management believes the amounts provided are appropriate.

The consolidated financial statements include the accounts of Symetra Financial Corporation and its subsidiaries that are wholly owned, directly or indirectly. All significant intercompany transactions and balances have been eliminated.

Recognition of Insurance Revenue and Related Benefits

Premiums from group life and health insurance products are recognized as revenue when earned over the life of the policy. The Company reports a liability for the portion of premiums unearned on the consolidated balance sheets. Benefit claims are charged to operations as incurred. These policies are short-duration contracts.

Traditional individual life insurance products, primarily term and whole life insurance products, are long-duration contracts consisting principally of products with fixed and guaranteed premiums and benefits. Premiums from these products are recognized as revenue when due. Benefits and expenses are associated with earned premiums to result in the recognition of profits over the life of the policy. This association is accomplished by the provision for future policy benefits and the deferral and amortization of policy acquisition costs.

Deposits related to universal life-type, limited payment-type and investment-type products are credited to policyholder account balances and reflected as liabilities rather than as premium income when received. Revenues from these contracts consist of investment income on the policyholders' fund balances and amounts assessed during the period against policyholders' account balances for cost of insurance charges, policy administration charges, and surrender charges. The Company includes these cost of insurance charges in premiums. Policy administration charges and surrender charges are included in other revenues in the consolidated statements of income. Amounts that are charged to operations include interest credited and benefit claims incurred in excess of related policyholder account balances.

Variable product fees are charged to variable annuity and variable life policyholders' accounts based upon the daily net assets of the policyholders' account values and are recognized as other revenues when charged. Mortality and expense charges, policy administration charges, and surrender charges are included in other revenues in the consolidated statements of income.

Investments

Available-for-Sale Securities

The Company classifies its investments in fixed maturities and certain marketable equity securities as available-for-sale securities and carries them at fair value. Fixed maturities include bonds, mortgage-backed securities and redeemable preferred stock. Marketable equity securities primarily include nonredeemable preferred stock, which consist of investments in publicly traded companies and certain mutual funds.

The Company reports net unrealized investment gains (losses) related to its available-for-sale securities in accumulated other comprehensive income (loss) in stockholders' equity, net of related DAC and deferred income taxes.

The Company reports interest and dividends earned in net investment income. When the collectibility of interest income for fixed maturities is considered doubtful, any accrued but uncollectible interest is reversed against investment income in the current period. The Company then places the securities on nonaccrual status, and they are not restored to accrual status until all delinquent interest and principal are paid. For mortgage-backed securities, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. Quarterly, the Company compares actual prepayments to anticipated prepayments and recalculates the effective yield to reflect actual payments to date plus anticipated future payments. The Company includes any resulting adjustment in net investment income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

Trading Securities

On January 1, 2008, the Company adopted new accounting guidance that allowed the Company to elect fair value accounting for its investments in common stock. Prior to January 1, 2008 these investments were accounted for as available-for-sale securities. As a result, the impact of changes in the fair value of the Company's trading portfolio is recorded in net realized investment gains (losses) in the consolidated statements of income.

Investment Valuation

The Company uses quoted market prices or public market information to determine the fair value of its investments when such information is available. When such information is not available, as in the case of securities that are not publicly traded, the Company uses other valuation techniques. These techniques include evaluating discounted cash flows, identifying comparable securities with quoted market prices, and using internally prepared valuations based on certain modeling and pricing methods. The Company's investment portfolio at December 31, 2008 and 2007 included $632.2 and $656.5, respectively, of fixed maturities and $0 and $21.1, respectively, of marketable equity securities that were not publicly traded, and values for these securities were determined using these other valuation techniques. See Note 7 for additional disclosures about fair value measurements.

The cost of securities sold is determined by the specific-identification method.

Other-Than-Temporary Impairments

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company's review of investment securities includes both quantitative and qualitative criteria. Quantitative criteria include the length of time and amount that each security is in an unrealized loss position and, for fixed maturities, whether the issuer is in compliance with the terms and covenants of the security.

The Company's review of its fixed maturities and marketable equity securities (non-trading) for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value has declined and remained below cost or amortized cost by less than 20%, (ii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for less than six months and (iii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for six months or longer. While all securities are monitored for impairment, the Company's experience indicates that the first category does not represent a significant risk of impairment and, often, fair values recover over time as the factors that caused the declines improve. The Company performs a qualitative analysis by issuer to identify securities in category (i) that should be further evaluated for OTTI.

If the value of any of the Company's investments falls into the second or third category, the Company analyzes the decrease to determine whether it is an other-than-temporary decline in value. To make this determination for each security, the Company considers:

- How long and by how much the fair value has been below its cost or amortized cost.
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential.
- The Company's intent and ability to hold the security long enough for it to recover its value, considering any long-range plans that may affect the Company's ability to hold securities.
- Any downgrades of the security by a rating agency.

- Any reduction or elimination of dividends or nonpayment of scheduled interest payments.

Based on the analysis, the Company makes a judgment as to whether the loss is other-than-temporary. If the loss is other-than-temporary, the Company records an impairment charge within net realized investment gains (losses) in its consolidated statements of income in the period that the Company makes the determination. In addition, any impaired investment where the Company does not have the intent and ability to hold the security long enough for it to recover its value is recorded as an other-than-temporary impairment.

Mortgage Loans

The Company carries mortgage loans at outstanding principal balances, less a valuation allowance. The allowance for losses on mortgage loans provides for the risk of credit losses inherent in the lending process. The allowance includes a portfolio reserve for probable incurred but not specifically identified losses and loan specific reserves for non-performing loans. We define non-performing loans as a loan for which it is probable that amounts due according to the terms of the loan agreement will not be collected. As of December 31, 2008 and 2007 no loans were considered non-performing. The portfolio reserve for probable incurred but not specifically identified losses considers our past loan experience, the current credit composition of the portfolio and takes into account market considerations.

Policy Loans

Policy loans are carried at unpaid principal balances. Policy loans are secured and are not granted for amounts in excess of the accumulated cash surrender value of the policy or contract.

Short-Term Investments

Short-term investments consist of highly liquid debt instruments with original maturities of greater than three months and less than twelve months when purchased.

Investments in Limited Partnerships

Investments in limited partnerships consist of $56.3 of investments in hedge funds and private equity funds, recorded at fair value under new fair value accounting guidance adopted January 1, 2008, and $82.0 of investments in affordable housing projects and state tax credit funds recorded at amortized cost. The impact of changes in the fair value of hedge funds and private equity funds is recorded in net investment income in the consolidated statements of income. Prior to adoption of the new accounting guidance on January 1, 2008, hedge funds and private equity funds where the Company had a 3% or greater interest were accounted for under the equity method. Income (loss) from equity method investments is recorded in net investment income. See Note 7 for discussion of fair value and impact from the adoption of SFAS No. 159.

The Company has identified certain investments in limited partnerships that meet the definition of a variable interest entity (VIE). Based on the analysis of these interests, the Company does not meet the definition of “primary beneficiary” of any of these partnerships and therefore has not consolidated these entities. The maximum exposure to loss as a result of the Company’s involvement in its VIEs was $181.4 and $204.7 as of December 31, 2008 and 2007, respectively. The maximum exposure to loss includes commitments to provide future capital contributions as described in Note 17.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand bank deposits and short-term highly liquid investments with original maturities of three months or less at the time of purchase. Cash equivalents are reported at cost, which approximates fair value, and were $441.6 and $242.7 as of December 31, 2008 and 2007, respectively.

At December 31, 2008, $366.9 of total cash equivalents was held at a single highly rated financial institution. At December 31, 2007, $105.2 and $81.7 were held with two highly rated financial institutions.

Derivative Financial Instruments

Derivative financial instruments are included in other invested assets at fair value on the Company's consolidated balance sheets. The Company's financial statement recognition of the change in fair value of a derivative depends on the intended use of the derivative and the extent to which it is effective as part of a hedging transaction. Derivatives that are highly effective and designated as either fair value or cash flow hedges receive hedge accounting treatment.

Derivatives that hedge variable rate assets or liabilities or forecasted transactions are designated as cash flow hedges.

For such derivatives, the Company recognizes the changes in the fair value of the derivative as a component of accumulated other comprehensive loss, net of deferred income taxes, until the hedged transaction affects current earnings. At the time current earnings are affected by the variability of cash flows, the related portion of deferred gains or losses on cash flow hedge derivatives is reclassified from accumulated other comprehensive loss and recorded in the consolidated statements of income.

When the changes in the fair value of such derivatives do not perfectly offset the changes in the fair value of the hedged transaction, the Company recognizes the ineffective portion in the consolidated statements of income. For hedge ineffectiveness and derivatives that do not qualify for hedge accounting treatment, the Company records the changes in the fair value of these derivatives in net realized investment gains (losses) in the consolidated statements of income.

The Company formally documents all relationships between the hedging instruments and hedged items, as well as risk-management objectives and strategies for undertaking various hedge transactions. The Company links all hedges that are designated as cash flow hedges to specific variable rate assets or liabilities or to forecasted transactions. The Company also assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge, the Company discontinues hedge accounting on a prospective basis.

Reinsurance

The Company utilizes reinsurance agreements to manage its exposure to potential losses. The Company reinsures all or a portion of its risk to reinsurers for certain types of directly written business. In addition, the Company reinsures through pools to cover catastrophic losses. Reinsurance does not affect the Company's liability to its policyholders. Accordingly, the future policy benefit reserves and policy and contract claims liabilities are reported gross of any related reinsurance recoverables. The Company reports premiums, benefits, and settlement expenses net of reinsurance ceded on the consolidated statements of income. The Company accounts for reinsurance premiums, commissions, expense reimbursements, benefits and reserves related to reinsured business on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. The Company remains liable to its policyholders to the extent that counterparties to ceded reinsurance contracts do not meet their contractual obligations.

Deferred Policy Acquisition Costs

The Company defers as assets certain costs, principally commissions, distribution costs and other underwriting costs, that vary with and are primarily related to the production of business. The Company limits deferrals to the lesser of the acquisition costs contained in the Company's product pricing assumptions or actual costs incurred.

The Company amortizes acquisition costs for deferred and immediate annuity contracts and universal life insurance policies over the lives of the contracts or policies in proportion to the estimated future gross profits of each of these product lines. In this estimation process, the Company makes assumptions as to surrender rates, mortality experience, maintenance expenses, and investment performance. Actual profits can vary from the estimates and can thereby result in increases or decreases to DAC amortization rates. For interest-sensitive life products, the Company regularly evaluates its assumptions and, when necessary, revises the estimated gross profits of these contracts, resulting in adjustments to DAC amortization. When such estimates are revised, they are recorded in current earnings. The Company adjusts the unamortized balance of DAC for the impact on estimated future gross profits as if net unrealized investment gains and losses on securities had been realized as of the balance sheet date. The Company includes the impact of this adjustment, net of tax, in accumulated other comprehensive loss in Stockholders' Equity.

The Company amortizes acquisition costs for traditional individual life insurance policies over the premium paying period of the related policies, using assumptions consistent with those used in computing policy benefit liabilities. The Company amortizes acquisition costs for group medical policies over the policy period of one year.

The Company conducts regular recoverability analyses for deferred and immediate annuity contract, universal life contract, and traditional life contract DAC asset balances. The Company compares the current DAC asset balance with the estimated present value of future profitability of the underlying business. The DAC asset balances are considered recoverable if the present value of future profits is greater than the current DAC asset balance. As of December 31, 2008 and 2007, all of the DAC asset balances were considered recoverable.

For some products, policyholders can elect to modify product benefits, features, rights or coverage by exchanging a contract for a new contract or by amendment, endorsement or rider to a contract or by election of a feature or coverage within a contract. These transactions are known as internal replacements. If the modification substantially changes the contract, the DAC is immediately written off through income and any new deferrable costs associated with the replacement contract are deferred. If the modification does not substantially change the contract, the DAC is retained and amortized over the life of the modified contract and any acquisition costs associated with the related modification are expensed.

Goodwill

Goodwill, which represents the excess of the cost of businesses acquired over the fair value of the net assets, was primarily attributable to MRM in the Company's Group operating segment. Goodwill is not amortized but is tested for impairment at least annually using a fair value approach, which requires the use of estimates and judgment. No impairment was recorded for the years ended December 31, 2008, 2007 and 2006.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Estimated useful lives generally range from one to ten years for leasehold improvements and three to ten years for all other property and equipment. Leasehold improvements are amortized over the shorter of their economic useful lives or the term of the lease.

Leases

Certain operating leases of the Company provide for minimum annual payments that change over the life of the lease. The aggregate minimum annual payments are expensed on the straight-line basis over the minimum lease term. The Company recognizes a deferred rent liability for minimum step rents when the amount of rent expense exceeds the actual lease payments, and reduces the deferred rent liability when the

actual lease payments exceed the amount of straight-line rent expense. Rent holidays, rent incentives, and tenant improvement allowances are amortized on the straight-line basis over the initial term of the lease and any option period that is reasonably assured.

Deferred Sales Inducements

The Company defers sales inducements to contractholders for bonus interest and sales inducement interest on deferred annuities. The inducement interest entitles the contractholder to an incremental amount of interest to be credited to the account value over a 12- to 60-month period following the initial deposit, depending on the product. The incremental interest causes the initial credited rate to be higher than the contract's expected ongoing crediting rates for periods after the inducement. Deferred sales inducements to contractholders are reported as other assets and amortized into interest credited to policyholder account values using the same methodology and assumptions used to amortize DAC.

Separate Accounts

Separate account assets and liabilities reported on the accompanying consolidated balance sheets represent funds that the Company administers and invests to meet the specific fund allocations of the policyholders of variable annuity, life, and universal life contracts. The assets of each separate account are legally segregated and are not subject to claims that arise out of the Company's other business activities. Net investment income and net realized and unrealized investment gains and losses accrue directly to such policyholders who bear the investment risk, subject to guaranteed minimum death benefits (GMDB). For variable annuity contracts with GMDB, the Company contractually guarantees total deposits made to the contract, less any partial withdrawals, in the event of death. The Company offers three types of GMDB contracts consisting of return of premium and two versions of ratchet, which are evaluated every fifth and eighth year, respectively. The ratchet reset benefit is equal to the immediately preceding GMDB or is "stepped up" to the account value on the evaluation date, if higher.

The Company reinsures nearly all of the GMDB risk on its individual variable annuity contracts. Therefore, the net GMDB liability balance is not material. The Company does not include investment results accruing directly to the policyholder in its revenues. Fees charged to policyholders include mortality, policy administration, and surrender charges and are included in other revenues.

Funds Held Under Deposit Contracts

Liabilities for fixed deferred annuity contracts, guaranteed investment contracts, and universal life policies, including bank-owned life insurance (BOLI), are computed as deposits net of withdrawals made by the policyholder, plus amounts credited based on contract specifications, less contract fees and charges assessed, plus any additional interest. For single premium immediate annuities (SPIAs), including structured settlements, future benefits are either fully guaranteed or are contingent on the survivorship of the annuitant. Liabilities are based on discounted amounts of estimated future benefits. Contingent future benefits are discounted with current pricing mortality assumptions, which include provisions for longer life spans over time. The interest rate pattern used to calculate the reserves for SPIAs is set at issue. The interest rates within the pattern vary over time and start with interest rates that prevailed at the contract issue. The weighted-average implied interest rate on the existing block is currently 5.9% and will grade to an ultimate assumed level of 6.7% in about 17 years.

Future Policy Benefits

The Company computes liabilities for future policy benefits under traditional individual life and group life insurance policies on the level premium method, which uses a level premium assumption to fund reserves. The Company selects the level premiums so that the actuarial present value of future benefits equals the actuarial present value of future premiums. The Company sets the interest, mortality, and persistency

assumptions in the year of issue and includes a provision for adverse deviation. These liabilities are contingent upon the death of the insured while the policy is in force. The Company derives mortality assumptions from both company-specific and industry statistics. The Company discounts future benefits at interest rates that vary by year of policy issue, are set initially at a rate consistent with portfolio rates at the time of issue, and graded to a lower rate, such as the statutory valuation interest rate, over time. Assumptions are set at the time each product is introduced and are not updated for actual experience unless the total product liability amount is determined to be inadequate to cover future policy benefits. The provision for adverse deviation is intended to provide coverage for the risk that actual experience may be worse than locked-in best-estimate assumptions.

Policy and Contract Claims

Liabilities for policy and contract claims primarily represent liabilities for claims under group medical coverages and are established on the basis of reported losses (case basis method). The Company also provides for claims incurred but not reported (IBNR), based on expected loss ratios, claims paying completion patterns, and historical experience. The Company periodically reviews estimates for reported but unpaid claims and IBNR. Any necessary adjustments are reflected in current operating results. If expected loss ratios increase or expected claims paying completion patterns extend, the IBNR claim liability increases.

Income Taxes

Income taxes have been provided using the liability method. The provision for income taxes has two components: amounts currently payable or receivable and deferred income taxes. The deferred income taxes are calculated as the difference between the book and tax basis of the appropriate assets and liabilities and are measured using enacted tax rates. Deferred tax assets are recognized only to the extent that it is probable that future tax profits will be available. A valuation allowance is established where deferred tax assets cannot be recognized.

Adoption of New Accounting Pronouncements

SFAS No. 157, Fair Value Measurements

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The adoption of SFAS No. 157 did not have a material impact on the Company's consolidated financial statements. Additionally, on January 1, 2008, the Company elected the partial adoption of SFAS No. 157 under the provisions of FASB Staff Position (FSP) FAS 157-2, which amends SFAS No. 157 to allow an entity to delay the application of the Statement until January 1, 2009 for certain non-financial assets and liabilities. Under the provisions of the FSP, the Company delayed the application of SFAS No. 157 for fair value measurements used in the impairment testing of goodwill and eligible non-financial assets and liabilities included within a business combination. In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. The FSP provides clarification and guidance on how management's internal assumptions, observable market information, and market quotes are considered when applying SFAS No. 157 in inactive markets. The adoption of FSP FAS 157-3 did not have a material impact on the Company's consolidated financial statements. See Note 7 for additional disclosures about fair value measurements.

SFAS No. 159, Fair Value Options

On January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The Statement allows companies to make an election, on an individual instrument basis, to report financial assets and liabilities at fair value. The election must be made at the inception of a transaction and may not be reversed. The election may also be made for existing financial assets and liabilities

at the time of adoption. The Company elected the fair value option for certain of its investments in common stock, which are presented as trading securities, and its investments in hedge funds and private equity funds, regardless of ownership percentage, which are presented as investments in limited partnerships. See Note 7 for additional disclosure about the effects of this adoption and fair value measurements.

FIN No. 48, Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109

In June 2006, the FASB issued FIN No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109, Accounting for Income Taxes.* FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN No. 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the provisions of FIN No. 48 on January 1, 2007. The Company did not recognize a change in the liability for unrecognized tax benefits or an adjustment to retained earnings upon adoption.

SFAS No. 155, Accounting for Certain Hybrid Financial Instruments

On January 1, 2007, the Company adopted SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments*. SFAS No. 155 amends certain paragraphs of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. SFAS No. 155 also resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets*. In summary, SFAS No. 155 eliminates the requirement to bifurcate financial instruments with embedded derivatives if the holder of the instrument elects to account for the entire instrument on a fair value basis. Changes in fair value are recorded as realized gains (losses). The fair value election may be applied upon adoption of the statement for hybrid instruments that had been bifurcated under SFAS No. 133 prior to adoption.

Upon adoption of SFAS No. 155, the Company recorded an adjustment of $2.5 in gross gains, net of tax, to reclassify net unrealized gains on investments to beginning retained earnings to reflect the cumulative effective of adoption. At December 31, 2007 and 2008, the Company had $75.2 and $50.5, respectively, of convertible securities recorded at fair value in fixed maturities.

Accounting Pronouncements Not Yet Adopted

SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company adopted SFAS No. 160 effective January 1, 2009. The adoption did not have a material impact on the Company's consolidated financial statements.

SFAS No. 141(R), Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. SFAS No. 141(R) establishes principles and requirements for how the acquirer of a business would recognize and measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; the goodwill acquired in the business combination or a gain from a bargain purchase; and the appropriate disclosures. The Company adopted SFAS No. 141(R) effective January 1, 2009. The adoption of this Statement will impact future business combinations.

(All dollar amounts in millions, unless otherwise stated)

3. Earnings Per Share

Basic earnings per share represent the amount of earnings for the period available to each share of common stock outstanding during the reporting period. Diluted earnings per share represent the amount of earnings for the period available to each share of common stock outstanding during the reporting period, adjusted for the potential issuance of common stock, if dilutive. All outstanding warrants are considered participating securities or potential common stock securities that are included in weighted-average common shares outstanding for purposes of computing basic earnings per share using the two-class method. The warrants are considered participating securities or potential common stock securities because the terms of the warrants entitle the holders to receive any dividends declared on the common stock concurrently with the holders of outstanding shares of common stock, on a one-to-one basis, without regard to whether the warrants are exercised prior to the record date for any such dividend.

The following table presents information relating to the Company's calculations of basic and diluted earnings per share (EPS):

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Numerator:			
Net income, as reported	$ 22.1	$ 167.3	$ 159.5
Denominator:			
Common stock	92.646	92.646	92.646
Warrants	18.976	18.976	18.976
Weighted-average common shares outstanding — basic and diluted	111.622	111.622	111.622
Net income per common share:			
Basic	$ 0.20	$ 1.50	$ 1.43
Diluted	$ 0.20	$ 1.50	$ 1.43

4. Investments

The following tables summarize the Company's fixed maturities and marketable equity securities:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2008				
Fixed maturities:				
U.S. government and agencies	$ 155.5	$ 5.2	$ (3.9)	$ 156.8
State and political subdivisions	488.8	0.9	(64.8)	424.9
Foreign governments	31.4	3.2	—	34.6
Corporate securities	10,584.2	105.1	(1,376.5)	9,312.8
Mortgage-backed securities	5,268.5	102.1	(412.1)	4,958.5
Total fixed maturities	16,528.4	216.5	(1,857.3)	14,887.6
Marketable equity securities, available-for-sale	52.5	—	(14.4)	38.1
Total	$ 16,580.9	$ 216.5	$ (1,871.7)	$ 14,925.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2007				
Fixed maturities:				
U.S. government and agencies	$ 193.1	$ 3.7	$ (2.7)	$ 194.1
State and political subdivisions	490.1	13.0	(4.1)	499.0
Foreign governments	122.1	4.3	(0.1)	126.3
Corporate securities	10,184.8	151.2	(218.9)	10,117.1
Mortgage-backed securities	4,654.1	47.5	(38.2)	4,663.4
Total fixed maturities	15,644.2	219.7	(264.0)	15,599.9
Marketable equity securities, available-for-sale	174.7	36.4	(10.3)	200.8
Total	$ 15,818.9	$ 256.1	$ (274.3)	$ 15,800.7

Of the U.S. government and agencies securities, agencies comprised $132.1 and $170.9 of the fair value, with $3.9 and $0.1 of gross unrealized losses, at December 31, 2008 and 2007, respectively.

The following table shows the Company's investments' gross unrealized losses and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2008						
Fixed maturities:						
U.S. government and agencies	$ 52.4	$ (3.9)	$ —	$ —	$ 52.4	$ (3.9)
State and political subdivisions	305.0	(57.0)	73.1	(7.8)	378.1	(64.8)
Corporate securities	4,572.0	(498.0)	2,789.7	(878.5)	7,361.7	(1,376.5)
Mortgage-backed securities	1,351.1	(224.5)	762.4	(187.6)	2,113.5	(412.1)
Total fixed maturities	6,280.5	(783.4)	3,625.2	(1,073.9)	9,905.7	(1,857.3)
Marketable equity securities, available-for-sale	14.8	(11.2)	23.3	(3.2)	38.1	(14.4)
Total	$ 6,295.3	$ (794.6)	$ 3,648.5	$ (1,077.1)	$ 9,943.8	$ (1,871.7)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2007						
Fixed maturities:						
U.S. government and agencies	$ 33.7	$ (0.4)	$ 34.3	$ (2.3)	$ 68.0	$ (2.7)
State and political subdivisions	13.4	(0.6)	82.7	(3.5)	96.1	(4.1)
Foreign governments	—	—	10.6	(0.1)	10.6	(0.1)
Corporate securities	2,837.3	(109.5)	2,520.4	(109.4)	5,357.7	(218.9)
Mortgage-backed securities	647.8	(8.8)	1,553.3	(29.4)	2,201.1	(38.2)
Total fixed maturities	3,532.2	(119.3)	4,201.3	(144.7)	7,733.5	(264.0)
Marketable equity securities, available-for-sale	59.7	(10.1)	0.9	(0.2)	60.6	(10.3)
Total	$ 3,591.9	$ (129.4)	$ 4,202.2	$ (144.9)	$ 7,794.1	$ (274.3)

The Company reviewed all its investments with unrealized losses at the end of 2008 and 2007 in accordance with the impairment policy described in Note 2. The Company's evaluation determined, after the recognition of other-than-temporary impairment, the remaining declines in fair value were temporary, and it had the intent and ability to hold them until recovery. As of December 31, 2008 and 2007, $883.6 and $128.9, respectively, of unrealized losses for a period of twelve months or more related to investment-grade fixed maturity securities. Unrealized losses on investment-grade securities are principally related to changes in interest rates or changes in the issuer and the sector-related credit spreads since the securities were acquired. Sector-related credit spreads widened substantially in the fourth quarter of 2008. As of December 31, 2008 and 2007, the Company had the intent and ability to hold these investments for a period of time sufficient for them to recover in value.

At December 31, 2008 and 2007, the Company held below-investment-grade fixed maturities with fair values of $458.8 and $586.6, respectively, and amortized costs of $680.1 and $599.4, respectively. These holdings amounted to 3.1% and 3.7% of the Company's investments in fixed maturities at fair value as of December 31, 2008 and 2007, respectively. The fixed maturity portfolio also included not-rated securities with fair values of $707.2 and $722.4, respectively, and amortized costs of $802.7 and $720.5, respectively. These holdings amounted to 4.8% and 4.6%, respectively, of the Company's investments in fixed maturities at fair value as of December 31, 2008 and 2007.

As of December 31, 2008 and 2007, the majority of the Company's mortgage-backed securities were classified as prime. Approximately $0.8 and $1.8, representing 0.02% and 0.04% of the fair value of total mortgage-backed securities, were classified as subprime at December 31, 2008 and 2007, respectively. The subprime mortgage-backed securities were issued from a dedicated second-lien shelf, which the Company considers to be a subprime risk regardless of credit score or other metrics. The Company does not own any securities from dedicated subprime shelves. The subprime securities had a Standard & Poor's (S&P) credit rating of B and AAA as of December 31, 2008 and 2007, respectively.

In addition, based on a review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios, the Company classified certain securities as Alt-A, as each has overall collateral credit quality between prime and subprime. At December 31, 2008 and 2007, $155.5 and $209.7 were classified as Alt-A, representing 3.1% and 4.7%, respectively, of the fair value of total mortgage-backed securities. Of the securities classified as Alt-A, $155.5 and $190.5, or 100% and 90.8%, had an S&P credit rating of AAA as of December 31, 2008 and 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

The Company's investments in asset-backed securities, which are included in mortgage-backed securities, had fair values of $157.2 and $160.2 as of December 31, 2008 and 2007, respectively.

The following table summarizes the cost or amortized cost and fair value of fixed maturities at December 31, 2008, by contractual years to maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Cost or Amortized Cost	Fair Value
One year or less	$ 384.9	$ 379.4
Over one year through five years	2,573.2	2,382.7
Over five years through ten years	2,967.4	2,609.9
Over ten years	5,334.4	4,557.1
Mortgage-backed securities	5,268.5	4,958.5
Total fixed maturities	$ 16,528.4	$ 14,887.6

The carrying value of certain securities and cash on deposit with state regulatory authorities was $10.6 and $9.8 at December 31, 2008 and 2007, respectively.

For the year ended December 31, 2008, financial institutions, U.S. federal government and utilities industries represented 24.8%, 20.6% and 11.1%, respectively, of the Company's investments in fixed maturity and marketable equity securities at fair value.

For the year ended December 31, 2007, financial institutions, U.S. federal government and utilities industries represented 25.9%, 18.9% and 12.5%, respectively, of the Company's investments in fixed maturity and marketable equity securities at fair value.

The following table summarizes the Company's net investment income:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Fixed maturities	$ 930.7	$ 911.4	$ 930.3
Marketable equity securities, available-for-sale	3.4	5.8	6.8
Marketable equity securities, trading	2.7	—	—
Mortgage loans	59.4	50.0	48.8
Policy loans	4.5	4.7	4.9
Investments in limited partnerships	(36.4)	—	4.7
Other	11.5	20.9	13.4
Total investment income	975.8	992.8	1,008.9
Investment expenses	(19.3)	(19.2)	(24.0)
Net investment income	$ 956.5	$ 973.6	$ 984.9

The fair value of investments in fixed maturities that have not produced income for the last twelve months was $6.5 and $15.0 at December 31, 2008 and 2007, respectively. All of the Company's mortgage loans produced income during 2008 and 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

The following table summarizes the Company's net realized investment gains (losses):

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Fixed maturities	$ (94.2)	$ 7.9	$ (16.1)
Marketable equity securities, available-for-sale	—	10.5	14.9
Marketable equity securities, trading	(64.5)	—	—
Other invested assets	(5.2)	(2.4)	1.7
Deferred policy acquisition costs adjustment	5.9	0.8	1.2
Net realized investment gains (losses)	$ (158.0)	$ 16.8	$ 1.7

During 2008, the Company recorded impairment charges on fixed maturities totaling $86.4. The largest write-downs were from investments in the paper-related industry, totaling $14.2, or 16.4%; in the diversified financial service industry, totaling $8.4, or 9.7%; and in FNMA - U.S. federal government securities, totaling $8.0, or 9.3%. During 2007, the Company recorded write-downs of $16.2 primarily on investments in the paper-related industry, totaling $7.6, or 46.9%, and in the brewing industry, totaling $1.7, or 10.5%. During 2006, the Company recorded impairments of $25.7, of which $15.7, or 60.9%, were attributable to investments in the paper-related industry. The additional write-downs in 2008, 2007 and 2006 generally represent securities that the Company did not intend to hold until recovery.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

The following tables provide additional detail of net realized investment gains (losses).

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Gross realized gains on sales:			
Fixed maturities	$ 10.3	$ 37.1	$ 26.8
Marketable equity securities, available-for-sale	—	14.4	18.3
Marketable equity securities, trading	14.8	—	—
Total gross realized gains on sales	25.1	51.5	45.1
Gross realized losses on sales:			
Fixed maturities	(7.0)	(15.1)	(18.4)
Marketable equity securities, available-for-sale	—	(3.5)	(1.4)
Marketable equity securities, trading	(8.5)	—	—
Total gross realized losses on sales	(15.5)	(18.6)	(19.8)
Impairments:			
Fixed maturities	(86.4)	(15.0)	(24.6)
Marketable equity securities, available-for-sale	—	(1.2)	(1.1)
Total impairments	(86.4)	(16.2)	(25.7)
Gross gains on trading securities(1)	3.6	—	—
Gross losses on trading securities(1)	(72.8)	—	—
Other, including gains (losses) on calls and redemptions:			
Fixed maturities	(11.1)	0.9	0.1
Marketable equity securities, available-for-sale	—	0.8	(0.9)
Marketable equity securities, trading	(1.6)	—	—
Other	0.7	(1.6)	2.9
Total other	(12.0)	0.1	2.1
Net realized investment gains (losses)	$ (158.0)	$ 16.8	$ 1.7

(1) As of January 1, 2008, changes in fair value related to certain marketable equity securities are recognized in net realized investment gains (losses) due to the Company's election of the fair value option. Refer to Note 7.

The following table summarizes the Company's allowance for mortgage loan losses:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Allowance at beginning of period	$ 4.2	$ 4.0	$ 3.9
Provision	0.8	0.2	0.1
Allowance at end of period	$ 5.0	$ 4.2	$ 4.0

This allowance relates to mortgage loan investments of $993.7 and $849.7 at December 31, 2008 and 2007, respectively. All of the Company's mortgage loan investments were in good standing at December 31, 2008 and 2007.

(All dollar amounts in millions, unless otherwise stated)

At December 31, 2008, mortgage loans constituted approximately 5.1% of total assets and are secured by first-mortgage liens on income-producing commercial real estate, primarily in the retail, industrial and office building sectors. The average loan-to-value (LTV) ratio, which is a loan's carrying amount divided by its appraised value at loan inception, was 53.8% and 53.2% for loans funded during 2008 and 2007, respectively. The average LTV ratio for the Company's entire mortgage portfolio was 50.7% as of December 31, 2008. The majority of the properties are located in the western United States, with 26.8% of the total in California and 21.3% in Washington State. Individual loans generally do not exceed $15.0.

The carrying value of other invested assets approximates fair value. The following table summarizes the Company's other invested assets:

	December 31,	
	2008	2007
Note receivable — agency	$6.5	$ 7.3
Options	2.3	3.8
Other	0.1	0.8
Total other invested assets	$8.9	$11.9

The note receivable is a loan to a third party agency. The agency's equity at risk is not sufficient to finance its activities and is therefore considered a VIE. The loan is secured by the assets of the agency, and the majority of the loan amount is personally guaranteed by the agency's equity holders. The Company is not the primary beneficiary. The potential exposure to losses is limited to the senior debt holding, which was $6.5 as of December 31, 2008, excluding the value of rights to the assets of the agency and personal guarantees provided by the equity holders.

5. Derivative Financial Instruments

Derivatives are instruments whose values are derived from underlying instruments, indices or rates; have a notional amount; and can be net settled. This may include derivatives that are "embedded" in financial instruments or in certain existing assets or liabilities. The Company uses derivative financial instruments, including interest rate swaps and options, as a means of hedging exposure to equity price changes and/or interest rate risk on anticipated transactions related to the Company's notes payable.

Interest rate risk is the risk of economic loss due to changes in the level of interest rates. The Company manages interest rate risk through active portfolio management and selective use of interest rate swaps as hedges to change the characteristics of certain assets and liabilities. With interest rate swap agreements, the Company exchanges with a counterparty, at specified intervals, interest rate payments of differing character (e.g., fixed-rate payments exchanged for variable-rate payments), based on an underlying principal balance (notional amount). No cash is exchanged at the outset of the contract, and no principal payments are made by either party. Net interest payments made at each interest payment due date are recorded to interest expense.

Counterparty credit risk is the risk that a counterparty to a derivative contract will be unable to perform its obligations. The Company manages counterparty credit risk on an individual counterparty basis, and gains and losses are netted by counterparty. The Company mitigates counterparty credit risk through credit reviews, approval controls and by only entering into agreements with creditworthy counterparties. The Company performs ongoing monitoring of counterparty credit exposure risk against credit limits. The contract or notional amounts of these instruments reflect the extent of involvement the Company has in a particular class of derivative financial instruments. However, the maximum loss of cash flow associated with these instruments can be less than these amounts. For interest rate swaps, credit risk is limited to the amount that it would cost the Company to replace the contract.

Cash Flow Hedges

In 2007, the Company entered into interest rate swaps, which qualified as cash flow hedges of the forecasted issuance of the Capital Efficient Notes in 2007. In addition, in 2006, the Company entered into interest rate swaps, which qualified as cash flow hedges for the $300.0 fixed rate senior notes in 2006 (see Note 14). The unrealized gain or loss on the interest rate swaps is being amortized into interest expense over the life of the related debt issuance. As the critical terms of the interest rate swaps were the same as the forecasted transactions, the Company has not recorded any ineffectiveness. For the years ended December 31, 2008, 2007 and 2006, the Company amortized $(0.1), $0.3 and $0.2, respectively, from accumulated other comprehensive loss to interest expense. The Company estimates that $(0.1) will be reclassified from accumulated other comprehensive loss to interest expense within the next twelve months. For the years ended December 31, 2007 and 2006, the Company recorded unrealized gains (losses) of $(7.2) and $4.8, respectively, in accumulated other comprehensive loss.

Other Derivatives

The Company has a closed block of fixed indexed annuity (FIA) product that credits the policyholders' accounts based on a percentage of the gain in the S&P 500 Index. In connection with this product, the Company has a hedging program with the objective to hedge the exposure to changes in the S&P 500 Index. This program consists of buying S&P 500 Index options. Although the Company uses index options to hedge the equity return component of the FIA, the options do not qualify as hedging instruments or for hedge accounting treatment. Accordingly, the assets are recorded at fair value as free-standing derivative assets or options in other invested assets, with the impact of changes in the options' fair value recorded in net realized investment gains (losses). The Company recognized pre-tax gains (losses) on these options of $(2.9), $(2.3) and $2.2 for the years ended December 31, 2008, 2007 and 2006, respectively.

6. Securities Lending Program

The Company participates in a securities lending program whereby blocks of securities included in investments are loaned to third parties, primarily major brokerage firms. The Company requires a minimum of 102% of the fair value of the loaned securities at inception of the loan to be separately maintained as collateral for the loans. The borrower deposits this collateral with a lending agent, who invests the collateral to generate additional income according to the Company's guidelines. In the event that the lending agent does not return the full amount of collateral to the security lending counterparty, the Company is obligated to make up any deficiency. The fair value of the loaned securities is monitored on a daily basis, and additional collateral is obtained if the collateral falls below 100% of the fair value of the loaned securities.

The Company maintains full ownership rights to the securities on loan, and accordingly the loaned securities are classified as investments in the consolidated balance sheets. The securities loaned under the program had an amortized cost of $117.1 and $281.3 and a fair value of $102.8 and $271.3 at December 31, 2008 and 2007, respectively. The Company reports the securities lending collateral and the corresponding securities lending payable on its consolidated balance sheets as assets and liabilities.

At December 31, 2008 and 2007, the Company was liable for securities lending collateral under its control of $105.7 and $283.3, respectively. As of December 31, 2008 and 2007, the fair value of invested collateral was less than the amounts required to be returned to the counterparty by the lending agent upon return of the loaned securities by $2.3 and $1.8, respectively.

7. Fair Value of Financial Instruments

Effective January 1, 2008, the Company determined the fair value of its financial instruments based on the fair value hierarchy, which requires an entity to disclose the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest-level input that is significant to the fair value measurement. The Company's financial assets recorded at fair value on the consolidated balance sheets are categorized as follows:

- *Level 1* — Unadjusted quoted prices in active markets for identical instruments. Primarily consists of financial instruments whose value is based on quoted market prices, such as exchange-traded marketable equity securities, and actively traded mutual fund investments.
- *Level 2* — Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

  This level includes those financial instruments that are valued using industry-standard pricing methodologies, models or other valuation methodologies. These models are primarily industry-standard models that consider various inputs, such as interest rate, credit spread and foreign exchange rates for the underlying financial instruments. All significant inputs are observable, or derived from observable, information in the marketplace or are supported by observable levels at which transactions are executed in the market place. Financial instruments in this category primarily include certain public and private corporate fixed maturity securities, government or agency securities, and certain mortgage-backed and asset-backed securities.
- *Level 3* — Instruments whose significant value drivers are unobservable. This comprises financial instruments for which fair value is estimated based on industry-standard pricing methodologies and internally developed models utilizing significant inputs not based on or corroborated by readily available market information. In limited circumstances, this category may also utilize non-binding broker quotes. This category primarily consists of certain less liquid fixed maturities, investment in hedge funds and private equity funds, corporate private placement securities and trading securities where the Company cannot corroborate the significant valuation inputs with market observable data.

The following table presents the financial instruments carried at fair value by level (as described above):

	As of December 31, 2008				
	Fair Value	Level 1	Level 2	Level 3	Level 3 Percent
Assets					
Fixed maturities, available-for-sale	$ 14,887.6	$ —	$ 14,213.3	$ 674.3	4.26%
Marketable equity securities, available-for-sale	38.1	38.1	—	—	—
Marketable equity securities, trading	106.3	106.1	—	0.2	0.00
Short-term investments	9.4	7.2	2.2	—	—
Investments in limited partnerships(1)	56.3	—	—	56.3	0.36
Other invested assets(2)	2.4		—	2.4	0.02
Total investments	15,100.1	151.4	14,215.5	733.2	4.64
Separate account assets	716.2	716.2	—	—	—
Total assets	$ 15,816.3	$ 867.6	$ 14,215.5	$ 733.2	4.64%

(1) As of December 31, 2008, this amount included investments in hedge funds and private equity funds.

(2) As of December 31, 2008, this amount included investments, such as options and warrants.

Fixed Maturities

The vast majority of the Company's fixed maturities use Level 2 inputs for the determination of fair value. The Company predominantly utilizes third party independent pricing services to assist management in determining the fair value of its fixed maturity securities. The third party independent pricing services provide prices where observable inputs are available. The Company's pricing services utilize evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed maturities do not trade on a daily basis, evaluated pricing applications apply available information through processes, such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations. In addition, the pricing services use models and processes to develop prepayment and interest rate scenarios. These models and processes take into account market convention. If sufficient objectively verifiable information about a security's valuation is not available, the pricing service will discontinue evaluating the security until it is able to obtain such information. The Company gains assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination through various processes including, but not limited to, evaluation of pricing methodologies, analytical reviews of certain prices and back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sales prices.

In situations where the Company is unable to obtain sufficient market observable information upon which to estimate the fair value of a particular security, fair values are obtained primarily from industry-standard pricing methodologies based on market observable information. Certain structured securities and private equity funds valued using industry-standard pricing methodologies utilize significant unobservable inputs to estimate fair value, resulting in the fair value measurements being classified as Level 3.

As of December 31, 2008, the Company has approximately $632.2, or 4%, of its fixed maturities invested in corporate private placement securities. The valuation of private placement securities requires significant judgment by management due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. Private placement securities are valued initially based upon transaction price. The carrying values or fair values of these investments are adjusted to reflect expected exit values as evidence by financing and sale transactions with third parties, or when determination of a valuation adjustment is confirmed through ongoing reviews by the Company's investment advisors. A variety of factors are reviewed and monitored to assess changes in valuation, including, but not limited to, discounted cash flows based on current performance and future expectations of particular investments, industry valuation of comparable public companies, changes in market outlook and the third party financing environment over time. Private placement securities are included in Level 3 of the valuation hierarchy.

Marketable Equity Securities

Marketable equity securities consist primarily of investments in common stock and certain nonredeemable preferred stocks and mutual fund assets, which consist of investments in publicly traded companies and actively traded mutual fund investments. The fair values of the Company's marketable equity securities are based on quoted market prices in active markets for identical assets and are primarily classified as Level 1.

On January 1, 2008, the Company adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. The Statement allows companies to make an election, on an individual instrument basis, to report financial assets and liabilities at fair value. The Company made the fair value election for the majority of its marketable equity securities comprised of investments in common stock and investments in hedge funds and private equity funds regardless of ownership percentage. Investments in hedge funds and investments in private equity funds with less than three percent ownership, were previously classified and

accounted for as available-for-sale securities. Certain nonredeemable preferred stock continues to be reported as available-for-sale.

Upon the adoption of SFAS No. 159 on January 1, 2008, $130.6 in investments in common stock was classified as trading, and $21.1 in investments in limited partnerships (with less than three percent ownership) that was previously reported as available-for-sale marketable equity securities was reclassified to investments in limited partnerships. Realized and unrealized investment gains and losses on trading securities are reported in the consolidated statements of income as net realized investment gains (losses). Prior to the adoption, unrealized investment gains and losses on available-for-sale securities were reported net, after-tax, as a component of stockholders' equity. Changes in net unrealized investment gains (losses) on available-for-sale securities, after-tax, were reported as a component of other comprehensive loss. The Company recorded an adjustment to increase retained earnings as of January 1, 2008 and increase accumulated other comprehensive loss by $29.4, or $19.1 net of taxes, to reclassify net unrealized gains as a result of adoption.

The Company believes that making the election for investments in common stock will result in reporting its investment results on a basis that is more consistent with management's operating principles, as the Company considers changes in fair value of its common stock when evaluating results. For the year ended December 31, 2008, net changes in the fair value of trading securities was a loss of $69.2 and was reported in net realized investment gains (losses).

The election for investments in hedge funds and private equity funds, regardless of the Company's ownership percentage, standardizes the accounting and reporting for these investments. For the year ended December 31, 2008, changes in the fair value of hedge funds and private equity funds was $30.1 and was reported in net investment income.

Investments in Limited Partnerships

The fair value for the Company's investments in hedge funds and private equity funds is based upon the Company's proportionate interest in the underlying partnership or fund's net asset value (NAV), which is deemed to approximate fair value. In circumstances where the partnership NAV is deemed to differ from fair value due to illiquidity or other factors, the NAV is adjusted accordingly. At December 31, 2008, there were no factors present that would require an adjustment to the NAV. The Company classifies these securities as Level 3.

Separate Accounts

Separate account assets are primarily invested in mutual funds, which are included in Level 1.

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The following table presents additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value between January 1 and December 31, 2008:

	Fixed Maturities	Marketable Equity Securities, Trading	Investments in Limited Partnerships	Other Invested Assets	Total Level 3
Balance as of January 1, 2008	$ 690.3	$ 0.5	$ 91.3	$ 4.6	$ 786.7
Purchases	92.7	1.1	19.3	—	113.1
Sales	(4.2)	(0.4)	(29.9)	0.4	(34.1)
Transfers in and/or (out) of Level 3	50.3	—	—	—	50.3
Other(1)	(32.0)	—	—	1.8	(30.2)
Unrealized gains (losses) included in:					
Net income	—	(1.0)	(30.1)	0.4	(30.7)
Other comprehensive income	(110.7)	—	—	—	(110.7)
Realized gains/(losses)	(12.1)	—	5.7	(4.8)	(11.2)
Balance as of December 31, 2008	$ 674.3	$ 0.2	$ 56.3	$ 2.4	$ 733.2

(1) Other is comprised of transactions such as pay downs, calls and amortization.

The following table summarizes the carrying or reported values and corresponding fair values of financial instruments subject to disclosure requirements:

	December 31, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Fixed maturities	$ 14,887.6	$ 14,887.6	$ 15,599.9	$ 15,599.9
Marketable equity securities, available-for-sale	38.1	38.1	200.8	200.8
Marketable equity securities, trading	106.3	106.3	—	—
Mortgage loans	988.7	907.6	845.5	857.4
Short-term investments	9.4	9.4	10.9	10.9
Investments in limited partnerships	138.3	140.2	158.8	158.8
Cash and cash equivalents	468.0	468.0	253.9	253.9
Securities lending collateral	105.7	105.7	283.3	283.3
Separate account assets	716.2	716.2	1,181.9	1,181.9
Financial liabilities:				
Funds held under deposit contracts	11,987.9	10,972.2	10,886.9	10,739.2
Notes payable:				
Capital Efficient Notes (CENts)	149.8	64.0	149.8	150.1
Senior notes	299.0	268.1	298.8	302.7
Securities lending payable	105.7	105.7	283.3	283.3

Other Financial Instruments

The fair values for mortgage loans are determined by discounting the projected cash flows using the current rate at which the loans would be made to borrowers with similar credit ratings and for the same maturities.

Investments in limited partnerships are comprised of hedge funds, private equity funds and affordable housing projects and state tax credit funds. Investments in limited partnerships associated with hedge funds and private equity funds are carried at fair value based on the NAV. Investments in limited partnerships associated with affordable housing projects and state tax credit funds are carried at amortized cost. Fair value is estimated based on the discounted cash flows over the remaining life of the tax credits.

For cash and cash equivalents, the carrying value is a reasonable estimate of fair value.

The Company reports funds held under deposit contracts related to investment-type contracts at carrying value and estimates the fair values of these contracts using an income approach based on the present value of the discounted cash flows. Cash flows are projected using best estimates for lapses, mortality and expenses, and discounted at a risk-free rate plus a nonperformance risk spread.

The fair values of the Company's notes payable are based on quoted prices for similar instruments. The fair value measurement assumes that liabilities are transferred to a market participant of equal credit standing and without consideration for any optional redemption feature.

The fair value of securities lending collateral is the cash and non-cash collateral received by the custodian and held on the Company's behalf, based on quoted prices for similar instruments. The carrying amount of securities lending payable approximates fair value.

8. Reinsurance

The Company evaluates the financial condition of its reinsurers to minimize the exposure to losses from reinsurer insolvencies. Management of the Company is not aware of any of the Company's major reinsurers currently experiencing material financial difficulties. The Company analyzes reinsurance recoverables according to the credit ratings of its reinsurers. Of the total amount due from reinsurers at December 31, 2008, 99.7% was with reinsurers rated A- or higher by A.M. Best. The Company had no reserve for uncollectible reinsurance in 2008 or 2007. None of the Company's reinsurance contracts exclude certified terrorist acts.

For the individual life business, the Company has reinsurance agreements that limit the maximum claim on a single individual to $0.5. The reinsurance agreements vary by product and policy issue year. Most of the reinsurance recoverable relates to future policy benefits and is covered by coinsurance agreements where the reinsurer reimburses the Company based on a percentage, which ranges from 50% to 85%, as specified in the reinsurance contracts.

The Company reinsures 100% of its group long-term and short-term disability business, except for the short-term disability sold within the limited medical benefit plans, which is not reinsured. The reinsurer is responsible for paying all claims.

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Reinsurance recoverables are composed of the following amounts:

	December 31, 2008	2007
Life insurance and annuities		
Reinsurance recoverables on:		
Funds held under deposit contracts	$ 75.1	$ 74.4
Future policy benefits	121.4	106.8
Paid claims, expense allowance and premium tax recoverable	2.9	5.0
Policy and contract claims	2.7	5.2
Total life insurance and annuities	202.1	191.4
Accident and health insurance		
Reinsurance recoverables on:		
Future policy benefits	59.1	60.6
Paid claims, expense allowance and premium tax recoverable	0.6	1.2
Policy and contract claims	2.4	0.7
Total accident and health insurance	62.1	62.5
Total reinsurance recoverables	$ 264.2	$ 253.9

The following table sets forth net life insurance in force as of December 31:

	2008	2007	2006
Direct life insurance in force	$ 55,577.1	$ 56,246.8	$ 55,656.3
Amounts assumed from other companies	223.1	215.3	211.7
Amounts ceded to other companies	(24,190.0)	(23,799.3)	(21,944.9)
Net life insurance in force	$ 31,610.2	$ 32,662.8	$ 33,923.1
Percentage of amount assumed to net	0.71%	0.66%	0.62%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The effects of reinsurance on earned premiums are as follows:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Direct:			
Accident and health premiums	$ 456.3	$ 395.8	$ 390.9
Life insurance premiums	195.3	194.3	191.9
Total	651.6	590.1	582.8
Assumed:			
Accident and health premiums	0.6	—	—
Life insurance premiums	0.2	0.2	0.2
Total	0.8	0.2	0.2
Ceded:			
Accident and health premiums	(13.6)	(9.9)	(10.2)
Life insurance premiums	(54.0)	(49.9)	(47.1)
Total	(67.6)	(59.8)	(57.3)
Total premiums	$ 584.8	$ 530.5	$ 525.7
Percentage of amount assumed to total premiums	0.14%	0.04%	0.04%

Ceded reinsurance reduced policy benefits by $54.3, $51.4 and $45.5 for the years ended December 31, 2008, 2007 and 2006, respectively.

9. Deferred Policy Acquisition Costs

The following table provides a reconciliation of the beginning and ending balance for deferred policy acquisition costs:

	December 31, 2008	December 31, 2007
Unamortized balance at beginning of period	$129.9	$ 87.6
Deferral of acquisition costs	110.6	59.6
Adjustments related to investment losses	4.8	0.7
Amortization related to other expenses	(25.8)	(18.0)
Unamortized balance at end of period	219.5	129.9
Accumulated effect of net unrealized investment losses	28.0	3.0
Balance at end of period	$247.5	$132.9

(All dollar amounts in millions, unless otherwise stated)

10. Deferred Sales Inducements

The following table provides a reconciliation of the beginning and ending balance for deferred sales inducements, which are included in other assets:

	December 31,	
	2008	2007
Unamortized balance at beginning of period	$17.2	$ 9.0
Capitalizations	17.3	8.8
Adjustments related to investment losses	1.0	0.2
Amortization related to other expenses	(2.5)	(0.8)
Unamortized balance at end of period	33.0	17.2
Accumulated effect of net unrealized investment losses	4.5	0.8
Balance at end of period	$37.5	$18.0

11. Acquisitions

On May 1, 2007, the Company acquired 100% ownership of MRM, a full-service managing general underwriter (or MGU) and health care network consulting firm specializing in the stop-loss market. This acquisition provides the Company with pricing and underwriting competitive advantages and an additional source of revenue. The aggregate purchase price was $32.2, of which $22.0 was paid in cash and the remaining $10.2 is payable over the five-year period following the acquisition contingent upon the achievement of certain annual profitability targets. At the date of the acquisition, the fair value of the assets acquired was $29.0 and liabilities assumed were $6.6.

The acquisition was accounted for using the purchase method of accounting. The results of MRM's operations are presented in the Group segment and consolidated in the accompanying financial statements from the date of acquisition. The purchase price allocation resulted in $6.9 of identifiable intangible assets, including customer relationships, employment contracts, noncompete agreements and the MRM trade name with useful lives ranging from 5 to 10 years. Goodwill of $18.6 was initially recognized as of December 31, 2007 for the amount in excess of the purchase price paid over the fair value of the net assets acquired. As of December 31, 2008, goodwill totaled $20.6 as a result of satisfying certain contingent targets as described above.

As part of the MRM acquisition, the Company placed funds into escrow to be disbursed to the seller in the event that specified contingencies are resolved. Escrow funds related to the acquisition were $5.4 as of December 31, 2007. The specified contingencies were resolved during 2008, and the escrow funds were disbursed to the seller.

MRM maintains fiduciary cash accounts restricted for the specific use of paying customer claims. These accounts are funded by customers, and balances are generally offset by claims liability accounts. Amounts maintained in these accounts totaled $3.7 and $4.6 as of December 31, 2008 and 2007, respectively.

(All dollar amounts in millions, unless otherwise stated)

12. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are composed of the following amounts:

	December 31, 2008	December 31, 2007
Computer equipment and software	$ 9.4	$ 8.1
Office equipment, furniture and fixtures	9.4	9.3
Equipment and software under capital leases	13.8	13.8
Leasehold improvements	13.7	13.7
	46.3	44.9
Less: accumulated depreciation and amortization	27.4	21.6
Total property, equipment and leasehold improvements, net	$ 18.9	$ 23.3

Depreciation and amortization expenses associated with property, equipment, and leasehold improvements, including equipment and software under capital leases, amounted to $6.2, $7.2 and $5.6 for the years ended December 31, 2008, 2007 and 2006, respectively.

13. Policy and Contract Claims

The following table provides a reconciliation of the beginning and ending reserve balances for policy and contract claims:

	Year Ended December 31, 2008	2007	2006
Balance as of January 1	$ 110.9	$ 119.5	$ 135.7
Less: reinsurance recoverable	5.9	5.3	3.3
Net balance as of January 1	105.0	114.2	132.4
Incurred related to insured events of:			
The current year	364.2	292.2	304.0
Prior years	4.5	(7.0)	(7.6)
Total incurred	368.7	285.2	296.4
Paid related to insured events of:			
The current year	271.7	226.6	234.3
Prior years	74.0	67.8	80.3
Total paid	345.7	294.4	314.6
Net balance as of December 31	128.0	105.0	114.2
Add: reinsurance recoverable	5.1	5.9	5.3
Balance as of December 31	$ 133.1	$ 110.9	$ 119.5

The Company uses estimates in determining its liability for policy and contract claims. These estimates are based on historical claim payment patterns and expected loss ratios to provide for the inherent variability in claim patterns and severity. For the year ended December 31, 2008, the change in prior year incurred claims was primarily due to higher-than-expected paid claims and unfavorable changes in liability estimates in medical stop-loss claims. For the year ended December 31, 2007, the change in prior year incurred claims was primarily due to favorable changes in liability estimates related to group medical stop-loss claims. This was offset by higher-than-expected claims experience related to individual life insurance. For the year ended December 31, 2006, the change in prior year incurred claims was primarily due to favorable claims experience and timing differences related to reinsurance recoveries in the current year of claims incurred and paid in prior years, related to individual life insurance.

14. Notes Payable and Credit Facilities

Capital Efficient Notes Due 2067

On October 10, 2007, the Company issued $150.0 aggregate principal amount CENts with a scheduled maturity date of October 15, 2037, and subject to certain limitations, with a final maturity date of October 15, 2067. The Company issued the CENts at a discount yielding $149.8. For the initial 10-year period following the original issuance date, to but not including October 15, 2017, the CENts carry a fixed interest rate of 8.300% payable semi-annually. From October 15, 2017, until the final maturity date of October 15, 2067, interest on the CENts will accrue at a variable annual rate equal to the three-month LIBOR plus 4.177%, payable quarterly. The Company applied the net proceeds from the issuance to pay a cash dividend of $200.0 to its stockholders on October 19, 2007. Considering the impact of the cash flow hedge, as well as the discount on the notes and the debt issuance costs, the effective interest rate on the CENts is 9.39%.

The Company is required to use commercially reasonable efforts to sell enough qualifying capital securities to permit repayment of the CENts at the scheduled maturity date or on each interest payment date thereafter. Any remaining outstanding principal amount will be due on October 15, 2067.

Subject to certain conditions, the Company has the right, on one or more occasions, to defer the payment of interest on the CENts during any period up to ten years without giving rise to an event of default. The Company will not be required to settle deferred interest subject to certain conditions until it has deferred interest for five consecutive years or, if earlier, made a payment of current interest during a deferral period. Deferred interest will accumulate additional interest at an annual rate equal to the annual interest rate then applicable to the CENts.

The CENts are unsecured junior subordinated obligations. The Company can redeem the CENts at its option, in whole or in part, on October 15, 2017, and on each interest payment date thereafter at a redemption price of 100% of the principal amount being redeemed plus accrued but unpaid interest. The Company can redeem the CENts at its option, prior to October 15, 2017, in whole or in part, at a redemption price of 100% of the principal amount being redeemed or, if greater, a make-whole price, plus accrued and unpaid interest.

In connection with the offering of the CENts, the Company entered into a “replacement capital covenant” for the benefit of the holders of the $300.0 senior notes due April 1, 2016 (see below). Under the terms of the replacement capital covenant, the Company may not redeem or repay the CENts prior to October 15, 2047 unless the redemption or repayment is financed from the offering of replacement capital securities, as specified in the covenant.

Senior Notes Due 2016

On March 30, 2006, the Company issued $300.0 of 6.125% senior notes due on April 1, 2016, which were issued at a discount yielding $298.7. Proceeds from the senior notes were used to pay down the outstanding principal on a revolving line of credit. Interest on the senior notes is payable semi-annually in arrears, beginning on October 2, 2006. Considering the impact of the cash flow hedge, as well as the discount on the notes and the debt issuance costs, the effective interest rate on the senior notes is 6.11%.

The senior notes are unsecured senior obligations and are equal in right of payment to all existing and future unsecured senior indebtedness. These notes are redeemable, in whole or in part, at the option of the Company at any time or from time to time at a redemption price equal to the greater of: (1) 100% of the aggregate principal amount of the notes to be redeemed or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the senior notes, discounted to the redemption date on a semi-annual basis at a prevailing U.S. Treasury rate plus 25 basis points, together in each case with accrued interest payments to the redemption date.

Revolving Credit Facilities

$200.0 Bank of America, N.A.

On August 16, 2007, the Company entered into a $200.0 senior unsecured revolving credit agreement with a syndicate of lending institutions led by Bank of America, N.A. The credit facility matures on August 16, 2012. The revolving credit facility is available to provide support for working capital, capital expenditures, and other general corporate purposes, including permitted acquisitions, issuance of letters of credits, refinancing and payment of fees in connection with this facility.

Under the terms of the credit agreement, the Company is required to maintain certain financial ratios. In particular, each of the Company's material insurance subsidiaries must maintain a risk-based capital ratio of at least 200%, measured at the end of each year, and the Company's debt-to-capitalization ratio may not exceed 37.5%, measured at the end of each quarter. In addition, the Company has agreed to other covenants restricting the ability of its subsidiaries to incur additional indebtedness, its ability to create liens, and its ability to change its fiscal year and to enter into new lines of business, as well as other customary affirmative covenants.

To be eligible for borrowing funds under this facility, the representations and warranties that the Company made in the credit agreement must continue to be true in all material respects, and the Company must not be in default under the facility, including failure to comply with the covenants described above.

As of December 31, 2008 and 2007, the Company had no borrowings outstanding under this facility and was in compliance with all covenants.

On February 12, 2009, Bank of America, N.A. issued a notice of default to one of the lending institutions in the syndicate with a commitment of $20.0, effectively limiting the Company's ability to borrow under this facility to $180.0.

$50.0 Bank of New York

In 2005, the Company entered into two $25.0 revolving credit facilities with The Bank of New York to support the Company's overnight repurchase agreement program, which provides the Company liquidity to meet its general funding requirements. These facilities were closed in March 2008. Prior to closure, there was no borrowing activity on these facilities in 2008 or 2007.

15. Income Taxes

The Company files income tax returns in the U.S. federal and various state jurisdictions. The Company's federal income tax returns have been examined and closing agreements have been executed with the Internal Revenue Service, or the statute of limitations has expired for all tax periods through December 31, 2003. The Internal Revenue Service is in the process of auditing the Company's life insurance and non-life insurance company returns for the tax year ended July 31, 2004, filed in consolidation with the Company's former parent, Safeco Corporation. To date, no significant issues or proposed adjustments have been raised by the examiners. The Internal Revenue Service has also completed an audit of the Company's life insurance company returns for the years ended December 31, 2004 and 2005. As of December 31, 2008, all issues were agreed upon and a Form 4549-A was prepared and sent to the Joint Committee on Taxation for review pursuant to IRC § 6405(a) (refund in excess of $2.0). The non-life insurance company tax returns are currently not subject to an Internal Revenue Service audit for tax years ended after July 31, 2004, and the statute of limitations has expired for the tax year ended December 31, 2004. The Company is not currently subject to any state income tax examinations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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Differences between income taxes computed by applying the U.S. federal income tax rate of 35% to income before income taxes and the provision for income taxes were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007		Year Ended December 31, 2006	
Income from operations before income taxes	$ 13.0		$ 248.8		$ 244.0	
Computed “expected” tax expense	4.5	35.00%	87.1	35.00%	85.4	35.00%
Separate account dividend received deduction	(1.4)	(10.77)	(1.5)	(0.60)	(2.0)	(0.82)
Low income housing credits	(8.5)	(65.38)	(4.6)	(1.85)	(0.8)	(0.33)
Prior period adjustments	(2.9)	(22.31)	—	—	—	—
Other	(0.8)	(6.54)	0.5	0.20	1.9	0.78
Provision (benefit) for income taxes	$ (9.1)	(70.00)%	$ 81.5	32.75%	$ 84.5	34.63%

The tax effects of temporary differences that gave rise to the deferred income tax assets and deferred income tax liabilities were as follows:

	December 31, 2008	December 31, 2007
Deferred income tax assets:		
Adjustment to life policy liabilities	$ 398.8	$ 365.4
Capitalization of policy acquisition costs	45.1	44.8
Goodwill	1.3	1.8
Intangibles	11.6	13.8
Investment impairments	35.0	12.6
Performance share plan	3.9	3.7
Other liabilities accruals	1.7	1.8
Unrealized losses on investment securities (net of DAC adjustment: $(9.8) and $(1.3), respectively)	566.8	6.8
Non-life net operating loss	1.0	—
Other	7.3	5.4
Total deferred income tax assets	1,072.5	456.1
Deferred income tax liabilities:		
Deferred policy acquisition costs	74.9	45.2
Securities — basis adjustment	211.1	206.9
Other	0.7	0.9
Total deferred income tax liabilities	286.7	253.0
Net deferred income tax asset	$ 785.8	$ 203.1

Due to the unprecedented volatility and disruption within the capital markets over the past year the associated deferred tax assets within our investment portfolio have also been subject to this volatility. To assess the impact of this volatility, we reviewed the liquidity requirements of our invested assets as they relate to the liabilities associated with our insurance and investment products to determine the future reversals and the utilization of capital loss carry-backs and carry-forwards related to our investment timing differences.

As the Company expects that it will fully realize the deferred tax assets, no valuation allowance has been recorded as of December 31, 2008 and 2007.

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As of December 31, 2008, the Company has $1.0 of non-life federal net operating loss carry-forwards due to expire under current law during 2028.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2008	2007
Balance at January 1	$ 0.8	$ 0.6
Additions based on tax positions related to the current year	0.1	0.2
Reductions for tax positions of prior years	(0.5)	—
Balance at December 31	$ 0.4	$ 0.8

The total balance of the unrecognized tax benefits above would affect the effective tax rate if recognized. The Company does not expect the total amount of unrecognized tax benefits for any tax position to change significantly within the next twelve months.

The Company includes penalties and interest accrued related to unrecognized tax benefits in the calculation of income tax expense. For the years ended December 31, 2008, 2007 and 2006, amounts recognized for interest and penalties in the consolidated statements of income were not material.

16. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

	December 31,	
	2008	2007
Net unrealized losses on available-for-sale securities	$ (1,649.0)	$ (20.2)
Net unrealized losses on derivative financial instruments	(2.9)	(2.9)
Adjustment for deferred policy acquisition costs	28.0	3.0
Adjustment for deferred sales inducements	4.5	0.8
Deferred income taxes	566.8	6.8
Accumulated other comprehensive loss	$ (1,052.6)	$ (12.5)

For the years ended December 31, 2008, 2007 and 2006, the amounts reclassified from other comprehensive loss to net realized investment gains (losses) included in net income were $(103.2), $(13.6), and $0.7, net of taxes of $(55.5), $(7.3) and $0.4, respectively.

17. Commitments and Contingencies

Guaranty Fund Assessments

Under state insolvency and guaranty laws, insurers licensed to do business in a state can be assessed or required to contribute to state guaranty funds to cover policyholder losses resulting from insurer insolvencies. Liabilities for guaranty funds are not discounted or recorded net of premium taxes and are included in other liabilities in the consolidated balance sheets. At December 31, 2008, the Company had liabilities of $7.3 for estimated guaranty fund assessments. The Company has a related asset for premium tax offsets of $5.8, reported in accounts receivable and other receivables, which are available for a period of five to 20 years.

Investments in Limited Partnerships

At December 31, 2008, the Company was invested in 12 limited partnership interests related to affordable housing projects and state tax credit funds, three of which were entered into in 2008. The Company

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unconditionally committed to provide capital contributions totaling approximately $106.9, of which the remaining $56.8 is expected to be contributed over a period of four years. These investments are accounted for under the equity method and are recorded at amortized cost in investments in limited partnerships, with the present value of unfunded contributions recorded in other liabilities.

Capital contributions of $50.1 were paid as of December 31, 2008, with the remaining expected cash capital contributions as follows:

	Expected Capital Contributions
2009	$ 23.8
2010	31.1
2011	0.1
2012	1.8
Total expected capital contributions	$ 56.8

The Company has also committed to invest $52.5 in five private equity funds. The Company will provide capital contributions to the partnerships up to the committed amount at the discretion of the general partners, subject to certain incremental contribution limits. The remaining term of the capital commitment ranges up to seven years, ending in 2015.

As of December 31, 2008, the Company has remaining investment commitments totaling $37.0 related to these partnerships.

Litigation

Because of the nature of the business, the Company is subject to legal actions filed or threatened in the ordinary course of its business operations. The Company does not expect that any such litigation, pending or threatened, as of December 31, 2008, will have a material adverse effect on its consolidated financial condition, future operating results or liquidity.

Leases

The Company has office space, commercial real estate, and certain equipment under leases that expire at various dates through 2015. The Company accounts for these leases as operating leases. Certain leases include renewal options.

Future minimum lease commitments, including cost escalation clauses, for the next five years and thereafter are as follows:

	Operating Leases
2009	$ 7.9
2010	7.6
2011	7.0
2012	6.8
2013	6.7
Thereafter	10.8
Total	$ 46.8

The amount of rent expense was $8.0, $8.1 and $7.8 for the years ended December 31, 2008, 2007 and 2006, respectively.

In October 2004, the Company entered into a service agreement with a third party service provider to outsource the majority of its information technology infrastructure. The initial term of the service agreement expires in July 2010, subject to early termination in certain cases, with two one-year extensions at the Company's election. Under the terms of the service agreement, the Company agreed to pay an annual service fee ranging from $13.2 to $14.7 for five years. The remaining annual service fee is $11.6 for 2009 and $6.7 for 2010, subject to certain annual service fee adjustments based on actual benchmarks and production utilization. The Company incurred service fee expenses of $11.8, $12.8 and $13.3 for the years ended December 31, 2008, 2007 and 2006, respectively.

Other Commitments

At December 31, 2008 and 2007, unfunded mortgage loan commitments were $9.0 and $1.5, respectively.

The Company had no other material commitments or contingencies at December 31, 2008 and 2007.

18. Employee Benefit Plans

Defined Contribution Plan

The Company sponsors a defined contribution plan for all eligible employees that includes a matching contribution of 100% of a participant's contributions up to 6% of eligible compensation. Defined contribution plan expense was $4.5, $4.2 and $2.2 for the years ended December 31, 2008, 2007 and 2006, respectively.

Performance Share Plan

In 2004, the Company adopted a performance share plan (the "Performance Share Plan") that provides incentives to selected executives based on the long-term success of the Company. Awards under the Performance Share Plan are typically made in the form of performance shares with a three-year award period. The value of each performance share is based on achievement of a growth target in intrinsic business value per share, which is based on book value per share and enterprise value per share, and awards are paid in cash. The expense recorded for grants related to the Performance Share Plan was $6.0, $9.4 and $11.8 for the years ended December 31, 2008, 2007 and 2006, respectively.

Equity Incentive Plan and Employee Stock Purchase Plan

In October 2007, the Company's Board of Directors adopted, and the Company's stockholders approved, the Equity Incentive Plan and employee stock purchase plan (or ESPP) and reserved 7,830,000 and 870,000 shares of common stock, respectively, for issuance under these plans. Also in October 2007, the Company's Board of Directors adopted, and the Company's stockholders approved, an initial public offering (IPO) grant program under which shares of common stock, restricted stock units, and stock options would be granted to certain management-level employees in connection with the terminated 2007 initial public offering.

In October 2008, the Company withdrew its registration for an IPO with the Securities and Exchange Commission as a result of market conditions. As of December 31, 2008, the Company's Board of Directors had not approved any grants to individuals under the Equity Incentive Plan, ESPP or IPO program.

19. Dividends

Intracompany Dividends

The Company's insurance subsidiaries are restricted by state regulations as to the aggregate amount of dividends they may pay in any consecutive 12-month period without regulatory approval. Accordingly, based

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on statutory limits as of December 31, 2007, the Company was eligible to receive dividends from its insurance subsidiaries during 2008 without obtaining regulatory approval as long as the aggregate dividends paid over the twelve months preceding any dividend payment date in 2008 did not exceed $135.2. The total amount of dividends received by the Company from its insurance subsidiaries during 2008 was $100.0. Based on state regulations as of December 31, 2008, the Company is eligible to receive dividends from its insurance subsidiaries during 2009 without obtaining regulatory approval as long as the aggregate dividends paid over the twelve months preceding any dividend payment date in 2009 do not exceed $117.9.

Dividends to Stockholders

The Company paid no dividends to its stockholders and warrant holders of record for the year ended December 31, 2008. On October 19, 2007, the Company paid cash dividends totaling $200.0, or $1.792 per share, to its stockholders and warrant holders of record as of October 12, 2007. On December 26, 2006, the Company paid a cash dividend totaling $100.0, or $0.896 per share, to its stockholders and warrant holders of record as of December 15, 2006.

20. Statutory-Basis Information

State insurance regulatory authorities require insurance companies to file annual statements prepared on an accounting basis prescribed or permitted by their respective states of domicile. Prescribed statutory accounting practices include state laws, regulations and general administrative rules, as well as a variety of publications of the National Association of Insurance Commissioners (NAIC), including the revised Accounting Practices and Procedures Manual. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The statutory net income (loss) for the Company's insurance subsidiaries is as follows:

	Year Ended December 31,		
	2008	2007	2006
Statutory net income (loss):			
Symetra Life Insurance Company	$ 36.7	$ 134.1	$ 145.0
Symetra National Life Insurance Company	0.5	0.4	1.1
First Symetra National Life Insurance Company of New York	(2.2)	2.4	0.1
Total	$ 35.0	$ 136.9	$ 146.2

Statutory net income differs from income reported in accordance with GAAP primarily because policy acquisition costs are expensed when incurred, reserves are based on different assumptions, and income tax expense reflects only taxes paid or currently payable.

Statutory capital and surplus for Symetra Life Insurance Company was $1,179.0 and $1,225.0 for the years ended December 31, 2008 and 2007, respectively. These differ from amounts reported in accordance with GAAP primarily because policy acquisition costs are expensed when incurred, reserve calculations are based on different assumptions and fixed maturities are carried at amortized cost.

Life and health insurance companies are subject to certain risk-based capital requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life and health insurance company is to be determined based on various risk factors related to it. At December 31, 2008 and 2007, Symetra Life Insurance Company and its subsidiaries met the risk-based capital requirements.

21. Related Parties

The Company entered into an Investment Management Agreement on March 14, 2004, with White Mountains Advisors, LLC (WMA), a subsidiary of White Mountains Investment Group, Ltd. This agreement provides for investment advisory services related to the Company's invested assets and portfolio management services. Expenses amounted to $14.6, $15.3, and $20.2 for the years ended December 31, 2008, 2007 and 2006, respectively. At December 31, 2008 and 2007, amounts due to WMA were $3.5 and $3.8, respectively.

22. Segment Information

The Company offers a broad range of products and services that include group and individual insurance products, pension products and annuities. These operations are managed separately as five reportable segments based on product groupings: Group, Retirement Services, Income Annuities, Individual and Other.

The primary segment profitability measure that management uses is segment pre-tax operating income, which is calculated by adjusting income from continuing operations before federal income taxes to exclude net realized investment gains (losses), and for the Retirement Services' segment to include the net realized investment gains (losses) on fixed index annuities (FIA) options.

When evaluating segment pre-tax operating income in the Retirement Services' segment, management includes the realized and unrealized investment gains (losses) from options related to an FIA hedging program. This program consists of buying S&P 500 Index call options. The Company uses index options to hedge the equity return component of FIA products. These options do not qualify as hedge instruments or for hedge accounting treatment. The realized and unrealized gains (losses) from the options are recorded in net realized investment gains (losses). Since the interest incurred on the Company's FIA products is included as a component of interest credited, it is more meaningful to evaluate results inclusive of the results of the hedge program.

- *Group.* Group offers medical stop-loss insurance, limited medical benefit plans, group life insurance, accidental death and dismemberment insurance, and disability insurance mainly to employer groups of 50 to 5,000 individuals. The Company also offers MGU services.
- *Retirement Services.* Retirement Services offers fixed and variable deferred annuities, including tax-sheltered annuities, IRAs and group annuities, to qualified retirement plans, including Section 401(k) and 457 plans. It also provides record-keeping services for qualified retirement plans invested in mutual funds.
- *Income Annuities.* Income Annuities offers SPIAs for customers seeking a reliable source of retirement income and structured settlement annuities to fund third party personal injury settlements.
- *Individual.* Individual offers a wide array of term, universal and variable life insurance products, as well as BOLI.
- *Other.* This segment consists of unallocated corporate income, composed primarily of investment income on unallocated surplus, unallocated corporate expenses, interest expense on debt, the results of small, noninsurance businesses that are managed outside of the operating segments and intersegment elimination entries.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies (see Note 2).

The Company allocates investment income on life insurance company surplus assets to each segment using a risk-based capital formula.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The following tables present selected financial information by segment and reconciles segment pre-tax operating income to amounts reported in the consolidated statements of income.

	Year Ended December 31, 2008					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Revenues:						
Premiums	$ 449.8	$ 0.1	$ —	$ 134.9	$ —	$ 584.8
Net investment income (loss)	17.8	261.1	423.4	254.6	(0.4)	956.5
Other revenues	19.0	20.2	0.9	16.0	11.7	67.8
Net realized investment losses	(0.1)	(20.8)	(99.6)	(16.8)	(20.7)	(158.0)
Total revenues	486.5	260.6	324.7	388.7	(9.4)	1,451.1
Benefits and expenses:						
Policyholder benefits and claims	295.9	(6.8)	—	59.4	—	348.5
Interest credited	—	176.4	364.5	227.7	(2.5)	766.1
Other underwriting and operating expenses	115.7	57.4	21.9	57.3	13.5	265.8
Interest expense	—	—	—	—	31.9	31.9
Amortization of deferred policy acquisition costs	8.1	14.9	1.4	1.4	—	25.8
Total benefits and expenses	419.7	241.9	387.8	345.8	42.9	1,438.1
Segment pre-tax income (losses)	66.8	18.7	(63.1)	42.9	(52.3)	13.0
Less: Net realized investment losses	(0.1)	(20.8)	(99.6)	(16.8)	(20.7)	(158.0)
Add: Net realized and unrealized losses on FIA options	—	(2.9)	—	—	—	(2.9)
Segment pre-tax operating income (losses)	$ 66.9	$ 36.6	$ 36.5	$ 59.7	$ (31.6)	$ 168.1
As of December 31, 2008:						
Total investments	$ 161.5	$ 4,636.6	$ 5,865.6	$ 4,129.2	$ 1,459.6	$ 16,252.5
Deferred policy acquisition costs	3.3	183.0	14.5	46.7	—	247.5
Separate account assets	—	645.7	—	70.5	—	716.2
Total assets	295.1	6,005.9	6,301.8	4,703.7	1,923.1	19,229.6
Future policy benefits, losses, claims and loss expenses(1)	192.1	5,661.0	6,756.4	4,737.5	(11.4)	17,335.6
Unearned premiums	1.4	—	—	10.5	—	11.9
Other policyholder funds	10.0	63.8	4.9	30.7	7.9	117.3
Notes payable	—	—	—	—	448.8	448.8

(1) This includes funds held under deposit contracts, future policy benefits, and policy and contract claims.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Year Ended December 31, 2007					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Revenues:						
Premiums	$ 392.1	$ —	$ —	$ 138.4	$ —	$ 530.5
Net investment income	18.1	244.3	439.3	244.1	27.8	973.6
Other revenues	15.2	24.5	0.8	15.0	13.2	68.7
Net realized investment gains (losses)	(0.1)	(9.8)	23.0	(1.5)	5.2	16.8
Total revenues	425.3	259.0	463.1	396.0	46.2	1,589.6
Benefits and expenses:						
Policyholder benefits and claims	213.1	(8.3)	—	62.3	—	267.1
Interest credited	—	165.5	371.5	216.3	(1.0)	752.3
Other underwriting and operating expenses	112.3	69.1	22.4	57.7	20.4	281.9
Interest expense	—	—	—	—	21.5	21.5
Amortization of deferred policy acquisition costs	8.4	6.0	1.1	2.5	—	18.0
Total benefits and expenses	333.8	232.3	395.0	338.8	40.9	1,340.8
Segment pre-tax income	91.5	26.7	68.1	57.2	5.3	248.8
Less: Net realized investment gains (losses)	(0.1)	(9.8)	23.0	(1.5)	5.2	16.8
Add: Net realized and unrealized losses on FIA options	—	(2.3)	—	—	—	(2.3)
Segment pre-tax operating income	$ 91.6	$ 34.2	$ 45.1	$ 58.7	$ 0.1	$ 229.7
As of December 31, 2007:						
Total investments	$ 255.9	$ 3,976.0	$ 6,830.3	$ 4,299.6	$ 1,543.2	$ 16,905.0
Deferred policy acquisition costs	3.5	84.3	10.9	34.2	—	132.9
Separate account assets	—	1,059.3	—	122.6	—	1,181.9
Total assets	385.3	5,337.0	7,132.5	4,818.9	1,886.5	19,560.2
Future policy benefits, losses, claims and loss expenses(1)	171.2	4,438.4	6,891.1	4,560.3	(3.2)	16,057.8
Unearned premiums	1.6	—	—	9.9	—	11.5
Other policyholder funds	11.2	7.0	4.3	26.6	7.7	56.8
Notes payable	—	—	—	—	448.6	448.6

(1) This includes funds held under deposit contracts, future policy benefits, and policy and contract claims.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Year Ended December 31, 2006					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Revenues:						
Premiums	$ 387.3	$ 0.1	$ —	$ 138.3	$ —	$ 525.7
Net investment income	18.0	269.8	439.0	232.8	25.3	984.9
Other revenues	10.2	22.8	0.8	12.9	9.4	56.1
Net realized investment gains (losses)	(0.1)	(17.0)	16.8	(3.8)	5.8	1.7
Total revenues	415.4	275.7	456.6	380.2	40.5	1,568.4
Benefits and expenses:						
Policyholder benefits and claims	230.8	(16.5)	—	50.0	—	264.3
Interest credited	—	186.2	371.8	208.2	(0.3)	765.9
Other underwriting and operating expenses	105.7	61.7	21.6	57.4	14.1	260.5
Interest expense	—	—	—	—	19.1	19.1
Amortization of deferred policy acquisition costs	10.9	1.1	0.6	2.0	—	14.6
Total benefits and expenses	347.4	232.5	394.0	317.6	32.9	1,324.4
Segment pre-tax income	68.0	43.2	62.6	62.6	7.6	244.0
Less: Net realized investment gains (losses)	(0.1)	(17.0)	16.8	(3.8)	5.8	1.7
Add: Net realized and unrealized gains on FIA options	—	2.2	—	—	—	2.2
Segment pre-tax operating income	$ 68.1	$ 62.4	$ 45.8	66.4	$ 1.8	$ 244.5
As of December 31, 2006:						
Total investments	$ 168.7	$ 4,443.3	$ 6,967.9	$ 4,074.9	$ 1,650.5	$ 17,305.3
Deferred policy acquisition costs	4.0	54.5	6.8	22.9	—	88.2
Separate account assets	—	1,115.5	—	118.4	—	1,233.9
Total assets	300.1	5,905.0	7,273.4	4,601.7	2,034.4	20,114.6
Future policy benefits, losses, claims and loss expenses(1)	185.2	4,914.7	7,010.6	4,370.1	(0.7)	16,479.9
Unearned premiums	2.5	—	—	9.2	—	11.7
Other policyholder funds	8.4	7.9	2.0	22.0	8.3	48.6
Notes payable	—	—	—	—	298.7	298.7

(1) This includes funds held under deposit contracts, future policy benefits, and policy and contract claims.

23. Quarterly Results of Operations (Unaudited)

The unaudited quarterly results of operations for years ended December 31, 2008 and 2007 are summarized in the table below:

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In millions, except for per share data)			
2008				
Total revenues	$ 365.0	$ 400.4	$ 341.7	$ 344.0
Total benefits and expenses	360.3	360.2	352.3	365.3
Income (loss) from operations before income taxes	4.7	40.2	(10.6)	(21.3)
Net income (loss)	3.3	28.5	(4.8)	(4.9)
Net income (loss) per common share:				
Basic net income (loss) per share(1)	$ 0.03	$ 0.26	$ (0.05)	$ (0.05)
Diluted net income (loss) per share(1)	$ 0.03	$ 0.26	$ (0.05)	$ (0.05)
2007				
Total revenues	$ 407.3	$ 405.8	$ 391.3	$ 385.2
Total benefits and expenses	331.5	338.6	329.7	341.0
Income from operations before income taxes	75.8	67.2	61.6	44.2
Net income	50.7	45.5	41.4	29.7
Net income per common share:				
Basic net income per share(1)	$ 0.45	$ 0.41	$ 0.37	$ 0.27
Diluted net income per share(1)	$ 0.45	$ 0.41	$ 0.37	$ 0.27

(1) Quarterly earnings per share amounts may not add to the full year amounts as holders of outstanding warrants do not participate in losses.

CONSOLIDATED BALANCE SHEETS

	June 30, 2009 (Unaudited)	December 31, 2008
	(In millions, except share and per share data)	
ASSETS		
Investments:		
Available-for-sale securities:		
Fixed maturities, at fair value (amortized cost: **$17,917.7** and $16,528.4, respectively)	$ 16,933.9	$ 14,887.6
Marketable equity securities, at fair value (cost: **$52.6** and $52.5, respectively)	33.6	38.1
Trading securities:		
Marketable equity securities, at fair value (cost: **$155.5** and $152.1, respectively)	116.1	106.3
Mortgage loans, net	1,038.2	988.7
Policy loans	74.1	75.2
Short-term investments	2.6	9.4
Investments in limited partnerships, (includes **$63.2** and $56.3 measured at fair value, respectively)	151.4	138.3
Other invested assets	7.1	8.9
Total investments	18,357.0	16,252.5
Cash and cash equivalents	435.0	468.0
Accrued investment income	230.4	206.3
Accounts receivable and other receivables	72.9	61.7
Reinsurance recoverables	266.4	264.2
Deferred policy acquisition costs	307.4	247.5
Goodwill	25.3	24.3
Current income tax recoverable	2.4	21.1
Deferred income tax assets, net	546.8	785.8
Property, equipment, and leasehold improvements, net	17.2	18.9
Other assets	72.5	57.4
Securities lending collateral	44.4	105.7
Separate account assets	735.7	716.2
Total assets	$ 21,113.4	$ 19,229.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Funds held under deposit contracts	$ 18,139.8	$ 16,810.4
Future policy benefits	394.3	392.1
Policy and contract claims	132.3	133.1
Unearned premiums	12.8	11.9
Other policyholders' funds	138.6	117.3
Notes payable	448.8	448.8
Other liabilities	303.0	207.9
Securities lending payable	44.4	105.7
Separate account liabilities	735.7	716.2
Total liabilities	20,349.7	18,943.4
Commitments and contingencies (Note 9)		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 750,000,000 shares authorized; 92,646,295 shares issued and outstanding as of June 30, 2009 and December 31, 2008	0.9	0.9
Additional paid-in capital	1,165.5	1,165.5
Retained earnings	240.2	172.4
Accumulated other comprehensive loss, net of taxes	(642.9)	(1,052.6)
Total stockholders' equity	763.7	286.2
Total liabilities and stockholders' equity	$ 21,113.4	$ 19,229.6

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(In millions, except per share data)			
Revenues:				
Premiums	$ 142.6	$ 145.8	$ 288.1	$ 292.3
Net investment income	283.1	242.9	545.8	476.4
Other revenues	14.9	18.2	28.5	35.6
Net realized investment gains (losses)				
Total other-than-temporary impairment losses on securities	(72.2)	(15.9)	(123.8)	(38.4)
Less: portion of losses recognized in other comprehensive income	43.7	—	67.5	—
Net impairment losses recognized in earnings	(28.5)	(15.9)	(56.3)	(38.4)
Other net realized investment gains (losses)	31.2	9.4	16.0	(0.5)
Total net realized investment gains (losses)	2.7	(6.5)	(40.3)	(38.9)
Total revenues	443.3	400.4	822.1	765.4
Benefits and expenses:				
Policyholder benefits and claims	82.1	86.1	176.5	180.4
Interest credited	213.1	192.1	408.7	377.0
Other underwriting and operating expenses	62.0	69.1	125.0	136.5
Interest expense	8.0	8.1	15.9	16.0
Amortization of deferred policy acquisition costs	11.9	4.8	22.6	10.6
Total benefits and expenses	377.1	360.2	748.7	720.5
Income from operations before income taxes	66.2	40.2	73.4	44.9
Provision (benefit) for income taxes:				
Current	9.6	16.7	11.5	23.5
Deferred	9.6	(5.0)	9.8	(10.4)
Total provision for income taxes	19.2	11.7	21.3	13.1
Net income	$ 47.0	$ 28.5	$ 52.1	$ 31.8
Net income per common share:				
Basic	$ 0.42	$ 0.26	$ 0.47	$ 0.29
Diluted	$ 0.42	$ 0.26	$ 0.47	$ 0.29
Weighted-average number of common shares outstanding:				
Basic	111.622	111.622	111.622	111.622
Diluted	111.622	111.622	111.622	111.622
Cash dividends declared per common share	$ —	$ —	$ —	$ —

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
			(Unaudited) (In millions)		
Balances at January 1, 2008	$ 0.9	$ 1,165.5	$ 131.2	$ (12.5)	$ 1,285.1
Cumulative effect adjustment — new accounting guidance (net of taxes: $(10.3))	—	—	19.1	(19.1)	—
Comprehensive income (loss), net of taxes:					
Net income	—	—	31.8	—	31.8
Other comprehensive loss (net of taxes: $(171.3))	—	—	—	(318.1)	(318.1)
Total comprehensive loss, net of taxes	—	—	—	—	(286.3)
Balances at June 30, 2008	$ 0.9	$ 1,165.5	$ 182.1	$ (349.7)	$ 998.8
Balances at January 1, 2009	$ 0.9	$ 1,165.5	$ 172.4	$ (1,052.6)	$ 286.2
Cumulative effect adjustment — new accounting guidance (net of taxes: $(8.4))	—	—	15.7	(15.7)	—
Comprehensive income, net of taxes:					
Net income	—	—	52.1	—	52.1
Other comprehensive income (net of taxes: $229.1)	—	—	—	425.4	425.4
Total comprehensive income, net of taxes	—	—	—	—	477.5
Balances at June 30, 2009	$ 0.9	$ 1,165.5	$ 240.2	$ (642.9)	$ 763.7

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2009 (Unaudited)	2008 (Unaudited)
	(In millions)	
Cash flows from operating activities		
Net income	$ 52.1	$ 31.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment losses	40.3	38.9
Accretion of fixed maturity investment and mortgage loans	8.5	20.5
Accrued interest on bonds	(16.6)	(17.3)
Amortization and depreciation	7.4	7.6
Deferred income tax provision (benefit)	9.8	(10.4)
Interest credited on deposit contracts	408.7	377.0
Mortality and expense charges and administrative fees	(50.2)	(48.3)
Changes in:		
Deferred policy acquisition costs	(76.2)	(35.6)
Accrued income taxes	18.7	11.0
Accrued investment income	(24.1)	1.3
Policy and contract claims	(0.8)	20.9
Other assets	(26.8)	12.3
Other liabilities	9.6	(21.7)
Other, net	0.1	—
Total adjustments	308.4	356.2
Net cash provided by operating activities	360.5	388.0
Cash flows from investing activities		
Purchases of:		
Fixed maturities and equity securities	(2,110.7)	(1,031.9)
Other invested assets and investments in limited partnerships	(19.3)	(19.3)
Issuances of mortgage loans	(86.0)	(110.0)
Issuances of policy loans	(8.9)	(7.7)
Maturities, calls, paydowns, and other	649.5	470.0
Securities lending collateral returned (invested), net	59.6	(586.6)
Sales of:		
Fixed maturities and equity securities	138.4	268.2
Other invested assets and investments in limited partnerships	2.9	0.2
Repayments of mortgage loans	35.8	46.7
Repayments of policy loans	9.3	8.6
Net (increase) decrease in short-term investments	6.8	(0.3)
Purchases of property, equipment, and leasehold improvements	(0.7)	(0.7)
Other, net	(2.2)	(2.3)
Net cash used in investing activities	(1,325.5)	(965.1)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	$ 1,655.6	$ 759.1
Withdrawals	(671.4)	(614.0)
Securities lending collateral (paid) received, net	(59.6)	586.6
Other, net	7.4	(19.7)
Net cash provided by financing activities	932.0	712.0
Net increase (decrease) in cash and cash equivalents	(33.0)	134.9
Cash and cash equivalents at beginning of period	468.0	253.9
Cash and cash equivalents at end of period	$ 435.0	$ 388.8

See accompanying notes.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts in millions, unless otherwise stated)

1. Nature of Operations, Basis of Presentation and Accounting Policies

Organization and Description of Business

The accompanying interim consolidated financial statements include on a consolidated basis the accounts of Symetra Financial Corporation and its subsidiaries which are referred to as "Symetra Financial" or "the Company." Symetra Financial is a Delaware corporation privately owned by an investor group led by White Mountains Insurance Group, Ltd. and Berkshire Hathaway Inc.

Symetra Financial's subsidiaries offer group and individual insurance products and retirement products, including annuities marketed through professional agents and distributors in all states and the District of Columbia. The Company's principal products include medical stop-loss insurance, fixed and variable deferred annuities, single premium immediate annuities and individual life insurance.

Basis of Presentation and Use of Estimates

The interim consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and the rules and regulations of the Securities and Exchange Commission for interim financial reporting. These interim consolidated financial statements are unaudited but, in management's opinion, include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation. The consolidated balance sheet as of December 31, 2008 is derived from audited consolidated financial statements as of that date, but certain information and footnotes required by GAAP for complete financial statements have been excluded. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included elsewhere in this prospectus.

The most significant estimates include those used to determine the following: valuation of investments; the identification of other-than-temporary impairments of investments; the balance, recoverability and amortization of deferred policy acquisition costs (DAC); the liabilities for funds held under deposit contracts, future policy benefits, and policy and contract claims; and income taxes. The recorded amounts reflect management's best estimates, though actual results could differ. Management believes the amounts provided are appropriate.

The interim consolidated financial statements include the accounts of Symetra Financial Corporation and its subsidiaries that are wholly owned, directly or indirectly. All significant intercompany transactions and balances have been eliminated.

2. Accounting Policies

For a description of significant accounting policies, see Note 2 to the audited consolidated financial statements of Symetra Financial Corporation included elsewhere in this prospectus.

Adoption of New Accounting Pronouncements

SFAS No. 160 (ASC 810-10) Noncontrolling Interests in Consolidated Financial Statements — an Amendment of Accounting Research Bulletin No. 51

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company adopted SFAS No. 160 effective January 1, 2009. The adoption did not have a material impact on the Company's consolidated financial statements.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

FSP SFAS 115-2 and SFAS 124-2 (ASC 320-10) Other-than-Temporary Impairments (OTTI)

In April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2 (ASC 320-10), *Recognition and Presentation of Other-than-Temporary Impairments*. This FSP amends OTTI guidance on debt securities and modifies the OTTI presentation and disclosure requirements for debt and equity securities. The FSP replaces the provision that management must positively assert the ability to hold a debt security until recovery to determine impairment, with the assertion that the Company does not intend to sell or it is not more-likely-than-not that the Company will be required to sell a security prior to recovery. In addition, if a credit loss exists, the FSP requires that the credit loss is recognized in earnings, whereas the portion due to other factors is recognized in other comprehensive income (loss). As permitted by the transition guidance, we elected to adopt the FSP effective January 1, 2009, which resulted in an increase of $15.7 (net of taxes of $8.4) to the opening balance of retained earnings with a corresponding decrease to accumulated other comprehensive loss to reclassify the noncredit portion of previously impaired debt securities held as of January 1, 2009, for which the Company did not intend to sell and it was not more likely than not that the Company would be required to sell the security before recovery of its amortized cost.

To determine the cumulative effect of adoption the Company compared the present value of cash flows expected to be received as of January 1, 2009, to the amortized cost basis of the debt securities. The discount rate used to calculate the present value was the rate for each respective debt security in effect before recognizing any OTTI. The cumulative effect adjustment increased the amortized cost of our fixed maturity securities, primarily corporate securities, by $24.1.

The Company enhanced financial statement presentation, as required, to separately present the OTTI recognized in accumulated other comprehensive income (loss) on the face of our consolidated statements of changes in stockholders' equity and present the total OTTI recognized as a realized loss in the income statement, with an offset for the amount of noncredit impairments recognized in accumulated other comprehensive loss. The enhanced financial statement disclosures are included in Note 4. For the period six months ended June 30, 2009, gross impairments were $123.8, of which $56.3 was included in earnings and $67.5 was recorded in other comprehensive income (loss).

FSP SFAS 157-2 (ASC 820-10), Effective Date of FASB Statement No. 157

On January 1, 2008 the Company elected the partial adoption of SFAS No. 157, *Fair Value Measurements* under the provisions of FASB Staff Position (FSP) FAS 157-2, which amended SFAS No. 157 to allow an entity to delay the application of the Statement until January 1, 2009, for certain non-financial assests and liabilities, including fair value measurements used in the impairment testing of goodwill and eligible non-financial assests and liabilities included within a business combination. The adoption of FSP SFAS 157-2 (ASC 820-10) did not have a material impact on the Company's consolidated financial statements.

FSP SFAS 157-4 (ASC 820-10), Fair Value — Nonactive Markets

The Company adopted FSP SFAS No. 157-4 (ASC 820-10), *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* on January 1, 2009. This FSP provides guidance for determining fair value when the volume or level of activity for an asset or liability has significantly decreased and identifies circumstances that indicate a transaction is not orderly. The adoption of FSP SFAS No. 157-4 (ASC 820-10) did not have a material impact on the Company's consolidated financial statements.

FSP SFAS 107-1 and APB 28-1 (ASC 825-10), Interim Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FSP SFAS No. 107-1 and APB 28-1 (ASC 825-10), *Interim Disclosures about Fair Value of Financial Instruments* to require the fair value disclosures for certain financial

instruments be included in interim financial statements of public companies. The FSP applies to all financial instruments under SFAS No. 107 (ASC 825-10), Disclosures about Fair Value of Financial Instruments whether recognized in the financial statements or not. Additionally, companies must disclose methods and significant assumptions used to estimate fair value. The Company adopted FSP SFAS No. 107-1 and APB 28-1 on April 1, 2009. The adoption of FSP SFAS No. 107-1 and APB 28-1 (ASC 825-10) did not have a material impact on the Company's consolidated financial statements.

SFAS No. 161 (ASC 815-10) Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, an amendment to SFAS No. 133. This Statement amends and expands the disclosure requirements for derivative instruments and hedging activities by requiring companies to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and hedging activities are accounted for, and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. The Company adopted SFAS No. 161 on January 1, 2009. The adoption of this guidance did not impact the Company's consolidated financial statements as the Company does not have a material amount of derivative instruments.

SFAS No. 165 (ASC 855-10) Subsequent Events

In May 2009, the FASB issued SFAS No. 165 (ASC 825-10), *Subsequent Events*. This Statement establishes the standards of accounting for and disclosing events that occur after the balance sheet date, but before financial statements are issued. This Statement renames type I and type II subsequent events to "recognized" subsequent events and "non-recognized" subsequent events, respectively. The guidance also clarifies that companies who widely distribute financial statements should evaluate subsequent events through the date of issuance, whereas all other companies should evaluate subsequent events through the date financial statements are available to be issued. The Company adopted SFAS No. 165 for its interim reporting period ending on June 30, 2009. The adoption of SFAS No. 165 did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

SFAS No. 168 (ASC 105-10), FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles

In July 2009, the FASB issued SFAS No. 168 (ASC 105-10), *FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. This Statement establishes the FASB Accounting Standards Codification (Codification or ASC) as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification will become non-authoritative.

Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification.

GAAP is not intended to be changed as a result of the FASB's Codification project, but it will change the way the guidance is organized and presented. As a result, these changes will have a significant impact on how companies reference GAAP in their financial statements and in their accounting policies for financial statements issued for interim and annual periods ending after September 15, 2009. The Company has begun

(All dollar amounts in millions, unless otherwise stated)

the process of implementing the Codification in this quarterly report by providing references to the Codification topics alongside references to the existing standards.

SFAS No. 167 (ASC 810-10), Amendments to FASB Interpretation No. 46(R)

In June 2009, the FASB issued SFAS No. 167 (ASC 810-10), *Amendments to FASB Interpretation No. 46(R)*. This statement provides guidance for determining which enterprise, if any, has a controlling financial interest in a variable interest entity and requires additional disclosures about involvement in variable interest entities. The Company will adopt this statement on January 1, 2010. The Company has not yet determined the impact the adoption of SFAS No. 167 (ASC 810-10) will have on its consolidated financial statements.

3. Earnings Per Share

Basic earnings per share represents the amount of earnings for the period available to each share of common stock outstanding during the reporting period. Diluted earnings per share represents the amount of earnings for the period available to each share of common stock outstanding during the reporting period adjusted for the potential issuance of common stock, if dilutive. All outstanding warrants are considered participating securities or potential common stock securities that are included in weighted-average common shares outstanding for purposes of computing basic earnings per share using the two-class method. The warrants are considered participating securities or potential common stock securities because the terms of the warrants entitle the holders to receive any dividends declared on the common stock concurrently with the holders of outstanding shares of common stock, on a one-to-one basis, without regard to whether the warrants are exercised prior to the record date for any such dividend.

The following table presents information relating to the Company's calculations of basic and diluted earnings per share (EPS) for the following periods:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Numerator:				
Net income, as reported	$ 47.0	$ 28.5	$ 52.1	$ 31.8
Denominator:				
Common stock	92.646	92.646	92.646	92.646
Warrants	18.976	18.976	18.976	18.976
Weighted-average common shares outstanding — basic and diluted	111.622	111.622	111.622	111.622
Net income per common share:				
Basic	$ 0.42	$ 0.26	$ 0.47	$ 0.29
Diluted	$ 0.42	$ 0.26	$ 0.47	$ 0.29

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

4. Investments

The following tables summarize the Company's available-for-sale fixed maturities and marketable equity securities:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Other-Than-Temporary Impairments in AOCI	Fair Value
June 30, 2009					
Fixed maturities:					
U.S. government and agencies	$ 151.0	$ 3.6	$ (0.6)	$ (0.1)	$ 153.9
State and political subdivisions	488.5	1.9	(39.6)	(1.6)	449.2
Foreign governments	28.2	0.6	(0.1)	—	28.7
Corporate securities	11,950.0	223.5	(911.4)	(45.7)	11,216.4
Residential mortgage-backed securities	3,191.3	108.6	(99.0)	(38.5)	3,162.4
Commercial mortgage-backed securities	1,950.9	17.5	(178.1)	(0.1)	1,790.2
Other debt obligations	157.8	3.7	(24.1)	(4.3)	133.1
Total fixed maturities	17,917.7	359.4	(1,252.9)	(90.3)	16,933.9
Marketable equity securities, available-for-sale	52.6	—	(19.0)	—	33.6
Total	$ 17,970.3	$ 359.4	$ (1,271.9)	$ (90.3)	$ 16,967.5

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2008				
Fixed maturities:				
U.S. government and agencies	$ 155.5	$ 5.2	$ (3.9)	$ 156.8
State and political subdivisions	488.8	0.9	(64.8)	424.9
Foreign governments	31.4	3.2	—	34.6
Corporate securities	10,564.1	105.1	(1,362.7)	9,306.5
Residential mortgage-backed securities	3,176.1	84.6	(134.4)	3,126.3
Commercial mortgage-backed securities	1,912.7	17.5	(255.2)	1,675.0
Other debt obligations	199.8	—	(36.3)	163.5
Total fixed maturities	16,528.4	216.5	(1,857.3)	14,887.6
Marketable equity securities, available-for-sale	52.5	—	(14.4)	38.1
Total	$ 16,580.9	$ 216.5	$ (1,871.7)	$ 14,925.7

Of the U.S. government and agencies securities, agencies comprised $130.3 and $132.1 of the fair value, with $0.6 and $3.9 of gross unrealized losses, at June 30, 2009 and December 31, 2008, respectively.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The following tables show the Company's investments' gross unrealized losses including the portion of OTTI recognized in other comprehensive loss for fixed maturities, and fair values, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of June 30, 2009 and December 31, 2008.

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
June 30, 2009						
Fixed maturities:						
U.S. government and agencies	$ 30.2	$ (0.5)	$ 27.8	$ (0.2)	$ 58.0	$ (0.7)
State and political subdivisions	168.2	(18.0)	175.3	(23.2)	343.5	(41.2)
Foreign governments	10.6	(0.1)	—	—	10.6	(0.1)
Corporate securities	1,390.7	(131.3)	4,549.0	(825.8)	5,939.7	(957.1)
Residential mortgage-backed securities	265.7	(12.1)	447.1	(125.4)	712.8	(137.5)
Commercial mortgage-backed securities	160.3	(12.3)	1,089.7	(165.9)	1,250.0	(178.2)
Other debt obligations	12.4	(12.4)	25.8	(16.0)	38.2	(28.4)
Total fixed maturities	2,038.1	(186.7)	6,314.7	(1,156.5)	8,352.8	(1,343.2)
Marketable equity securities, available-for-sale	0.1	—	33.2	(19.0)	33.3	(19.0)
Total	$ 2,038.2	$ (186.7)	$ 6,347.9	$ (1,175.5)	$ 8,386.1	$ (1,362.2)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2008						
Fixed maturities:						
U.S. government and agencies	$ 52.4	$ (3.9)	$ —	$ —	$ 52.4	$ (3.9)
State and political subdivisions	305.0	(57.0)	73.1	(7.8)	378.1	(64.8)
Corporate securities	4,565.7	(484.2)	2,789.7	(878.5)	7,355.4	(1,362.7)
Residential mortgage-backed securities	536.0	(74.4)	169.6	(60.0)	705.6	(134.4)
Commercial mortgage-backed securities	694.3	(140.2)	566.2	(115.0)	1,260.5	(255.2)
Other debt obligations	127.1	(23.7)	26.6	(12.6)	153.7	(36.3)
Total fixed maturities	6,280.5	(783.4)	3,625.2	(1,073.9)	9,905.7	(1,857.3)
Marketable equity securities, available-for-sale	14.8	(11.2)	23.3	(3.2)	38.1	(14.4)
Total	$ 6,295.3	$ (794.6)	$ 3,648.5	$ (1,077.1)	$ 9,943.8	$ (1,871.7)

After the recognition of OTTI, the Company believes that the remaining securities in an unrealized loss position as of June 30, 2009, were not other-than-temporarily impaired as it does not intend to sell these fixed maturity securities or it is not more likely than not that it will be required to sell the fixed maturity securities before recovery of their amortized cost basis. Furthermore, based upon the Company's cash flow modeling and the expected continuation of contractually required principal and interest payments, the Company considers these securities to be temporarily impaired as of June 30, 2009.

Additionally, the Company does not intend to sell non-redeemable preferred stock or it is not more likely than not it will be required to sell the non-redeemable preferred stock before recovery of their amortized cost basis, and the Company expects to recover the cost basis of these securities.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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The following table summarizes the cost or amortized cost and fair value of fixed maturities as June 30, 2009, by contractual years to maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties. Residential mortgaged-backed, commercial mortgage-backed and other debt obligations, which are mainly asset-backed securities, are shown separately as they are not due at a single maturity date.

	Cost or Amortized Cost	Fair Value
One year or less	$ 449.6	$ 451.2
Over one year through five years	2,870.6	2,876.3
Over five years through ten years	4,032.4	3,930.2
Over ten years	5,265.1	4,590.5
Residential mortgage-backed securities	3,191.3	3,162.4
Commercial mortgage-backed securities	1,950.9	1,790.2
Other debt obligations	157.8	133.1
Total fixed maturities	$ 17,917.7	$ 16,933.9

The following table summarizes the Company's net investment income:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Fixed maturities	$ 263.6	$ 229.0	$ 514.4	$ 455.5
Marketable equity securities, available-for-sale	1.3	1.3	1.7	1.7
Marketable equity securities, trading	0.6	0.8	1.2	1.4
Mortgage loans	16.1	14.7	32.1	28.3
Policy loans	1.1	1.1	2.2	2.2
Investments in limited partnerships	4.1	(2.6)	2.6	(10.2)
Other(1)	1.1	3.5	1.3	7.3
Total investment income	287.9	247.8	555.5	486.2
Investment expenses(2)	(4.8)	(4.9)	(9.7)	(9.8)
Net investment income	$ 283.1	$ 242.9	$ 545.8	$ 476.4

(1) Includes income from other invested assets, short-term investments and cash and cash equivalents.

(2) Investment expenses are primarily composed of fees paid to an affiliate of White Mountains Insurance Group, Ltd.

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The following table provides additional detail of net realized investment gains (losses). The cost of securities sold is determined using the specific identification method.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Gross realized gains on sales:				
Fixed maturities	$ 5.8	$ 7.1	$ 6.2	$ 9.5
Marketable equity securities, trading	1.0	5.7	1.0	6.1
Total gross realized gains on sales	6.8	12.8	7.2	15.6
Gross realized losses on sales:				
Fixed maturities	(1.6)	(1.8)	(2.2)	(3.0)
Marketable equity securities, trading	(3.2)	(0.2)	(4.3)	(0.3)
Total gross realized losses on sales	(4.8)	(2.0)	(6.5)	(3.3)
Impairments:				
Fixed maturities	(28.5)	(15.9)	(56.3)	(38.4)
Gains (losses) on trading securities:				
Gross gains	27.7	11.2	20.7	10.7
Gross losses	(6.7)	(10.5)	(14.2)	(15.3)
Total net gains (losses) on trading securities	21.0	0.7	6.5	(4.6)
Other, including gains (losses) on calls and redemptions:				
Fixed maturities	3.6	(1.1)	(0.6)	(4.9)
Marketable equity securities, trading	0.8	—	1.1	—
Other	3.8	(1.0)	8.3	(3.3)
Total other	8.2	(2.1)	8.8	(8.2)
Net realized investment gains (losses)	$ 2.7	$ (6.5)	$ (40.3)	$ (38.9)

Other-Than-Temporary Impairments

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Company's review of investment securities includes both quantitative and qualitative criteria. Quantitative criteria include the length of time and amount that each security is in an unrealized loss position and, for fixed maturities, whether expected future cash flows indicate a credit loss exists.

The Company's review of its fixed maturities and marketable equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value has declined and remained below cost or amortized cost by less than 20%, (ii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for less than six months and (iii) securities where the estimated fair value has declined and remained below cost or amortized cost by 20% or more for six months or longer. While all securities are monitored for impairment, the Company's experience indicates that the first category does not represent a significant risk of impairment and, often, fair values recover over time as the factors that caused the declines improve. In times of economic turbulence, such as those of 2008 or 2009, securities in category (ii) represent a significant risk. Securities in category (iii) are always considered to represent a significant risk. The Company performs a qualitative analysis by issuer to identify securities in category (i) that should be further evaluated for OTTI.

If the value of a security falls into category (ii) or (iii), the Company analyzes the decrease in fair value to determine whether it is an other-than-temporary decline in value. To make this determination for each security, the Company considers, among other factors:

- Extent and duration of the decline in fair value below cost or amortized cost;
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations or earnings potential;
- Any downgrades of the security by a rating agency;
- Any reduction or elimination of dividends or nonpayment of scheduled interest payments;
- Other indications that a credit loss has occurred; and
- For debt securities, the Company's intent to sell the security or whether it is more likely than not the Company will be required to sell the security prior to recovery of its amortized cost, considering any regulatory developments and the Company's liquidity needs.

Based on the analysis, the Company makes a judgment as to whether the loss is other-than-temporary. The Company's marketable equity securities, available-for-sale consist primarily of non-redeemable preferred stock, which are evaluated similarly to fixed maturities.

For debt securities, the Company implemented new accounting guidance effective January 1, 2009. If the Company intends to sell a security or it is more-likely-than-not it will be required to sell a debt security before recovery of its amortized cost basis and the fair value of the debt security is below amortized cost, an OTTI has occurred and the amortized cost is written down to current fair value, with a corresponding charge to net realized investment gains (losses) in the consolidated statements of income. If the Company does not intend to sell a debt security or believes it is not more likely than not it will be required to sell a debt security before recovery of its amortized cost basis, but the present value of the cash flows expected to be collected is less than the amortized cost of the debt security (that is, a credit loss exists), the Company concludes that an OTTI has occurred and the amortized cost is written down to the discounted estimated recovery value with a corresponding charge to net realized investment gains (losses) in the consolidated statements of income, as this is deemed the credit portion of the OTTI. The remainder of the decline in fair value is recorded in other comprehensive income (loss) on the consolidated statements of stockholders' equity, as this is considered the portion of the impairment due to other, non-credit factors.

When assessing the Company's intent to sell a debt security or if it is more likely than not it will be required to sell a debt security before recovery of its cost basis, the Company evaluates facts and circumstances including, but not limited to, decisions to reposition its security portfolio, sales of securities to meet cash flow needs and sales of securities to capitalize on favorable pricing. In order to determine the amount of the credit loss for a debt security, the Company calculates the recovery value by performing a discounted cash flow analysis based on the current expectations of future cash flows it expects to recover. The discount rate is the effective interest rate implicit in the underlying debt security. The effective interest rate is the original yield or the coupon if the debt security was previously impaired. See the discussion below for additional information on the methodology and significant inputs, by security type, used to determine the amount of a credit loss.

In periods subsequent to the recognition of an OTTI, the security is accounted for as if it had been purchased on the measurement date of the OTTI, with a par value equal to the expected principal to be recovered. Therefore, for fixed maturity securities, the revised discount or reduced premium is reflected in net investment income over the contractual term of the investment in a manner that produces a constant effective yield.

Determination of Credit Losses on Corporate Securities

To determine recovery value of a corporate security, the Company performs an analysis related to the underlying issuer including, but not limited to, the following:

- Fundamentals of the issuer to determine what the Company would recover if the issuer were to file bankruptcy versus the price at which the market is trading;
- Fundamentals of the industry in which the issuer operates;
- Earnings multiples for the given industry or sector of the industry that the underlying issuer operates within, divided by the outstanding debt to determine an expected recovery value of the security in the case of a liquidation;
- Expected cash flows of the issuer;
- Expectations regarding defaults and recovery rates;
- Changes to the rating of the security by a rating agency; and
- Additional market information.

Determination of Credit Losses on Mortgage-backed Securities

To determine recovery value of a mortgage-backed security, including residential, commercial and other asset-backed securities, the Company performs an analysis related to the underlying issuer including, but not limited to, the following:

- Discounted cash flow analysis based on the current and future cash flows the Company expects to recover;
- Level of creditworthiness;
- Delinquency ratios and loan-to-value ratios;
- Average cumulative collateral loss, vintage year and level of subordination;
- Susceptibility to fair value fluctuations due to changes in the interest rate environment;
- Susceptibility to reinvestment risk in cases where market yields are lower than the book yield earned;
- Susceptibility to reinvestment risk in cases where market yields are higher than the book yields earned on a security and the Company’s expectation of the sale of such security; and
- Susceptibility to variability of prepayments.

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Changes in the amount of credit-related OTTI recognized in net income where the portion related to other factors was recognized in OCI were as follows:

	For the Three Months Ended June 30, 2009	For the Six Months Ended June 30, 2009
Balance, beginning of the period	$ 86.1	$ 73.0
Increases recognized in the current period:		
For which an OTTI was not previously recognized	11.1	21.3
Recognized in the current period for which an OTTI was previously recognized	2.2	10.6
Decreases attributable to:		
Securities sold or paid down during the period	(7.6)	(7.7)
Previously recognized credit losses on securities impaired during the period due to a change in intent to sell(1)	(17.4)	(22.8)
Balance, end of the period	$ 74.4	$ 74.4

(1) Represents circumstances where the Company determined in the current period that it intends to sell the security or it is more likely than not that it will be required to sell the security prior to recovery of its amortized cost.

5. Fair Value of Financial Instruments

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest-level input that is significant to the fair value measurement. The Company's financial assets recorded at fair value on the consolidated balance sheets are categorized as follows:

- *Level 1* — Unadjusted quoted prices in active markets for identical instruments. Primarily consists of financial instruments whose value is based on quoted market prices, such as exchange-traded marketable equity securities and actively traded mutual fund investments.
- *Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

  This level includes those financial instruments that are valued using industry-standard pricing methodologies, models, or other valuation methodologies. These models are primarily industry-standard models that consider various inputs, such as interest rate, credit spread and foreign exchange rates for the underlying financial instruments. All significant inputs are observable, or derived from observable, information in the marketplace or are supported by observable levels at which transactions are executed in the market place. Financial instruments in this category primarily include certain public and private corporate fixed maturity securities, government or agency securities, and certain mortgage-backed and asset-backed securities.
- *Level 3* — Instruments whose significant value drivers are unobservable. This comprises financial instruments for which fair value is estimated based on industry-standard pricing methodologies and internally developed models utilizing significant inputs not based on or

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corroborated by readily available market information. In limited circumstances, this category may also utilize nonbinding broker quotes. This category primarily consists of certain less liquid fixed maturities, investments in hedge funds and private equity funds, corporate private placement securities, and trading securities where the Company cannot corroborate the significant valuation inputs with market observable data.

The following table presents the financial instruments carried at fair value under the valuation hierarchy, as described above, for assets accounted for at fair value on a recurring basis. The Company has no financial liabilities accounted for at fair value on a recurring basis:

	As of June 30, 2009				
	Fair Value	Level 1	Level 2	Level 3	Level 3 Percent
Types of Investments					
Fixed maturities, available-for-sale:					
U.S. government and agencies	$ 153.9	$ —	$ 153.9	$ —	—
State and political subdivisions	449.2	—	442.1	7.1	0.0%
Foreign governments	28.7	—	28.7	—	—
Corporate securities	11,216.4	—	10,469.3	747.1	4.2%
Residential mortgage-backed securities	3,162.4	—	3,101.3	61.1	0.3%
Commercial mortgage-backed securities	1,790.2	—	1,767.1	23.1	0.1%
Other debt obligations	133.1	—	120.4	12.7	0.1%
Total fixed maturities, available-for-sale	16,933.9	—	16,082.8	851.1	4.7%
Marketable equity securities, available-for-sale	33.6	31.8	—	1.8	0.0%
Marketable equity securities, trading	116.1	115.9	—	0.2	0.0%
Short-term investments	2.6	2.6	—	—	—
Investments in limited partnerships(1)	63.2	—	—	63.2	0.4%
Other invested assets	1.2	—	—	1.2	0.0%
Total investments	$ 17,150.6	$ 150.3	$ 16,082.8	$ 917.5	5.1%
Separate account assets	735.7	735.7	—	—	—
Total assets	$ 17,886.3	$ 886.0	$ 16,082.8	$ 917.5	5.1%

(1) As of June 30, 2009, this amount included investments in hedge funds and private equity funds.

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	As of December 31, 2008				
	Fair Value	Level 1	Level 2	Level 3	Level 3 Percent
Types of Investments					
Fixed maturities, available-for-sale:					
U.S. government and agencies	$ 156.8	$ —	$ 156.8	$ —	—
State and political subdivisions	424.9	—	418.6	6.3	0.0%
Foreign governments	34.6	—	34.6	—	—
Corporate securities	9,306.5	—	8,674.9	631.6	4.0%
Residential mortgage-backed securities	3,126.3	—	3,126.3	—	—
Commercial mortgage-backed securities	1,675.0	—	1,650.6	24.4	0.2%
Other debt obligations	163.5	—	151.5	12.0	0.1%
Total fixed maturities, available-for-sale	14,887.6	—	14,213.3	674.3	4.3%
Marketable equity securities, available-for-sale	38.1	38.1	—	—	—
Marketable equity securities, trading	106.3	106.1	—	0.2	0.0%
Short-term investments	9.4	7.2	2.2	—	—
Investments in limited partnerships(1)	56.3	—	—	56.3	0.4%
Other invested assets	2.4	—	—	2.4	0.0%
Total investments	$ 15,100.1	$ 151.4	$ 14,215.5	$ 733.2	4.7%
Separate account assets	716.2	716.2	—	—	—
Total assets	$ 15,816.3	$ 867.6	$ 14,215.5	$ 733.2	4.7%

(1) As of December 31, 2008, this amount included investments in hedge funds and private equity funds.

Fixed Maturities

The vast majority of the Company's fixed maturities use Level 2 inputs for the determination of fair value. The Company predominantly utilizes third party independent pricing services to assist management in determining the fair value of its fixed maturity securities. The third party independent pricing services provide prices where observable inputs are available. The Company's pricing services utilize evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed maturities do not trade on a daily basis, evaluated pricing applications apply available information through processes, such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing, to prepare evaluations. In addition, the pricing services use models and processes to develop prepayment and interest rate scenarios. These models and processes take into account market convention. If sufficient objectively verifiable information about a security's valuation is not available, the pricing service will discontinue evaluating the security until it is able to obtain such information. The Company gains assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination through various processes including, but not limited to, evaluation of pricing methodologies, analytical reviews of certain prices and back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sales prices.

In situations where the Company is unable to obtain sufficient market observable information upon which to estimate the fair value of a particular security, fair values are obtained primarily from industry-standard pricing methodologies based on market observable information. Certain structured and private

placement securities are valued using industry-standard pricing methodologies that utilize significant unobservable inputs, resulting in the fair value measurements being classified as Level 3.

As of June 30, 2009 and December 31, 2008, the Company has approximately $775.4, or 4.6%, and $632.2, or 4.0%, respectively, of its fixed maturities invested in private placement securities. The valuation of certain private placement securities requires significant judgment by management due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. Private placement securities are initially valued at transaction price. The carrying values or fair values of these investments are adjusted to reflect expected exit values as evidenced by financing and sale transactions with third parties, or when determination of a valuation adjustment is confirmed through ongoing reviews. A variety of factors are reviewed and monitored to assess changes in valuation, including, but not limited to, discounted cash flows based on current performance and future expectations of particular investments, industry valuation of comparable public companies, changes in market outlook, and the third party financing environment over time. As of June 30, 3009 and December 31, 2008, $707.0, or 91.2%, and $583.2, or 92.2%, respectively, of the Company's investments in private placement securities are classified as Level 3.

Marketable Equity Securities

Marketable equity securities consist primarily of investments in common stock and certain nonredeemable preferred stocks and mutual fund assets, which consist of investments in publicly traded companies and actively traded mutual fund investments. The fair values of the Company's marketable equity securities are based on quoted market prices in active markets for identical assets and the vast majority are classified as Level 1.

Investments in Limited Partnerships

The fair value for the Company's investments in hedge funds and private equity funds is based upon the Company's proportionate interest in the underlying partnership or fund's net asset value (NAV), which is deemed to approximate fair value. In circumstances where the partnership NAV is deemed to differ from fair value due to illiquidity or other factors, the NAV is adjusted accordingly. As of June 30, 2009 and December 31, 2008, there were no factors present that would require an adjustment to the NAV. The Company classifies these securities as Level 3.

Separate Account Assets

Separate account assets are primarily invested in mutual funds, which are included in Level 1.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

Rollforward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value for the three and six months ended June 30, 2009 and 2008, respectively.

	Balance as of April 1, 2009	Purchases	Sales	Transfers in and/or (Out) of Level 3	Other	Net Income	Unrealized Gain (Loss) Included in: Other Comprehensive Income	Unrealized Gain (Loss) Included in: Realized Gains (Losses)	Balance as of June 30, 2009
Types of Investments:									
State and political subdivisions	$ 6.5	$ —	$ —	$ —	$ —	$ —	$ 0.6	$ —	$ 7.1
Corporate securities	664.7	61.6	(0.1)	(19.9)	(23.0)	—	66.9	(3.1)	747.1
Residential mortgage-backed securities	—	56.9	—	4.4	(0.2)	—	—	—	61.1
Commercial mortgage-backed securities	22.6	—	—	—	(0.6)	—	1.1	—	23.1
Other debt obligations	12.9	—	—	—	(0.3)	—	0.1	—	12.7
Total fixed maturities, available-for-sale	706.7	118.5	(0.1)	(15.5)	(24.1)	—	68.7	(3.1)	851.1
Marketable equity securities, available-for-sale	1.8	—	—	—	—	—	—	—	1.8
Marketable equity securities, trading	0.1	—	—	—	—	0.1	—	—	0.2
Investments in limited partnerships(1)	59.0	—	(2.2)	—	—	8.3	—	(1.9)	63.2
Other invested assets	0.9	—	—	—	—	0.3	—	—	1.2
Total Level 3	$ 768.5	$ 118.5	$ (2.3)	$ (15.5)	$ (24.1)	$ 8.7	$ 68.7	$ (5.0)	$ 917.5

	Balance as of January 1, 2009	Purchases	Sales	Transfers in and/or (Out) of Level 3	Other	Net Income	Unrealized Gain (Loss) Included in: Other Comprehensive Income	Unrealized Gain (Loss) Included in: Realized Gains (Losses)	Balance as of June 30, 2009
Types of Investments:									
State and political subdivisions	$ 6.3	$ —	$ —	$ —	$ —	$ —	$ 0.8	$ —	$ 7.1
Corporate securities	631.6	113.8	(0.1)	(23.7)	(25.8)	—	55.4	(4.1)	747.1
Residential mortgage-backed securities	—	56.9	—	4.5	(0.3)	—	—	—	61.1
Commercial mortgage-backed securities	24.4	—	—	(0.7)	(1.6)	—	1.0	—	23.1
Other debt obligations	12.0	—	—	—	(0.8)	—	1.5	—	12.7
Total fixed maturities, available-for-sale	674.3	170.7	(0.1)	(19.9)	(28.5)	—	58.7	(4.1)	851.1
Marketable equity securities, available-for-sale	—	—	—	5.2	—	—	(3.4)	—	1.8
Marketable equity securities, trading	0.2	—	—	—	—	—	—	—	0.2
Investments in limited partnerships(1)	56.3	2.4	(2.9)	—	—	9.2	—	(1.8)	63.2
Other invested assets	2.4	—	—	—	—	(1.2)	—	—	1.2
Total Level 3	$ 733.2	$ 173.1	$ (3.0)	$ (14.7)	$ (28.5)	$ 8.0	$ 55.3	$ (5.9)	$ 917.5

(1) Realized and unrealized gains and losses for investments in limited partnerships are included in net investment income.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Balance as of April 1, 2008	Purchases	Sales	Transfers in and/or (Out) of Level 3	Other	Net Income	Unrealized Gain (Loss) Included in: Other Comprehensive Income	Unrealized Gain (Loss) Included in: Realized Gains (Losses)	Balance as of June 30, 2008
Types of Investments:									
State and political subdivisions	$ 8.0	$ 6.8	$ —	$ (7.2)	$ —	$ —	$ (0.1)	$ —	$ 7.5
Corporate securities	637.9	35.9	(0.2)	5.0	(9.3)	—	(15.8)	(4.3)	649.2
Residential mortgage-backed securities	18.5	2.0	—	64.0	(0.1)	—	(3.8)	—	80.6
Commercial mortgage-backed securities	37.8	—	—	—	(0.6)	—	(0.3)	—	36.9
Other debt obligations	6.4	—	—	14.1	(0.2)	—	(4.2)	—	16.1
Total fixed maturities, available-for-sale	708.6	44.7	(0.2)	75.9	(10.2)	—	(24.2)	(4.3)	790.3
Marketable equity securities, available-for-sale	—	—	—	—	—	—	—	—	—
Marketable equity securities, trading	—	1.1	—	0.2	—	—	—	—	1.3
Short-term investments	—	(0.1)	—	—	—	—	0.1	—	—
Investments in limited partnerships(1)	99.4	0.8	(0.1)	—	—	0.3	—	0.1	100.5
Other invested assets	1.6	—	—	—	(0.1)	(0.3)	—	(0.3)	0.9
Total Level 3	$ 809.6	$ 46.5	$ (0.3)	$ 76.1	$ (10.3)	$ —	$ (24.1)	$ (4.5)	$ 893.0

	Balance as of January 1, 2008	Purchases	Sales	Transfers in and/or (Out) of Level 3	Other	Net Income	Unrealized Gain (Loss) Included in: Other Comprehensive Income	Unrealized Gain (Loss) Included in: Realized Gains (Losses)	Balance as of June 30, 2008
Types of Investments:									
State and political subdivisions	$ 0.8	$ 6.8	$ —	$ —	$ —	$ —	$ (0.1)	$ —	$ 7.5
Corporate securities	632.4	47.1	(0.2)	9.9	(16.3)	—	(18.8)	(4.9)	649.2
Residential mortgage-backed securities	—	2.0	—	96.7	(0.2)	—	(17.9)	—	80.6
Commercial mortgage-backed securities	49.6	—	—	(7.2)	(3.9)	—	(1.0)	(0.6)	36.9
Other debt obligations	7.4	—	—	19.1	(0.4)	—	(10.0)	—	16.1
Total fixed maturities, available-for-sale	690.2	55.9	(0.2)	118.5	(20.8)	—	(47.8)	(5.5)	790.3
Marketable equity securities, available-for-sale	—	—	—	—	—	—	—	—	—
Marketable equity securities, trading	0.5	1.1	(0.5)	0.2	—	—	—	—	1.3
Investments in limited partnerships(1)	91.4	13.5	(0.1)	—	—	(4.4)	—	0.1	100.5
Other invested assets	4.6	—	—	—	0.4	(3.8)	—	(0.3)	0.9
Total Level 3	$ 786.7	$ 70.5	$ (0.8)	$ 118.7	$ (20.4)	$ (8.2)	$ (47.8)	$ (5.7)	$ 893.0

(1) Realized and unrealized gains and losses for investments in limited partnerships are included in net investment income.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

The following table summarizes the carrying or reported values and corresponding fair values of financial instruments subject to disclosure requirements:

	June 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Fixed maturities	$ 16,933.9	$ 16,933.9	$ 14,887.6	$ 14,887.6
Marketable equity securities, available-for-sale	33.6	33.6	38.1	38.1
Marketable equity securities, trading	116.1	116.1	106.3	106.3
Mortgage loans	1,038.2	978.7	988.7	907.6
Short-term investments	2.6	2.6	9.4	9.4
Investments in limited partnerships	151.4	152.1	138.3	140.2
Cash and cash equivalents	435.0	435.0	468.0	468.0
Securities lending collateral	44.4	44.4	105.7	105.7
Separate account assets	735.7	735.7	716.2	716.2
Financial liabilities:				
Funds held under deposit contracts	13,300.6	11,796.7	11,987.9	10,972.2
Notes payable:				
Capital Efficient Notes (CENts)	149.8	66.0	149.8	64.0
Senior notes	299.0	240.0	299.0	268.1
Securities lending payable	44.4	44.4	105.7	105.7

The fair values of mortgage loans are determined by discounting the projected cash flows using the current rate at which the loans would be made to borrowers with similar credit ratings and for the same maturities.

Investments in limited partnerships are comprised of hedge funds, private equity funds, and affordable housing projects and state tax credit funds. Investments in limited partnerships associated with hedge funds and private equity funds are carried at fair value based on the NAV, as described above. Investments in limited partnerships associated with affordable housing projects and state tax credit funds are carried at amortized cost. Fair value is estimated based on the discounted cash flows over the remaining life of the tax credits.

For cash and cash equivalents, the carrying value is a reasonable estimate of fair value.

The Company reports funds held under deposit contracts related to investment-type contracts at carrying value and estimates the fair values of these contracts using an income approach based on the present value of the discounted cash flows. Cash flows are projected using prudent best estimates for lapses, mortality, and expenses and discounted at a risk-free rate plus a nonperformance risk spread.

The fair values of the Company's notes payable are based on quoted market prices for similar instruments. The fair value measurement assumes that liabilities are transferred to a market participant of equal credit standing, without consideration for any optional redemption feature.

The fair value of securities lending collateral is the cash and non-cash collateral received by the custodian and held on the Company's behalf, based on quoted market prices for similar instruments. The carrying amount of securities lending payable approximates fair value.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

6. Comprehensive Income (loss)

The components of comprehensive income (loss) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	$ 47.0	$ 28.5	$ 52.1	$ 31.8
Other comprehensive income (loss), net of taxes:				
Changes in unrealized gains and losses on available-for-sale securities(1)	561.3	(214.1)	448.7	(347.2)
Reclassification adjustment for net realized investment (gains) losses included in net income(2)	0.7	0.6	31.6	23.2
Adjustment for deferred policy acquisition costs and deferred sales inducements valuation allowance(3)	(16.3)	5.7	(11.9)	5.9
Other than temporary impairments on debt securities not related to credit losses(4)	(27.5)	—	(43.0)	—
Other comprehensive income (loss)	518.2	(207.8)	425.4	(318.1)
Total comprehensive income (loss), net of taxes	$ 565.2	$ (179.3)	$ 477.5	$ (286.3)

(1) Net of taxes of $302.2, $(115.3), $241.6 and $(186.9) for the three months ended June 30, 2009 and 2008 and the six months ended June 30, 2009 and 2008, respectively.

(2) Net of taxes of $0.4, $0.3, $17.0 and $12.5 for the three months ended June 30, 2009 and 2008 and the six months ended June 30, 2009 and 2008, respectively. For the three and six months ended June 30, 2009, $0.9, net of taxes of $0.4, of the reclassification adjustment is related to losses previously classified as other-than-temporary impairments not related to credit losses.

(3) Net of taxes of $(8.8), $3.1, $(6.3) and $3.1 for the three months ended June 30, 2009 and 2008 and the six months ended June 30, 2009 and 2008, respectively.

(4) Net of taxes of $(14.8), $0, $(23.2) and $0 for the three months ended June 30, 2009 and 2008 and the six months ended June 30, 2009 and 2008, respectively.

7. Deferred Policy Acquisition Costs

The following table provides a reconciliation of the beginning and ending balance for deferred policy acquisition costs:

	June 30, 2009	December 31, 2008
Unamortized balance at beginning of period	$ 219.5	$ 129.9
Deferral of acquisition costs	90.4	110.6
Adjustments related to investment losses	8.4	4.8
Amortization related to other expenses	(22.6)	(25.8)
Unamortized balance at end of period	295.7	219.5
Accumulated effect of net unrealized investment losses	11.7	28.0
Balance at end of period	$ 307.4	$ 247.5

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

8. Deferred Sales Inducements

The following table provides a reconciliation of the beginning and ending balance for deferred sales inducements, which are included in other assets:

	June 30, 2009	December 31, 2008
Unamortized balance at beginning of period	$ 33.0	$ 17.2
Capitalizations	18.8	17.3
Adjustments related to investment losses	1.6	1.0
Amortization related to other expenses	(3.5)	(2.5)
Unamortized balance at end of period	49.9	33.0
Accumulated effect of net unrealized investment losses	2.4	4.5
Balance at end of period	$ 52.3	$ 37.5

9. Commitments and Contingencies

Litigation

Because of the nature of the business, the Company is subject to legal actions filed or threatened in the ordinary course of its business operations. The Company does not expect that any such litigation, pending or threatened, as of June 30, 2009, will have a material adverse effect on its consolidated financial condition, future operating results or liquidity.

Other Commitments

At June 30, 2009 and December 31, 2008, unfunded mortgage loan commitments were $22.8 and $9.0, respectively. The Company had no other material commitments or contingencies at June 30, 2009 and December 31, 2008.

10. Segment Information

The Company offers a broad range of products and services that include group and individual insurance products, retirement products and annuities. These operations are managed separately as five reportable segments based on product groupings: Group, Retirement Services, Income Annuities, Individual and Other.

The primary segment profitability measure that management uses is segment pre-tax operating income, which is calculated by adjusting income from continuing operations before federal income taxes to exclude net realized investment gains (losses), and for the Retirement Services' segment to include the net realized investment gains (losses) on fixed index annuities (FIA) options.

When evaluating segment pre-tax operating income in the Retirement Services' segment, management includes the realized and unrealized investment gains (losses) from options related to a FIA hedging program. This program consists of buying S&P 500 Index call options. The Company uses index options to hedge the equity return component of FIA products. These options do not qualify as hedge instruments or for hedge accounting treatment. The realized and unrealized gain (losses) from the options is recorded in net realized investment gains (losses). Since the interest incurred on the Company's FIA products is included as a component of interest credited, it is more meaningful to evaluate results inclusive of the results of the hedge program.

- *Group.* Group offers medical stop-loss insurance, limited medical benefit plans, group life insurance, accidental death and dismemberment insurance, and disability insurance mainly to

employer groups of 50 to 5,000 individuals. Group also offers managing general underwriter services through Medical Risk Managers Holdings, Inc.

- *Retirement Services.* Retirement Services offers fixed and variable deferred annuities, including tax-sheltered annuities, IRAs and group annuities, to qualified retirement plans, including Section 401(k) and 457 plans. It also provides record-keeping services for qualified retirement plans invested in mutual funds.
- *Income Annuities.* Income Annuities offers, single premium immediate annuities, or SPIAs, for customers seeking a reliable source of retirement income and structured settlement annuities to fund third party personal injury settlements.
- *Individual.* Individual offers a wide array of term, universal and variable life insurance products, as well as bank-owned life insurance, or BOLI.
- *Other.* This segment consists of unallocated corporate income, composed primarily of investment income on unallocated surplus, unallocated corporate expenses, interest expense on debt, the results of small, non-insurance businesses that are managed outside of the operating segments, and intersegment elimination entries.

The Company allocates capital and related investment income to each segment using a risk-based capital formula.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

The following tables present selected financial information by segment and reconciles segment pre-tax operating income to amounts reported in the consolidated statements of income.

	Three Months Ended June 30, 2009					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Revenues:						
Premiums	$ 107.9	$ —	$ —	$ 34.7	$ —	$ 142.6
Net investment income	4.3	95.3	107.1	67.0	9.4	283.1
Other revenues	4.4	4.0	0.1	3.6	2.8	14.9
Net realized investment losses:						
Total other-than-temporary impairment losses on securities	(4.6)	(25.4)	(32.1)	(5.6)	(4.5)	(72.2)
Less: portion of losses recognized in other comprehensive income	3.2	14.0	22.6	3.5	0.4	43.7
Net impairment losses recognized in earnings	(1.4)	(11.4)	(9.5)	(2.1)	(4.1)	(28.5)
Other net realized investment gains (losses)	0.1	6.5	22.3	2.5	(0.2)	31.2
Total net realized investment gains (losses)	(1.3)	(4.9)	12.8	0.4	(4.3)	2.7
Total revenues	115.3	94.4	120.0	105.7	7.9	443.3
Benefits and expenses:						
Policyholder benefits and claims	71.3	(0.4)	—	11.2	—	82.1
Interest credited	—	61.1	91.3	61.8	(1.1)	213.1
Other underwriting and operating expenses	26.2	14.2	5.2	12.7	3.7	62.0
Interest expense	—	—	—	—	8.0	8.0
Amortization of deferred policy acquisition costs	1.9	8.5	0.4	1.1	—	11.9
Total benefits and expenses	99.4	83.4	96.9	86.8	10.6	377.1
Segment pre-tax income (loss)	15.9	11.0	23.1	18.9	(2.7)	66.2
Less: Net realized investment gains (losses)	(1.3)	(4.9)	12.8	0.4	(4.3)	2.7
Add: Net realized and unrealized losses on FIA options	—	0.2	—	—	—	0.2
Segment pre-tax operating income	$ 17.2	$ 16.1	$ 10.3	$ 18.5	$ 1.6	$ 63.7

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Three Months Ended June 30, 2008					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Revenues:						
Premiums	$ 114.0	$ —	$ —	$ 31.8	$ —	$ 145.8
Net investment income	4.8	61.9	107.1	63.6	5.5	242.9
Other revenues	4.9	5.3	0.2	4.8	3.0	18.2
Net realized investment losses:						
Total other-than-temporary impairment losses on securities	—	(1.9)	(13.0)	(1.0)	—	(15.9)
Less: portion of losses recognized in other comprehensive income	—	—	—	—	—	—
Net impairment losses recognized in earnings	—	(1.9)	(13.0)	(1.0)	—	(15.9)
Other net realized investment gains (losses)	—	(0.9)	7.7	0.2	2.4	9.4
Net realized investment gains (losses)	—	(2.8)	(5.3)	(0.8)	2.4	(6.5)
Total revenues	123.7	64.4	102.0	99.4	10.9	400.4
Benefits and expenses:						
Policyholder benefits and claims	75.5	(2.0)	—	12.6	—	86.1
Interest credited	—	42.0	91.6	59.0	(0.5)	192.1
Other underwriting and operating expenses	29.6	15.5	5.6	14.6	3.8	69.1
Interest expense	—	—	—	—	8.1	8.1
Amortization of deferred policy acquisition costs	2.1	1.8	0.3	0.6	—	4.8
Total benefits and expenses	107.2	57.3	97.5	86.8	11.4	360.2
Segment pre-tax income (loss)	16.5	7.1	4.5	12.6	(0.5)	40.2
Less: Net realized investment gains (losses)	—	(2.8)	(5.3)	(0.8)	2.4	(6.5)
Add: Net realized and unrealized losses on FIA options	—	(0.7)	—	—	—	(0.7)
Segment pre-tax operating income (loss)	$ 16.5	$ 9.2	$ 9.8	$ 13.4	$ (2.9)	$ 46.0

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Six Months Ended June 30, 2009					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Revenues:						
Premiums	$ 217.6	$ —	$ —	$ 70.5	$ —	$ 288.1
Net investment income	8.8	178.3	213.4	131.1	14.2	545.8
Other revenues	8.5	7.8	0.3	6.8	5.1	28.5
Net realized investment losses:						
Total other-than-temporary impairment losses on securities	(5.1)	(46.8)	(52.2)	(13.8)	(5.9)	(123.8)
Less: portion of losses recognized in other comprehensive income	3.6	21.5	34.6	6.6	1.2	67.5
Net impairment losses recognized in earnings	(1.5)	(25.3)	(17.6)	(7.2)	(4.7)	(56.3)
Other net realized investment gains	0.1	6.9	6.4	2.8	(0.2)	16.0
Total net realized investment losses	(1.4)	(18.4)	(11.2)	(4.4)	(4.9)	(40.3)
Total revenues	233.5	167.7	202.5	204.0	14.4	822.1
Benefits and expenses:						
Policyholder benefits and claims	148.2	(0.9)	—	29.2	—	176.5
Interest credited	—	116.7	178.0	115.7	(1.7)	408.7
Other underwriting and operating expenses	54.1	27.7	10.2	26.2	6.8	125.0
Interest expense	—	—	—	—	15.9	15.9
Amortization of deferred policy acquisition costs	3.9	16.3	0.8	1.6	—	22.6
Total benefits and expenses	206.2	159.8	189.0	172.7	21.0	748.7
Segment pre-tax income (loss)	27.3	7.9	13.5	31.3	(6.6)	73.4
Less: Net realized investment losses	(1.4)	(18.4)	(11.2)	(4.4)	(4.9)	(40.3)
Add: Net realized and unrealized losses on FIA options	—	(1.2)	—	—	—	(1.2)
Segment pre-tax operating income (loss)	$ 28.7	$ 25.1	$ 24.7	$ 35.7	$ (1.7)	$ 112.5
As of June 30, 2009:						
Total investments	$ 139.5	$ 6,338.2	$ 5,916.0	$ 4,346.6	$ 1,616.7	$ 18,357.0
Deferred policy acquisition costs	3.4	234.6	17.4	52.0	—	307.4
Separate account assets	—	664.1	—	71.6	—	735.7
Total assets	289.5	7,617.7	6,296.4	4,911.9	1,997.9	21,113.4
Future policy benefits, losses, claims, and loss expenses(1)	190.7	7,003.7	6,717.8	4,771.6	(17.4)	18,666.4
Unearned premiums	2.1	—	—	10.7	—	12.8
Other policyholder funds	9.9	21.9	4.9	94.9	7.0	138.6
Notes payable	—	—	—	—	448.8	448.8

(1) This includes funds held under deposit contracts, future policy benefits, and policy and contract claims.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(All dollar amounts in millions, unless otherwise stated)

	Six Months Ended June 30, 2008					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Revenues:						
Premiums	$ 225.6	$ —	$ —	$ 66.7	$ —	$ 292.3
Net investment income	9.2	120.5	208.5	126.3	11.9	476.4
Other revenues	9.6	10.8	0.4	8.8	6.0	35.6
Net realized investment losses:						
Total other-than-temporary impairment losses on securities	—	(11.0)	(19.3)	(2.9)	(5.2)	(38.4)
Less: portion of losses recognized in other comprehensive income	—	—	—	—	—	—
Net impairment losses recognized in earnings	—	(11.0)	(19.3)	(2.9)	(5.2)	(38.4)
Other net realized investment gains (losses)	—	(2.4)	2.4	0.5	(1.0)	(0.5)
Net realized investment losses	—	(13.4)	(16.9)	(2.4)	(6.2)	(38.9)
Total revenues	244.4	117.9	192.0	199.4	11.7	765.4
Benefits and expenses:						
Policyholder benefits and claims	154.7	(4.3)	—	30.0	—	180.4
Interest credited	—	82.7	181.9	113.5	(1.1)	377.0
Other underwriting and operating expenses	59.2	30.3	10.8	28.3	7.9	136.5
Interest expense	—	—	—	—	16.0	16.0
Amortization of deferred policy acquisition costs	4.1	4.4	0.6	1.5	—	10.6
Total benefits and expenses	218.0	113.1	193.3	173.3	22.8	720.5
Segment pre-tax income (loss)	26.4	4.8	(1.3)	26.1	(11.1)	44.9
Less: Net realized investment losses	—	(13.4)	(16.9)	(2.4)	(6.2)	(38.9)
Add: Net realized and unrealized gains on FIA options	—	(3.6)	—	—	—	(3.6)
Segment pre-tax operating income (loss)	$ 26.4	$ 14.6	$ 15.6	$ 28.5	$ (4.9)	$ 80.2
As of June 30, 2008:						
Total investments	$ 288.4	$ 4,157.2	$ 6,503.5	$ 4,289.9	$ 1,525.7	$ 16,764.7
Deferred policy acquisition costs	3.4	119.6	12.8	39.7	—	175.5
Separate account assets	—	942.8	—	107.7	—	1,050.5
Total assets	456.7	5,825.1	7,005.4	5,000.6	1,931.7	20,219.5
Future policy benefits, losses, claims, and loss expenses(1)	195.3	4,830.9	6,847.0	4,658.1	(7.4)	16,523.9
Unearned premiums	1.9	—	—	10.2	—	12.1
Other policyholder funds	6.8	33.1	1.6	28.5	7.8	77.8
Notes payable	—	—	—	—	448.7	448.7

(1) This includes funds held under deposit contracts, future policy benefits, and policy and contract claims.

11. Quarterly Results of Operations

The unaudited quarterly results of operations for the six months ended June 30, 2009 and the year ended December 31, 2008 are summarized in the table below:

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In millions, except for per share data)			
2009				
Total revenues	$ 378.8	$ 443.3		
Total benefits and expenses	371.6	377.1		
Income from operations before income taxes	7.2	66.2		
Net income	5.1	47.0		
Net income per common share:				
Basic net income per share(1)	$ 0.05	$ 0.42		
Diluted net income per share(1)	$ 0.05	$ 0.42		
2008				
Total revenues	$ 365.0	$ 400.4	$ 341.7	$ 344.0
Total benefits and expenses	360.3	360.2	352.3	365.3
Income (loss) from operations before income taxes	4.7	40.2	(10.6)	(21.3)
Net income (loss)	3.3	28.5	(4.8)	(4.9)
Net income (loss) per common share:				
Basic net income (loss) per share(1)	$ 0.03	$ 0.26	$ (0.05)	$ (0.05)
Diluted net income (loss) per share(1)	$ 0.03	$ 0.26	$ (0.05)	$ (0.05)

(1) Quarterly earnings per share amounts may not add to the full year amounts as holders of outstanding warrants do not participate in losses.

12. Subsequent Events

On October 5, 2009, the date the June 30, 2009 unaudited interim consolidated financial statements of Symetra Financial were issued, the Company evaluated the recognition and disclosure of subsequent events.

On August 1, 2009, the Company entered into a new service agreement with a third party service provider to outsource the majority of its information technology infrastructure, effectively terminating the previous agreement with this vendor which was scheduled to expire in July 2010. The initial term of the new agreement expires in July 2014, subject to early termination in certain cases, with two one-year extensions at the Company's election. Under the terms of the service agreement, the Company agreed to pay an annual service fee ranging from $10.6 to $11.4 for five contract years beginning August 1, 2009.

On October 5, 2009, the Company's IPO committee approved the filing of a registration statement with the Securities and Exchange Commission for an initial public offering of the Company's common stock.

GLOSSARY OF SELECTED INSURANCE AND DEFINED TERMS

Accumulation period	The period during which a deferred annuity accumulates interest or investment gains (losses). The period ends when the income payments begin.
Annualized first-year premiums (AFYP)	This term applies to our Group and Individual segments. For recurring premium products it represents the total expected premium payments over the first twelve months on new sales. The entire twelve months of expected premium is reported as AFYP in the period during which the policy is issued. For single-premium products, the AFYP is 10% of the single premium.
Annuity	A contract sold by insurance companies that offers tax-deferred savings and a choice of payout options to meet the owner's income needs in retirement.
Bank-owned life insurance (BOLI)	A life insurance policy purchased to insure the life of certain bank employees, usually officers and other highly compensated employees. The policies are commonly used to fund employee pension and benefit plans.
Brokerage general agent	An independent contractor of the insurance company who has the authority to appoint brokers on behalf of the insurance company.
Cash value	The amount of cash available to a policyholder on the surrender of or withdrawal from a life insurance policy or annuity contract.
Cede	Reinsuring with another insurance company all or a portion of the risk we insure.
Contract values	The amounts held for the benefit of policyholders or contractholders within investment products. For variable products, account value is equal to fair value.
Deferred annuities	Annuity contracts that delay income payments until the holder chooses to receive them. These contracts might also be surrendered for cash, exchanged for another contract or rolled over to another contract.
Defined benefit plan	A pension plan that promises to pay a specified amount to each eligible plan member who retires.
Defined contribution plan	A plan established under Section 401(a), 401(k), 403(b) or 457(b) of the Internal Revenue Code, under which the benefits to a participant depend on contributions made to, and the investment return on, the participant's account.
Earned premiums	The portion of a premium, net of any amount ceded, that represents coverage already provided or that belongs to the insurer based on the part of the policy period that has passed.
Expense risk	The measure of the sensitivity of the insurance company's liability for the resultant higher expense rates than charged for in the premium, expense charge or margin.
Fixed annuity	An annuity that guarantees that a specific sum of money will be paid in the future, usually as monthly income, to an annuitant. The dollar amount will not fluctuate regardless of adverse changes in

	the insurance company's mortality experience, investment return and expenses.
Fixed indexed annuity (FIA)	Modifications of the single premium deferred annuity, which usually guarantees at a minimum a return of the premium. Additional interest can be earned that is linked to a specified stock index. Thus, this insurance product usually guarantees the principal of the investment, while at the same time providing the opportunity for increasing values tied to the equities market.
General account	All of the assets of our insurance companies recognized for statutory accounting purposes other than those specifically allocated to separate accounts. We bear the risk of our investments held in our general account.
Group insurance	A single contract or policy under which individuals in a natural group (such as employees of a business firm) and potentially their dependants are covered.
Group medical stop-loss insurance	Coverage purchased by employers in order to limit their exposure under self-insured medical plans.
Guaranteed investment contract	A contract, usually purchased by ERISA qualified plans, that guarantees a minimum rate of return on the amount invested.
Guaranteed living benefits (GLBs)	An industry term associated with optional benefit riders on variable annuity contracts, such as guaranteed minimum withdrawal benefits (GMWBs), guaranteed minimum income benefits (GMIBs) and guaranteed minimum accumulation benefits (GMABs). For a separate charge assessed against the variable annuity contract value, GLBs generally provide for some guaranteed level of withdrawal, annuity or accumulation benefit regardless of declines in the variable annuity contract value. Some variable annuity contracts may allow for increases or "step-ups" in guaranteed benefit amounts. GLBs are typically subject to various contractual conditions, including minimum waiting periods, required participation in asset allocation programs and limitations on withdrawal amounts. GLBs typically require insurers to maintain complex hedging programs to manage the risks associated with these guaranties.
Guaranteed minimum income benefit (GMIB)	A benefit that guarantees a specified minimum appreciation rate for a defined period of time, after which annuity payments commence.
Guaranteed minimum withdrawal benefit (GMWB)	A benefit that guarantees a customer's minimum stream of income, equal to the return of the contract's principal, provided it is withdrawn within specified limits over time.
In force	Policies and contracts reflected on our applicable records that have not expired or been terminated as of a given date.
Interest spread	Yield on investments less the interest rate credited on liabilities.
Managing general underwriter (MGU)	An MGU is a business that acts as a sales intermediary between an insurance company and medical stop-loss policyholder. MGU's can

	provide marketing, premium administration, claims administration, claims adjudication and pricing. The MGU is generally paid a percentage of premium and does not share in any of the risk.
Market value adjustment (MVA)	A market value adjustment is a feature that adjusts the surrender value of a contract in the event of surrender prior to the end of the contract period to protect an insurer against losses due to higher interest rates at the time of the surrender.
Morbidity	The incidence of disease or disability in a specific population over a specific period of time.
Mortality	The number of deaths in a specific population over a specific period of time.
Mortality gains	Mortality gains may arise if mortality rates are higher or lower than expected. For structured settlements and SPIAs mortality gains occur if policyholders die sooner than expected. For life insurance, mortality gains occur if policyholders die later than expected.
Multiple premium immediate annuity (MPIA)	An annuity that is funded with multiple premiums and guarantees a series of payments continuing over a fixed number of years or for the life of the annuitant. The payments typically begin more than one year after the initial premium payment.
Non-admitted assets	Certain assets or portions thereof that are not permitted to be reported as admitted assets in an insurer's annual statement prepared in accordance with statutory accounting principles. As a result, certain assets that normally would be accorded value in the financial statements of non-insurance corporations are accorded no value and thus reduce the reported statutory surplus of the insurer.
Non-qualified plan	An employee benefits plan that does not have the federal tax advantages of a qualified pension plan, in which employers receive a federal tax deduction for contributions paid into the plan on behalf of their employees. For an employer, not having a tax deduction can be a serious disadvantage, but a non-qualified plan has these advantages: 1) otherwise discriminatory coverage for some employees is allowed; and 2) benefits can be allocated to certain employees whom the employer wishes to reward. The result could be that the total cost of the benefits for a particular group of employees may be less under a non-qualified plan than for all employees under a qualified plan.
Persistency	Measurement of the percentage of insurance policies or annuity contracts remaining in force between specified measurement dates.
Premiums	Payments and other consideration received on insurance policies issued or reinsurance assumed by an insurance company. Under generally accepted accounting principles, premiums on variable life and other investment-type contracts are not accounted for as revenues.

Regulatory capital	Regulatory capital is the sum of statutory capital and surplus and asset valuation reserve (AVR).
Reinsurance	A form of insurance that insurance companies buy for their own protection “a sharing of insurance.” An insurer (the reinsured) reduces its possible maximum loss on either an individual risk or a large number of risks by giving a portion of its liability to another insurance company (the reinsurer). Reinsurance enables an insurance company to (1) expand its capacity; (2) stabilize its underwriting results; (3) finance its expanding volume; (4) secure catastrophe protection against shock losses; (5) withdraw from a class or line of business, or a geographical area, within a relatively short time period and (6) share large risks with other companies.
Reserves	Liabilities established by insurers and reinsurers to reflect the estimated costs of claim payments and benefits and the related expenses that the insurer or reinsurer will ultimately be required to pay in respect of insurance or reinsurance it has written.
Section 403(b) plan	A retirement plan which is available primarily to public school employees and non-profit organizations that allows individuals to defer compensation on a pre-tax basis through payroll deductions and to defer federal and sometimes state taxes until the assets are withdrawn.
Section 457 plan	A retirement plan available to government employees that allows an individual to defer compensation on a pre-tax basis through payroll deductions and to defer federal and sometimes state taxes until the assets are withdrawn.
Shadow account	A shadow account is a proxy for the account value of a UL policy. The shadow account accumulates based on more favorable cost of insurance charges, loads and interest crediting rates than the policy’s actual account value. The policy will not lapse as long as the value of the shadow account remains positive. The shadow account is not accessible by the policyholder.
Single premium immediate annuities (SPIAs)	An annuity that is purchased for a single premium at the time of issue and guarantees a series of payments continuing over a fixed number of years or for the life of the annuitant.
Statutory reserves	Liabilities established by state insurance law that an insurer must have available to provide for future obligations with respect to all policies. Statutory reserves are liabilities on the balance sheet of financial statements prepared in conformity with statutory accounting principles.
Statutory surplus	The excess of admitted assets over statutory liabilities as shown on an insurer’s statutory financial statements.
Structured settlement	A customized annuity used to provide a claimant ongoing periodic payments instead of a lump sum payment. A structured settlement provides an alternative to a lump sum settlement generally in a personal injury lawsuit and typically is purchased by a property and casualty insurance company for the benefit of an injured

	claimant with benefits scheduled to be paid throughout a fixed period or for the life of the claimant.
Surrender charge	An amount specified in an insurance policy or annuity contract that is charged to a policyholder or contractholder for early cancellation of, or withdrawal under, that policy or contract.
Surrenders and withdrawals	Amounts taken from life insurance policies and annuity contracts representing the full or partial values of these policies or contracts.
Tax sheltered annuity	An annuity issued as part of a Section 403(b) plan. Tax-sheltered annuities are also referred to as “Section 403(b) annuities.”
Term life insurance	Life insurance that stays in effect for only a specified, limited period. If an insured dies within that period, the beneficiary receives the death payments. If the insured survives, the policy ends and the beneficiary receives nothing.
Third party administrator (TPA)	A person or entity that, pursuant to a service contract, processes claims or provides administrative services for an employee benefits plan.
Underwriting	The insurer’s process of reviewing applications submitted for insurance coverage, deciding whether to accept all or part of the coverage requested and determining the applicable premiums.
Universal life (UL) insurance	Adjustable life insurance under which (1) premiums are flexible, not fixed, (2) protection is adjustable, not fixed, and (3) insurance company expenses and other charges are specifically disclosed to a purchaser. This policy is referred to as unbundled life insurance because its three basic elements (investment earnings, pure cost of protection and company expenses) are separately identified both in the policy and in an annual report to the policyowner. After the first premium, additional premiums can be paid at any time. A specified percentage expense charge is deducted from each premium before the balance is credited to the cash value, along with interest. The pure cost of protection is subtracted from the cash value monthly. As selected by the insured, the death benefit can be a specified amount plus the cash value or the specified amount that includes the cash value. After payment of the minimal initial premium required, there are no contractually scheduled premium payments (provided the cash value account balance is sufficient to pay the pure cost of protection each month and any other expenses and charges). Expenses and charges may take the form of a flat dollar amount for the first policy year, a sales charge for each premium received and a monthly expense charge for each policy year. An annual report is provided the policy owner that shows the status of the policy.
Variable annuity	An annuity in which premium payments are used to purchase accumulation units, their number depending on the value of each unit. The value of a unit is determined by the value of the portfolio of stocks in which the insurance company invests the premiums.
Variable life (VL) insurance	An investment-oriented life insurance policy that provides a return linked to an underlying portfolio of securities. The investment offered through the policy is typically established as a separate

	account, which is divided into subaccounts that invest in underlying mutual funds. The policyholder has discretion in choosing among the available subaccounts, such as a common stock fund, bond fund, or money market fund. The life insurance policy benefits payable to the beneficiary upon the death of the insured or the surrender of the policy will vary to reflect the investment performance of the subaccounts chosen by the policy owner.
Waiver of premium	A provision of a life insurance policy pursuant to which an insured with total disability that lasts for a specified period no longer has to pay premiums for the duration of the disability or for a stated period, during which time the life insurance policy provides continued coverage.
Whole life insurance	Level premium life insurance that covers the lifetime of the individual instead of a fixed term.

Table of Contents

Shares

Common Stock

PRELIMINARY PROSPECTUS

BofA Merrill Lynch

J.P. Morgan

Goldman, Sachs & Co.

Barclays Capital

, 2009

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses (other than underwriting compensation expected to be incurred) in connection with this offering. All of such amounts (except the SEC registration fee and FINRA filing fee) are estimated.

SEC registration fee	$ 32,085
FINRA filing fee	58,000
Listing fee	*
Blue Sky fees and expenses	*
Printing and engraving costs	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer Agent and Registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be provided by amendment

Item 14. Indemnification of Directors and Officers.

Section 145(a) of the Delaware General Corporation Law (the "DGCL") provides in relevant part that a corporation may indemnify any officer or director who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another entity, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.

Section 145(b) of the DGCL provides in relevant part that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Our articles of incorporation and bylaws generally provide that we will indemnify our directors and officers to the fullest extent permitted by law.

We also obtained officers' and directors' liability insurance which insures against liabilities that officers and directors of the registrant may, in such capacities, incur. Section 145(g) of the DGCL provides that a corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under that section.

Reference is made to the form of underwriting agreement to be filed as Exhibit 1.1 hereto for provisions providing that the underwriters are obligated under certain circumstances to indemnify our directors, officers and controlling persons against certain liabilities under the Securities Act of 1933, as amended.

Item 15. Recent Sales of Unregistered Securities.

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act:

On October 10, 2007, we issued $150.0 million aggregate principal amount of Capital Efficient Notes due 2067 to a syndicate of initial purchasers, led by J.P. Morgan Securities Inc. and Lehman Brothers Inc. in reliance on Section 4(2) of the Securities Act of 1933, which were eligible for resale to qualified institutional buyers in compliance with Rule 144A and/or Regulation S under the Securities Act of 1933. We applied the net proceeds from the CENts to pay a special cash dividend to our stockholders on October 19, 2007.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit Number	Description
1.1	Underwriting Agreement*
2.1	Stock Purchase Agreement by and among Safeco Corporation, General America Corporation, White Mountains Insurance Group, Ltd. and Occum Acquisition Corp., dated as of March 15, 2004
3.1	Amended and Restated Certificate of Incorporation of Symetra Financial Corporation
3.2	Form of Bylaws of Symetra Financial Corporation
4.1	Specimen Common Stock Certificate*
4.2	Fiscal Agency Agreement between Symetra Financial Corporation and U.S. Bank dated March 30, 2006
4.3	Warrant Certificate — General Reinsurance Corporation, dated October 26, 2007
4.4	Warrant Certificate — White Mountains Re (NL) B.V., dated July 24, 2008
4.5	Credit Agreement among Symetra Financial Corporation, the lenders and Bank of America, N.A., as administrative agent, dated August 16, 2007
4.6	Purchase Agreement between Symetra Financial Corporation and the purchasers listed therein, dated October 4, 2007
4.7	Indenture between Symetra Financial Corporation and U.S. Bank National Association, as trustee, dated October 10, 2007
5.1	Opinion of Cravath, Swaine & Moore LLP*
9.1	Shareholders' Agreement among Occum Acquisition Corp. and the persons listed on the signature page thereto, dated as of March 8, 2004
9.2	Shareholders' Agreement among Occum Acquisition Corp. and the persons listed on the signature page thereto, dated as of March 19, 2004

Exhibit Number	Description
9.3	Shareholders' Agreement among Occum Acquisition Corp. and the persons listed on the signature page thereto, dated as of April 16, 2004
10.1	Master Services Agreement between Affiliated Computer Services, Inc. and Symetra Life Insurance Company, dated August 1, 2009*
10.2	Reinsurance Agreement dated as of January 1, 1998 between Safeco Life Insurance Company and Reinsurance Group of America*
10.3	Group Short Term Disability Reinsurance Agreement dated as of January 1, 1999 ("Short Term Agreement") between Safeco Life Insurance Company and Reliance Standard Life Insurance Company, doing business as Custom Disability Solutions, successor to Duncanson & Holt Services, Inc. (including Amendment No. 1 to the Short Term Agreement dated as of July 1, 2006 and Amendment No. 2 to the Short Term Agreement Dated as of December 8, 2006)*
10.4	Group Long Term Disability Reinsurance Agreement dated as of January 1, 1999 ("Long Term Agreement") between Safeco Life Insurance Company and Reliance Standard Life Insurance Company, doing business as Custom Disability Solutions, successor to Duncanson & Holt Services, Inc. (including Amendment No. 1 to the Long Term Agreement dated as of January 1, 2000, Amendment to the Long Term Agreement dated as of January 1, 2006, Amendment No. 3 to the Long Term Agreement dated as of July 1, 2006, Amendment No. 4 to the Long Term Agreement dated as of December 8, 2006 and Amendment No. 5 to the Long Term Agreement dated as of September 1, 2008)*
10.5	Reinsurance Agreement dated as of August 24, 2001 between Safeco Life Insurance Company and Lincoln National Life Insurance Company*
10.6	Reinsurance Agreement dated as of December 1, 2001 between Safeco Life Insurance Company and Transamerica Life Insurance Company*
10.7	Investment Management Agreement between White Mountains Advisors LLC and Occum Acquisition Corp., dated as of March 14, 2004 (including Amendment to Investment Management Agreement dated as of September 30, 2004, Amendment No. 2 to the Investment Management Agreement dated as of August 1, 2005, Amendment No. 3 to the Investment Management Agreement dated as of October 1, 2005 and Amendment No. 4 to the Investment Management Agreement dated as of March 9, 2007)
10.8	Agency Agreement dated as of March 10, 2006 among Symetra Life Insurance Company, WM Financial Services, Inc. and WMFS Insurance Services, Inc. (including Addendum to the Agency Agreement dated as of February 22, 2007, Amendment to the Agency Agreement dated as of March 26, 2007, Amendment to the Agency Agreement dated as of July 17, 2007, Amendment to the Agency Agreement dated as of December 18, 2007, Amendment to the Agency Agreement dated as of September 15, 2008, Amendment to the Agency Agreement dated as of September 23, 2008, Assignment of Agency Agreement between Symetra Life Insurance Company and WaMu Investments, Inc. (formerly WM Financial Services, Inc.) dated as of May 2, 2009 among Symetra Life Insurance Company, WaMu Investments, Inc. (formerly WM Financial Services, Inc.), WMFS Insurance Services, Inc. and Chase Insurance Agency, Inc. and Amendment to the Agency Agreement dated as of May 2, 2009)*
10.9	Agency Agreement dated as of September 26, 2006 among Symetra Life Insurance Company and Chase Insurance Agency, Inc. (including Addendum to the Agency Agreement, dated as of March 31, 2008)*
10.10	Symetra Financial Corporation Performance Share Plan 2006-2008
10.11	Symetra Financial Corporation Performance Share Plan 2007-2009
10.12	Symetra Financial Corporation Performance Share Plan 2008-2010
10.13	Symetra Financial Corporation Performance Share Plan 2009-2011
10.14	Annual Incentive Bonus Plan
10.15	2008 Sales Incentive Plan for Patrick B. McCormick*
10.16	Symetra Financial Corporation Equity Plan

Exhibit Number	Description
10.17	Symetra Financial Corporation Employee Stock Purchase Plan
21.1	Subsidiaries of Symetra Financial Corporation*
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of Cravath, Swaine & Moore LLP (included in the opinion filed as Exhibit 5.1)*
24.1	Power of Attorney (included in signature page to the Registration Statement filed October 5, 2009)

* To be filed by amendment.

(b) Financial Statement Schedules.

Schedule I	Summary of Investments — Other than Investments in Related Parties
Schedule II	Condensed Statements of Financial Position, Income and Cash Flows

Any remaining schedules are omitted because the information required is included in the notes to the financial statements or is inapplicable.

Item 17. Undertakings.

The undersigned registrant hereby undertakes as follows:

(1) The undersigned will provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it is declared effective.

(3) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14 or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Bellevue, State of Washington, on October 5, 2009.

SYMETRA FINANCIAL CORPORATION

By: /s/ George C. Pagos
Name: George C. Pagos
Title: Senior Vice President, General Counsel and Secretary

POWER OF ATTORNEY

We, the undersigned directors and officers of Symetra Financial Corporation, do hereby constitute and appoint Margaret A. Meister and George C. Pagos our true and lawful attorneys and agents, with full power of substitution, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or either of them, may deem necessary or advisable to enable said registrant to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with this Registration Statement, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments and any related registration statement pursuant to Rule 462(b) under the Securities Act of 1933, as amended) hereto and we do hereby ratify and confirm that said attorneys and agents, or any of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated as of October 5, 2009.

Signature	Title
/s/ Randall H. Talbot	Randall H. Talbot President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Margaret A. Meister	Margaret A. Meister Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ David T. Foy	David T. Foy (Director)
/s/ Lois W. Grady	Lois W. Grady (Director)
/s/ Sander M. Levy	Sander M. Levy (Director)
/s/ Robert R. Lusardi	Robert R. Lusardi (Director)
/s/ David I. Schamis	David I. Schamis (Director)
/s/ Lowndes A. Smith	Lowndes A. Smith (Director)

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3.1	Amended and Restated Certificate of Incorporation of Symetra Financial Corporation
3.2	Form of Bylaws of Symetra Financial Corporation
4.1	Specimen Common Stock Certificate*
4.2	Fiscal Agency Agreement between Symetra Financial Corporation and U.S. Bank dated March 30, 2006
4.3	Warrant Certificate — General Reinsurance Corporation, dated October 26, 2007
4.4	Warrant Certificate — White Mountains Re (NL) B.V., dated July 24, 2008
4.5	Credit Agreement among Symetra Financial Corporation, the lenders and Bank of America, N.A., as administrative agent, dated August 16, 2007
4.6	Purchase Agreement between Symetra Financial Corporation and the purchasers listed therein, dated October 4, 2007
4.7	Indenture between Symetra Financial Corporation and U.S. Bank National Association, as trustee, dated October 10, 2007
5.1	Opinion of Cravath, Swaine & Moore LLP*
9.1	Shareholders' Agreement among Occum Acquisition Corp. and the persons listed on the signature page thereto, dated as of March 8, 2004
9.2	Shareholders' Agreement among Occum Acquisition Corp. and the persons listed on the signature page thereto, dated as of March 19, 2004
9.3	Shareholders' Agreement among Occum Acquisition Corp. and the persons listed on the signature page thereto, dated as of April 16, 2004
10.1	Master Services Agreement between Affiliated Computer Services, Inc. and Symetra Life Insurance Company, dated August 1, 2009*
10.2	Reinsurance Agreement dated as of January 1, 1998 between Safeco Life Insurance Company and Reinsurance Group of America*
10.3	Group Short Term Disability Reinsurance Agreement dated as of January 1, 1999 ("Short Term Agreement") between Safeco Life Insurance Company and Reliance Standard Life Insurance Company, doing business as Custom Disability Solutions, successor to Duncanson & Holt Services, Inc. (including Amendment No. 1 to the Short Term Agreement dated as of July 1, 2006 and Amendment No. 2 to the Short Term Agreement dated as of December 8, 2006)*
10.4	Group Long Term Disability Reinsurance Agreement dated as of January 1, 1999 ("Long Term Agreement") between Safeco Life Insurance Company and Reliance Standard Life Insurance Company, doing business as Custom Disability Solutions, successor to Duncanson & Holt Services, Inc. (including Amendment No. 1 to the Long Term Agreement dated as of January 1, 2000, Amendment to the Long Term Agreement dated as of January 1, 2006, Amendment No. 3 to the Long Term Agreement dated as of July 1, 2006, Amendment No. 4 to the Long Term Agreement dated as of December 8, 2006 and Amendment No. 5 to the Long Term Agreement dated as of September 1, 2008)*
10.5	Reinsurance Agreement dated as of August 24, 2001 between Safeco Life Insurance Company and Lincoln National Life Insurance Company*
10.6	Reinsurance Agreement dated as of December 1, 2001 between Safeco Life Insurance Company and Transamerica Life Insurance Company*
10.7	Investment Management Agreement between White Mountains Advisors LLC and Occum Acquisition Corp., dated as of March 14, 2004 (including Amendment to Investment Management Agreement dated as of September 30, 2004, Amendment No. 2 to the Investment Management Agreement dated as of August 1, 2005, Amendment No. 3 to the Investment Management Agreement dated as of October 1, 2005 and Amendment No. 4 to the Investment Management Agreement dated as of March 9, 2007)

Exhibit Number	Description
10.8	Agency Agreement dated as of March 10, 2006 among Symetra Life Insurance Company, WM Financial Services, Inc. and WMFS Insurance Services, Inc. (including Addendum to the Agency Agreement dated as of February 22, 2007, Amendment to the Agency Agreement dated as of March 26, 2007, Amendment to the Agency Agreement dated as of July 17, 2007, Amendment to the Agency Agreement dated as of December 18, 2007, Amendment to the Agency Agreement dated as of September 15, 2008, Amendment to the Agency Agreement dated as of September 23, 2008, Assignment of Agency Agreement between Symetra Life Insurance Company and WaMu Investments, Inc. (formerly WM Financial Services, Inc.) dated as of May 2, 2009 among Symetra Life Insurance Company, WaMu Investments, Inc. (formerly WM Financial Services, Inc.), WMFS Insurance Services, Inc. and Chase Insurance Agency, Inc. and Amendment to the Agency Agreement dated as of May 2, 2009)*
10.9	Agency Agreement dated as of September 26, 2006 among Symetra Life Insurance Company and Chase Insurance Agency, Inc. (including Addendum to the Agency Agreement, dated as of March 31, 2008)*
10.10	Symetra Financial Corporation Performance Share Plan 2006-2008
10.11	Symetra Financial Corporation Performance Share Plan 2007-2009
10.12	Symetra Financial Corporation Performance Share Plan 2008-2010
10.13	Symetra Financial Corporation Performance Share Plan 2009-2011
10.14	Annual Incentive Bonus Plan
10.15	2008 Sales Incentive Plan for Patrick B. McCormick*
10.16	Symetra Financial Corporation Equity Plan
10.17	Symetra Financial Corporation Employee Stock Purchase Plan
21.1	Subsidiaries of Symetra Financial Corporation*
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
23.2	Consent of Cravath, Swaine & Moore LLP (included in the opinion filed as Exhibit 5.1)*
24.1	Power of Attorney (included in signature page to the Registration Statement filed October 5, 2009)

* To be filed by amendment.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Symetra Financial Corporation

We have audited the consolidated financial statements of Symetra Financial Corporation (the Company) as of December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, and have issued our report thereon dated March 6, 2009 (included elsewhere in this Registration Statement). Our audits also included the financial statement schedules listed in Item 16(b) of Form S-1 of this Registration Statement. These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Seattle, Washington
March 6, 2009

Schedule I

Summary of Investments — Other Than Investments in Related Parties
Year Ended December 31, 2008

Type of Investment	Cost or Amortized Cost	Fair Value	Amount as Shown in the Balance Sheet
		(In millions)	
Fixed maturities			
Bonds:			
United States government and government agencies and authorities	$ 155.5	$ 156.8	$ 156.8
States, municipalities, and political subdivisions	488.8	424.9	424.9
Foreign governments	31.4	34.6	34.6
Public utilities(1)	1,744.4	1,568.4	1,568.4
Convertible bonds and bonds with warrants attached	56.7	50.5	50.5
All other corporate bonds	8,687.6	7,606.3	7,606.3
Mortgage-backed securities	5,268.5	4,958.5	4,958.5
Redeemable preferred stock	16.6	11.3	11.3
Total fixed maturities	16,449.5	14,811.3	14,811.3
Marketable equity securities			
Common stock:			
Public utilities	17.1	12.0	12.0
Banks, trusts, and insurance companies(2)	8.3	7.0	7.0
Industrial, miscellaneous, and all other	124.7	84.7	84.7
Nonredeemable preferred stock	51.7	37.6	37.6
Total marketable equity securities	201.8	141.3	141.3
Mortgage loans(3)	993.7	907.6	988.7
Policy loans	75.2	75.2	75.2
Other long-term investments	178.8	147.2	147.2
Short-term investments	9.4	9.4	9.4
Total investments	$ 17,908.4	$ 16,092.0	$ 16,173.1

(1) The amount shown in the consolidated balance sheet for total fixed maturities differs from cost and fair value, as these investments include affiliated fixed maturities with a cost and fair value of $78.9 and $76.3, respectively.

(2) The amount shown in the consolidated balance sheet for total marketable equity securities differs from cost and fair value, as these investments include affiliated marketable equity securities with a cost and fair value of $2.8 and $3.1, respectively.

(3) The amount shown in the consolidated balance sheet for mortgage loans differs from cost, as these investments are presented net of a $5.0 allowance.

Schedule II

Condensed Statements of Financial Position
(Parent Company Only)

	December 31, 2008	December 31, 2007
	(In millions, except share and per share data)	
Assets		
Cash and investments:		
Investments	$ 110.8	$ 149.1
Investments in subsidiaries	533.0	1,542.1
Cash and cash equivalents	60.8	38.4
Restricted funds	—	5.4
Total cash and investments	704.6	1,735.0
Current and deferred tax receivables	20.4	4.9
Receivables due from affiliates	24.8	24.0
Other assets	21.1	17.4
Total assets	$ 770.9	$ 1,781.3
Liabilities and stockholders' equity		
Notes payable	$ 448.8	$ 448.6
Other liabilities	35.9	47.6
Total liabilities	484.7	496.2
Common stock, par value $0.01 per share, 750,000,000 shares authorized and 92,646,295 shares issued and outstanding	0.9	0.9
Additional paid-in capital	1,165.5	1,165.5
Retained earnings	172.4	131.2
Accumulated other comprehensive loss, net of taxes	(1,052.6)	(12.5)
Total stockholders' equity	286.2	1,285.1
Total liabilities and stockholders' equity	$ 770.9	$ 1,781.3

See accompanying notes.

Schedule II (continued)

Condensed Statements of Income
(Parent Company Only)

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
		(In millions)	
Revenues:			
Dividends from subsidiaries:			
Symetra Life Insurance Company	$ 100.0	$ 166.4	$ 122.5
Other subsidiaries	15.7	5.7	—
Net investment income (loss)	(14.8)	3.3	2.2
Net realized investment gains (losses)	(12.3)	6.8	7.4
Total revenues	88.6	182.2	132.1
Expenses:			
Interest expense on debt	31.9	21.5	19.2
Operating expenses	0.8	3.7	0.6
Total expenses	32.7	25.2	19.8
Income from continuing operations before income taxes	55.9	157.0	112.3
Income tax benefits	(22.6)	(5.0)	(3.8)
Income before equity in undistributed net income of subsidiaries	78.5	162.0	116.1
Equity in undistributed net income (loss) of subsidiaries:			
Symetra Life Insurance Company	(52.3)	1.1	38.6
Other subsidiaries	(4.1)	4.2	4.8
Total equity in undistributed net income (loss) of subsidiaries	(56.4)	5.3	43.4
Net income	$ 22.1	$ 167.3	$ 159.5

See accompanying notes.

Schedule II (continued)

Condensed Statements of Cash Flows
(Parent Company Only)

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
		(In millions)	
Cash flows from operating activities			
Net income	$ 22.1	$ 167.3	$ 159.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income (loss) of subsidiaries	56.4	(5.3)	(43.4)
Net realized investment (gains) losses	12.3	(6.8)	(7.4)
Changes in accrued items and other adjustments, net	2.5	(4.1)	7.2
Total adjustments	71.2	(16.2)	(43.6)
Net cash provided by operating activities	93.3	151.1	115.9
Cash flows from investing activities			
Purchases of investments	(94.6)	(91.9)	(46.7)
Sales of investments	71.7	33.3	44.5
Maturities, calls, paydowns and other	18.9	6.0	8.5
Acquisitions, net of cash received	(2.0)	(22.4)	—
Other, net	0.2	10.1	(11.1)
Net cash used in investing activities	(5.8)	(64.9)	(4.8)
Cash flows from financing activities			
Capital contributions	(65.1)	—	(0.7)
Dividend distributions	—	(200.0)	(100.0)
Proceeds from note payable	—	149.8	298.7
Repayment of note payable	—	—	(300.0)
Other, net	—	(10.4)	1.8
Net cash used in financing activities	(65.1)	(60.6)	(100.2)
Net increase in cash and cash equivalents	22.4	25.6	10.9
Cash and cash equivalents at beginning of period	38.4	12.8	1.9
Cash and cash equivalents at end of period	$ 60.8	$ 38.4	$ 12.8
Supplemental disclosures of cash flow information			
Non-cash transactions during the year:			
Exchange of securities from insurance subsidiary to parent company	$ (79.0)	$ —	$ —
Exchange of securities from parent company to insurance subsidiary	79.0	—	—

See accompanying notes.

Schedule II (continued)

Notes to Condensed Financial Statements
(Parent Company Only)
(In millions)

1. Organization and Presentation

The accompanying financial statements comprise a condensed presentation of financial position, results of operations and cash flows of Symetra Financial Corporation (the Company) on a separate-company basis. These condensed financial statements do not include the accounts of the Company's wholly-owned subsidiaries, but instead include the Company's investment in those subsidiaries, stated at amounts that are substantially equal to the Company's equity in the subsidiaries' net assets. Therefore, the accompanying financial statements are not those of the primary reporting entity.

Additional information about accounting policies pertaining to investments and other significant areas, the Company's notes payable, and commitments and contingencies are as set forth in Notes 2, 14 and 17, respectively, to the audited consolidated financial statements of the Company.

2. Related Parties

The Company received cash dividends of $115.7, $172.1 and $122.5, respectively, from its subsidiaries for the years ended December 31, 2008, 2007 and 2006.

See Note 21 to the audited consolidated financial statements of the Company for a description of other related-party transactions.

Exhibit 2.1

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

BY AND AMONG

SAFECO CORPORATION,

GENERAL AMERICA CORPORATION,

WHITE MOUNTAINS INSURANCE GROUP, LTD.

AND

OCCUM ACQUISITION CORP.

dated as of

March 15, 2004

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT, dated as of March 15, 2004 (this "Agreement"), is by and among Safeco Corporation, a Washington corporation ("Seller"), General America Corporation ("GAC"), a Washington corporation and a wholly owned subsidiary of Seller, White Mountains Insurance Group, Ltd., a company existing under the laws of Bermuda ("Parent"), and Occum Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Parent ("Buyer").

WHEREAS, Seller operates on a nationwide basis in segments of the insurance industry and other financial services-related businesses, including, through those certain direct and indirect Subsidiaries of Seller identified on Schedule A (each such person, an "Acquired Company"), the provision of individual and group insurance products, annuity products, mutual funds and investment advisory services;

WHEREAS, Buyer desires to purchase (directly or indirectly) all of the issued and outstanding capital stock of the Acquired Companies as of the Closing Date (collectively, the "Shares") for the consideration and subject to the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the representations, warranties, covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I.
PURCHASE AND SALE OF THE SHARES

Section 1.1 Purchase and Sale of Shares. At the Closing, on the terms and subject to the conditions set forth in this Agreement, Seller shall, and, with respect to the stock of SIS, shall cause GAC to, sell, assign, transfer, convey and deliver to Buyer, and Buyer hereby agrees to purchase, all of the Shares, free and clear of all Liens.

Section 1.2 Closing. Subject to the provisions of Article VI, the closing of the purchases and sales contemplated by this Agreement (the "Closing") shall take place in Seattle, WA at the offices of Seller at 10:00 a.m. Pacific time on the later of (i) June 30, 2004 and (ii) the last day of the month after the date on which each of the conditions set forth in Article V (other than conditions that are satisfied by the delivery of documents or the payment of money at the Closing) have been satisfied or waived by the party or parties entitled to the benefit of such conditions (or if such day is not a Business Day, on the next succeeding Business Day); provided, that solely for purposes of the parties' respective accounting, the Closing shall be deemed to have occurred at 12:01 a.m. on the first day of the following month, or at such other place, at such other time or on such other date as Parent and Seller may mutually agree. The date on which the Closing actually occurs is hereinafter referred to as the "Closing Date." Subject to the provisions of Article VI, a party's failure to consummate the purchases and sales provided for in this Agreement on the date and time and at the place determined pursuant to this Section 1.2 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

Section 1.3 Closing Obligations

(a) At the Closing, Seller shall, or with respect to SIS, cause GAC to, deliver to Buyer:

(i) certificates representing the Shares of the Acquired Companies that are direct subsidiaries of Seller and GAC, duly endorsed (or accompanied by duly executed stock powers) in proper form for transfer of such Shares, with appropriate transfer stamps, if any, affixed, to Buyer;

(ii) a Transition Services Agreement, substantially in the form attached hereto as Exhibit A (the "Transition Services Agreement");

(iii) an Intellectual Property License from Seller to Buyer, substantially in the form attached hereto as Exhibit B (the "Buyer Intellectual Property License");

(iv) a Transitional Trademark License, substantially in the form attached hereto as Exhibit C (the "Transitional Trademark License");

(v) a Lease Agreement for the Redmond, WA campus facility, substantially in the form attached hereto as Exhibit D (the "Lease Agreement"); and

(vi) a copy of each new Investment Company Advisory Agreement (or, where permitted, approval of the continuation of the existing Investment Company Advisory Agreement) described in Section 4.9(b)(i)(B)(x).

(b) At the Closing, Buyer shall, and Parent shall cause Buyer to, deliver to Seller, including for the benefit of GAC with respect to SIS:

(i) $1,350,000,000 (the "Closing Consideration") by wire transfer of immediately available funds to an account designated by Seller in writing at least two (2) Business Days' prior to the Closing Date, subject to the post-Closing purchase price adjustment pursuant to Section 1.4 hereof;

(ii) the Transition Services Agreement;

(iii) the Transitional Trademark License; and

(iv) the Lease Agreement (the documents described in clauses (ii)-(iv) along with this Agreement and the Buyer Intellectual Property License, being referred to collectively as the "Transaction Documents").

Section 1.4 Post-Closing Adjustment.

(a) As soon as practicable following the Closing, Seller shall prepare or cause to be prepared audited financial statements (including balance sheets and statements of income and the requisite footnotes thereto) of the Insurance Subsidiaries as of and for the six months ended June 30, 2004 (the "June Financial Statements"). The June Financial Statements (i) shall be prepared in accordance with SAP (which for purposes of this Section 1.4 only shall include the Agreed Accounting Policies) consistently applied in accordance with the accounting policies and practices (including with respect to assumptions, estimations methodology and actuarial methodology) used to prepare the Insurance Subsidiary Statements as of December 31, 2003 (the "December Financial Statements") and (ii) shall be audited by Ernst & Young LLP in accordance with generally accepted auditing standards in the United States ("GAAS"). For the avoidance of doubt, certain of the accounting policies and practices used to prepare the December Financial Statements and to be used to prepare the June Financial Statements are set forth on Schedule 1.4 attached hereto (such policies and practices, the "Agreed Accounting Policies"). No later than forty-five (45) days following the Closing, Seller shall cause a copy of the June Financial Statements to be delivered to Buyer, along with an unqualified executed audit opinion of Ernst & Young LLP substantially in the form attached hereto as Exhibit 1.4 stating that (i) the June Financial Statements were prepared in accordance with SAP and (ii) the June Financial Statements were audited by Ernst & Young LLP in accordance with GAAS.

(b) Buyer shall have forty-five (45) days following delivery of the June Financial Statements (the "Objection Period") to provide written notice to Seller (the "Objection Notice") of any good faith objection to any portion of the June Financial Statements (and the June Adjusted Statutory Book Value calculated therefrom), which objection shall be set forth with reasonable detail in such Objection Notice. Unless Buyer timely delivers an Objection Notice before the expiration of the Objection Period, the June Financial Statements (and the June Adjusted Statutory Book Value calculated therefrom) shall be deemed to have been accepted and approved by Buyer and shall thereafter be final and binding upon Buyer for purposes of any post-closing adjustment set forth in this Section 1.4 (and any amounts to be paid pursuant to Section 1.4(f) hereof shall thereupon be paid). In addition, to the extent any portion of the June Financial Statements or of the calculation of the June Adjusted Statutory Book Value shall not be expressly objected to in the Objection Notice, such matters shall be deemed to have been accepted and approved by Buyer and shall be final and binding upon Buyer for purposes hereof. If Buyer timely delivers an Objection Notice before the expiration of the Objection Period, then those aspects of the June Financial Statements objected to in the Objection Notice shall not thereafter be final and binding until resolved in accordance with this Section 1.4.

(c) Following receipt of any Objection Notice, Seller and Buyer shall discuss in good faith the applicable objections set forth therein for a period of thirty (30) days thereafter and shall, during such period, attempt to resolve the matter or matters in dispute by mutual written agreement. If the parties reach such an agreement, such agreement shall be confirmed in writing and the June Financial Statements shall be revised to reflect such agreement (or the parties shall otherwise agree to reflect such agreement in a written memorandum of adjustment (an "Adjustment Memorandum")), which agreement (and the (i) June Financial Statements, as so revised, including the June Adjusted Statutory Book Value calculated therefrom or (ii) Adjustment Memorandum, as applicable) shall thereafter be final and binding upon Seller and Buyer for purposes of any post-closing adjustment set forth in this Section 1.4 (and any amounts to be paid pursuant to Section 1.4(f) hereof shall thereupon be paid).

(d) If the parties are unable to reach a mutual agreement in accordance with Section 1.4(c) hereof during the thirty (30) day period referred to therein, then Seller and Buyer shall jointly select a qualified partner (with fifteen (15) or more years of life insurance accounting experience) of either Deloitte & Touche LLP or KPMG LLP (the "Accounting Expert"), who, acting as an expert and not as an arbitrator, shall resolve those matters still in dispute with respect to the June Financial Statements and the June Adjusted Statutory Book Value calculated therefrom. If the parties fail to agree on an Accounting Expert within five (5) Business Days after the expiration of the thirty (30) day period, either party may request the American Arbitration Association to appoint such an Accounting Expert (or a qualified partner (with fifteen (15) or more years of life insurance accounting experience) of another accounting firm if both accounting firms decline to or are disqualified from accepting the dispute), and such appointment shall be conclusive and binding upon the parties. The Accounting Expert's resolution of the matters in dispute, including any adjustments to the June Financial Statements (or the June Adjusted Statutory Book Value calculated therefrom) made by the Accounting Expert, shall be made by a detailed writing and shall be final and binding on Seller and Buyer (and any amounts to be paid pursuant to Section 1.4(f) hereof shall thereupon be paid). Within twenty (20) days of the appointment of the Accounting Expert, each party shall deliver a written presentation of its position to the Accounting Expert and the other party, and the parties will then have ten (10) days to prepare a written response to the other party's presentation. The Accounting Expert may also request written responses from the parties to specific questions at any time, which shall be delivered to the Accounting Expert and the other party. The Accounting Expert shall make a determination as soon as practicable and in any event within sixty (60) days (or such other time as the parties shall agree in writing) after its engagement. Notwithstanding anything set forth in this Section 1.4(d), the scope of any dispute to be resolved by the Accounting Expert pursuant to this Section 1.4(d) shall be limited to whether the June Financial Statements were prepared in accordance with SAP (including the Agreed Accounting Policies), consistently applied with their application as of December 31, 2003, or whether there were mathematical errors in the June Financial Statements or the calculation of the June Adjusted Statutory Book Value, and, except for the foregoing matters, the Accounting Expert shall not and is not to make any further determination. In resolving any disputed item, the Accounting Expert may not assign a value to any particular item greater than the greatest value for such item claimed by Seller or Buyer or less than the smallest value for such item claimed by Seller or Buyer, in each case as presented to the Accounting Expert. Seller and Buyer agree to fully cooperate with each other and with the Accounting Expert to resolve any dispute.

(e) Seller and Buyer agree that judgment may be entered to give effect to the determination of the Accounting Expert in any court having jurisdiction over the party against which such determination is to be enforced. Notwithstanding any other provision of this Agreement to the contrary, the procedure set forth in this Section 1.4 shall be each party's exclusive remedy against the other party to this Agreement with respect to any disputes relating to an adjustment to the Closing Consideration; provided, however, that, except as provided in this sentence and in Section 7.3(d), Seller and GAC acknowledge that neither the decision of the Accounting Expert, if any, nor Parent and Buyer's acceptance of the final and binding June Financial Statements shall in any way limit or otherwise affect Parent and Buyer's rights to make any claim for breach of any representation, warranty or covenant of Seller or GAC under this Agreement, or in Parent and Buyer's right to indemnification for any such breach under Article VII.

(f) If the June Adjusted Statutory Book Value as calculated from the final and binding June Financial Statements: (i) is greater than the Target Statutory Book Value, then Buyer shall pay to Seller the amount by which the June Adjusted Statutory Book Value exceeds the Target Statutory Book Value; or (ii) is less than the Target Statutory Book Value, then Seller shall pay to Buyer the amount by which the June Adjusted Statutory Book Value is less than the Target Statutory Book Value (the amount of either such adjustment, a "Post-Closing Adjustment Amount"). The "Purchase Price" shall equal the Closing Consideration plus the Post-Closing Adjustment Amount, if payable by Buyer, or minus the Post-Closing Adjustment Amount, if payable by Seller. Buyer and Seller acknowledge that for purposes of the procedures set forth in this Section 1.4 only, the calculation of June Adjusted Statutory Book Value will be made subject to the provisions of Section 4.15.

(g) Any Post-Closing Adjustment Amount payable by Seller pursuant to this Section 1.4 shall be paid promptly by Seller, but in no event later than ten (10) Business Days following the final and binding determination of such Post-Closing Adjustment Amount (as determined by the Accounting Expert). Any Post-Closing Adjustment Amount payable by Buyer pursuant to this Section 1.4, shall be paid promptly by Buyer, but in no event later than ten (10) Business Days following the final and binding determination of such Post-Closing Adjustment Amount (as determined by the Accounting Expert); provided, however, that if any Post-Closing Adjustment Amount payable by Buyer pursuant to this Section 1.4 shall be an amount greater than $20 million (the "Initial Adjustment Amount"), then Buyer shall (i) pay the Initial Adjustment Amount to Seller within ten (10) Business Days following the final and binding determination of such Post-Closing Adjustment Amount (as determined by the Accounting Expert) and (ii) shall issue to Seller a note (the "Adjustment Note") in the amount of the excess of such Post-Closing Adjustment Amount over the Initial Adjustment Amount, payable by Parent upon the earlier to occur of (A) the second Business Day after the date when it becomes permissible under applicable Law for Buyer to cause any Insurance Subsidiary to make a dividend to Buyer in the amount of such excess (and Buyer agrees to use its commercially reasonable efforts to facilitate the making of such dividend as promptly as practicable) and (B) the first Business Day after the twelve-month anniversary of the date that is 90 days after the Closing Date. Payment by either party of (i) any Post-Closing Adjustment Amount or (ii) the principal of any Adjustment Note shall in each case be made in immediately available funds via wire transfer to an account designated by the party entitled to receive such payment in writing, and shall in each case be paid together with interest thereon, at a rate per annum equal to the "Prime Rate" (as reported from time to time in *The Wall Street Journal*) plus 200 basis points, calculated on the basis of the actual number of days elapsed divided by 365, from and including the Closing Date to but excluding the date of payment.

(h) All fees and expenses of Seller relating to the matters described in this Section 1.4, including the preparation and delivery of the June Financial Statements and the fees of Ernst & Young LLP and Milliman, shall be borne by Seller, and all fees and expenses of Buyer relating to the matters described in this Section 1.4 shall be borne by Buyer. Notwithstanding the foregoing, in the event any dispute is submitted to the Accounting Expert for resolution as provided in Section 1.4(d) hereof, the fees and expenses of the Accounting Expert (and any arbitrator appointing such expert, if applicable) shall be borne equally by Seller and Buyer.

(i) Following the Closing, Buyer shall not take any action with respect to the accounting books and records of the Acquired Companies and their Subsidiaries on which the June Financial Statements or the calculation of June Adjusted Statutory Book Value is to be based that is not consistent with the past practices of the Acquired Companies (including the Agreed Accounting Policies) and would affect the June Financial Statements or the calculation of June Adjusted Statutory Book Value. Without limiting the generality of the foregoing, no changes shall be made in the methodology for establishing any reserve or other account existing as of the date of the balance sheet included within the June Financial Statements (including with respect to assumptions, estimations methodology and actuarial methodology) that would affect the June Financial Statements or the calculation of June Adjusted Statutory Book Value.

Section 1.5 Closing Costs; Transfer Taxes and Fees. Except as otherwise provided in this Section 1.5, Buyer and Seller shall each bear 50% of the cost of (a) all documentary, sales, use, stamp and transfer Taxes and any other Taxes or fees imposed by reason of the transfer of the Shares (and any deficiency, interest or penalty asserted with respect thereto) ("Transfer Taxes") and filing any associated Tax Returns and (b) all recording, filing, title and registration fees or other charges in connection with or as a direct result of the transfer of the Shares. Buyer shall bear all Transfer Taxes resulting solely from the fact that Parent is a foreign entity and all costs (including those costs relating to insurance regulatory approvals) of applying for new Required Licenses and obtaining the transfer of existing Required Licenses which may be lawfully transferred.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES
OF SELLER AND GAC

Except as set forth in the disclosure letter delivered by Seller to Buyer (the "Seller Disclosure Letter") (provided, that the listing of an item in one part of the Seller Disclosure Letter shall be deemed to be a listing in each part of the Seller Disclosure Letter and to apply to any other representation and warranty of Seller and GAC in this Agreement to which its relevance is reasonably apparent on its face), each of Seller and GAC represents and warrants to Buyer as of the date of this Agreement and, unless such representations and warranties address a matter only as of a certain date, as of the Closing Date as follows:

Section 2.1 Organization. Each of Seller, GAC and the Acquired Companies has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Each of the Acquired Companies is duly qualified to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it, the sale of insurance or the nature of the business conducted by it makes such qualification necessary, except for such failures to be so duly qualified and in good standing that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

Section 2.2 Capitalization

(a) The capitalization of each Acquired Company is set forth on Part 2.2(a) of the Seller Disclosure Letter, and there are no equity securities issued and outstanding of any Acquired Company except as so set forth on Part 2.2(a) of the Seller Disclosure Letter. All of the Shares are owned of record by Seller, GAC or an Acquired Company.

(b) All of the outstanding equity securities of each Acquired Company have been duly authorized and are validly issued, fully paid and nonassessable. None of the Shares have been issued in violation of, and none of the Shares are subject to, any purchase option, call, right of first refusal, preemptive, subscription or similar rights under any provision of Law, the Constituent Documents of Seller or any subsidiary of Seller or any Contract or Other Agreement.

(c) The Acquired Companies have no preferred stock, voting common stock, non-voting common stock, or other shares of capital stock reserved for or otherwise subject to issuance under existing plans or contractual commitments. The Acquired Companies do not have any outstanding bonds, debentures, notes or other debt obligations, or any outstanding warrants or options for the purchase of any class of equity security, the holders of which have the right to vote or which are convertible into or exercisable for securities having the right to vote with the holders of the Shares on any matter.

(d) There are no outstanding purchase rights, warrants, options, rights, phantom stock rights, agreements, convertible or exchangeable securities or other Contracts or Other Agreements relating to the issuance, sale, voting, rescission, redemption or transfer of any equity securities or other securities of any Acquired Company.

(e) None of the Acquired Companies owns, directly or indirectly, any capital stock of or other equity interests in any corporation, partnership or other Person (other than investments held in the Investment Portfolio in accordance with the Investment Guidelines) and none of the Acquired Companies is a member of or participant in any partnership or joint venture other than as may be permitted by the Investment Guidelines.

(f) Prior to the execution of this Agreement, Seller (i) has delivered to Buyer true and complete copies of the Constituent Documents, each as amended to date, of each of the Acquired Companies and (ii) has made available to Buyer true and complete copies of the stock certificate and transfer books and the minute books of each of the Acquired Companies.

Section 2.3 Authorization; Binding Agreement. Each of Seller and GAC has all requisite corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which each is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the other Transaction Documents to which each is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of each of Seller and GAC. This Agreement has been duly and validly executed and delivered by each of Seller and GAC and (assuming the accuracy of the representations and warranties in Section 3.2) constitutes a legally valid and binding agreement of each of Seller, and GAC enforceable against each of Seller and GAC in accordance with its terms, subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors' rights and remedies generally, and (ii) the effect of equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

Section 2.4 Noncontravention. Neither the execution and delivery of this Agreement and the other Transaction Documents nor the consummation of the transactions contemplated hereby and thereby will conflict with or result in any breach of any provision of, or require any consent or approval (other than consents and approvals described in Section 2.5 below) under or constitute (with or without notice or lapse of time or both) a violation or default (or give rise to any right of termination, cancellation or acceleration or to loss of a material benefit) under, or result in the creation of any Lien upon the property or assets of any Acquired Company under, any of the terms, conditions or provisions of (i) the Constituent Documents of Seller, GAC or any Acquired Company, (ii) any note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, agreement, arrangement or other instrument or obligation (collectively, "Contracts or Other Agreements") to which Seller, GAC or any Acquired Company is a party or by which any of them or any portion of their properties or assets may be bound or (iii) any Law or Order applicable to Seller, GAC, any Acquired Company or any portion of their properties or assets or any Registered Investment Company or Registered Separate Account, other than in the case of foregoing clauses (ii) and (iii), any such items that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

Section 2.5 Approvals. No license, permit, consent, approval, order, certificate, authorization, declarations of or filing with any Governmental Entity on the part of Seller, GAC or any Acquired Company that has not been obtained or made is required in connection with the execution or delivery by Seller or GAC of this Agreement or the other Transaction Documents or the consummation by Seller and GAC of the transactions contemplated hereby and thereby, other than (a) filings and other applicable requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (b) approvals, filings and/or notices required under any applicable state or federal banking laws or any applicable state or federal laws related to the sale or operation of insurance, investment companies, investment advisers or broker-dealers set forth in Part 2.5 of the Seller Disclosure Schedule, or (c) consents, approvals, authorizations, declarations or filings that, if not obtained or made, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies, or prevent Seller or GAC from consummating the transactions contemplated hereby.

Section 2.6 Financial Statements. (a) Attached as Part 2.6(a) of the Seller Disclosure Letter are (i) the unaudited combined financial statements (consisting of balance sheets and statements of income) as of and for the year ended December 31, 2003 of the Acquired Companies that are not Insurance Subsidiaries and (ii) the audited financial statements (consisting of balance sheets, statements of income and statements of cash flows), including the related footnotes, as of and for the year ended December 31, 2003 of each of the Acquired Companies listed on Part 2.6(a)(ii) of the Seller Disclosure Letter (collectively, the financial statements described in clauses (i) and (ii), the "Non-Insurance Financial Statements"). The Non-Insurance Financial Statements were derived from the same data and prepared using the same methodologies as were used in the annual audited GAAP financial statements of Seller included in the Seller's filings under the Exchange Act, and fairly present in all material respects (except, in the case of the Non-Insurance Financial Statements described in clause (i) above, for the absence of footnotes) the financial condition of the Acquired Companies that are not Insurance Subsidiaries as of the respective dates thereof and the results of operations of the Acquired Companies that are not Insurance Subsidiaries for the respective periods then ended.

(b) The Acquired Companies that are not Insurance Subsidiaries do not have any liabilities or obligations of any nature (whether accrued, absolute, contingent, unasserted or otherwise) required by GAAP to be reflected on a balance sheet or in the notes thereto, except (i) as disclosed, reflected or reserved against in the balance sheet included in the Non-Insurance Financial Statements and (ii) for ordinary course liabilities and obligations incurred in the ordinary course of the business of the Acquired Companies that are not Insurance Subsidiaries consistent with past practice since December 31, 2003 and not in violation of this Agreement. This representation and warranty shall not be deemed to be breached as a result of any change in GAAP or Law after the date of this Agreement.

Section 2.7 Certain Subsidiaries.

(a) Insurance Subsidiaries.

(i) Part 2.7(a)(i) of the Seller Disclosure Letter sets forth the name of each Acquired Company that is an insurance company (collectively, the "Insurance Subsidiaries"). Each of the Insurance Subsidiaries is (i) duly licensed or authorized in all material respects as an insurance company in its jurisdiction of incorporation, (ii) duly licensed or authorized in all material respects to carry on an insurance business in each other jurisdiction where it is required to be so licensed or authorized, and (iii) duly licensed or authorized in all material respects in its jurisdiction of incorporation and each other applicable jurisdiction to issue the Life & Annuity Contracts that it is currently writing, and was duly licensed or authorized in all material respects to issue the Life & Annuity Contracts that it wrote at the time such Life & Annuity Contracts were issued and otherwise to conduct its insurance and variable products business, as required by Law. Seller, GAC and the Insurance Subsidiaries have made all required filings under applicable Law regulating the business and products of insurance, except where the failure to file, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. Part 2.7(a)(i) of the Seller Disclosure Letter sets forth the states where Seller, GAC and the Insurance Subsidiaries are domiciled or "commercially domiciled" for insurance regulatory purposes. Seller has previously delivered to Parent true and complete copies of all examination reports of insurance departments and any insurance regulatory authorities received by any Insurance Subsidiary since January 1, 2001.

(ii) With respect to each Insurance Subsidiary, each such Insurance Subsidiary's audited Insurance Subsidiary Statements as of and for the year ended December 31, 2003 are attached as Part 2.7(a)(ii) of the Seller Disclosure Letter. Such Insurance Subsidiary Statements present (and, with respect to any Insurance Subsidiary Statement for any quarter after December 31, 2003, and prior to the Closing, will present) fairly in all material respects, on a consistent basis and in accordance with the statutory accounting practices prescribed or permitted by the appropriate regulatory agencies of the jurisdiction in which such Insurance Subsidiary is domiciled ("SAP"), the financial position at the date of each such statement and results of each such Insurance Subsidiary's operations for each such referenced period. Schedule 1.4 sets forth certain of the accounting policies and practices (including with respect to assumptions, estimations methodology and actuarial methodology) used by Seller to prepare the December Financial Statements. No material deficiency has been asserted in writing by any Governmental Entity with respect to any Insurance Subsidiary Statements that has not been addressed to the satisfaction of such Governmental Entity. Except as indicated therein, all assets that are reflected as admitted assets on the Insurance Subsidiary Statements comply in all material respects with all applicable Laws regulating the business and products of insurance with respect to admitted assets, as applicable, and the amounts of capital reflected on the Insurance Subsidiary Statement of each Insurance Subsidiary are sufficient in nature and amount to meet all requirements of applicable Law. The Insurance Subsidiary Statements comply in all material respects with all applicable Law.

(iii) All reserves for policyholder liabilities reflected on the balance sheets of the Insurance Subsidiary Statements as of December 31, 2003, (A) were determined in accordance with actuarial standards of practice, consistently applied, (B) were based on actuarial assumptions that were reasonable in relation to the relevant policy and contract provisions and (C) are in compliance with SAP in all material respects (it being understood by Parent and Buyer that in making the representations and warranties in this Section 2.7(a)(iii) Seller and GAC are not representing and warranting that the reserves referred to therein or the assets supporting such reserves have been or will be sufficient or adequate for the purposes for which they were established or that reinsurance recoverables taken into account in determining the amount of such reserves will be collectible). The Insurance Subsidiaries do not have any liabilities or obligations of any nature (whether accrued, absolute, contingent, unasserted or otherwise) required by SAP to be reflected on a balance sheet or in the notes thereto, except (i) as disclosed, reflected or reserved against in the balance sheets included in the Insurance Subsidiary Statements, and (ii) for ordinary course liabilities and obligations incurred in the ordinary course of business and consistent with past practice since December 31, 2003 and not in violation of this Agreement (it being understood by Parent and Buyer that in making the representations and warranties in this Section 2.7(a)(iii) Seller and GAC are not representing and warranting that the reserves referred to therein or the assets supporting such reserves have been or will be sufficient or adequate for the purposes for which they were established or that reinsurance recoverables taken into account in determining the amount of such reserves will be collectible).

(iv) Since January 1, 2001, each Insurance Subsidiary has had procedures and programs which are reasonably designed to provide assurance that its respective agents and employees are in material compliance with Law, including without limitation, advertising, licensing and sales practices laws, regulations, directives, bulletins and opinions of governmental authorities. Seller has no knowledge of any material noncompliance with such procedures and programs.

(v) Each of the Life & Annuity Contracts has been marketed and sold by the Insurance Subsidiaries and, to the knowledge of Seller, marketed and sold by the independent agents of the Insurance Subsidiaries, in each case, in compliance in all material respects with applicable Law of the respective jurisdiction in which such Life & Annuity Contracts have been sold, including (i) all applicable prohibitions against "redlining" or withdrawal of business lines, (ii) all applicable requirements relating to the disclosure of the nature of insurance products as policies of insurance, (iii) all applicable requirements relating to insurance product projections and illustrations, (iv) all applicable prohibitions against discrimination based on factors relating to race, gender, national origin or similar distinctions, (v) all applicable prohibitions against "churning," or other improper replacement practices, (vi) all applicable prohibitions against "vanishing premium," premium offsets or other under-funding of life insurance policies, (vii) all applicable requirements relating to "Holocaust victims" and (viii) all other requirements or prohibitions relating to unfair trade practices under applicable Law. Each of the Insurance Subsidiaries has provided notice and disclosure, to the extent such notice and disclosure is required by applicable Law, to prospective insureds of situations, if any, in which premiums are charged (or policy charges are imposed) from the date of issue of a Life & Annuity Contract, notwithstanding that coverage begins at a later date.

(vi) Since January 1, 2001, each Insurance Subsidiary has maintained records which in all material respects accurately reflect transactions in reasonable detail, and accounting controls, policies and procedures reasonably designed to ensure that such transactions are recorded in a manner which permits the preparation of financial statements in accordance with GAAP and applicable statutory accounting requirements.

(vii) Seller has delivered to Buyer a true and correct copy of the Investment Guidelines, and since January 1, 2002 the Investment Portfolio has been invested in compliance in all material respects with the Investment Guidelines, as in effect at the time any such investment was made.

(b) Broker/Dealer Subsidiaries. Part 2.7(b) of the Seller Disclosure Letter sets forth the name of each Acquired Company that is registered as a broker or dealer (collectively, the "Broker/Dealer Subsidiaries"). Except as would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies, (i) each of the Acquired Companies and each of its respective employees that is required, in order to conduct its business as it is now conducted, to be registered, licensed or qualified as a broker-dealer under the Exchange Act or, in the case of any employees, is otherwise required to be registered, licensed or qualified under the Exchange Act or NASD Regulations (which for this purpose shall include the NASD's Membership and Registration Rules (Rules 1000-1140)) is so registered, licensed or qualified (and has been so registered, licensed or qualified at all times since January 1, 1999 it has been required under applicable Law to be so registered, licensed or qualified), (ii) each Broker/Dealer Subsidiary is a member organization in good standing of the NASD, Inc. ("NASD"), securities exchanges, commodities exchanges, boards of trade, clearing organizations, trade organizations and such other Governmental Entities and organizations in which its membership is required in order to conduct its business as it is now conducted, (iii) each Broker/Dealer Subsidiary has timely filed all registrations, declarations, reports, notices, forms or other filings required to be filed with the SEC, NASD, the New York Stock Exchange or any other Governmental Entity and all fees and assessments due and payable in connection therewith have been paid, (iv) since the later of its inception or January 1, 2002, each Broker/Dealer Subsidiary has had net capital (as such term is defined in Rule 15c3-1 of the Exchange Act) that satisfies the minimum net capital requirements of the Exchange Act and of the laws of any jurisdiction in which such Broker/Dealer Subsidiary conducts business, and (v) no Broker/Dealer Subsidiary is, nor is any "associated person" of any Broker/Dealer Subsidiary, subject to a "statutory disqualification" (as such terms are defined in the Exchange Act) or subject to a disqualification that would be a basis for censure, limitations on the activities, functions or operations of, or suspension or revocation of the registration of such Broker/Dealer Subsidiary as a broker-dealer, under the Exchange Act and, to the knowledge of Seller and GAC, there is no proceeding or investigation pending by any Governmental Entity or self-regulatory organization that is reasonably likely to result in any such censure, limitations, suspension or revocation.

(c) Investment Adviser. Part 2.7(c) of the Seller Disclosure Letter sets forth the name of each Acquired Company that is registered as an "investment adviser" under the Investment Advisers Act (an "Investment Adviser Subsidiary"). Except as would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies, (i) each of the Acquired Companies and each of its employees that is required, in order to conduct its business as it is now conducted, to be registered, licensed or qualified as an investment adviser under the Investment Advisers Act is so registered, licensed or qualified (and has been so registered, licensed or qualified at all times since January 1, 1999 it has been required under applicable Law to be so registered, licensed or qualified), (ii) each "investment adviser representative" (as defined in the Investment Advisers Act) of an Investment Adviser Subsidiary, if any, who is required to be registered as such is so registered (and has been so registered, licensed or qualified at all times since January 1, 1999 it has been required under applicable Law to be so registered, licensed or qualified), (iii) each Investment Adviser Subsidiary has timely filed all registrations, declarations, reports, notices, forms or other filings required to be filed with the SEC or any other Governmental Entity (the "SEC Documents"), and as of their respective dates, the SEC Documents of each Investment Adviser Subsidiary complied in all respects with the requirements of applicable Law (including the Securities Laws), and all fees and assessments due and payable in connection therewith have been paid, (iv) no Investment Adviser Subsidiary or any Person "associated" (as such term is defined in the Investment Advisers Act) with any Investment Adviser Subsidiary has been convicted of any crime or is subject to any disqualification that would be a basis for denial, suspension, or revocation of registration of an investment adviser under Section 203(e) of the Investment Advisers Act or Rule 206(4)-4(b) thereunder and, to the knowledge of Seller, there is no proceeding or investigation pending by any Governmental Entity or self-regulatory organization that is reasonably likely to result in any such denial, suspension or revocation, (v) in the conduct of its business with respect to employee benefit plans subject to Title I of ERISA ("ERISA Plans"), none of the Acquired Companies have (A) breached any applicable fiduciary duty under Part 4 of Title I of ERISA which would subject it to liability under Sections 405 or 409 of ERISA, (B) engaged in a "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Code which would subject it to liability or taxes under Sections 409 or 502 of ERISA or Section 4975 of the Code or (C) engaged in any conduct that could constitute a crime or violation listed in Section 411 of ERISA that could preclude such Person from providing services to any ERISA Plan, and (vi) each Investment Adviser Subsidiary and each of its predecessors, if any, has at all times rendered investment advisory services to investment advisory clients, including the Clients, in compliance with all applicable requirements as to portfolio composition and portfolio management including the terms of any and all applicable investment advisory agreements, written instructions from such investment advisory clients, the organizational documents of such investment advisory clients, prospectuses, board of director or trustee directives and applicable Law.

(d) Except as would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies, no Investment Adviser Subsidiary has taken any action that would (x) prevent any of the Registered Investment Companies (other than a Registered Separate Account) from qualifying as a "regulated investment company", within the meaning of Section 851 of the Code, (y) cause any Client account which is subject to ERISA to fail to comply with the applicable requirements of ERISA or (z) otherwise be inconsistent with any of the Investment Adviser Subsidiaries' prospectus and other offering, advertising and marketing materials. The Seller has previously delivered to the Buyer a complete copy of each SEC Document filed by each Investment Adviser Subsidiary from January 1, 2001 through the date hereof (including a composite Form ADV as in effect on the date hereof).

(e) Each Acquired Company that acts as an investment adviser or distributor to a Registered Investment Company has adopted a formal code of ethics and a written policy regarding insider trading, a complete and accurate copy of each of which has been delivered to Parent and each of which substantially complies with Law. The policies of each Investment Adviser Subsidiary with respect to avoiding conflicts of interest are as set forth in its most recent Form ADV thereof, as amended, copies of which have been delivered to Parent, and there have been no material violations or allegations of violations of such policies that have occurred or been made that have not been addressed in accordance with these procedures.

(f) Each Investment Adviser Subsidiary has at all times maintained books and records which accurately reflect transactions in reasonable detail, and accounting controls, policies and procedures reasonably designed to ensure that such transactions are (i) executed in accordance with its management's general or specific authorization, as applicable, and (ii) recorded in a manner which permits the preparation of financial statements in accordance with GAAP and applicable regulatory accounting requirements and other account and financial data, including performance results, in accordance with applicable regulatory requirements, and the documentation pertaining thereto is retained, protected and duplicated in accordance with all applicable regulatory requirements, including the Investment Advisers Act and the Investment Company Act.

Section 2.8 Absence of Certain Changes or Events. Since December 31, 2003, the Acquired Companies have conducted their respective businesses only in the ordinary course consistent with past practice (except in connection with the transactions contemplated hereby) and have used commercially reasonable efforts to preserve intact the business organization of the Acquired Companies and to maintain satisfactory relationships with the customers, suppliers and employees and others with which the Acquired Companies have business relationships and, without limiting the generality of the foregoing:

(a) There have been no changes, effects, events, occurrences or developments which, individually or in the aggregate, have had or would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

(b) None of the Acquired Companies has sold, assigned, transferred or conveyed any Proprietary Right.

(c) Except as otherwise contemplated by this Agreement or as required to ensure that any Plan is maintained in compliance with applicable Law or to comply with any Contract or Other Agreement regarding Business Employees or Plan entered into prior to the date hereof (complete and accurate copies of which have been heretofore delivered to Buyer), none of the Acquired Companies has (A) adopted, entered into, terminated or amended any collective bargaining agreement or Plan or any Contract or Other Agreement with respect to any current or former employees of an Acquired Company or any Bank Channel Employee, (B) increased in any manner the compensation, bonus or fringe or other benefits of, or paid any bonus of any kind or amount whatsoever to, any current or former Business Employee, except for any planned salary increases and payment of bonuses, each as described in Part 2.8(c) of the Seller Disclosure Letter, (C) paid any benefit or amount not required under any Plan or Contract or Other Agreement as in effect on the date of this Agreement, other than as contemplated in the foregoing clause (B), (D) except in the ordinary course of business consistent with past practice, granted or paid any severance or termination pay or increase in any manner the severance or termination pay of any current or former employees of an Acquired Company or any Bank Channel Employee, (E) granted any awards under any bonus, incentive, performance or other Plan, Contract or Other Agreement or otherwise, other than as contemplated in the foregoing clause (B), (F) taken any action to fund or in any other way secure the payment of compensation or benefits under any Plan or Contract or Other Agreement, (G) taken any action to accelerate the vesting or payment of any compensation or benefit under any Plan or Contract or Other Agreement or (H) materially changed any actuarial or other assumption used to calculate funding obligations with respect to any Acquired Company Plan or changed the manner in which contributions to any Acquired Company Plan are made or the basis on which such contributions are determined.

(d) No Acquired Company has effected any amendment or modification to its Constituent Documents.

(e) None of the Acquired Companies has made any material change in its fiscal year, accounting methods or principles used for GAAP or statutory reporting purposes, except for changes which are required by Law, SAP or GAAP of all enterprises in the same business.

(f) Except in the ordinary course of business consistent with past practice, no Acquired Company has made any material change, and neither Seller, GAC nor any Acquired Company has permitted any of the Insurance Subsidiaries to make any material change, in its underwriting or claims management practices, pricing practices, reserving practices, reinsurance practices, marketing practices or investment policies or practices or Investment Guidelines, except in each case as required by Law.

(g) None of the Acquired Companies has made any new material Tax election or any settlement or compromise of any material income Tax liability.

(h) No Acquired Company has revalued any properties or assets, including writing off notes or accounts receivable, other than in the ordinary course of the business of the applicable Acquired Company, or as required by applicable Law, SAP or GAAP.

(i) The investments of the Acquired Companies have been maintained, and no sales or other dispositions of investments have been effected, other than in accordance with the Investment Guidelines and in the ordinary course of business.

(j) The Seller has not taken or failed to take any action or permitted any Acquired Company to take or fail to take any action, in each case for the purpose of either (i) shifting statutory income or surplus from the period following June 30, 2004 to the period preceding June 30, 2004 or (ii) increasing statutory income or surplus with the intent of increasing the June Adjusted Statutory Book Value or increasing the Closing Consideration to the detriment of Buyer and Parent; provided, however, that Parent and Buyer agree that any action taken by Seller, to the extent necessary to ensure that an independent auditor's opinion will be unqualified after an issue as to ability to give an unqualified opinion is raised by such auditor, shall not be deemed to be a breach of this Section 2.8(j).

(k) No Acquired Company has launched or introduced any material new product or service.

Section 2.9 Litigation, Judgments, No Default, Etc. There is no suit, action or proceeding (collectively, "Proceeding") pending or, to the knowledge of Seller, threatened in writing since January 1, 2001, to which any of the Acquired Companies or any Registered Investment Company or Registered Separate Account is a party and which (i) relate to or involve a claim for specified damages of more than $1,000,000, (ii) relate to or involve any class action claims, (iii) seek any material injunctive relief or (iv) would reasonably be expected to give rise to any legal restraint on or prohibition against the transactions contemplated by this Agreement. There is no Proceeding or claim by any of the Acquired Companies pending, or which the Seller or a Subsidiary intends to initiate on behalf of any Acquired Company, against any other Person. To the knowledge of Seller, there is no pending or threatened investigation of any of the Acquired Companies or any Registered Investment Company or Registered Separate Account by any Governmental Entity. To the knowledge of Seller, there is no judgment, decree, injunction (preliminary or otherwise), rule or order (collectively "Orders") of any arbitrator or Governmental Entity outstanding against any of the Acquired Companies, any Registered Investment Company or any Registered Separate Account.

Section 2.10 Compliance; Material Contracts.

(a) No Acquired Company is in violation, breach or default of any term, condition or provision of its Constituent Documents.

(b) None of the Acquired Companies or, to the knowledge of Seller, any other party thereto, is in violation of or in breach or default under (nor, to the knowledge of Seller, does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or breach or default under) any Material Contract (as defined below) to which any Acquired Company is a party or by which any of them or any portion of their respective properties or other assets may be bound, except for violations, breaches or defaults that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. Other than Related Contracts, none of the Acquired Companies has entered into any Contract or Other Agreement with any Affiliate of the Seller (other than another Acquired Company) that is in effect. Part 2.10(b) of the Seller Disclosure Letter sets forth a true and complete list of each Contract or Other Agreement (other than a Life and Annuity Contract or Related Contract entered into in the ordinary course of business) to which any Acquired Company is a party, or by which any of them or any portion of their respective properties or other assets may be bound, and that is of a nature described below in this Section 2.10(b) (each, a "Material Contract"):

(i) an employment contract (whether oral or written) that has an aggregate future liability in excess of $100,000 and is not terminable by such Acquired Company by notice of not more than 60 days for a cost of less than $50,000;

(ii) a Contract or Other Agreement (x) containing a provision limiting the ability of any Acquired Company to engage in any line of insurance or asset management in any geographical area or to compete with any Person, or (y) providing for "exclusivity" as a result of which any Acquired Company is restricted with respect to distribution and marketing;

(iii) a (A) management, service, consulting or other similar type of contract or (B) advertising agreement or arrangement, in any such case which has an aggregate future liability to any person (other than another Acquired Company) in excess of $250,000 and is not terminable by such Acquired Company by notice of not more than 60 days for a cost of less than $125,000;

(iv) a material license, option or other agreement relating in whole or in part to any Proprietary Rights described in Section 2.14 (including any license or other agreement under which any Acquired Company is licensee or licensor of any such Proprietary Right);

(v) a Contract or Other Agreement under which any Acquired Company has borrowed any money from, or issued any note, bond, debenture or other evidence of indebtedness to, any Person, or any other note, bond, debenture or other evidence of indebtedness issued to any Person, in any such case which, individually, is in excess of $1,000,000;

(vi) a Contract or Other Agreement under which (A) any Person has directly or indirectly guaranteed indebtedness, liabilities or obligations of such Acquired Company or (B) any Acquired Company has directly or indirectly guaranteed indebtedness, liabilities or obligations of any Person (in each case other than endorsements for the purpose of collection in the ordinary course of business), in any such case which, individually, is in excess of $1,000,000;

(vii) a Contract or Other Agreement under which such Acquired Company has made any advance, loan, extension of credit or capital contribution to, or other investment in, any Person, in any such case which, individually, is in excess of $1,000,000;

(viii) a Contract or Other Agreement providing for indemnification outside of the ordinary course of business of any Person with respect to liabilities relating to any current or former business of any Acquired Company or any predecessor to an Acquired Company;

(ix) a Contract or Other Agreement with any Person (other than an Acquired Company) to which a Broker/Dealer Subsidiary is a party and pursuant to which such Broker/Dealer Subsidiary acts as a placement agent for securities;

(x) a Contract or Other Agreement by or to which any Acquired Company or any of an Acquired Companies' assets or business is bound or subject which has an aggregate future liability to any Person (other than another Acquired Company) in excess of $1,000,000 and is not terminable by such Acquired Company by notice of not more than 60 days for a cost of less than $500,000;

(xi) a Contract or Other Agreement preventing the solicitation for employment of third parties by the applicable Acquired Company;

(xii) a "standstill" Contract or Other Agreement prohibiting an Acquired Company from acquiring the assets or securities of any person;

(xiii) a partnership, joint venture, shareholders or other similar Contract or Other Agreement with any Person; or

(xiv) a Contract or Other Agreement relating to the future disposition or acquisition of any investment in any person or of any interest in any business enterprise (other than the disposition or acquisition of investments in the ordinary course of the business of the applicable Acquired Company, including the disposition or acquisition of investments forming part of the Investment Portfolio), or requiring an Acquired Company to purchase any security (other than the disposition or acquisition of investments in the ordinary course of business of the applicable Acquired Company, including the disposition or acquisition of investments forming part of the Investment Portfolio).

Section 2.11 Finders and Investment Bankers. Neither Seller nor any Acquired Company nor any of their respective officers, directors or Affiliates has employed any investment banker, financial advisor, broker or finder in connection with the transactions contemplated by this Agreement, except for Goldman, Sachs & Co. ("Goldman Sachs") and Milliman USA, Inc. ("Milliman"), or incurred any liability for any investment banking, business consultancy, financial advisory, brokerage or finders' fees or commissions in connection with the transactions contemplated hereby, except for fees payable to Goldman Sachs and Milliman, all of which fees have been or will be paid by Seller in accordance with the agreements between Seller and Goldman Sachs and Seller and Milliman.

Section 2.12 Collective Bargaining Agreements. No Acquired Company is a party to or subject to any collective bargaining agreement with any labor union. To the knowledge of Seller, no union organization campaign is in progress with respect to the Business Employees. There are no labor controversies pending or, to the knowledge of Seller, threatened in writing against any Acquired Company which, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. There are not any pending charges against Seller (relating to any of the Acquired Companies, any of their current or former employees or the Bank Channel Employees), any Acquired Company or any current or former employees of Seller or any Acquired Company by any Governmental Entity responsible for the prevention of unlawful employment practices, and none of Seller or any Acquired Company has received written communication during the past three years of the intent of any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation of or affecting any Acquired Company and, to the knowledge of Seller, no such investigation is in progress.

Section 2.13 Insurance. Seller carries insurance with respect to the Acquired Companies with insurers that, to the knowledge of Seller, are solvent, in amount and types of coverage which are customary in the industry and against risks and losses which are usually insured against by persons holding or operating similar properties and similar businesses. Except as would not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect on the Acquired Companies, all such policies are in full force and effect, all premiums due and payable thereon have been paid (other than retroactive or retrospective premium adjustments that are not yet, but may be, required to be paid with respect to any period ending prior to the Closing Date), and no notice of cancellation or termination has been received with respect to any such policy which has not been replaced on substantially similar terms prior to the date of such cancellation. To the knowledge of Seller, the business of the Acquired Companies has been conducted in a manner so as to conform in all material respects to all applicable provisions of such insurance policies. No material claims have been asserted under any of such insurance policies or relating to the properties, assets or operations of the Acquired Companies since January 1, 2002.

Section 2.14 Proprietary Rights.

(a) The Acquired Company Proprietary Rights, together with the intellectual property being licensed under each of the Transitional Trademark License, the Buyer Intellectual Property License and the IP Side Letters, will immediately after the Closing be sufficient to conduct the business of the Acquired Companies as it is now being conducted. Part 2.14(a) of the Seller Disclosure Letter sets forth a true and complete list of all material unregistered and unpatented Acquired Company Proprietary Rights. With respect to all Acquired Company Proprietary Rights that are registered or subject to an application for registration in the United States, Part 2.14(a) of the Seller Disclosure Letter sets forth a list of all registered Acquired Company Proprietary Rights and a list of all jurisdictions in which such Proprietary Rights are registered or registrations applied for and all registration and application numbers. All the material Acquired Company Proprietary Rights have been duly registered in, filed in or issued by the appropriate Governmental Entity where such registration, filing or issuance is necessary for the conduct of the business of the Acquired Companies as it is presently conducted. The Acquired Companies are the owners of, and, to the knowledge of Seller, have the right to use, execute, reproduce, display, perform, modify, enhance, distribute, prepare derivative works of and sublicense, without payment to any other Person, all the Acquired Company Proprietary Rights, and the consummation of the transactions contemplated hereby does not and will not conflict with, alter or impair any such rights, and since January 1, 2002 neither Seller nor any Acquired Company has received any written communication from any Person asserting any ownership interest in any Acquired Company Proprietary Rights. Neither Seller nor any Acquired Company has granted any license of any kind relating to any Acquired Company Proprietary Rights (other than to an Acquired Company).

(b) To the knowledge of Seller, the operations of the Acquired Companies do not violate, conflict with or infringe and, to the knowledge of Seller, since January 1, 2002, no Person has asserted in writing to the Acquired Companies that such operations violate, conflict with or infringe any patents, copyrights or trademarks owned by any third party. To the knowledge of Seller, there are no third parties whose operations infringe nor has anyone asserted in writing that such operations conflict with or infringe, any Acquired Company Proprietary Rights.

Section 2.15 Compliance with Law. The businesses of the Acquired Companies have been conducted in compliance with all Laws applicable to the Acquired Companies, except for instances of non-compliance which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies. None of the Acquired Companies or any Registered Investment Company or Registered Separate Account has received any written notice of any alleged violation of Law from a Governmental Entity since January 1, 2002 (other than written notices which have been cured or otherwise remedied), and there are no pending or, to the knowledge of Seller, threatened hearings or investigations with respect to any such violation. To the knowledge of the Seller, there is no unresolved violation or exception by any Governmental Entity with respect to any report or statement relating to any examination of any Acquired Company or any Registered Investment Company or Registered Separate Account. This Section 2.15 does not relate to matters covered by Section 2.17, Section 2.18, Section 2.19 or Section 2.20.

Section 2.16 Real Property.

(a) Each of the Acquired Companies has good, clear and marketable fee title to the real property listed on Part 2.16(a) of the Seller Disclosure Letter, free and clear of all Liens except (i) taxes not yet due and (ii) such imperfections or irregularities of title or other Liens as do not and would not reasonably be expected to materially affect the use of the real property subject thereto or affected thereby or otherwise materially impair business operations at such properties.

(b) Part 2.16(b) of the Seller Disclosure Letter sets forth the address of each material parcel of property leased or subleased by an Acquired Company (each, a "Leased Property"), and a true and complete list of all leases for each such Leased Property (each, a "Lease") (including the date and name of the parties to such Lease). With respect to each of the Leases:

(i) such Lease is valid and in full force and effect;

(ii) to the knowledge of Seller, the transactions contemplated in this Agreement do not require the consent of any other party to a Lease, an assignment of Lease or a sublease;

(iii) to the knowledge of Seller, (A) the Acquired Company or any other party to the Lease is not in breach or default under such Lease, and (B) no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such Lease;

(iv) to the knowledge of Seller, the Acquired Company has not subleased, licensed or otherwise granted anyone the right to use or occupy such Leased Property or any portion thereof; and

(v) to the knowledge of Seller, the Acquired Company has not collaterally assigned or granted any other security interest in such Lease or any interest therein.

(c) The Leased Properties comprise all of the real property used in the business of the Acquired Companies as currently conducted.

Section 2.17 Licenses and Permits.

(a) Except as otherwise expressly addressed in Section 2.7, the Acquired Companies and each Registered Investment Company and Registered Separate Account have obtained, and are and have at all times since January 1, 2002 been in compliance in all respects with, all necessary licenses, permits, consents, approvals, orders, certificates, authorizations, declarations and filings required by all Governmental Entities for the conduct of the businesses and operations of the Acquired Companies as now conducted (collectively, the "Required Licenses"), except where the failure to have obtained or complied with any such Required Licenses, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

(b) Part 2.17(b) of the Seller Disclosure Letter sets forth a list of all Required Licenses. Since January 1, 2002, Seller has not received written notice of any Proceedings relating to the revocation or modification of any Required Licenses the loss of which, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. To the knowledge of Seller, and except for the "relicensing" requirements in the states identified on Part 2.17(b) of the Seller Disclosure Letter and any similar requirements in other states that may be triggered by the change in control of the Insurance Subsidiaries but do not require the approval of any Governmental Entity sooner than 90 days following the Closing, none of the Required Licenses will be subject to suspension, modification, revocation or nonrenewal as a result of the execution and delivery of this Agreement or the other Transaction Documents or the consummation of the transactions contemplated hereby or thereby.

Section 2.18 Environmental Matters. Except for such matters that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies:

(a) each of the Acquired Companies is, and has been, in compliance with all Environmental Laws, and none of the Acquired Companies has received any communication that alleges that any of the Acquired Companies are in violation of, or have liability under, any Environmental Law;

(b) each of the Acquired Companies has obtained and is in compliance with all Environmental Permits necessary for its operations as currently conducted;

(c) there are no Environmental Claims pending or, to the knowledge of Seller, threatened in writing, against any of the Acquired Companies;

(d) there have been no releases of any Hazardous Material that would reasonably be expected to form the basis of any Environmental Claim against any of the Acquired Companies or against any Person whose liabilities for such Environmental Claims any of the Acquired Companies have, or may have, retained or assumed, either contractually or by operation of law; and

(e) (i) none of the Acquired Companies has retained or assumed, either contractually or by operation of law, any liabilities or obligations that could reasonably be

expected to form the basis of any Environmental Claim against any of the Acquired Companies and (ii) to the knowledge of Seller, no Environmental Claims are pending against any Person whose liabilities for such Environmental Claims any of the Acquired Companies have, or may have, retained or assumed, either contractually or by operation of law.

Section 2.19 Tax Returns and Tax Payments.

(a) Seller has timely filed all U.S. federal income Tax Returns and Combined Returns and each of the Acquired Companies has timely filed all other Tax Returns required to be filed by them for taxable periods prior to the Closing Date, except, as to such Tax Returns, to the extent that any failure to have filed, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies, and all such Tax Returns were true and correct in all material respects. Seller and the Acquired Companies have paid all Taxes shown to be due on such Tax Returns and all other Taxes otherwise due, except to the extent that any failure so to pay, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. The unpaid Taxes of the Acquired Companies (i) did not, as of December 31, 2003, exceed the reserve for Tax liability set forth on the face of the December 31, 2003 balance sheet included within the December Financial Statements and the December 31, 2003 combined balance sheet included within the Non-Insurance Financial Statements and (ii) will not exceed such reserve as adjusted for operations through the Closing Date, except to the extent that any failure to reserve, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. Subject to Section 4.8(c), the reserve for Tax liability will be prepared in accordance with the past custom and practice of the Acquired Companies in filing their Tax Returns. The reserve for Taxes for federal income Taxes and state income Taxes for Combined Returns on the December 31, 2003 balance sheet included within the December Financial Statements and the December 31, 2003 combined balance sheet included within the Non-Insurance Financial Statements will be settled prior to the Closing Date pursuant to Section 4.13 or otherwise.

(b) No claim for unpaid Taxes in writing by a Tax authority has been asserted against Seller or any Acquired Company and no written notice of audit by a Tax authority has been received by Seller, which, if resolved unfavorably, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. No audit or examination of any Acquired Company is being conducted by a Tax authority, which, if resolved unfavorably, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect on the Acquired Companies. No extension of the statute of limitations is in effect on the assessment of any Taxes of the Acquired Companies. None of the Acquired Companies is or has been during any year for which the applicable statute of limitations with respect to the payment of federal income Taxes has not yet expired, a member of an affiliated group of corporations within the meaning of Section 1504 of the Code other than an affiliated group the common parent of which is or was Seller or has any liability resulting from Taxes of any Person other than the Acquired Companies under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law).

(c) Seller is not a “foreign person” within the meaning of Section 1445 of the Code.

(d) Each of the Acquired Companies has complied with all applicable laws relating to the payment and withholding of Taxes (i) pursuant to Sections 1441, 1442, 3121 and 3402 of the Code or similar provisions under any state, local or foreign laws) and (ii) with respect to any Policy under Sections 3405, 6047(a) and 6047(d)(1)(B) of the Code or similar provisions under any state, local or foreign laws, except to the extent that any failure to have paid or withheld, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies and has, within the time and manner prescribed by law, withheld from and paid over to the proper authorities all amounts required to be so withheld and paid over under applicable laws.

(e) None of the Acquired Companies shall be required to include in a Tax period ending after the Closing Date taxable income attributable to income that accrued in a prior Tax period but was not recognized in any prior Tax period as a result of the installment method of accounting, the long-term contract method of accounting, the cash method of accounting or Section 481 of the Code or comparable provisions of state, local or foreign Tax law.

(f) No material liens for Taxes exist with respect to any of the assets or properties of the Acquired Companies except for statutory liens for Taxes not yet due or payable.

(g) Each deficiency resulting from any closed audit or examination relating to Taxes of the Seller and the Acquired Companies has been timely paid, except to the extent that any failure to have paid, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

(h) Except as otherwise provided in this Section 2.19(h), each reserve item with respect to the Insurance Subsidiaries, in all material respects, was determined correctly in accordance with the requirements of Sections 807, 811 and 846 of the Code for any tax returns in which any of them were included for the taxable periods ended December 31, 2001 and December 31, 2002, has been consistently and correctly applied with respect to the filing of all tax returns including any of them for all taxable years for which the applicable statute of limitations has not expired, and will be consistently and correctly applied with respect to the filing of any tax returns in which any of them will be included for the taxable period ended December 31, 2003 and the taxable period from January 1, 2004 through the Closing Date when such tax returns are filed (it being understood by Parent and Buyer that in making the representations and warranties in this Section 2.19(h), Seller and GAC are not representing and warranting that the reserves referred to therein or the assets supporting such reserves have been or will be sufficient or adequate for the purpose for which they were established or that reinsurance receivables taken into account in determining the amount of such reserves will be collectible). No representation or warranty is made in this Section 2.19(h) with respect to reserve items in connection with the implementation of 2001 CSO reserving methodology.

(i) No Insurance Subsidiary has agreed, or is required to make, any adjustment under Section 807(f) of the Code.

(j) Each Insurance Subsidiary is and has been taxable as a life insurance company within the meaning of Section 816 of the Code for the taxable period ending on or including the Closing date and for all prior taxable periods for which the statute of limitations has not expired.

(k) Set forth on Part 2.19(k) of the Seller Disclosure Letter is the policyholders surplus account and the shareholders surplus account (as defined in Section 815 of the Code) for each Insurance Subsidiary as of December 31, 2002 as reported on Seller's consolidated federal income Tax Return for the taxable year ending on December 31, 2002, which surplus accounts were materially correct as of the date such Tax Returns was filed.

(l) All tax sharing agreements to which the Acquired Companies are parties or by which the Acquired Companies are bound will be terminated before closing. None of the Acquired Companies is party to or bound by any written, tax indemnity obligation.

Section 2.20 Employee Benefit Plans.

(a) Part 2.20(a)(i) of the Seller Disclosure Letter sets forth a true and correct list of each bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock appreciation, restricted stock, stock option, phantom stock, performance, retirement, thrift, savings, stock bonus, cafeteria, paid time off, perquisite, fringe benefit, vacation, severance, termination, retention, change of control, disability, death benefit, hospitalization, medical or other welfare benefit or other plan, program, arrangement or understanding, whether oral or written, formal or informal, funded or unfunded (whether or not legally binding), including, without limitation, each "employee pension benefit plan" (as defined in Section 3(2) of ERISA, whether or not subject to ERISA) (a "Pension Plan") and "employee welfare benefit plan" (as defined in Section 3(1) of ERISA, whether or not subject to ERISA) (a "Welfare Plan"), whether or not subject to the United States law, in each case maintained or contributed to, or required to be maintained or contributed to, by Seller or any of its Subsidiaries or any other person or entity that, together with Seller, is or was treated as a single employer under Section 414(b), (c), (m) or (o) of the Code (each, together with Seller, a "Commonly Controlled Entity") providing compensation or benefits to any current or former employees of an Acquired Company or any Bank Channel Employee (each such plan, a "Plan" and, collectively, the "Plans") that is a material Plan, other than the Acquired Company Plans. Part 2.20(a)(ii) of the Seller Disclosure Letter sets forth a true and correct list of each Acquired Company Plan. With respect to each Acquired Company Plan and other material Plan, Seller has delivered to Parent complete and correct copies of such Plan (or a description of such Plan if not written). To the extent applicable to an Acquired Company Plan, Seller has delivered to Buyer complete and correct copies of all trust agreements, insurance contracts or other funding agreements or arrangements, the three most recent actuarial and trust reports, the three most recent Form 5500s required to have been filed with the IRS and all schedules thereto, the most recent IRS determination letter, all current summary plan descriptions, and any and all amendments to any such document. To the knowledge of Seller, each item described in the immediately preceding sentence was as of its date and is true and correct in all material respects.

(b) Each Plan intended to be qualified under Section 401(a) of the Code, and the trust (if any) forming a part thereof, has received a favorable determination letter from the IRS with respect to all tax law changes through the Economic Growth and Tax Relief Reconciliation Act of 2001 as to its qualification under the Code and to the effect that each such trust is exempt from taxation under Section 501(a) of the Code. No such determination letter has been revoked, and, to the knowledge of Seller, revocation has not been threatened. No event has occurred and no circumstances exist that would (i) be reasonably likely to adversely affect (x) such qualification or tax-exempt status in form or operation or (y) the tax-qualification of such Plan, or (ii) materially increase its cost or require security under Section 307 of ERISA.

(c) Each of the Acquired Company Plans has been operated and administered in compliance in all material respects with its terms. Each Acquired Company and all the Acquired Company Plans are in compliance in all material respects with the applicable provisions of ERISA, the Code and all other Applicable Laws. All contributions required to be made to any Acquired Company Plan have been timely made or properly accrued on the Non-Insurance Financial Statements or the Insurance Subsidiary Statements. There are no pending or, to the knowledge of Seller, threatened investigations by any Governmental Entity, termination proceedings or other claims (except routine claims for benefits payable under the Plans) by or on behalf of any employee or beneficiary under any Acquired Company Plan, or otherwise involving any such Acquired Company Plan or the assets of any Acquired Company Plan and there are not any facts or circumstances that could give rise to any material liability in the event of any such investigation, claim or proceeding. All reports, returns and similar documents with respect to the Acquired Company Plans required to be filed with any Governmental Entity or distributed to any Acquired Company Plan participant have been duly and timely filed or distributed and all reports, returns and similar documents actually filed or distributed were true and correct in all material respects.

(d) Except as expressly provided in Section 4.6, with respect to any Plan (other than any Acquired Company Plan), there is no liability which could reasonably be expected to become a liability of Parent, Buyer and its Subsidiaries (including the Acquired Companies) following the Closing. No Commonly Controlled Entity has (i) engaged in a transaction described in Section 4069 of ERISA that could subject Parent, Buyer or any of its Subsidiaries (including each Acquired Company) to liability at any time after the date hereof or (ii) acted in a manner that could, or failed to act so as to, result in material fines, penalties, taxes or related charges under (x) Section 502(c), (i) or (1) of ERISA, (y) Section 4071 of ERISA or (z) Chapter 43 of the Code.

(e) No amount or other entitlement or economic benefit that could be received (whether in cash or property or the vesting of property) as a result of the execution or delivery of this Agreement or any of the transactions contemplated by this Agreement (alone or in combination with any other event, including termination of employment) by any current or former employees of an Acquired Company or any Bank Channel Employee who is a "disqualified individual" (as such term is defined in Treasury Regulation Section 1.280G-1) under any Plan or Contract or Other Agreement or otherwise would be characterized as an "excess parachute payment" (as such term is defined in Section 280G(b)(1) of the Code) and no such disqualified individual is entitled to receive any additional payment from an Acquired Company in the event that the excise tax required by Section 4999(a) of the Code is imposed.

(f) No Acquired Company Plan (i) is subject to Title IV or Part 3 of Title I of ERISA or Section 412 of the Code or (ii) is a multiemployer plan as defined in Section 4001(a)(3) of ERISA (a "Multiemployer Plan"), and no employee benefit plan (that would be treated as an Acquired Company Plan if it were still in existence) described in the immediately preceding clause (i) or (ii) has been terminated within the six years prior to the date hereof, the liabilities of which have not been satisfied in full.

(g) With respect to each Plan that is subject to Title IV or Part 3 of Title I of ERISA or Section 412 of the Code: (i) no reportable event (within the meaning of Section 4043 of ERISA, other than an event for which the reporting requirements have been waived by regulations) has occurred in the six (6) years prior to the date hereof or is expected to occur on or prior to the Closing; (ii) there has been no application for waiver and has been no accumulated funding deficiency (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived, as of the most recently ended plan year of such Plan; (iii) no Commonly Controlled Entity has been required to provide security under Section 401(a)(29) of the Code; (iv) all premiums (and interest charges and penalties for late payment, if applicable) have been paid when due to the Pension Benefit Guaranty Corporation ("PBGC"); and (v) no filing has been made with the PBGC and no proceeding has been commenced by the PBGC to terminate any Plan and no condition exists which could constitute grounds for the termination of any such Plan by the PBGC.

(h) No Acquired Company has any unsatisfied actual or contingent liability under Title IV of ERISA for any employee benefit plan that is not a Plan.

(i) No "prohibited transaction" (as defined in Section 4975 of the Code or Section 406 of ERISA) has occurred that involves the assets of any Acquired Company Plan that could subject any Acquired Company or any of its Subsidiaries, any of their employees, or, to the knowledge of Seller, a trustee, administrator or other fiduciary of any trust created under any Acquired Company Plan to the tax or sanctions on prohibited transactions imposed by Section 4975 of the Code or Title I of ERISA; no Acquired Company or any of its Subsidiaries, any of their employees, or, to the knowledge of Seller, a trustee, administrator or other fiduciary of any Acquired Company Plan or any agent of any of the foregoing has engaged in any transaction or acted in a manner that could, or has failed to act so as to, subject any Acquired Company or any of its Subsidiaries, any of their employees or any trustee, administrator or other fiduciary to any liability for breach of fiduciary duty under ERISA or any other applicable Law.

(j) No Acquired Company Plan that is a Welfare Plan provides benefits after termination of employment except where the cost thereof is borne entirely by the former employee (or his or her eligible dependents or beneficiaries) or as required by Section 4980B(f) of the Code or any similar statute.

(k) No current or former employee of any Acquired Company or any Bank Channel Employees will be entitled to any additional compensation, severance or other benefits or any acceleration of the time of payment or vesting of any compensation or benefits under any Plan or Contract or Other Agreement as a result of the transactions contemplated hereby (alone or in combination with any other event) or any compensation or benefits under any Plan or Contract or Other Agreement the value of which will be calculated on the basis of any of the transactions contemplated hereby (alone or in combination with any other event), except as expressly provided in this Agreement. The execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby (alone or in combination with any other event) and compliance with the provisions of this Agreement and the other Transaction Documents do not and will not require the funding (whether through a grantor trust or otherwise) of, or increase the cost of, any Plan or Contract and Other Agreement or any other employment arrangement.

(l) No Acquired Company has any material liability or obligations, including under or on account of a Plan or Contract or Other Agreement, arising out of the hiring of persons to provide services and treating such persons as consultants or independent contractors and not as employees.

Section 2.21 Investment Advisory Activities.

(a) Advisory Agreements, Investment Companies and Other Clients.

(i) Part 2.21(a)(i) of the Seller Disclosure Letter sets forth a list, as of December 31, 2003, of each Client with an account of greater than $1,000,000 of each Investment Advisor Subsidiary and shows for each such Client the aggregate amount of assets under management with Safeco Asset Management Company as of such date.

(ii) Seller has previously delivered to Parent copies of each Advisory Agreement with any of the Clients listed on Part 2.21(a)(i) of the Seller Disclosure Letter, such Advisory Agreements being referred to herein as the "Client Contracts"; provided that, for purposes of clauses (iii) and (iv) below, "Client Contracts" shall include all Advisory Agreements, regardless of the size of any related account. Since January 1, 2003, none of the Investment Adviser Subsidiaries has received and none is aware of any written demands or formal requests for reductions in the fee rates, waivers of fees or other reductions in the amounts payable under the Client Contracts.

(iii) Each Client Contract and any subsequent renewal has been duly authorized, executed and delivered by the Investment Adviser Subsidiary party thereto and, to the knowledge of Seller, each other party thereto, and is a valid and legally binding agreement, enforceable against such Investment Adviser Subsidiary and, to the knowledge of Seller, each other party thereto, subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors' rights and remedies generally, and (ii) the effect of equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

(iv) Each Investment Adviser Subsidiary and, to the knowledge of Seller, each other party thereto, is in substantial compliance with the terms of each Client Contract to which it is a party, and is not in default under any of the terms of any such Client Contract, except where such default would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies; there does not exist under any Client Contract any event or condition that, after notice or lapse of time or both, would constitute an event of default thereunder on the part of the Investment Adviser Subsidiary in question, or, to the knowledge of Seller, any other party thereto, except, in each case, where such event or condition would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies.

(b) Registered Investment Companies.

(i) Each Registered Investment Company is, and at all times required under the Securities Laws has been, duly registered with the SEC as an investment company under the Investment Company Act. Since January 1, 1999, each Registered Investment Company has continuously been (A) in substantial compliance with (w) the terms and conditions of its Constituent Documents, (x) the Securities Laws and the rules and regulations promulgated thereunder, (y) its investment policies and investment restrictions set forth in its registration statement as from time to time in effect and (z) the laws of its jurisdiction of formation and of each jurisdiction in which shares of such Registered Investment Company have been offered for sale or sold, and (B) duly registered or licensed and in good standing under the laws of each jurisdiction in which qualification is necessary. Without limiting the generality of the foregoing, each Registered Investment Company has maintained its records in compliance in all material respects with each of the Investment Company Act, the Investment Advisers Act and the rules of the National Association of Securities Dealers, Inc., including records necessary to substantiate the performance of the Registered Investment Company set forth in such Registered Investment Company's registration statements as from time to time in effect. There are no special restrictions, consent judgments or SEC or judicial orders on or against or with regard to any Registered Investment Company in effect, except for exemptive orders issued pursuant to Section 6(c) of the Investment Company Act listed on Part 2.21(b)(i) of the Seller Disclosure Letter.

(ii) Seller has delivered to Parent copies of the audited financial statements for each of the Registered Investment Companies for their fiscal year ending in 2002, and will deliver to Parent copies of any interim financial statements (whether quarterly, semi-annual or annual) prepared in the ordinary course for periods ending after the date hereof and before the Closing Date promptly upon such financial statements becoming available (the "Investment Company Financial Statements"). Each Investment Company Financial Statement is consistent with the books and records of such Registered Investment Company, and has been prepared in accordance with GAAP applied on a consistent basis throughout the periods presented in such Investment Company Financial Statement, subject, in the case of interim unaudited Investment Company Financial Statements, only to normal recurring year-end adjustments. The minute books of each Registered Investment Company accurately record all material corporate action taken by its shareholders and trustees and committees and true, correct and complete copies of such documents with respect to meetings occurring after January 1, 2001, have been delivered to Buyer.

(iii) (A) Seller has delivered to Parent copies of each Advisory Agreement in effect on the date hereof between Safeco Asset Management Company and each Registered Investment Company; (B) each such Advisory Agreement and any subsequent renewal has been duly authorized, executed and delivered by Safeco Asset Management Company, and, to the knowledge of Seller, the Registered Investment Company party thereto; and is a valid and legally binding agreement, enforceable against Safeco Asset Management Company and, to the knowledge of Seller, each other party thereto (subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors' rights and remedies generally, and (ii) the effect of equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law)); and (C) in the case of each Advisory Agreement with a Registered Investment Company has been adopted in compliance with Section 15 of the Investment Company Act, and if applicable, Rule 12b-1 thereunder.

(iv) Each current prospectus (which term, as used in this Agreement, shall include any related statement of additional information), as amended or supplemented, relating to each Registered Investment Company has been delivered to Parent. Each Registered Investment Company has timely filed all prospectuses, annual information forms, registration statements, proxy statements, financial statements, notices on Form 24f-2, other forms, reports, sales literature and advertising materials and any other documents required to be filed with any Governmental Entity, and any amendments thereto (the "Fund Reports"), and has timely paid all fees and interest required to be paid in connection therewith. The Fund Reports (i) have been prepared in accordance with the requirements of applicable Law, and (ii) did not at the time they were filed, and with respect to any prospectus, proxy statement, sales literature or advertising material, did not during the period of its authorized use, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

(v) None of the Advisory Agreements between a Registered Investment Company or any of its Subsidiaries and Safeco Asset Management Company contains any undertaking by such entity to cap fees or to reimburse any or all fees thereunder except, as of the date hereof, as may be disclosed in the applicable Investment Company Financial Statements.

(vi) Part 2.21(b)(vi) of the Seller Disclosure Letter sets forth all of the investment advisory agreements, sub-advisory agreements and distribution or underwriting contracts or plans adopted pursuant to Rule 12b-1 under the Investment Company Act (a "12b-1 Plan") or arrangements for the payment of service fees (as such term is defined in Rule 2830 of the NASD Conduct Rules), and all administrative services and other services agreements, if any (collectively, the "Fund Agreements"), to which any Registered Investment Company is a party and which are in effect on the date of this Agreement. True, correct and complete copies of the Fund Agreements have been delivered to Parent prior to the date hereof. As to each Registered Investment Company (other than any Registered Separate Account that is not a management investment company), there has been in full force and effect an investment advisory agreement and a distribution or underwriting agreement at all times since inception of such Registered Investment Company. Each Fund Agreement was duly approved in accordance with the applicable provisions of the Investment Company Act and all payments due since December 31, 2002 under each distribution or principal underwriting agreement to which any Registered Investment Company is a party have been made in compliance with the related 12b-1 Plan; and the operation of each such 12b-1 Plan complies with Rule 12b-1 under the Investment Company Act.

(vii) Each of the Registered Investment Companies has issued its shares, units or other interests and operated in compliance in all material respects with its investment objectives and policies and with Law, including Section 17 of the Investment Company Act; and each Board of a Registered Investment Company has been established and operates in conformity with the requirements and restrictions of Sections 9, 10 and 16 of the Investment Company Act. All shares of each Registered Investment Company have been duly authorized, are validly issued, fully-paid and non-assessable and have been sold in compliance with the Securities Act. With respect to each Registered Investment Company, all registration or qualification statements or notices of offering to sell or sales under which shares of such Registered Investment Company have been sold have, at all times when such registration statement, qualification statement or notice has been effective, complied in all material respects with the requirements of the Investment Company Act, the Securities Act and any other applicable Law then in effect. No stop order suspending the effectiveness of any such registration or qualification statement or notice has been issued and no proceedings for that purpose have been instituted or, to the knowledge of Seller, are contemplated with respect to any Registered Investment Company.

(viii) As of the Closing Date, each Investment Company Board of a Registered Investment Company having such a Board has taken such action required to be taken to approve new Advisory Agreements with Safeco Asset Management Company and to constitute itself in each case so as to comply with the provisions of Section 15 of the Investment Company Act and Rule 12b-1 thereunder.

(ix) Except as contemplated by Sections 4.9 and 4.10, no further action of the Investment Company Board of any Registered Investment Company having such a Board or of the shareholders of any such Registered Investment Company is required in connection with the transactions contemplated by this Agreement.

(x) Each of (1) the proxy solicitation materials to be distributed to the shareholders of any Registered Investment Company in connection with the approvals described in Sections 4.9 and 4.10 and (2) the materials provided to the Boards of any Registered Investment Companies in connection with the approvals of the Board resolutions have provided and will provide all information necessary in order to make the disclosure of information therein satisfy the requirements of Section 14 of the Exchange Act, Sections 15 and 20 of the Investment Company Act and the rules and regulations thereunder and such materials and information (except to the extent supplied by Parent or its Affiliates) will be complete in all respects and will not contain (at the time such materials or information are distributed, filed or provided, as the case may be) any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading or necessary to correct any statement or any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading.

(xi) As of the date hereof, no exemptive orders or no action letters from any Governmental Entity have been obtained, nor are any requests pending therefor, with respect to any Registered Investment Company under any of the Securities Laws except for exemptive orders issued pursuant to Section 6(c) of the Investment Company Act for regular operations in the ordinary course of business listed on Part 2.21(b)(xi) of the Seller Disclosure Letter.

(xii) No Acquired Company nor any of their Subsidiaries or Affiliates has any express or implied understanding or arrangement which would impose an unfair burden on any of the Registered Investment Companies or would in any way violate Section 15(f) of the Investment Company Act as a result of the transactions set forth in Section 1.1.

(xiii) Neither the Seller nor any "affiliated person" (as defined in the Investment Company Act) of the Seller or any Registered Investment Company receives or is entitled to receive any compensation directly or indirectly (i) from any Person in connection with the purchase or sale of securities or other property to, from or on behalf of any Registered Investment Company, other than bona fide ordinary compensation as principal underwriter for such Registered Investment Company or as broker in connection with the purchase or sale of securities in compliance with Section 17(e) of the Investment Company Act or (ii) from any Registered Investment Company or its security holders for other than bona fide investment advisory, administrative or other services. Disclosure of any such compensation arrangements has been made in the registration statement of each Registered Investment Company filed with the SEC to the extent such disclosure is required by applicable Law.

(xiv) Since the dates of the most recent audited financial statements included in the Investment Company Financial Statements of each Registered Investment Company, such Registered Investment Company has not, except for such actions expressly required under this Agreement to be taken in connection with the transactions contemplated hereby:

(1) declared, set aside, made or paid any dividend or other distribution in respect of its equity interests or otherwise purchased or redeemed, directly or indirectly, any of its equity interests, except in the ordinary course of its business;

(2) adopted, or amended in any material respect, any deferred compensation or other plan, agreement, trust, fund or arrangement for the benefit of any trustees;

(3) amended its Constituent Documents;

(4) changed in any material respect its accounting practices, policies or principles, except as may be required under applicable Law or GAAP; or

(5) operated its business in any manner other than in the ordinary course.

(xv) Each Registered Investment Company has in full force and effect such insurance and fidelity bonds as may be required by the Investment Company Act. Part 2.21(b)(xv) of the Seller Disclosure Letter sets forth all policies of insurance in effect with each Registered Investment Company and with each Investment Adviser Subsidiary relating to the Asset Management Business, and true and correct copies of such policies of insurance have previously been delivered to Parent.

(xvi) Notwithstanding any other provision in this Agreement to the contrary, Sections 2.21(b)(xvii) through 2.21(b)(xx) contain the only representations that Seller makes with respect to the Tax treatment of any Registered Investment Company and each such representation is subject to the dispute rights of Section 4.10(f).

(xvii) All Tax Returns of each Registered Investment Company that are required to be filed by it for taxable periods ending on or prior to the Closing Date (with due regard to any extensions) have been duly and timely filed. All such Tax Returns are true, correct and complete in all material respects. All Taxes of any Registered Investment Company for any Pre-Closing Tax Period have been duly and timely paid in full (or adequate provision for such has been made in its financial statements in accordance with GAAP).

(xviii) Each Registered Investment Company has complied with all laws relating to the payment and withholding of Taxes and has, within the time and the manner prescribed by law, paid over to the proper taxing authorities all amounts required to be so withheld and paid over.

(xix) Each Registered Investment Company that has elected to be a “regulated investment company” pursuant to Section 851(b)(1) of the Code has satisfied the relevant requirements of the Code for all taxable years, or parts thereof, of such Registered Investment Company ending on or prior to the Closing Date as to its status as a regulated investment company as defined in Section 851 of the Code. Neither Seller, any Affiliate of Seller nor, to the knowledge of Seller, any Registered Investment Company or any other agent of any Registered Investment Company has received any notice or other communication from any Governmental Entity relating to or affecting any Registered Investment Company’s compliance with any of these relevant requirements.

(xx) With respect to each Registered Investment Company, to the knowledge of Seller, no claims have been or are being asserted by any Governmental Entity with respect to any Taxes and there are no threatened claims for Taxes. None of the Registered Investment Companies has ever entered into a closing agreement pursuant to Section 7121 of the Code or otherwise. There has not been any audit by any Governmental Entity of any Tax period of any Registered Investment Company, and, to the knowledge of Seller, no such audit is in progress and no Registered Investment Company has been notified by any Governmental Entity that any such audit is contemplated or pending. Except with respect to any extension granted pursuant to Internal Revenue Service Form 7004 (or any predecessor), no extension of time with respect to any date on which a Tax Return was or is to be filed by any Registered Investment Company is in force, and no waiver or agreement by any Registered Investment Company is in force for the extension of time for the assessment or payment of any Taxes.

(xxi) No Registered Investment Company, Investment Adviser Subsidiary, or Broker/Dealer Subsidiary (including any officer, director, or employee of any of them) has entered into, or acquiesced in, any agreement, arrangement or understanding to permit any person to engage in improper "market timing" or "late trading" activity (as such terms are commonly used in the securities industry) with respect to any Registered Investment Company or Separate Account. No Registered Investment Company, Investment Adviser Subsidiary, or Broker/Dealer Subsidiary (including any officer, director, or employee of any of them) has agreed to waive, modify, or otherwise not to enforce, any limitation or requirement in the then-current prospectus or statement of additional information or other constituent documents of a Registered Investment Company or Separate Account, the effect of which waiver, modification, or failure to enforce would be to permit or facilitate improper "market timing" or "late trading" activities with respect to such Registered Investment Company or Separate Account. No access person (as such term is defined in Rule 17j-1 under the Investment Company Act) of any Registered Investment Company or employee of any Investment Adviser Subsidiary or Broker/Dealer Subsidiary has engaged in any improper "market timing" or improper "late trading" activities with respect to any Registered Investment Company or Separate Account. Each Registered Investment Company has established procedures (i) to prevent patterns of transactions characteristic of improper "market timing" strategies, (ii) regarding the fair-value pricing and determination of the net asset value ("NAV") of fund shares in connection with purchase and redemption orders by investors in each Registered Investment Company (including policies and procedures to deter improper "late trading"), (iii) to prevent the improper or illegal disclosure of its portfolio holdings to any person and to prevent disclosure of its portfolio holdings in a manner that might reasonably be expected to facilitate improper market timing activities in respect of its shares or other improper or illegal activities in respect of it and (iv) reasonably designed to monitor and ensure that investors obtain the proper "breakpoint" discount with respect to purchases of shares of each Registered Investment Company with front-end sales loads (collectively, the procedures described in clauses (i)-(iv), the "RIC Procedures"). Each Investment Adviser Subsidiary and each Registered Investment Company is and has at all times since January 1, 2003 been in compliance in all material respects with all such procedures. No Investment Adviser Subsidiary, Registered Investment Company or Broker/Dealer Subsidiary has acted, directly or indirectly, to facilitate purchase and redemption orders for fund shares received after the NAV has been determined for a particular day at that day's NAV, nor is any Investment Adviser Subsidiary, Registered Investment Company or Broker/Dealer Subsidiary aware of such activities occurring in connection with the operations of any Registered Investment Company, except with respect to the Safeco Resource Series Trust, as permitted by *New York Life Fund, Inc.*, SEC no-action letter published May 6, 1971 and as provided for in the Participation Agreements filed with the SEC as exhibits to registration statements (which in each case requires that the beneficial owner of any fund shares shall have provided the relevant purchase or sale order

or instruction to the relevant intermediary prior to the time as of which such NAV is determined for the day in question). The parties agree that, in the event that any Governmental Entity asserts in any context, or any other Person asserts in a Proceeding, that any specified activity prior to the Closing constituted or might have constituted improper "market timing" or improper "late trading," then for the purposes of determining whether any of the representations in this Section 2.21(b)(xxi) has been breached, as between the parties the activity in question will be assumed to have constituted improper "market timing" or "late trading," as the case may be, regardless of whether Seller believes that the activity in question was in fact improper or constituted "market timing" or "late trading" activity.

(xxii) Each Registered Investment Company has at all times disclosed in its prospectus and statement of additional information to the extent required by applicable Law, any and all arrangements in place between each Investment Adviser Subsidiary or Registered Investment Company and a financial intermediary pursuant to which a financial intermediary is compensated, directly or indirectly, by such entity or an affiliate of such entity, with cash payments or other incentives in connection with its sale of shares of the Registered Investment Company. Such arrangements are and at all times have been in compliance in all material respects with applicable Law (including the Securities Act, the Investment Advisers Act, the Investment Company Act, ERISA and the NASD Regulations).

(xxiii) Each Investment Advisory Subsidiary has selected broker-dealers to execute portfolio transactions for each Registered Investment Company in accordance with the policies of each such Registered Investment Company disclosed in each such Registered Investment Company's registration statement and applicable requirements to seek best execution consistent with the Conduct Rules of the NASD.

(xxiv) Each Investment Adviser Subsidiary and each Registered Investment Company has at all times disclosed in its prospectus and statement of additional information to the extent required by applicable Law, any and all arrangements under which products or services other than execution of securities transactions are obtained by either entity from or through a broker-dealer in exchange for the direction by the Investment Adviser Subsidiary of client brokerage transactions to the broker-dealer. Such arrangements are and at all times have been in compliance in all material respects with applicable Law (including but not limited to the Securities Act, the Investment Advisers Act, the Investment Company Act, ERISA and the NASD Regulations).

Section 2.22 Insurance Practices.

(a) Except as otherwise, individually or in the aggregate, would not reasonably be expected to result in, a Material Adverse Effect on the Acquired Companies, all policies, binders, slips, certificates, annuity contracts and participation agreements and other agreements of insurance, whether individual or group, that are in effect (including all applications, supplements, endorsements, riders and ancillary agreements in connection therewith) and that have been issued by the Insurance Subsidiaries and any and all marketing materials, are, to the extent required under Law, on forms approved by applicable insurance regulatory authorities which have been filed and not objected to by such authorities within the period provided for objection (the "Company Forms"). The Company Forms comply in all material respects with the insurance statutes, regulations and rules applicable thereto and, as to premium rates established by Seller or any Insurance Subsidiary which are required to be filed with or approved by insurance regulatory authorities, the rates have been so filed or approved, the premiums charged conform thereto and such premiums comply in all material respects with the insurance statutes, regulations and rules applicable thereto.

(b) To the knowledge of the Seller, at the time any Insurance Subsidiary paid commissions to any broker or agent since January 1, 2001 in connection with the sale of Life & Annuity Contracts, each such broker or agent was duly licensed as an insurance broker (for the type of business sold by such broker) or agent in the particular jurisdiction in which such broker or agent sold such business for any Insurance Subsidiary. To the knowledge of Seller, since January 1, 1999 no such broker or agent violated (or with or without notice or lapse of time or both would have violated) in any material respect any Law or any other requirement of any Governmental Entity or arbitrator applicable to the sale or servicing of Life & Annuity Contracts. Neither the manner in which any Insurance Subsidiary compensates any Person involved in the sale or servicing of Life & Annuity Contracts that is not registered as a broker-dealer or insurance agent, as applicable, nor, to the knowledge of the Seller, the conduct of any such Person, renders such Person a broker-dealer or insurance agent under any applicable federal or state law, and the manner in which any Insurance Subsidiary compensates each Person involved in the sale or servicing of Life & Annuity Contracts is in compliance in all material respects with all applicable Law.

(c) Notwithstanding any other provision in this Agreement to the contrary, Section 2.22(c) contains the only representations with respect to the policyholder Tax treatment that Seller makes with respect to any annuity policy or other insurance policy issued by any Insurance Subsidiary (a "Policy"), including any benefits or other amounts provided by such a Policy, and each such representation is subject to the remediation and mitigation provisions of Section 4.10(g). The Tax treatment under the Code of any Policy (whether developed or administered by or reinsured with an unrelated party) issued or sold prior to or on the Closing Date is, and at all times through the Closing Date has been, the same or more favorable to the owner of such Policy (the "Policy Owner") or the intended beneficiaries thereof than the Tax treatment under the Code for which such Policy purported to qualify at the time of such Policy's issuance. For purposes of this Section 2.22(c), the provisions of the Code relating to the Tax treatment of such Policy shall refer to Code Sections 72, 79, 101, 104, 105, 106, 125, 130, 264, 401, 403, 404, 408, 408A, 412, 415, 419, 419A, 457, 501, 505, 817, 817A, 818, 1035, 7702, 7702A and 7702B. For any such variable Policy such Insurance Subsidiary is, and at all times through the Closing Date has been, treated as the owner for Tax purposes under the Code of the assets in any segregated asset account of such Insurance Subsidiary that relate to such Policy. Any such Policy that is a modified endowment contract under Code Section 7702A (a "MEC") has been marketed as such at any relevant time prior to its issuance, or its Policy Owner has consented to such MEC status.

(d) Other Insurance Practice Representations.

(i) To Seller's knowledge, there is no pending or threatened audit or other proceeding with the IRS or in any court with respect to the Tax treatment of any Policy to the Policy Owner under the Code.

(ii) To the knowledge of the Seller, there are no "hold harmless," tax sharing, indemnification, or similar arrangements regarding the Tax qualification or treatment of any Life & Annuity Contracts.

(iii) All contracts issued by any Insurance Subsidiary (whether developed or administered by or reinsured with any unrelated party) that are subject to Section 817 of the Code and the Treasury Regulations promulgated thereunder have met the diversification requirements applicable thereto since the issuance of the contracts.

(iv) All annuity contracts issued by any Insurance Subsidiary (whether developed or administered by or reinsured with any unrelated party) that are subject to Section 72(s) of the Code contain all of the necessary provisions of Section 72(s) of the Code.

(v) Each Life Insurance Contract (whether developed or administered by or reinsured with any unrelated party) that was issued after December 31, 1984 complies with the requirements of Section 7702 of the Code and qualifies as a "life insurance contract" within the meaning of Section 7702(a) of the Code. Each Life Insurance Contract (whether developed or administered by or reinsured with any unrelated party)that was issued before January 1, 1985 (i) complies with the requirements of Section 7702 of the Code to the extent applicable to such Life Insurance Contract and qualifies as a "life insurance contract" within the meaning of Section 7702(a) to such extent or (ii) to the extent Section 7702 of the Code is inapplicable to such Life Insurance Contract and such Life Insurance Contract is a flexible premium contract within the meaning of Section 101(f) of the Code, complies with the requirements of such Section 101(f).

(e) Except as would not reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect on the Acquired Companies, (i) each separate account maintained by an Insurance Subsidiary (a "Separate Account") is duly and validly established and maintained under the laws of its state of formation and is either excluded from the definition of investment company or exempt from registration under the Investment Company Act or is duly registered as an investment company under the Investment Company Act, and (ii) each such Separate Account is operated, and each contract issued by an Insurance Subsidiary under which Separate Account assets are held has been duly and validly issued, offered and sold. Seller has delivered to Buyer true, correct and complete copies of the annual statements of the Separate Accounts as filed with applicable state insurance regulatory authorities for the year ended December 31, 2002. Each such annual statement complied in all material respects with all applicable Laws when so filed and was timely filed with all required Governmental Entities. No material deficiencies have been asserted by any Governmental Entity with respect to any such annual statement. Each statutory financial statement of the Separate Accounts contained in any such annual statement fairly presents in all material respects, in accordance with applicable SAP, the financial condition of the applicable Separate Account and such Separate Account's summary of operations and surplus account for and during the respective periods covered by such financial statements. Each Insurance Subsidiary and each of its predecessors, if any, has at all times operated such Separate Accounts in material compliance with the terms of any and all agreements relating to such Separate Accounts and applicable Law.

(f) [INTENTIONALLY OMITTED].

(g) The separate accounts maintained by an Insurance Subsidiary which are required to register as an investment company under the Investment Company Act (each, a "Registered Separate Account") are and have been operated and registered in compliance with the Investment Company Act in all material respects and the applicable Insurance Subsidiary has filed all reports and amendments to its registration statement required to be filed, and has been granted all exemptive relief necessary for the operation of the Registered Separate Accounts, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on the Acquired Companies.

(h) There are no Contracts or Other Agreements to which any Insurance Subsidiary is a party, or which is binding upon any Insurance Subsidiary, that restrict the right of any Insurance Subsidiary to change the crediting rates and other non-guaranteed elements under the Life & Annuity Contracts, other than pursuant to the terms of the Life & Annuity Contracts. Except as set forth in its statutory reports filed prior to the date hereof and delivered to Buyer, and except as required by Laws of general applicability and the insurance permits, grants or licenses maintained by the Insurance Subsidiaries, there are no written agreements, memoranda of understanding, commitment letters or similar undertakings binding on any Insurance Subsidiary to which such Insurance Subsidiary is a party, on one hand, and any Governmental Entity is a party or addressee, on the other hand, or orders or directives by, or supervisory letters from, any Governmental Entity specifically with respect to any Insurance Subsidiary, which (A) limit the ability of the Insurance Subsidiary or any of its Subsidiaries to issue Life & Annuity Contracts, (B) require any investments of the Insurance Subsidiary or any of its Subsidiaries to be treated as nonadmitted assets, (C) require any divestiture of any investments of the Insurance Subsidiary or any of its Subsidiaries, (D) in any manner relate to the capital adequacy (including the maintenance of any National Association of Insurance Commissioners Insurance Regulatory Information System Ratio, reserves or surplus), credit policies or management of the Insurance Subsidiary or any of its Subsidiaries or the ability of the Insurance Subsidiary or any of its Subsidiaries to pay dividends or other distributions or (E) otherwise restrict the conduct of business of the Insurance Subsidiary or any of its Subsidiaries in any material respect.

(i) All Life & Annuity Contracts were issued in conformity in all material respects with the applicable Insurance Subsidiary's underwriting standards.

(j) Seller has delivered to Buyer all correspondence between any Insurance Subsidiary and any Governmental Entity (other than any Taxing authority) since January 1, 2002, regarding any alleged material violation of Laws.

(k) (i) To the extent that any Insurance Subsidiary is legally responsible therefor, (A) the terms of each Qualified Contract and the administration and operation thereof and of any plan or arrangement funded in whole or in part through any such Qualified Contract comply, and at all relevant times have complied, in all material respects with the applicable provisions of the Code and ERISA and (to the extent such plan is intended by the contract holder to limit fiduciary responsibility in accordance with section 404(c) of ERISA) comply, and at all relevant times have complied, in all material respects with all applicable requirements for limiting fiduciary responsibility under section 404(c) of ERISA; (B) contributions or payments to each such Qualified Contract that are intended to be nontaxable are not taxable; and (C) plan or contract loans made under such Qualified Contracts were neither prohibited transactions nor taxable when made or at any time thereafter, except with respect to taxable defaults in repayment of such plan or contracts loans; and

(ii) each Insurance Subsidiary is in material compliance with all provisions of ERISA which apply to the design or administration of Life & Annuity Contracts or to the

investment of assets of employee benefit plans subject to ERISA which are held under Life & Annuity Contracts.

(l) Each Insurance Subsidiary has at all times since January 1, 2003 in its marketing and sales materials, to the extent required by applicable Law, disclosed any and all arrangements in place between each Insurance Subsidiary and a financial intermediary pursuant to which a financial intermediary is compensated, directly or indirectly, by such entity or an affiliate of such entity, with cash payments or other incentives in connection with its sale of annuity and/or insurance products (collectively, "Financial Intermediary Arrangements"). Such arrangements are and at all times since January 1, 2003 have been in compliance in all material respects with applicable Law.

(m) No Insurance Subsidiary has acted, directly or indirectly, to facilitate purchase and redemption orders for shares in any Registered Investment Company or interests in any Separate Account received after the NAV has been determined for a particular day at that day's NAV and no such activities have occurred in connection with the operations of any Registered Separate Account, except with respect to the Safeco Resource Series Trust, as permitted by *New York Life Fund, Inc.*, SEC no-action letter published May 6, 1971 and as provided for in the Participation Agreements filed with the SEC as exhibits to registration statements (which in each case requires that the beneficial owner of any fund shares shall have provided the relevant purchase or sale order or instruction to the relevant intermediary prior to the time as of which such NAV is determined for the day in question).

(n) No Insurance Subsidiary (including any officer, director, or employee of any Insurance Subsidiary) has entered into, or acquiesced in, any agreement, arrangement or understanding to permit any person to engage in improper "market timing" or improper "late trading" activity (as such terms are commonly used in the securities industry) with respect to any Separate Account or Registered Investment Company. No Insurance Subsidiary has agreed to waive, modify, or otherwise not to enforce, any limitation or requirement adopted or implemented by it or by such Separate Account (including without limitation in any prospectus or other offering document relating to any Separate Account or in any other constituent document relating to any Separate Account), the effect of which waiver, modification, or failure to enforce would be to permit or facilitate improper "market timing" or improper "late trading" activities with respect to such Separate Account. Each Insurance Subsidiary has established procedures to prevent patterns of transactions characteristic of improper "market timing" strategies in its Separate Accounts. Each Insurance Subsidiary and each Separate Account is and has at all times since such procedures were adopted been in compliance in all material respects with such procedures. The parties agree that, in the event that any Governmental Entity asserts in any context, or any other Person asserts in a Proceeding, that any specified activity prior to the Closing constituted or might have constituted improper "market timing" or improper "late trading," then for the purposes of determining whether any of the representations in this Section 2.22(n) have been breached, as between the parties the activity in question will be assumed to have constituted improper "market timing" or improper "late trading," as the case may be, regardless of whether Seller believes that the activity in question was in fact improper or constituted "market timing" or "late trading" activity.

(o) Each Insurance Subsidiary to which the Health Insurance Portability and Accountability Act and the regulations promulgated thereunder (including 45 C.F.R. parts 160, 162 and 164) (collectively, "HIPAA") are applicable has implemented a plan or plans designed to ensure compliance by such Insurance Subsidiary, with any applicable state or federal privacy laws or regulations (including HIPAA) governing the privacy, security and electronic data transfer standards relating to health information to the extent such laws or regulations are in effect as of the date hereof, and has taken reasonable steps to formulate and implement a plan or plans designed to ensure compliance with such laws and regulations by no later than the applicable mandated compliance dates to the extent such laws and regulations are not in effect as of the date hereof. These plans, as in effect on the date hereof, are referred to collectively as the "Insurance Subsidiary HIPAA/Privacy Plan". The Insurance Subsidiary HIPAA/Privacy Plan is based upon advice of legal counsel competent as to the matter concerning: (i) the application of HIPAA and other state and federal privacy laws and regulations to each Insurance Subsidiary and (ii) the measures that must be taken to attain compliance with such laws and regulations by their mandated compliance dates. The Seller reasonably believes that the objectives set forth in the Insurance Subsidiary HIPAA/Privacy Plan for any laws and regulations that are not in effect as of the date hereof are attainable in the manner and within the time periods set forth therein (which time periods have been established to ensure full compliance by the applicable compliance dates imposed by HIPAA and other applicable state and federal privacy laws and regulations).

Section 2.23 Third Party Reinsurance Contracts. Part 2.23 of the Seller Disclosure Letter lists all agreements pursuant to which any Insurance Subsidiary cedes or retrocedes risks assumed under the Life & Annuity Contracts (the "Third Party Reinsurance Contracts"). No Insurance Subsidiary is currently a party to any surplus relief contract or treaty, whether called a reinsurance contract or agreement or otherwise denominated, or any other similar contract or agreement other than any contract or treaty set forth in Part 2.23 of the Seller Disclosure Letter. All of the Third Party Reinsurance Contracts are in full force and effect and valid and binding upon the Insurance Subsidiaries (to the extent a party thereto, subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors' rights and remedies generally, and (ii) the effect of equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law)) and, to the knowledge of the Seller, upon each of the other parties thereto, and none of the Insurance Subsidiaries and, to the knowledge of the Seller, none of the other parties to the Third Party Reinsurance Contracts, is in material default under, and no event has occurred which, with the passage of time or giving of notice or both, would result in any of the Insurance Subsidiaries or, to the knowledge of the Seller, any of the other parties to the Third Party Reinsurance Contracts, being in material default under, any of the terms of the Third Party Reinsurance Contracts. None of the Insurance Subsidiaries has received any written notice of the initiation of bankruptcy, liquidation, receivership, insolvency or similar proceedings with respect to any other party to a Third Party Reinsurance Contract. None of the Insurance Subsidiaries has been prohibited under the applicable SAP or applicable insurance Laws from taking financial statement credit for the reinsurance provided by the Third Party Reinsurance Contracts and any reinsurance recoverables more than thirty days past due have been previously disclosed to Buyer. The Closing of the transactions contemplated by this Agreement will not give rise to any termination or recapture rights under the Third Party Reinsurance Contracts. All Life & Annuity Contracts that are reinsured or retroceded in whole or in part conform in all material respects to the standards agreed to with reinsurers in the related reinsurance, retrocession or other similar contracts other than such deviations that are immaterial, individually or in the aggregate.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES
OF PARENT AND BUYER

Parent and Buyer represent and warrant to Seller and GAC as of the date of this Agreement and, unless such representations and warranties address a matter only as of a certain date, as of the Closing Date as follows:

Section 3.1 Organization. Each of Parent and Buyer has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Each of Parent and Buyer is duly qualified to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it make such qualification necessary, except for such failures to be so duly qualified and in good standing that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Parent or Buyer, as the case may be. Buyer is a newly formed, direct wholly owned subsidiary of Parent and, except for activities incident to the acquisition of the Shares and the other transactions contemplated under the Transaction Documents, Buyer has not engaged in any business activities of any type or kind whatsoever.

Section 3.2 Authorization; Binding Agreement. Each of Parent and Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which each is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the other Transaction Documents to which each is a party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of each of Parent and Buyer. This Agreement has been duly and validly executed and delivered by each of Parent and Buyer and (assuming the accuracy of the representations and warranties in Section 2.3) constitutes a legally valid and binding agreement of each of Parent and Buyer, enforceable against each of them in accordance with its terms, subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors' rights and remedies generally, and (ii) the effect of equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law).

Section 3.3 Noncontravention. Neither the execution and delivery of this Agreement and the other Transaction Documents nor the consummation of the transactions contemplated hereby and thereby will conflict with or result in any breach of any provision of, or require any consent or approval (other than consents and approvals described in Section 3.4 below) under, or constitute (with or without notice or lapse of time or both) a violation or default (or give rise to any right of termination, cancellation or acceleration or to any loss of a material benefit) under, or result in the creation of any Lien upon the properties or assets of Parent or Buyer under, any of the terms, conditions or provisions of (i) the Constituent Documents of either Parent or Buyer, (ii) any Contracts and Other Agreements to which Parent or Buyer is a party or by which any of them or any portion of their properties or assets may be bound or (iii) any Law or Order applicable to Parent or Buyer or any portion of their properties or assets, other than in the case of the foregoing clauses (ii) and (iii), any such items that, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Parent or Buyer.

Section 3.4 Approvals. No license, permit, consent, approval, order, certificate, authorization of, declaration of or filing with, any Governmental Entity on the part of either Parent or Buyer that has not been obtained or made is required in connection with the execution or delivery by Parent or Buyer of this Agreement or the other Transaction Documents or the consummation by Parent or Buyer of the transactions contemplated hereby and thereby, other than (a) filings and other applicable requirements under the HSR Act, (b) approvals, filings and/or notices required under any applicable state or federal banking laws or any applicable state or federal laws related to the sale or operation of insurance, investment companies, investment advisers or broker-dealers set forth in Part 2.5 of the Seller Disclosure Schedule, or (c) consents, approvals, authorizations, declarations or filings that, if not obtained or made, would not reasonably be expected to result in a Material Adverse Effect on Parent or Buyer or prevent Parent or Buyer from consummating the transactions contemplated hereby.

Section 3.5 Finders and Investment Bankers. None of Parent or Buyer or any of their respective officers, directors or Affiliates has employed any investment banker, financial advisor, broker or finder in connection with the transactions contemplated by this Agreement or incurred any liability for any investment banking, business consultancy, financial advisory, brokerage or finders' fees or commissions in connection with the transactions contemplated hereby.

Section 3.6 Financing. Parent has firm financing commitments that are sufficient to enable it to consummate the transactions contemplated in this Agreement. True and correct copies of such commitments have been delivered to Seller. The financing required to consummate the transactions contemplated in this Agreement is referred to in this Agreement as the "Financing". As of the date of this Agreement, Parent does not have any reason to believe that any of the conditions to the Financing will not be satisfied or that the Financing will not be available to Parent on a timely basis to consummate the transactions contemplated in this Agreement, including the payment of the Closing Consideration as set forth in Section 1.3(b)(i).

Section 3.7 Compliance with Section 15(f) of the Investment Company Act. Neither Buyer nor any of its Affiliates has any express or implied understanding or agreement which would impose an unfair burden on any Investment Company that would otherwise preclude satisfaction of the safe harbor provided by Section 15(f) of the Investment Company Act as a result of the transactions contemplated hereby.

Section 3.8 Investment Intent. The Shares will be acquired by Buyer for its own account and not for the purpose of a distribution. Buyer will refrain from transferring or otherwise disposing of any of the Shares acquired by it, or any interest therein, in such manner as to violate any registration provision of the Securities Act, or any applicable state securities law regulating the disposition thereof. Buyer agrees that the certificates representing the Shares may bear legends to the effect that the Shares have not been registered under the Securities Act, or such other state securities laws, and that no interest therein may be transferred or otherwise disposed of in violation of the provisions thereof.

Section 3.9 No Disqualification. None of Parent, Buyer, or any Person "associated" (as such term is defined in the Investment Advisers Act) with Parent or Buyer has been convicted of any crime or is subject to any disqualification that would be a basis for denial, suspension, or revocation of registration of an investment adviser under Section 203(e) of the Investment Advisers Act or Rule 206(4)-4(b) thereunder. None of Parent, Buyer or any "associated person" of Parent or Buyer is subject to a "statutory disqualification" (as such terms are defined in the Exchange Act) or subject to a disqualification that would be a basis for censure, limitations on the activities, functions or operations of, or suspension or revocation of the registration of a broker-dealer under the Exchange Act.

ARTICLE IV.
COVENANTS

Section 4.1 Conduct of Business of the Company. Except as contemplated by this Agreement, during the period commencing on the date hereof and ending at the Closing, Seller shall, and shall cause GAC to, conduct the operations of the Acquired Companies according to the ordinary course of business of the Acquired Companies, consistent with past practice, and Seller shall, and shall cause GAC to, use commercially reasonable efforts to preserve intact the business organization of the Acquired Companies and to maintain satisfactory relationships with the customers, suppliers and employees and others with which the Acquired Companies have business relationships. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement, prior to the Closing, neither Seller nor GAC will, without the prior written consent of Parent:

(a) amend or propose to amend the Constituent Documents of any Acquired Company;

(b) authorize for issuance, issue, sell, pledge, deliver or agree or commit to issue, sell, pledge or deliver (whether through the issuance or granting of any options, warrants, calls, subscriptions, stock appreciation rights or other rights or other agreements) any capital stock of any class or any securities convertible into or exchangeable for shares of capital stock of any class of any Acquired Company;

(c) permit or cause any Acquired Company to declare or pay any dividend or make any other distribution to its stockholders whether or not upon or in respect of any shares of its capital stock; provided, however, that Parent and Buyer acknowledge that Seller may make a one-time cash dividend (an "Excess Capital Dividend") from the Insurance Subsidiaries at any time during the period beginning on May 31, 2004 and ending on June 30, 2004, if and to the extent that Seller has determined in good faith that the June Adjusted Statutory Book Value, if calculated as of the date of such dividend, would be in excess of the Target Statutory Book Value (but in no event shall the amount of any such Excess Capital Dividend be greater than $75,000,000); provided, further, however, that Seller shall provide Buyer with two (2) Business Days' prior written notice of its intent to make an Excess Capital Dividend, and shall set forth within such notice the intended amount of such Excess Capital Dividend;

(d) except as otherwise contemplated by this Agreement or as required to ensure that any Plan is not then out of compliance with applicable Law or to comply with any Contract and Other Agreement or Plan entered into prior to the date hereof and heretofore delivered to Buyer, (A) adopt, enter into, terminate or amend any collective bargaining agreement or Plan or any Contract and Other Agreement or other plan or policy involving any current or former employees of an Acquired Company or any Bank Channel Employee, (B) increase in any manner the compensation, bonus or fringe or other benefits of, or pay any bonus of any kind or amount whatsoever to, any current or former employees of an Acquired Company or any Bank Channel Employee, except for any planned salary increases and payment of bonuses, each as described in Part 2.8(c) of the Seller Disclosure Letter, (C) pay any benefit or amount not required under any Plan or Contract and Other Agreement as in effect on the date of this Agreement, other than as contemplated in the foregoing clause (B), (D) grant or pay any severance or termination pay or increase in any manner the severance or termination pay of any current or former employees of an Acquired Company or any Bank Channel Employee, (E) grant any awards under any bonus, incentive, performance or other Plan, Contract and Other Agreement or otherwise, other than as contemplated in the foregoing clause (B), (F) take any action to fund or in any other way secure the payment of compensation or benefits under any Plan or Contract and Other Agreement, (G) take any action to accelerate the vesting or payment of any compensation or benefit under any Plan or Contract and Other Agreement or (H) materially change any actuarial or other assumption used to calculate funding obligations with respect to any Acquired Company Plan or change the manner in which contributions to any Acquired Company Plan are made or the basis on which such contributions are determined;

(e) enter into any Contract or Other Agreement that would constitute a Material Contract, other than in the ordinary course of business of the Acquired Companies consistent with past practice; provided, however, that in no event shall any of the Acquired Companies incur or assume any long-term indebtedness for borrowed money;

(f) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the stock or assets of, or by any other means, any business or any corporation, partnership, joint venture, association, or other business organization or division thereof;

(g) permit any Insurance Subsidiary voluntarily to forfeit, abandon, modify, waive, terminate or otherwise change any of its insurance licenses, except (i) as may be required in order to comply with Law or (ii) such forfeitures, abandonments, terminations, changes, modifications or waivers of insurance licenses as would not, individually or in the aggregate, restrict the business or operations of such Insurance Subsidiary in any material respect;

(h) permit, allow or suffer any of the Shares to become subjected to any Lien of any nature whatsoever, except for Liens arising under operation of Law;

(i) except in the ordinary course of business consistent with past practice, permit any Acquired Company to sell, lease, license or otherwise dispose of any material assets (and other than acquisitions and dispositions of investments in the Investment Portfolio in accordance with the Investment Guidelines in the ordinary course of business consistent with past practice);

(j) permit any Acquired Company to enter into any lease of real property, except (i) any renewals of existing leases in the ordinary course of business and consistent with past practice or (ii) as expressly contemplated in any Transaction Document;

(k) except for (i) intercompany transactions in the ordinary course of business (all of which shall be unwound by June 30, 2004, in accordance with Section 4.13), (ii) Related Contracts and (iii) the payment of the Excess Capital Dividend, permit any Acquired Company to pay, loan or advance any amount to, or sell, transfer or lease any of its assets to, or enter into any Contract or Other Agreement with, Seller or any of its Affiliates (other than another Acquired Company);

(l) permit any Acquired Company to make any material change in its underwriting or claims management practices, pricing practices, reserving practices, reinsurance practices, marketing practices or investment policies or practices or Investment Guidelines, except in each case as required by Law or SAP or in the ordinary course of business consistent with past practice;

(m) permit any Broker/Dealer Subsidiary or Investment Adviser Subsidiary voluntarily to forfeit, abandon, amend, modify, waive, terminate or otherwise change any of its registrations, licenses, qualifications with any Governmental Entity or its memberships in any self-regulatory organizations, securities exchanges, boards of trade, commodities exchanges, clearing organizations or trade organizations, except (i) as may be required in order to comply with Law or (ii) such forfeitures, abandonments, amendments, terminations, changes, modifications or waivers as would not, individually or in the aggregate, restrict the business or operations of such Subsidiary in any material respect;

(n) permit any Acquired Company to sell, assign, transfer or convey any Acquired Company Proprietary Right;

(o) permit any Acquired Company to make any material change in fiscal year, accounting methods or principles used for GAAP or statutory reporting purposes, except for changes which are required by Law, SAP or GAAP of all enterprises in the same business;

(p) with respect to the Investment Adviser Subsidiaries and their Clients, permit any Investment Adviser Subsidiary to (i) enter into any new, or modify or terminate any existing, investment advisory contracts with any existing Clients, (ii) form any new Registered Investment Companies or terminate, merge or liquidate any existing Registered Investment Companies, (iii) enter into any new, or modify or terminate any existing, contracts with Registered Investment Companies or (iv) fail to use commercially reasonable efforts to cause each Registered Investment Company (subject to the authority of the board of trustees or directors of such Registered Investment Company) to operate its business only in the ordinary course of business and in a manner comporting with the standards of portfolio management and service quality heretofore met by it and to comply with applicable Law (including but not limited to the Securities Act, the Investment Advisers Act, the Investment Company Act and ERISA);

(q) permit any Acquired Company to make any material Tax election or settle or compromise any material Tax liability;

(r) permit any Acquired Company to revalue any properties or assets, including writing off notes or accounts receivable, other than in the ordinary course of the business of the applicable Acquired Company, or as required by applicable Law, SAP or GAAP;

(s) permit any Acquired Company to make any loan, advance, guarantee or capital contribution to any Person (other than another Acquired Company), other than under a Related Contract;

(t) permit any Acquired Company to adopt any plan of complete or partial liquidation, dissolution, rehabilitation, restructuring, recapitalization, re-domestication or other reorganization;

(u) permit any Acquired Company to enter into any joint venture, partnership or similar Contract or Other Agreement with any Person;

(v) permit any of the Insurance Subsidiaries to take any action intended to cause lapses, conversions or the terminations of any Life & Annuity Contract or to encourage any agents of an Insurance Subsidiary to roll over any Life & Annuity Contract, other than with respect to Equity Indexed Annuity contracts (it being agreed that actions permitted pursuant to clause (l) of this Section 4.1 do not violate this covenant);

(w) fire or otherwise terminate the employment of any Business Employee, except for cause in accordance with past practice;

(x) permit any Acquired Company to launch or introduce any material new product or service;

(y) take or fail to take any action or permit any Acquired Company to take or fail to take any action, in each case for the purpose of either (i) shifting statutory income or surplus from the period following June 30, 2004 to the period preceding June 30, 2004 or (ii) increasing statutory income or surplus with the intent of increasing the June Adjusted Statutory Book Value or increasing the Closing Consideration to the detriment of Buyer and Parent; provided, however, that Parent and Buyer agree that any action taken by Seller, to the extent necessary to ensure that an independent auditor's opinion will be unqualified after an issue as to ability to give an unqualified opinion is raised by such auditor, shall not be deemed to be a breach of this Section 4.1(y);

(z) modify, amend or terminate either (i) the letter agreement between Safeco Insurance Company of America and Safeco Life Insurance Company dated as of March 1, 2004 relating to the use of the "EXPRESS" mark or (ii) the letter agreements between Safeco Insurance Company of America and Safeco Life Insurance Company dated as of March 1, 2004 relating to the use of certain marks containing "SAFE" by Safeco Life Insurance Company (such letters, the "IP Side Letters"); or

(aa) agree, commit or arrange to do any of the foregoing.

Section 4.2 Access and Information.

(a) Pre-Closing. Between the date of this Agreement and the Closing, Seller shall, and shall cause the Acquired Companies to, afford Parent and its authorized representatives (including its financing sources and accountants, financial advisors and legal counsel) upon one (1) Business Day's prior written notice, reasonable access during normal business hours to all of the properties, personnel, Contracts and Other Agreements and other books and records of the Acquired Companies and shall promptly deliver or make available to Parent such other information concerning the business, properties, assets and personnel of the Acquired Companies as Parent may from time to time reasonably request. Parent shall hold, and shall cause its representatives (as provided for in the letter agreement dated October 21, 2003 (the "Confidentiality Agreement") between Seller and Parent) to treat all such information as Evaluation Material (as defined in the Confidentiality Agreement) and to hold such information in confidence in accordance with the terms of the Confidentiality Agreement and, in the event of the termination of this Agreement for any reason, Parent promptly shall return or destroy all Evaluation Material (including such information) in accordance with the terms of the Confidentiality Agreement.

(b) Post-Closing.

(i) Following the Closing Date, Buyer shall, and shall cause the Acquired Companies to, allow Seller, upon one (1) Business Day's prior written notice and during normal business hours, through its affiliates, employees and representatives, (x) the right to examine and make copies, at Seller's expense, of the books and records of the Acquired Companies, and (y) reasonable access to Buyer's and the Acquired Companies' employees, in the case of either clause (x) or (y), for the preparation and review of the June Financial Statements and any other action or inquiry related to the procedures set forth in Section 1.4, regulatory and statutory filings, earnings releases, statistical supplements, financial statements (including, but not limited to, the timely preparation pursuant to Seller's then-current schedule and filing of Seller's current, quarterly and annual reports on Forms 8-K, 10-Q and 10-K for any post-closing period) and the conduct of any third-party litigation. Parent and Buyer shall cause their, and the Acquired Companies', affiliates, employees and representatives to (A) reasonably cooperate with Seller in connection with the foregoing and (B) under the supervision of Seller, prepare the June Financial Statements, to the extent not yet prepared and finalized as of the Closing Date, in the ordinary course of the performance of their responsibilities. Buyer shall, and shall cause the Acquired Companies to, maintain the books and records of the Acquired Companies for examination and copying by Seller for a period of not less than six (6) years following the Closing Date or any longer period as mandated by applicable Law, after which, Buyer or the Acquired Companies may destroy such records in their sole discretion. Access to such records shall not unreasonably interfere with the business operations of Buyer, any Acquired Company or any of their respective successors.

(ii) Following the Closing Date, Seller shall allow Buyer, upon one (1) Business Day's prior written notice and during normal business hours, through its affiliates, employees and representatives, the right to (x) examine and make copies, at Buyer's expense, of the books and records of Seller retained by Seller and maintained by Seller after the Closing Date; but only to the extent that such books and records relate to the Acquired Companies; and (y) reasonable access to any of Seller's employees, in the case of either clause (x) or (y), for the review of the June Financial Statements, and any other action or inquiry related to the procedures set forth in Section 1.4, regulatory and statutory filings, earnings releases, statistical supplements, financial statements and the conduct of any third-party litigation. Seller shall cause its affiliates, employees and representatives to reasonably cooperate with Parent and Buyer in connection with the foregoing. Seller shall maintain such books and records for examination and copying by Buyer for a period of not less than six (6) years following the Closing Date or any longer period as mandated by applicable Law, after which, Seller may destroy such records in its sole discretion. Access to such records shall not unreasonably interfere with the business operations of Seller or any of its successors.

Section 4.3 Commercially Reasonable Efforts; Additional Actions. Upon the terms and subject to the conditions of this Agreement, each of the parties hereto shall use their respective commercially reasonable efforts to take, or cause to be taken, all action, and to do or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and the other Transaction Documents, including using their respective commercially reasonable efforts to (i) effect promptly all necessary or appropriate registrations and filings with Governmental Entities (including filings under the HSR Act), (ii) effect promptly and prosecute diligently (including responding to all requests for supplemental information) all approvals, filings and/or notices required under any applicable insurance laws for the consummation of the transactions contemplated by this Agreement and the other Transaction Documents and (iii) fulfill or cause the fulfillment of the conditions to Closing set forth in Article V.

Section 4.4 Notification of Certain Matters. (a) Seller shall give notice to Parent, and Parent and Buyer shall give notice to Seller, promptly upon becoming aware of any occurrence, or failure to occur of any event that, if existing or known at the date of this Agreement, (i) would have been required to be set forth or described in the Seller Disclosure Letter or (ii) which would reasonably be expected to cause any representation or warranty in this Agreement to be untrue or inaccurate in any material respect at any time after the date hereof and prior to the Closing; provided, however, that for the purposes of the rights and obligations of the parties hereunder, any such notice shall have no effect for the purpose of determining the satisfaction of the conditions set forth in Article V or for purposes of determining whether any Person is entitled to indemnification pursuant to Article VII.

(b) Parent shall give notice to Seller, promptly upon becoming aware of any occurrence, or failure to occur, of any event that, if existing or known at the date of this Agreement, would reasonably be expected to cause Parent's representation and warranty in Section 3.6 of this Agreement to be untrue or inaccurate in any material respect at any time after the date hereof and prior to the Closing. Parent shall also promptly provide Seller with copies of every material commitment letter modification or material amendment and all other material notices or correspondence with respect to the Financing.

Section 4.5 Public Announcements. The initial press release or releases with respect to the transactions contemplated by this Agreement shall be in the form agreed to by Parent and Seller. Thereafter, for as long as this Agreement is in effect, Parent and Buyer, on the one hand, and Seller, on the other hand, shall not, and shall cause their subsidiaries and Affiliates not to, issue or cause the publication of any press release or any other announcement (including without limitation announcements to employees, agents or policyholders) with respect to the transaction set forth in Section 1.1, this Agreement or the other transactions contemplated hereby without the consent of the other, except where such release or announcement is required by applicable Law or pursuant to any listing agreement with, or the rules or regulations of, any securities exchange or any other regulatory requirements, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance. Schedule 4.5 hereto sets forth the representatives of Parent and Seller authorized to provide the consent contemplated by the preceding sentence.

Section 4.6 Certain Employee Matters.

(a) Seller and the Acquired Companies shall take such action as is necessary such that the Acquired Companies shall, as of the Closing Date, cease being "participating employers" and shall cease any co-sponsorship and participation in each Seller Plan that is jointly adopted, sponsored or maintained by Seller and an Acquired Company. Except as otherwise expressly provided in this Section 4.6, the Acquired Companies shall have no further liability and Seller shall retain all liabilities with respect to claims incurred under any such Seller Plan prior to the Closing Date, whether such claims are made prior to, on or after the Closing Date. For this purpose claims under any medical, dental, vision, or prescription drug plan, generally will be deemed to be incurred on the date that the service giving rise to such claim is performed and not when such claim is made; provided, however, that with respect to claims relating to hospitalization the claim will be deemed to be incurred on the first day of such hospitalization and not on the date that such services are performed. Claims for disability under any long or short term disability plan shall be incurred on the date the employee or former employee is first absent from work because of the condition giving rise to such disability and not when the employee or former employee is determined to be eligible for benefits under the applicable Seller Plan. Notwithstanding anything to the contrary herein, Seller shall retain all liabilities under all Seller Plans, except as otherwise expressly provided in Section 4.6. For the avoidance of doubt, Seller shall retain all liabilities with respect to equity or equity-based awards under any Plan. Seller shall provide any continuation coverage required under Section 4980B of the Code, Part 6 of Title I of ERISA or applicable state Law ("COBRA") to each "qualified beneficiary" as that term is defined in COBRA whose first "qualifying event" (as defined in COBRA) occurs on or prior to the Closing Date. The Acquired Companies shall retain responsibility for all accrued but unused vacation pay for each of their respective Acquired Company Employees (other than any Bank Channel Employees who become Acquired Company Employees). As soon as practicable, but in any event within five (5) Business Days following the Closing Date, Seller shall provide Buyer with a list setting forth, with respect to each Acquired Company Employee (other than any Bank Channel Employee who becomes an Acquired Company Employee) the number of days of accrued but unused vacation as of the Closing Date.

(b) For a period of one (1) year following the Closing Date, Buyer shall provide or cause to be provided to Acquired Company Employees (other than Randall Talbot, Roger Harbin and their respective management direct reports) who remain employees with Buyer and its Subsidiaries, (i) compensation that is comparable in the aggregate (without regard to any equity or equity-based compensation) to that provided to them immediately prior to Closing , provided that equity or equity-based compensation provided to such Acquired Company Employees prior to Closing shall be disregarded in determining whether compensation is comparable in the aggregate; provided, further, that Buyer in its sole discretion shall determine the portion of compensation to be provided to such Acquired Company Employees that is in the form of equity or equity-based compensation (it being understood that Buyer is under no obligation to provide any equity or equity-based compensation); provided, further, that during such one (1) year period the base salary of such Acquired Company Employees shall not be less than that in effect immediately prior to the Closing and (ii) employee benefits (including severance benefits but excluding retiree health and life benefits) that are comparable in the aggregate to that provided to them immediately prior to Closing.

(c) Effective as of the Closing Date, Buyer or the Acquired Companies shall adopt or otherwise provide a savings plan or plans with a cash or deferred arrangement that is qualified under Section 401(a) of the Code pursuant to which the Acquired Company Employees may participate ("Buyer's Retirement Plan"). Acquired Company Employees who are participants in any Plan which is a retirement plan qualified under Section 401(a) of the Code ("Seller's Retirement Plan") shall be allowed to rollover their distributable benefits, including, to the extent permitted by Seller's Retirement Plans and Buyer's Retirement Plans, any notes representing participant loans, from Seller's Retirement Plans into Buyer's Retirement Plan. Seller shall fully vest (to the extent not already fully vested) as of the Closing each Acquired Company Employee in his or her accrued benefits under each Seller Retirement Plan.

(d) Seller shall continue to provide retiree health and life benefits to each former employee of an Acquired Company who is eligible for retiree health and life benefits under any Seller Plan that is a group health and life plan ("Seller's Retiree Plans") whose termination of employment occurs on or prior to the Closing Date. Following the Closing Date, Buyer or the Acquired Companies shall adopt a group health plan and group term life plan in which the Acquired Company Employees and their dependents may participate ("Buyer's Group Welfare Plans").

(e) For purposes of determining eligibility to participate and vesting (and for benefit accrual purposes in the case of vacation and severance plans) where length of service is relevant under any employee benefit plan or arrangement of Buyer and its subsidiaries (or of Parent and its subsidiaries, to the extent an Acquired Company Employee shall become eligible to participate therein), Acquired Company Employees shall receive service credit for service with Seller and any of its Subsidiaries to the same extent such service was credited under similar employee benefit plans and arrangements of Seller and its Subsidiaries; provided, however, that such service need not be credited to the extent that it would result in a duplication of benefits.

(f) Parent, Buyer, the Acquired Companies and their respective Subsidiaries will (i) use their commercially reasonable efforts to cause any third party insurers to waive, and will waive with respect to self-insured benefits, all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to Acquired Company Employees under any new welfare benefit plans that such employees may be eligible to participate in after the Closing Date, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Closing Date under any welfare plan maintained for Acquired Company Employees immediately prior to the Closing Date, and (ii) provide each Acquired Company Employee with credit for any co-payments and deductibles paid prior to the Closing Date in respect of the year in which the Closing occurs in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans for such year that such employees are eligible to participate in after the Closing Date.

(g) No provision of this Section 4.6 shall create any third party beneficiary or other rights in any Acquired Company Employee or former employee (including any beneficiary or dependent thereof) of Seller in respect of continued employment (or resumed employment) with Buyer, Parent or their respective subsidiaries including the Acquired Companies and no provision of this Section 4.6 shall create any such rights in any such persons in respect of any benefits that may be provided, directly or indirectly, under any Plans or any such similar plan or arrangement which may be established by Parent, Buyer, or any of their respective subsidiaries for Acquired Company Employees.

(h) At least thirty (30) days prior to the anticipated Closing Date, Buyer shall identify in writing those Bank Channel Employees that it desires to employ after the Closing Date. Buyer shall offer employment to all such identified Bank Channel Employees upon such terms and conditions as it determines in its sole discretion (subject to Buyer's obligations under the other provisions of this Section 4.6) and Seller shall cause Talbot Financial, Inc. to terminate the employment of such identified Bank Channel Employees as of the Closing Date. Each identified Bank Channel Employee who accepts Buyer's offer of employment shall be treated as an Acquired Company Employee. With respect to each Bank Channel Employee who becomes an Acquired Company Employee, Buyer shall be solely responsible for any severance or similar benefits that may be payable, if any, to such Acquired Company Employee in respect of his or her termination of employment following the Closing with Buyer and its Affiliates. Except as set forth in the preceding sentence, any liability, obligation or commitment of Seller, GAC or any other Subsidiary of Seller or GAC that relates to, or that arises out of, the employment or the termination of the employment with any such person of any Bank Channel Employee (including as a result of the transactions contemplated by this Agreement) shall be the responsibility of the Seller or such Subsidiary (including any accrued but unused vacation, severance or similar benefits that may be payable, if any, to Bank Channel Employees in respect of their termination of employment with Seller and its Affiliates as of the Closing) and none of Parent, Buyer or any Acquired Company shall have any liability therefor.

Section 4.7 Investment Portfolio. Seller shall cause the investments of the Acquired Companies to be maintained , and shall not permit any sales or other dispositions of investments, other than in the ordinary course of business and in accordance with the Investment Guidelines. From the date hereof to the Closing Date, Seller shall deliver to Buyer, within ten (10) Business Days after the end of each calendar month, a true and correct list of (a) all investments constituting the Investment Portfolio as of the end of such month, the issuer of such investments, the nominal amount owned and the market value with respect to public investments (or book value with respect to private investments) of such investments as of the end of such month and (b) all investments sold or otherwise disposed of at any time prior to the end of such month, the sale or disposition price, the carrying value of such investments for statutory accounting purposes immediately prior to the sale or disposition, and any gain or loss for statutory accounting purposes.

Section 4.8 Tax Matters. The following provisions shall govern the allocation of responsibility as between Buyer and Seller for certain Tax matters:

(a) Seller Responsibility.

(i) Seller will timely file the U.S. federal income Tax Returns of the Affiliated Group and any Combined Returns (taking into account extensions thereto) for all periods (including any Pre-Closing Tax Period) and will pay any Taxes with respect thereto. The parties agree that they will treat the Acquired Companies as if they ceased to be part of the Affiliated Group, and any comparable or similar group of state, local or foreign laws or regulations, as of the close of business on the Closing Date. Seller will provide Buyer with copies of the separate company pro-forma portion (including only information related to the Acquired Companies) of such Pre-Closing Tax Period Tax Returns (other than Tax Returns filed for estimated Tax payments) filed after the Closing Date pursuant to this Section 4.8(a)(i) within fifteen (15) days after filing of such Tax Returns.

(ii) Seller shall prepare and timely file or shall cause to be prepared and timely filed all other Tax Returns of the Acquired Companies due after the Closing Date for Pre-Closing Tax Periods that do not include a Straddle Period. Seller shall permit Parent and Buyer to review and comment on any Tax Return (other than any Tax Returns filed for estimated Tax payments) prepared pursuant to this Section 4.8(a)(ii).

(iii) All Tax Returns prepared pursuant to this Section 4.8(a) shall be prepared on a basis consistent with the past practices of the Seller and the Acquired Companies and, if Seller has a choice between positions that are consistent with past practices, Seller shall act in a manner that does not distort taxable income (e.g., by deferring income or accelerating deductions).

(b) Buyer Responsibility. Parent and Buyer shall prepare or cause to be prepared and filed or cause to be filed all Tax Returns of the Acquired Companies that relate to Post-Closing Tax Periods and Straddle Periods. All Tax Returns prepared pursuant to this Section 4.8(b) that relate to Straddle Periods shall be prepared on a basis consistent with the past practices of the Acquired Companies and, if Buyer has a choice between positions that are consistent with past practices, Buyer shall act in a manner that does not distort taxable income. Parent and Buyer shall permit Seller to review and comment on each such Tax Return that includes a Pre-Closing Tax Period prior to filing and shall make such revisions to such Tax Returns as are reasonably requested by Seller. The Seller shall reimburse Buyer for any Taxes attributable to the portion of the Straddle Period related to the Pre-Closing Tax Period not reserved or otherwise expensed on the June Financial Statements (other than interest or penalties due solely to a failure or delay in filing a required Tax Return or in paying a required Tax not otherwise caused by Seller) as soon as practicable after the date paid by the Buyer. Buyer shall reimburse Seller for any Straddle Period Taxes reserved or otherwise expensed on the June Financial Statements (other than interest or penalties solely from a failure or delay in filing a required Tax Return or in paying a required Tax not otherwise caused by Seller) in excess of the amount of Taxes attributable to the portion of the Straddle Period related to the Pre-Closing Tax Period as soon as practicable after the date paid by the Buyer.

(c) Straddle Periods. For purposes of this Agreement, in the case of any Taxes that are imposed on a periodic basis over a Straddle Period, the portion of such Tax that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on the Closing Date and the denominator of which is the number of days in the entire Straddle Period. In the case of any Tax based upon income or receipts, the portion allocable to the Pre-Closing Tax Period shall include operations through the Closing Date (i.e., with respect to operations, based on an interim closing of the books on the Closing Date).

(d) Tax Audits of Consolidated/Combined Returns. Seller shall be solely responsible for and shall control all proceedings with respect to any audit of the consolidated federal income Tax Return of the Affiliated Group and any Combined Returns or any Tax claim relating to Taxes solely with respect to a Pre-Closing Tax Period, provided, that Seller shall promptly furnish written notice to Buyer of such audit and Buyer shall have the right to provide non-binding advice to Seller, who shall consult and act in good faith with respect to such audit, in each case, to the extent the audit relates to the Acquired Companies. Without the written consent of Parent or Buyer, which shall not be unreasonably withheld, Seller shall not settle any audit of a consolidated federal income Tax Return of the Affiliated Group or a Combined Return to the extent that such return related to the Acquired Companies in a manner which would disproportionately adversely affect the Acquired Companies after the Closing Date (e.g., a disproportionately adverse Tax treatment to the Acquired Companies after the Closing Date as compared to the effect to the Acquired Companies before the Closing Date) or if Seller favorably settles a Tax issue for members of the Affiliated Group other than the Acquired Companies in return for an adjustment that adversely affects the Acquired Companies only after the Closing Date, Seller shall be deemed to have settled such Tax issue in a manner which disproportionately adversely affects the Acquired Companies after the Closing Date). Otherwise, Seller shall have the sole discretion to settle any audit of a U.S. federal income Tax Return of the Affiliated Group or a Combined Return. Buyer shall control all proceedings with respect to all Tax audits or claims related solely to a Post-Closing Tax Period.

(e) Tax Indemnity Procedures.

(i) Except as otherwise provided, if (a) a claim for Taxes is made against Parent or Buyer, (b) Parent or Buyer intends to seek indemnity with respect thereto under Section 7.5 and (c) such claim relates to Taxes with respect to a Pre-Closing Tax Period (other than a Straddle Period), Parent and Buyer shall promptly furnish written notice to Seller and GAC of such claim. Seller and GAC shall have the shorter of (x) forty-five (45) days after receipt of such notice or (y) fifteen (15) days less than the number of days before a response to the relevant taxing authority is required, but in no event shall Seller and GAC have less than fifteen (15) days, to decide whether to undertake, conduct, and control (through counsel of its own choosing and at its own expense) the settlement or defense thereof, and Parent, Buyer and the Acquired Companies and their respective Affiliates shall cooperate with it in connection therewith. Seller and GAC shall permit Parent, Buyer and the Acquired Companies to participate in such settlement or defense through counsel chosen by Parent and Buyer (but the fees and expenses of such counsel shall be paid by Parent, Buyer or the Acquired Companies). Seller and GAC shall not pay or settle any such claim without the prior written consent of Buyer, which consent shall not be unreasonably withheld to the extent such settlement adversely effects any Acquired Company in a Post-Closing Tax Period. If within the shorter of (x) forty-five (45) days after the receipt of Parent's or Buyer's notice of a claim of indemnity hereunder or (y) fifteen (15) days less than the number of days before a response to the relevant taxing authority is required, but in no event shall Seller and GAC have less than fifteen (15) days, Seller and GAC do not notify Parent and Buyer that Seller and GAC elect (at their cost and expense) to undertake the defense thereof, or gives such notice and thereafter fails to contest such claim in good faith or to prevent action to foreclose a lien against or attachment of Buyer's property as contemplated above, Parent and Buyer shall have the right to contest, settle, or compromise such claim and Parent and Buyer shall not thereby waive any right to indemnity for such claim under this Agreement; provided, however, none of Parent, Buyer or the Acquired Companies shall pay or settle any such claim without the prior written consent of Seller and GAC, which consent shall not be unreasonably withheld.

(ii) If (a) a claim for Taxes is made against Parent or Buyer, (b) Parent or Buyer intends to seek indemnity with respect thereto under Section 7.5 and (c) such claim relates to a Straddle Period, Parent and Buyer shall promptly furnish written notice to Seller and GAC of such claim. Parent, Buyer and the Acquired Companies shall undertake, conduct, and control the settlement or defense thereof. Parent, Buyer or the Acquired Companies shall not pay or settle any such claim without the prior written consent of Seller and GAC, which consent shall not be unreasonably withheld.

(f) Buyer and the Acquired Companies, on one hand, and Seller, on the other hand, shall cooperate fully, as and to the extent reasonably requested by the other, in connection with the filing of Tax Returns pursuant to this Section 4.8 and any audit, litigation or other proceeding with respect to Taxes. In that regard, Seller, Buyer and the Acquired Companies shall, at their own expense, maintain such Tax information or Tax records relating to the Acquired Companies as are regularly maintained by such party or as may be required by Law to be maintained. Such Tax records or Tax information shall be made available upon written request by the Seller or the Buyer or the Acquired Companies, as the case may be, within 10 Business Days of such request. If the requesting party, in its reasonable judgment, shall determine that it is necessary that any such Tax records or Tax information be made available before 10 Business Days from such request, the other party shall use commercially reasonable efforts to make such Tax records or Tax information available (or cause such Tax records or Tax information to be made available) within such shorter period, but in no event upon less than two (2) Business Days' prior written notice from the requesting party. Subject to the confidentiality requirements of Section 4.2(a), the non-requesting party shall, upon request by the requesting Party, promptly furnish the requesting party with a copy of such Tax records or Tax information. Notwithstanding the foregoing, Seller and Buyer shall only be obligated to provide that portion of their federal consolidated Tax Returns or Combined Tax Returns (and accompanying Tax records or Tax Returns) that directly relates to the Acquired Companies. In any event, the provision of access to such Tax records or Tax information shall not unreasonably interfere with the business operations of the non-requesting party.

(g) Refunds and Tax Benefits. (i) Any income tax refunds that are received by Parent, Buyer or the Acquired Companies, and any amounts credited against Taxes to which Buyer or the Acquired Companies become entitled, that relate to Pre-Closing Tax Periods shall be for the account of Seller, and Buyer shall pay over to Seller any such refund or the amount of any such credit within fifteen (15) days after receipt of such refund or use of such credit. In addition, to the extent that a claim for refund or a proceeding results in a payment or credit against income Tax by a taxing authority to Parent, Buyer or the Acquired Companies of any amount accrued on the June Financial Statements, Buyer shall pay such amount to Seller within fifteen (15) days after receipt of such refund or use of such credit.

(ii) Notwithstanding the foregoing, any cash refunds less any associated costs (including, but not limited to, administrative costs, an adverse economic impact (including the economic impact of an adverse accounting treatment) and additional Taxes) from the carryback of capital losses of the Acquired Companies shall be for the account of Buyer to the extent that such refunds are attributable to a Tax period beginning after the Closing Date (or the portion of any Straddle Period that begins after the Closing Date). Seller shall pay such cash received by Seller to Buyer within fifteen (15) days after the receipt of such cash refund. For the avoidance of doubt, Buyer shall be entitled to such cash refund under this Section 4.8(g)(ii) solely to the extent that such cash refund (taking into account only capital loss carrybacks of the Acquired Companies after the Closing Date) is greater than the sum of (a) the refund that would have resulted had there been no such carryback and (b) any costs incurred by Seller as a result of such carryback. In the event Seller's use of the carryback of such losses is disallowed after the payment to Buyer by

Seller under this Section 4.8(g)(ii) or Seller is able to carryback its own capital losses, Seller shall notify Buyer of the portion of the tax refund not allowed to Seller or that is deemed replaced by Seller's capital losses and Buyer shall reimburse Seller for the amount allocable to Buyer within 15 days of such notice. To the extent that Seller receives any Tax benefit as a result of the carryback of capital losses of the Acquired Companies in respect of which Buyer has not received payment pursuant to the immediately preceding sentences, Seller shall pay to Buyer an amount equal to the economic benefit of such Tax benefit (less any associated costs) within 15 days of utilizing such Tax benefit, subject to reimbursement as set forth in this Section 4.8(g)(ii). To the extent the amount of any refund or Tax benefit is reduced by associated costs pursuant to this Section 4.8(g)(ii) (including a later request for reimbursement of such costs), Seller shall provide Buyer with a description of such associated costs.

(h) Amended Returns and Refund Claims. Parent and Buyer shall not file an amended Tax Return or any claim for refund for any Pre-Closing Tax Period without the written consent of Seller, which consent shall not be unreasonably withheld. Any carryback of losses or credits to any period ending on or prior to the Closing Date shall be subject to Section 4.8(g).

(i) Tax Sharing Agreements. Any Tax sharing agreement or similar arrangement, agreement or practice between any of the Acquired Companies and any other Person (including Seller) is terminated as of the Closing Date and shall have no further effect for any taxable year (whether the current year, a future year or a past year).

(j) No Foreign Status. Seller shall deliver to Buyer at closing a certificate certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code.

Section 4.9 Consents.

(a) To the extent that the consummation of the transactions contemplated by this Agreement requires the consent or approval of another party to any Contract or Other Agreement with an Acquired Company (including, if applicable, any consent required from a financier pursuant to a 12b-1 financing arrangement between such financier and any of the Registered Investment Companies), Seller shall use its commercially reasonable efforts to obtain, and to cause GAC and the Acquired Companies, to use commercially reasonable efforts to obtain, such consents or approvals. Seller agrees to cooperate with Buyer and use commercially reasonable efforts to cause each Registered Investment Company that is a management investment company to enter into an "interim advisory contract" within the meaning of, and pursuant to, Rule 15a-4 under the Investment Company Act, if necessary.

(b) Without limiting the generality of the foregoing, Seller shall, as promptly as practicable, cause the Acquired Companies to (i) use their commercially reasonable efforts to cause (A) the consideration and due approval by the Investment Company Board of each Registered Investment Company having such a Board at a duly called meeting of such Board and (B) to the extent required by the Investment Company Act, the consideration and due approval by such Registered Investment Company's shareholders or unitholders at a duly called meeting of such shareholders, of (x) a new Investment Company Advisory Agreement (or, where permitted, approval of continuation of the existing Investment Company Advisory Agreement) with the same investment adviser, to become effective upon the Closing, (y) where applicable, an amended Rule 12b-1 distribution plan, in each case on the same material terms as in effect on the date hereof, (z) where applicable, new sub-advisory, fund accounting/administration and transfer agency agreements and (aa) at the Buyer's sole discretion, the approval of new independent trustees reasonably satisfactory to the Buyer to the Investment Company Board of each Registered Investment Company having such a Board, (ii) use their commercially reasonable efforts to cause each Registered Investment Company to prepare and file with the SEC and all other Governmental Entities having jurisdiction thereover, as promptly as practicable after the date hereof, all proxy solicitation materials required to be distributed to shareholders or unitholders of such Registered Investment Company with respect to the actions recommended for their approval by the Investment Company Boards, (iii) use their commercially reasonable efforts to cause each Registered Investment Company to respond promptly to any comments made by the SEC and all other Governmental Entities having jurisdiction thereover, with respect to the proxy solicitation materials, and (iv) use their commercially reasonable efforts, promptly after the completion of the actions described in clauses (ii) and (iii) above, to mail such proxy solicitation materials to such shareholders or unitholders and cause to be submitted to a meeting of shareholders or unitholders of such Registered Investment Company as soon as practicable after such mailing the proposals described in clause (i), above, all such consents and such proxy solicitation to be in form and substance reasonably satisfactory to Parent and in compliance with Section 2.21(b)(x).

(c) Parent and Buyer shall provide such information and data as may be reasonably requested by Seller for inclusion in the proxy solicitation materials referred to in Section 4.9(b). Such information and data shall not contain any untrue statement of a material fact, or omit to state any material fact required to make the statements therein, in light of the circumstances in which they were made, not misleading.

Section 4.10 Investment Company Matters.

(a) Prior to the Closing, each of the parties hereto shall use its commercially reasonable efforts to ensure compliance with Section 15(f) of the Investment Company Act, so that the transaction set forth in Section 1.1 will be in compliance at the Closing with such Section 15(f), including, to assure that on the Closing Date at least seventy-five percent (75%) of the board of directors or trustees of each Registered Investment Company are not "interested persons" (as defined in the Investment Company Act) of the Acquired Companies, Parent or Buyer.

(b) Following Closing, Parent and Buyer agree to use their commercially reasonable efforts to assure compliance with the conditions of Section 15(f) of the Investment Company Act with respect to any Registered Investment Company. Without limiting the foregoing, Buyer agrees that: (i) for a period of at least three (3) years after the Closing Date, Buyer shall use commercially reasonable efforts to cause at least seventy-five percent (75%) of the members of the board of directors or trustees of each Registered Investment Company not to be "interested persons" (as defined in the Investment Company Act) of Buyer (or an Affiliate of Buyer which acts as adviser or subadviser to the Registered Investment Companies), or of the predecessor investment adviser of the relevant Registered Investment Company; and (ii) for a period of at least two (2) years after the Closing Date, Buyer (or any Affiliate of Buyer which acts as adviser to any Registered Investment Company), shall use commercially reasonable efforts not to impose, or have any express or implied understanding, arrangement or intention to impose, an "unfair burden" on such Registered Investment Company (as such term is interpreted under the Investment Company Act) as a result of the transactions contemplated herein. For the purposes of clause (i) above, "commercially reasonable efforts" means that the Buyer:

(i) causes to be distributed to the trustees of each Registered Investment Company that enters into a new Investment Company Advisory Agreement with Safeco Asset Management on at least an annual basis, a questionnaire containing questions reasonably designed to elicit information pertaining to the status of such directors as "interested persons" (for purposes of Section 15(f)(1)(A) of the Investment Company Act) of Buyer or its Affiliates or of Seller or its Affiliates (collectively, the "Relevant Entities");

(ii) requests the members of the board of trustees of each Registered Investment Company that enters into a new Investment Company Advisory Agreement with Safeco Asset Management to promptly notify Buyer of any change in their status under Section 15(f)(1)(A) of the Investment Company Act; and

(iii) at such time as it learns of a change in the status of a trustee that would cause more than 25% of the members of the board of trustees of any Registered Investment Company that enters into a new Investment Company Advisory Agreement with Safeco Asset Management to be "interested persons" of Relevant Entities, takes reasonable steps to correct such situation as promptly as practicable, including causing any trustees affiliated with Buyer or any of its Affiliates to resign from the board of trustees of such Registered Investment Company to the extent required to correct such situation.

(c) Prior to the Closing, Seller shall use, and shall cause GAC and the Acquired Companies to use, subject to any fiduciary duties to the Registered Investment Companies, their commercially reasonable efforts to ensure that the Registered Investment Companies take no action that would (i) prevent any Registered Investment Company from qualifying as a "regulated investment company," within the meaning of Section 851 of the Code or (ii) be inconsistent with any Registered Investment Company's prospectus or other offering document and other offering, advertising and marketing materials. Prior to the Closing, Seller shall use, and shall cause GAC and the Acquired Companies to use, subject to any fiduciary duties to the Separate Accounts, their commercially reasonable efforts to ensure that neither any Separate Account nor any Insurance Subsidiary with respect to a Separate Account, takes any action that would be inconsistent with the Separate Account's prospectus or other offering document and other offering, advertising and marketing materials.

(d) Seller will deliver to the Buyer at the same time as the filing thereof a complete copy of each SEC Document filed by each Investment Adviser Subsidiary on or after the date hereof and on or prior to the Closing Date.

(e) For purposes of this Section 4.10, "Registered Investment Company" will not include any Registered Separate Account.

(f) In the event that Buyer or any Affiliate of Buyer (including the Acquired Companies after the Closing) acts as agent or representative of any regulated investment company within the meaning of Section 851 of the Code with respect to any Tax matter relating to any Tax period ending prior to or including the Closing Date, then, to the extent permissible, Buyer shall (i) promptly provide Seller with written notice of the circumstances relating to such matter and copies of all relevant correspondence and documents, (ii) consult with Seller regarding the proper resolution of such matter and (iii) upon Seller's written notice, permit Seller to the greatest extent possible to assume responsibility for and control such matter (it being understood that Seller shall not have control of such matter unless Seller in its written notice acknowledges its responsibility to indemnify Buyer pursuant to Section 7.5 for any Losses that arise out of such matter, as mitigated or increased by Seller's control of such matter; it being further understood that, notwithstanding Seller's written notice, Buyer may continue to control the matter to the extent and if required or directed to do so by applicable law or any applicable judicial or administrative authority, and if Buyer has given Seller a reasonable opportunity (to the extent practical taking into account the exigencies of the situation) to cooperate with Buyer in approaching the applicable authority with the objective of persuading such authority that Seller may maintain control over such matter). Buyer shall cooperate with, and take such actions reasonably requested by, Seller in implementing this provision and shall be entitled to reimbursement from Seller for all reasonable out-of-pocket expenses incurred by Buyer in providing such cooperation. The procedures contained in this Section 4.10(f) are in addition to those set forth in Section 7.4.

(g) In the case of any breach or potential breach of any representation made by Seller in Sections 2.19(d)(ii), 2.22(c) or 2.22(d) (which shall include, but not be limited to, any proposed action to mitigate any potential Losses from the breach or potential breach of such representations and warranties) for which any Buyer Indemnified Party would be entitled to indemnity pursuant to Section 7.5, Seller shall have the right (before Buyer or Parent notifies the IRS, any Policy Owner or any person other than the Seller of such breach or potential breach or takes any action to remedy such potential breach, mitigate any potential Losses therefrom or make any claim under this Agreement therefor, except that Buyer or Parent may make any such notification or take any such action if (x) required or directed to do so by applicable law or any applicable judicial or administrative authority and (y) after notifying Seller of the notification or action that Buyer is so required or directed to take and giving Seller a reasonable opportunity (to the extent practical taking into account the exigencies of the situation) to cooperate with Buyer in approaching the applicable authority with the objective of persuading such authority that such notification or action is not necessary, the Buyer continues to be required or directed to make such notification or take such action):

(i) to be notified in writing by Buyer or Parent of such breach or potential breach, if Seller has not previously notified Buyer in writing of such breach or potential breach;

(ii) within 30 days after such a written notice about such potential breach, to notify Buyer in writing that Seller proposes to develop, at Seller's expense, a plan to remediate or mitigate any potential adverse Tax consequences or Losses resulting from such potential breach (a "Remediation Plan"), which may or may not involve corrective proceedings with the IRS (it being understood that Seller shall not have exclusive control over the development and implementation of the Remediation Plan unless Seller in such notice acknowledges its responsibility to indemnify Buyer pursuant to Section 7.5 for any Losses that in fact ultimately result from such breach or potential breach, as mitigated or increased by the implementation of the Remediation Plan);

(iii) to have exclusive control over the development and implementation of such a Remediation Plan;

(iv) to have a reasonable time (not to exceed six (6) months) to develop such a Remediation Plan; and

(v) to have a reasonable time (not to exceed twelve (12) months) to implement such a Remediation Plan after Seller notifies Buyer in writing that it has been developed, which reasonable time shall be extended for any corrective proceedings with the IRS and any corrective time period allowed by the IRS and any time period during which Buyer and Seller have any reasonable disagreement about such implementation or during which Buyer is acting unreasonably.

Buyer and Parent shall reasonably cooperate with Seller (and cause the appropriate Insurance Subsidiary to cooperate) in taking any corrective action under such

Remediation Plan, including the preparation and filing of any documents for any IRS corrective proceedings, and shall be entitled to reimbursement from Seller for all reasonable out-of-pocket expenses incurred by Buyer or Parent in providing such cooperation. The procedures contained in this Section 4.10(g) are in addition to those set forth in Section 7.4. For avoidance of doubt, in the event that the development or implementation of any Remediation Plan has the effect of increasing the Losses incurred by any Buyer Indemnified Party as a result of any breach of any representation made by Seller in Sections 2.19(d)(ii), 2.22(c) or 2.22(d), the appropriate Buyer Indemnified Party shall be entitled to indemnification with respect to such Losses in such increased amount under Section 7.5.

Section 4.11 Prospectus Sticker. As promptly as practicable on or after the date of this Agreement, Seller will cause, at its own expense, the preparation and filing on behalf of each Registered Investment Company of a prospectus sticker or amendment in form and substance reasonably satisfactory to Parent and Seller for the purpose of describing the proposed changes to the operations of such Registered Investment Company as contemplated by this Agreement, including the new Investment Company Advisory Agreement and any proposed new trustees or directors.

Section 4.12 Advisory Agreements. Unless otherwise previously agreed to by Parent, each Investment Adviser Subsidiary shall notify each of its Clients, subject to Section 4.9 with respect to the Registered Investment Companies, of the transaction set forth in Section 1.1 and shall use its commercially reasonable efforts to obtain, prior to the Closing Date, the consent of each such Client to the "assignment" (as such term is used in the Investment Advisers Act) of its Advisory Agreement as a result of the transaction set forth in Section 1.1 in accordance with the Investment Advisers Act, which consent, other than with respect to Clients that are Registered Investment Companies, may be obtained in accordance with the so-called "negative consent" or "no objection received" process permitted under interpretations of the consent process by the SEC. Seller shall cooperate and consult with Parent regarding material written communications with Clients concerning the obtaining of such consents.

Section 4.13 Intercompany Obligations. At least two (2) Business Days before June 30, 2004, Seller will furnish Buyer with a complete list and description of all liabilities and receivables between the Acquired Companies and Seller or any other Affiliate of Seller (including any liability or reserves of the Acquired Companies under any Tax allocation or Tax sharing agreement) which would otherwise be outstanding on the Closing Date. Except as specifically provided below with respect to Tax sharing agreements, or as otherwise expressly contemplated in this Agreement, all such liabilities will be paid in full at or before June 30, 2004. On June 30, 2004, Seller will terminate and will cause its Affiliates to terminate each contract, other than Related Contracts, between or among the Acquired Companies and Seller or any other Affiliate of Seller based on a good faith estimate of amounts owed as of that date, and Buyer and Seller agree to each make appropriate payment by August 15, 2004 as required to settle any differences between the good faith estimates and actual amounts owed between the Acquired Companies and Seller or any other Affiliate of Seller. Buyer and Seller agree that from July 1, 2004 through the Closing, the services to be provided from Seller to the Acquired Companies shall be provided by Seller (or a Subsidiary of Seller) to the Acquired Companies on the same terms and conditions (including pricing) as are currently being provided.

Section 4.14 Names.

(a) Notwithstanding any inference contained herein or prior course of conduct to the contrary, except as expressly provided in the Transitional Trademark License, the Buyer Intellectual Property License or the IP Side Letters, in no event shall Buyer or any of its Affiliates (including without limitation the Acquired Companies) have any right to use, nor shall Buyer or any of its Affiliates (including without limitation the Acquired Companies) use, any of the corporate names, trade names, service marks, logos, designs, acronyms, domain names, vanity telephone numbers or other Proprietary Rights of Seller or any of its Affiliates in any jurisdiction, including without limitation the names and service marks "SAFECO," "SAFECO NOW" and any other name, mark or telephone number containing the word "SAFE" (including, as applicable the corporate or trade names of the Acquired Companies), or any application or registration therefore, owned by, licensed to or used by Seller or any of its Affiliates, or any other name, mark, logo, design, acronym, domain name or vanity telephone number containing the word "SAFE" or that is confusingly similar to the corporate names, trade names, service marks, logos, designs, acronyms, domain names or vanity telephone numbers of Seller or any of its Affiliates. Except as expressly provided in the Transitional Trademark License, as soon as reasonably practicable after the Closing Date, Buyer shall cause the Acquired Companies to change their names, and file the appropriate documents with the relevant governmental agencies to effectuate such change of names, to the extent necessary to remove such corporate names, trade names, service marks, logos or acronyms (i) of Seller and its Affiliates or (ii) containing the word "SAFE." Following the Closing Date, other than as expressly set forth in the Transitional Trademark License, the Buyer Intellectual Property License or the IP Side Letters, no license or other agreement to use any corporate names, trade names, service marks, logos, designs, acronyms, domain names, vanity telephone numbers or other Proprietary Right of Seller or any of its Affiliates shall be deemed to exist between Seller, or any of its Affiliates, and any of the Acquired Companies by operation of law, past practice or otherwise, and any such license or other agreement currently in effect shall terminate at Closing.

(b) The parties hereto acknowledge that any damage caused to Seller or any of its Affiliates by reason of the breach by Buyer or any of its Affiliates of this Section 4.14 would cause irreparable harm that could not be adequately compensated for in monetary damages alone; therefore, each party agrees that, in addition to any other remedies at law or otherwise, Seller and any of its Affiliates shall be entitled to an injunction issued by a court of competent jurisdiction restraining and enjoining any violation by Buyer or any of its Affiliates of this Section 4.14 and Buyer further agrees that it will stipulate to the fact that Seller or any of its Affiliates, as applicable, has been irreparably harmed by such violation and not oppose the granting of such injunctive relief.

Section 4.15 Asset Sale . (a) Seller agrees that prior to Closing, the Acquired Companies will sell to Seller or a third party designated by Seller or on the open market up to $225 million in Fair Value of the assets (as specified in writing to Seller prior to March 31, 2004) identified on Schedule 4.15 (the "Sold Assets"). Buyer and Seller acknowledge that any and all accounting effect of the asset sales described in this Section 4.15(a) shall be excluded from the calculation of June Adjusted Statutory Book Value for purposes of Section 1.4, regardless of whether such impact would have the effect of increasing or decreasing June Adjusted Statutory Book Value. For the avoidance of doubt, the preceding sentence will be interpreted to mean that June Adjusted Statutory Book Value will be calculated as if the sale of the Sold Assets never occurred.

(b) With regard to the Sold Assets, (i) if the Sale Price of the Sold Assets exceeds the Fair Value of the Sold Assets, then 65% of any excess of (A) the Sale Price of the Sold Assets over (B) the Fair Value of the Sold Assets will be paid by the applicable Acquired Companies to Seller within five (5) Business Days after the sale of all the Sold Assets is completed and (ii) if the Fair Value of the Sold Assets exceeds the Sale Price of the Sold Assets, then 65% of any excess of (A) the Fair Value of the Sold Assets over (B) the Sale Price of the Sold Assets will be paid by Seller to the applicable Acquired Companies within five (5) Business Days after the sale of all the Sold Assets is completed. Buyer and Seller acknowledge that any and all accounting effect of any payment described in this Section 4.15(b) shall be excluded from the calculation of June Adjusted Statutory Book Value for purposes of Section 1.4, regardless of whether such impact would have the effect of increasing or decreasing June Adjusted Statutory Book Value. For the avoidance of doubt, the preceding sentence will be interpreted to mean that June Adjusted Statutory Book Value will be calculated as if no such payment ever occurred. Any intercompany obligations relating to the payments required pursuant to this Section 4.15(b) shall be exempted from the covenant to unwind intercompany obligations set forth in Section 4.13.

Section 4.16 Other Transactions. From the date of this Agreement to the earlier of (i) the termination of this Agreement and (ii) the Closing, none of Seller, any Subsidiary of Seller or any other Affiliate of Seller shall, nor shall they permit any of their respective agents, directors, officers, employees, advisors (including their financial, legal and accounting advisors) or other representatives to, directly or indirectly, encourage, solicit, initiate or participate in discussions or negotiations with, or provide any information or assistance to, or enter into any agreement with, any Person or group (other than Buyer and its representatives), concerning any merger, consolidation, sale of securities, share exchange or any other business combination, reorganization, recapitalization or similar transaction involving the Acquired Companies or any sale, lease, exchange, transfer or other disposition of over 5% of the assets of the Acquired Companies, it being understood that this covenant shall not apply to any securities held in the Investment Portfolio. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by any officer, director, stockholder or other representative of Seller, any Subsidiary of Seller or any other Affiliate of Seller, whether or not such person is purporting to act on behalf of Seller, any Subsidiary of Seller, any other affiliate of Seller or otherwise, shall be deemed to be a breach of this Section 4.16 by Seller. From the date of this Agreement to the earlier of (i) the termination of this Agreement and (ii) the Closing, in the event that Seller any Subsidiary of Seller or any other Affiliate of Seller receives a proposal relating to any such transaction, Seller shall promptly notify Buyer of such proposal and deliver a copy of such proposal to Buyer.

Section 4.17 Resignations. On the Closing Date, Seller shall cause to be delivered to Buyer (i) duly signed resignations (from the applicable board of directors), effective immediately after the Closing, of all directors of each Acquired Company and (ii) to the extent requested by Buyer, duly signed resignations of those persons who are interested persons (as that term is defined in the Investment Company Act) of an Investment Adviser Subsidiary and serve as directors or trustees of Registered Investment Companies advised by an Investment Adviser Subsidiary or Registered Separate Accounts maintained by an Insurance Subsidiary, and shall take such other action as is necessary to accomplish the foregoing.

Section 4.18 Further Assurances. From time to time, as and when requested by any party, each party shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions (subject to Section 4.3), as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement and the other Transaction Documents. Such actions shall include (i) in the case of Seller and GAC, (A) executing and delivering to Buyer such assignments, deeds, bills of sale, consents and other instruments as Buyer or its counsel may reasonably request as necessary or desirable for such purpose and (B) reasonably cooperating with Buyer in its initial preparation of audited financial statements of the Acquired Companies for Exchange Act filing purposes and (ii) in the case of Buyer, (A) reasonably cooperating with Seller in the initial preparation of the June Financial Statements and (B) using commercially reasonable efforts to facilitate the making of the Excess Capital Dividend.

Section 4.19 No Solicitation.

(a) For a period of three (3) years from the Closing, Seller shall not, and shall cause its Subsidiaries not to, directly or indirectly, solicit for employment or employ any Business Employee, without the prior written consent of Buyer; provided, that: (i) the placing of an advertisement of a position available to a member of the public generally, and the hiring of any Business Employee in response to such an advertisement shall not constitute a breach of this Section 4.19(a); and (ii) this obligation shall not prevent Seller or any of its Subsidiaries from employing, mandating or otherwise engaging any Business Employee (A) whose employment with Buyer or its relevant Subsidiaries has been terminated by Buyer or any of its Subsidiaries or (B) who has resigned from employment with Buyer or any of its Subsidiaries, provided that such employee has not been contacted by or engaged in any discussions with Seller or any of its Subsidiaries regarding employment prior to such employee's notifying his or her employer of his or her intent to resign.

(b) For a period of three (3) years from the Closing, Buyer shall not, and shall cause its Subsidiaries not to, directly or indirectly, solicit for employment or employ any employee of Seller or its Subsidiaries, without the prior written consent of Seller; provided, that: (i) the placing of an advertisement of a position available to a member of the public generally, and the hiring of any employee of Seller or its Subsidiaries in response to such an advertisement shall not constitute a breach of this Section 4.19(b); and (ii) this obligation shall not prevent Buyer or any of its Subsidiaries from employing, mandating or otherwise engaging any employee of Seller or its Subsidiaries (A) whose employment with Seller or its relevant Subsidiaries has been terminated by Seller or any of its Subsidiaries or (B) who has resigned from employment with Seller or any of its Subsidiaries, provided that such employee has not been contacted by or engaged in any discussions with Buyer or any of its Subsidiaries regarding employment prior to such employee's notifying his or her employer of his or her intent to resign.

Section 4.20 Non-Competition.

(a) For a period of five (5) years from the Closing, Seller shall not, and shall cause each of its Affiliates not to, (i) directly or indirectly, develop, market or sell products in the United States similar in type to the Life & Annuity Contracts and the type of products sold by the Investment Adviser Subsidiaries or Broker/Dealer Subsidiaries immediately prior to the Closing Date, (ii) establish in the United States any new business which engages in the activities described in the preceding clause (i) or (iii) license, transfer or otherwise convey in the United States any trademark of Seller or any of its Affiliates used by the Acquired Companies prior to the Closing to any person that has indicated an intention to or is reasonably likely to engage in such activities (the activities described in clauses (i)-(iii), "Competitive Activities").

(b) Notwithstanding anything to the contrary contained in this Section 4.20, Buyer hereby agrees that the foregoing covenant shall not be deemed to be breached as a result of: (i) the development, marketing or sale of products of a type not sold by the Acquired Companies (including the Investment Adviser Subsidiaries and Broker/Dealer Subsidiaries) at the time of the Closing; (ii) Competitive Activities conducted by Talbot Financial Corporation and its subsidiaries at the time of the Closing; (iii) any activities (whether Competitive Activities or otherwise) by any Person or business that merges with or acquires Seller or any of its Affiliates or any interest in either, whether through merger (whether forward, reverse or reverse triangular in structure), stock purchase, asset purchase or otherwise, so long as for the first year following the consummation of any such transaction, the directors of the Seller and its Affiliates (or any Persons designated by the Seller or its Affiliates) do not constitute a majority of the board of directors of the acquirer or the surviving company; (iv) the acquisition by Seller or its Affiliates of any Person or business that is engaged in Competitive Activities, so long as the Competitive Activities accounted for less than 35% of the consolidated revenues of such Person or business for the 12 months prior to such acquisition; or (v) the ownership by Seller or any of its Affiliates of (A) less than an aggregate of 5% of any class of stock of a Person engaged, directly or indirectly, in Competitive Activities; provided, that such stock is listed on a national securities exchange or is quoted on the National Market System of NASDAQ; (B) less than 5% in value of any instrument of indebtedness of a Person engaged, directly or indirectly, in Competitive Activities; or (C) a Person or any interest in a Person that engages, directly or indirectly, in Competitive Activities if such Competitive Activities account for less than 35% of such Person's consolidated annual revenues.

(c) The parties hereto acknowledge that any damage caused to Buyer or any of its Affiliates by reason of the breach by Seller or any of its Affiliates of this Section 4.20 would cause irreparable harm that could not be adequately compensated for in monetary damages alone; therefore, each party agrees that, in addition to any other remedies at law or otherwise, Buyer and any of its Affiliates shall be entitled to an injunction issued by a court of competent jurisdiction restraining and enjoining any violation by Seller or any of its Affiliates of this Section 4.20 and Seller further agrees that it will stipulate to the fact that Buyer or any of its Affiliates, as applicable, has been irreparably harmed by such violation and not oppose the granting of such injunction relief.

Section 4.21 Assignment of Confidentiality Agreements. Prior to or at the Closing, Seller shall cause any confidentiality agreements entered into by Seller or any of its Affiliates since September 1, 2003 relating to the Acquired Companies or any properties, assets, liabilities or activities of any Acquired Company in connection with a sale or disposition that are not agreements to which an Acquired Company is a party, to be assigned to an Acquired Company unless expressly prohibited by the terms of such confidentiality agreement.

Section 4.22 Actions Affecting June Adjusted Statutory Book Value. After the Closing, neither Buyer nor Parent will take or fail to take any action or permit any Acquired Company to take or fail to take any action, in each case for the purpose of either (i) shifting statutory income or surplus from the period before June 30, 2004 to the period following June 30, 2004 or (ii) decreasing statutory income or surplus with the intent of decreasing the June Adjusted Statutory Book Value or decreasing the Closing Consideration to the detriment of Seller.

ARTICLE V.
CONDITIONS

Section 5.1 Conditions to Each Party's Obligations. The respective obligations of each party to effect the transactions set forth in Section 1.1 shall be subject to the fulfillment or waiver at or prior to the Closing of the following conditions:

(a) no Law, Order or other legal restraint or prohibition enacted, entered, promulgated or enforced by any Governmental Entity (collectively, "Restraints") shall be pending, threatened or in effect challenging or seeking to restrain, prevent or prohibit the consummation of the transactions contemplated in this Agreement;

(b) all material consents, authorizations, orders and approvals of (or filings or registrations with) any Governmental Entity required in connection with the execution, delivery and performance of this Agreement or necessary for the consummation of the transactions contemplated in this Agreement shall have been obtained or made (as the case may be), except for any documents required to be filed after the Closing; and

(c) any waiting period applicable to the transaction set forth in Section 1.1 under the HSR Act shall have expired or been terminated.

Section 5.2 Conditions to Obligation of Parent and Buyer. The obligation of Parent and Buyer to effect the transactions set forth in Section 1.1 shall be subject to the fulfillment or waiver at the Closing of the following additional conditions:

(a) Seller and GAC shall have performed or complied with in all material respects all covenants and obligations that are required to be performed or complied with by them under this Agreement on or prior to the Closing;

(b) each of the representations and warranties of Seller and GAC in this Agreement (disregarding all qualifications and exceptions therein relating to materiality or Material Adverse Effect) shall be true and correct as of the date of this Agreement and as of the Closing Date as if they were made on and as of the Closing Date (other than such representations and warranties that expressly address matters only as of a certain date, which need only be true and correct as of such certain date), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on the Acquired Companies, taken as a whole;

(c) Parent shall have received certificates signed by the chief executive officer and chief financial officer of Seller to the effect of Sections 5.2(a) and (b);

(d) Seller shall have executed and delivered each of the Transaction Documents; and

(e) Parent and Buyer shall have received proceeds from sources of Financing in an amount sufficient to pay the Closing Consideration and to pay all fees and expenses required to be paid by Parent and Buyer in connection with the transactions contemplated in this Agreement and the other Transaction Documents.

Section 5.3 Conditions to Obligation of Seller and GAC . The obligation of Seller and GAC to effect the transactions set forth in Section 1.1 shall be subject to the fulfillment or waiver at the Closing of the following additional conditions:

(a) Parent and Buyer shall have performed or complied with in all material respects all covenants and obligations that are required to be performed or complied with by them under this Agreement on or prior to the Closing;

(b) each of the representations and warranties of Parent and Buyer in this Agreement (disregarding all qualifications and exceptions therein relating to materiality or Material Adverse Effect) shall be true and correct as of the date of this Agreement and as of the Closing Date as if they were made on and as of the Closing Date (other than such representations and warranties that expressly address matters only as of a certain date, which need only be true and correct as of such certain date), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Parent or Buyer;

(c) Seller shall have received a certificate signed by the chief executive officer and chief financial officer of each of Parent and Buyer to the effect of Sections 5.3(a) and (b);

(d) at the Closing Date: (i) at least seventy-five percent (75%) of the members of the Investment Company Boards of any Registered Investment Company which has approved a new investment advisory contract shall not be “interested persons” (as such term is defined in the Investment Company Act) of that Acquired Company Subsidiary that will act as investment adviser to such Investment Companies following the Closing Date, or the Acquired Companies or of any of their Affiliates that was the investment adviser of any such Investment Company immediately preceding the Closing Date; and (ii) the requirements of Section 15(f)(1)(B) of the Investment Company Act shall have been complied with in that no “unfair burden” shall have been imposed on any of the Registered Investment Companies that are management investment companies as a result of this Agreement, the transactions contemplated hereunder, new Investment Company Advisory Agreements or otherwise; and

(e) Parent and/or Buyer, as applicable, shall have executed and delivered each of the Transaction Documents.

ARTICLE VI.
TERMINATION

Section 6.1 Termination. This Agreement may be terminated and the transactions set forth in Section 1.1 contemplated hereby may be abandoned at any time prior to the Closing:

(a) by the mutual written consent of Parent, Buyer and Seller;

(b) by Parent, Buyer or Seller, if a court of competent jurisdiction or other Governmental Entity shall have issued an Order or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions set forth in Section 1.1 and such Order or other action shall have become final and nonappealable;

(c) by Parent or Buyer, if Seller or GAC shall have materially breached or failed to perform any of their respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 5.2(a) or Section 5.2(b) and (B) is incapable of being cured, or is not cured, by Seller or GAC, as applicable, within thirty (30) calendar days following receipt of written notice of such breach or failure to perform from Parent or Buyer;

(d) by Seller, if Parent or Buyer shall have materially breached or failed to perform any of their respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 5.3(a) or Section 5.3(b) and (B) is incapable of being cured, or is not cured, by Parent or Buyer, as applicable, within thirty (30) calendar days following receipt of written notice of such breach or failure to perform from Seller; or

(e) by Parent or Seller, if the Closing shall not have occurred on or before the nine month anniversary of the date of this Agreement; provided, however, that the right to terminate this Agreement under this Section 6.1(e) shall not be available to any party whose failure to fulfill materially any covenant or obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date.

Section 6.2 Procedure for and Effect of Termination. In the event that this Agreement is terminated and the transactions set forth in Section 1.1 are abandoned by Parent or Buyer, on the one hand, or by Seller, on the other hand, pursuant to Section 6.1, written notice of such termination and abandonment shall forthwith be given to the other parties and this Agreement shall terminate and the transactions set forth in Section 1.1 shall be abandoned without any further action. If this Agreement is terminated as provided herein, no party hereto shall have any liability or further obligation to any other party under the terms of this Agreement except (i) with respect to the willful breach by any party hereto, and (ii) this Section 6.2, the second sentence of Section 4.2(a), Section 4.5, Article VII and Section 8.5 shall survive the termination of this Agreement.

ARTICLE VII.
INDEMNIFICATION

Section 7.1 Indemnification by Seller and GAC. Subject to the limitations set forth in Section 7.3, from and after the Closing, Seller and GAC, jointly and severally, shall indemnify, defend and hold harmless Parent, Buyer, each of their respective Affiliates and each of their respective officers, directors, employees, agents and representatives (the "Buyer Indemnified Parties") from and against any and all claims, losses, damages, liabilities, obligations or expenses, including reasonable legal fees and expenses (collectively, "Losses"), as incurred, payable promptly upon written request, to the extent arising or resulting from or relating to any of the following (except for any items relating to Taxes, which shall be governed exclusively by Section 7.5):

(a) any breach of any representation or warranty of Seller or GAC contained in this Agreement (it being agreed and acknowledged by the parties that for purposes of Parent and Buyer's right to indemnification pursuant to this Section 7.1 the representations and warranties of Seller and GAC (except for the representations and warranties set forth in (i) the second and fourth sentences in Section 2.7(a)(ii), (ii) clause (C) of the first sentence of Section 2.7(a)(iii) and (iii) the next to last sentence of Section 2.22(e)) shall be deemed not qualified by any references therein to materiality generally or to whether or not any breach results or may result in a Material Adverse Effect);

(b) any breach of any covenant of Seller and GAC contained in this Agreement;

(c) any failure by an Investment Adviser Subsidiary or a Registered Investment Company to be, or at any time since their adoption to have been, in compliance with its respective RIC Procedures; or

(d) any failure (i) by an Insurance Subsidiary to disclose in its marketing and sales materials, to the extent required by applicable Law, any of its Financial Intermediary Arrangements or (ii) of any such Financial Intermediary Arrangement to comply, or at any time to have complied, with applicable Law.

Section 7.2 Indemnification by Parent, Buyer and the Acquired Companies. Subject to the limitations set forth in Section 7.3, from and after the Closing, Parent, Buyer and the Acquired Companies shall indemnify, defend and hold harmless Seller, GAC, each of their respective Affiliates and each of their respective officers, directors, employees, agents and representatives (the "Seller Indemnified Parties") from and against any and all Losses, as incurred, payable promptly upon written request, to the extent arising or resulting from or relating to any of the following:

(a) any breach of any representation or warranty of Parent or Buyer contained in this Agreement (it being agreed and acknowledged by the parties that for purposes of Seller and GAC's right to indemnification pursuant to this Section 7.2 the representations and warranties of Parent and Buyer shall be deemed not qualified by any references therein to materiality generally or to whether or not any breach results or may result in a Material Adverse Effect); or

(b) any breach of any covenant of Parent or Buyer contained in this Agreement.

Section 7.3 Limitations on Indemnity.

(a) None of the Buyer Indemnified Parties shall be entitled to assert any right to indemnification under Section 7.1(a) until (i) each individual amount of Losses otherwise due the Buyer Indemnified Parties exceeds $250,000 (the "De Minimis Amount") (provided, that (X) the term "individual amount of Losses" shall mean each individual breach of a particular warranty and not the aggregation of individual breaches of a particular warranty into a single breach (e.g., if Seller failed to disclose five contracts under a particular warranty, and the failure to disclose any one of those contracts would be a breach, then the five contracts together would be considered multiple breaches, of which each such undisclosed contract would be an "individual amount of Loss") and (Y) for purposes of the calculation of the Loss with respect to such individual breach, a series of separate Losses caused by or resulting from the same individual breach shall be aggregated (e.g., if an individual breach causes or results in two separate Losses of $200,000 each, such Losses shall be aggregated to a sum of $400,000 for purposes of determining whether the "Loss" with respect to such individual amount is less than $250,000)) and (ii) the aggregate amount of all the Losses actually suffered by the Buyer Indemnified Parties exceeds 3.0% of the Purchase Price (the "Deductible Amount"), and then only to the extent such Losses exceed, in the aggregate, the Deductible Amount. For the avoidance of doubt, indemnification for Losses arising from breaches of any of Sections 2.7(a)(v), 2.21(b)(xxi)-(xxiv) and 2.22(1)-(n) shall not be subject to either the De Minimis Amount or to the Deductible Amount, and all such Losses shall be indemnified beginning with the first dollar of Loss. Anything in this Agreement to the contrary notwithstanding, in no event shall Seller or GAC be required to indemnify Parent, Buyer, any Acquired Company or the Buyer Indemnified Parties for Losses pursuant to Section 7.1(a) in any amount exceeding 65% of the Purchase Price (the "Cap"); provided, that the Cap shall not apply to Seller's and GAC's requirement to indemnify Parent, Buyer, any Acquired Company or the Buyer Indemnified Parties for Losses pursuant to Section 7.1(a) with respect to a breach of the representations and warranties set forth in Sections 2.1, 2.2, 2.3, 2.7(a)(v), 2.21(b)(xxi)-(xxiv) or 2.22(l)-(n), and any indemnified Losses in respect of such representations and warranties shall not count against the Cap.

(b) None of the Seller Indemnified Parties shall be entitled to assert any right to indemnification under Section 7.2(a) until (i) each individual amount of Losses otherwise due the Seller Indemnified Party exceeds the De Minimis Amount (provided, that (X) the term "individual amount of Losses" shall mean each individual breach of a particular warranty and not the aggregation of individual breaches of a particular warranty into a single breach (e.g., if Buyer failed to disclose five contracts under a particular warranty, and the failure to disclose any one of those contracts would be a breach, then the five contracts together would be considered multiple breaches, of which each such undisclosed contract would be an "individual amount of Loss") and (Y) for purposes of the calculation of the Loss with respect to such individual breach, a series of separate Losses caused by or resulting from the same individual breach shall be aggregated (e.g., if an individual breach causes or results in two separate Losses of $200,000 each, such Losses shall be aggregated to a sum of $400,000 for purposes of determining whether the "Loss" with respect to such individual amount is less than $250,000))and (ii) the aggregate amount of all the Losses actually suffered by the Seller Indemnified Parties exceeds the Deductible Amount, and then only to the extent such Losses exceed, in the aggregate, the Deductible Amount. Anything in this Agreement to the contrary notwithstanding, in no event shall Buyer be required to indemnify Seller, GAC or the Seller Indemnified Parties for Losses pursuant to Section 7.2(a) in any amount exceeding the Cap; provided, however, that no such limitations (A) shall affect Parent's and Buyer's obligation to pay the Purchase Price or (B) apply to Parent's and Buyer's obligations to indemnify Seller, GAC or the Seller Indemnified Parties for Losses pursuant to Section 7.2(a) (solely with respect to a breach of the representations and warranties set forth in Sections 3.1 or 3.2).

(c) No party hereto shall be liable to the others for indirect, special, incidental, consequential or punitive damages claimed by such other party or parties, as the case may be, resulting from such first party's breach of its representations, warranties or covenants hereunder.

(d) No Buyer Indemnified Party shall be entitled to indemnification (i) with respect to any particular Loss to the extent specific provision or reserve for such matter is made in the June Financial Statements or in the notes thereto or in an Adjustment Memorandum, as applicable or (ii) with respect to any matter that has been decided by the Accounting Expert (and which is expressly addressed as having been decided in the written findings of the Accounting Expert).

(e) Each party shall have the right to retain copies of all documents delivered or made available by or to such party or its Affiliates in connection with the transactions contemplated hereby to the extent reasonably required for the purpose of defending any claim against it under this Agreement or enforcing its rights hereunder (including making any claims or counterclaims against third parties pursuant to Section 7.4).

Section 7.4 Indemnification Procedures.

(a) Procedures Relating to Indemnification of Third Party Claims. Except as otherwise provided in this Agreement, if any party (the "Indemnified Party") receives written notice of the commencement of any action or proceeding or the assertion of any claim by a third party or the imposition of any penalty or assessment for which indemnity may be sought under Section 7.1 or 7.2 (a "Third Party Claim"), and such Indemnified Party intends to seek indemnity pursuant to this Article VII, the Indemnified Party shall promptly provide the other party or parties, as applicable (the "Indemnifying Party") with written notice of such Third Party Claim, stating the nature, basis and the amount thereof, to the extent known, along with copies of the relevant documents evidencing such Third Party Claim and the basis for indemnification sought. Failure of the Indemnified Party to give such notice will not relieve the Indemnifying Party from liability on account of this indemnification, except if and to the extent that the Indemnifying Party is actually prejudiced thereby. The Indemnifying Party will have thirty (30) days from receipt of any such notice of a Third Party Claim to give notice to assume the defense thereof. If notice to the effect set forth in the immediately preceding sentence is given by the Indemnifying Party, the Indemnifying Party will have the right to assume the defense of the Indemnified Party against the Third Party Claim with counsel of its choice. The Indemnifying Party shall be liable for the fees and expenses of counsel employed by the Indemnified Party for any period during which the Indemnifying Party has not assumed the defense thereof after notice to the Indemnified Party. So long as the Indemnifying Party has assumed the defense of the Third Party Claim in accordance herewith, (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (ii) the Indemnified Party will not file any papers or consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party and (iii) the Indemnifying Party will not (A) admit to any wrongdoing or (B) consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim to the extent such judgment or settlement provides for equitable relief, in each case, without the prior written consent of the Indemnified Party (such written consent will not be withheld or delayed unreasonably). The parties will use commercially reasonable efforts to minimize Losses from Third Party Claims and will act in good faith in responding to, defending against, settling or otherwise dealing with such claims. The parties will also cooperate in any such defense and give each other reasonable access to all information relevant thereto. Whether or not the Indemnifying Party has assumed the defense, such Indemnifying Party will not be obligated to indemnify the Indemnified Party hereunder for any settlement entered into or any judgment that was consented to without the Indemnifying Party's prior written consent. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of any Third Party Claim (and shall be liable for the reasonable fees and expenses of counsel incurred by the Indemnified Party in defending such Third Party Claim) if the Third Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnified Party that the Indemnified Party reasonably determines, after conferring with its outside counsel, cannot be separated from any related claim for money damages. If such equitable relief or other relief portion of the Third Party Claim can be so separated from that for money damages,

the Indemnifying Party shall be entitled to assume the defense of the portion relating to money damages.

(b) Procedures for Non-Third Party Claims. Except as otherwise provided in this Agreement, the Indemnified Party will notify the Indemnifying Party in writing promptly of its discovery of any matter that does not involve a Third Party Claim being asserted against or sought to be collected from the Indemnified Party, giving rise to the claim of indemnity pursuant hereto. The failure so to notify the Indemnifying Party shall not relieve the Indemnifying Party from liability on account of this indemnification, except only if and to the extent that the Indemnifying Party is actually prejudiced thereby. The Indemnifying Party will have thirty (30) days from receipt of any such notice to give notice of dispute of the claim to the Indemnified Party. The Indemnified Party will reasonably cooperate and assist the Indemnifying Party in determining the validity of any claim for indemnity by the Indemnified Party and in otherwise resolving such matters. Such assistance and cooperation will include providing reasonable access to and copies of information, records and documents relating to such matters, furnishing employees to assist in the investigation, defense and resolution of such matters and providing legal and business assistance with respect to such matters. If the Indemnifying Party does not notify the Indemnified Party within such thirty (30) day period that the Indemnifying Party disputes its liability to the Indemnified Party under Section 7.1 or 7.2, such claim specified by the Indemnified Party in such notice shall be conclusively deemed a liability of the Indemnifying Party under Section 7.1 or 7.2 and the Indemnifying Party shall pay the amount of such liability to the Indemnified Party on demand or, in the case of any notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined.

(c) For purposes of this Article VII, all Losses (x) shall be computed net of (i) any Tax benefit resulting therefrom to the Indemnified Party, (ii) any amounts actually recovered by the Indemnified Party under insurance policies with respect thereto and (iii) any amounts actually recovered from third parties based on claims the Indemnified Party has against such third parties which reduce the Losses sustained by such Indemnified Party; provided, however, that, in all cases, the timing of the receipt or realization of insurance proceeds or Tax benefits or Tax costs or recoveries from third parties shall be taken into account in determining the amount of reduction of Losses that is not considered a purchase price adjustment, and (y) shall be increased to take account of any net Tax cost incurred by the Indemnified Party arising from the receipt of indemnity payments hereunder (grossed up for such increase).

(d) Each party shall cooperate with the other with respect to resolving any claim or liability with respect to which one party is obligated to indemnify the other party hereunder, including by using commercially reasonable efforts to mitigate or resolve any such claim or liability; provided, however, that such party shall not be required to make such efforts if they would be detrimental in any material respect to such party.

(e) Buyer and Parent agree that prior to any Buyer Indemnified Party submitting a claim for indemnification for Losses arising or resulting from or relating to

any breach of the representations set forth in any of (i) the second or fourth sentences of Section 2.7(a)(ii), (ii) clause (C) of the first sentence of Section 2.7(a)(iii) or (iii) the next to last sentence of Section 2.22(e) (collectively, the "SAP Reps")) pursuant to Section 7.1:

(A) the parties shall mutually agree upon an accounting professional with significant experience in the life insurance company accounting field (the "Reviewer"), or if the parties cannot mutually agree upon a Reviewer the parties will mutually request that the American Arbitration Association (the "AAA") select an appropriate reviewer for them (and the parties shall share equally any fees of the AAA and the Reviewer resulting from such request);

(B) Buyer shall submit to the Reviewer and Seller within 15 days after the selection of the Reviewer a written letter summarizing why it reasonably believes that there has been a breach of a SAP Rep by Seller or GAC;

(C) At its option, Seller may submit to the Reviewer and Buyer within a time period to be selected by the Reviewer (but in no event longer than 30 days after the selection of the Reviewer) a written letter summarizing its position in response to Buyer's letter;

(D) the Reviewer shall review the bases for the Buyer's claim that there has been a breach of a SAP Rep and shall within a reasonable time (but in no event more than 20 days after submission of any letter by Seller) issue a written statement (the "Reviewer Conclusion") stating whether the Reviewer believes that it is reasonably likely that there has been a breach by Seller or GAC of a SAP Rep.

If the Reviewer Conclusion states that the Reviewer believes that it is reasonably likely that there has been a breach by Seller or GAC of a SAP Rep, then the applicable Buyer Indemnified Party may submit its claim for indemnification for Losses arising or resulting from or relating to such breach pursuant to Section 7.1.

Section 7.5 Tax Indemnity. Notwithstanding anything in this Agreement to the contrary, Seller and GAC shall, jointly and severally, indemnify, defend and hold harmless the Buyer Indemnified Parties from (i) all liability for Taxes of the Acquired Companies with respect to any Pre-Closing Tax Period, (ii) all liability for Taxes of any person with whom any of the Acquired Companies or their Subsidiaries joins or has ever joined in filing any affiliated, consolidated, combined or unitary Tax Return prior to the Closing Date, (iii) all Losses with respect to the breaches of representations and warranties set forth in Sections 2.19, 2.21(b)(xvii) through 2.21(b)(xx), 2.22(c) and 2.22(d) and the covenants set forth in Sections 4.8, 4.10(f) and 4.10(g) and (iv) all liability for reasonable legal fees and expenses attributable to any item described in clauses (i) through (iii). It is agreed and acknowledged by the parties that for purposes of Seller and GAC's right to indemnification pursuant to clause (iii) of the preceding sentence of this Section 7.5, the representations and warranties of Seller and GAC set forth in Section 2.19 shall be deemed not qualified by any references therein to materiality generally or to whether or not any breach results or may result in a Material Adverse Effect. For the avoidance of doubt, the limitations set forth in Section 7.3 shall not apply to indemnification under this Section 7.5; provided, however, that no Buyer Indemnified Party shall be entitled to indemnification pursuant to this Section 7.5 (i) with respect to any Tax to the extent specific provision or reserve for such Tax is made in the June Financial Statements or in the notes thereto or in an Adjustment Memorandum, as applicable or (ii) with respect to any matter that has been decided by the Accounting Expert (and which is expressly addressed as having been decided in the written findings of the Accounting Expert).

Section 7.6 Survival and Time Limitation. The representations, warranties and other terms and provisions of this Agreement and any certificate delivered pursuant hereto shall survive the Closing of the transactions contemplated hereunder. Notwithstanding the foregoing, after Closing, any assertion by Parent or Buyer or any Buyer Indemnified Party that Seller or GAC is liable to Parent, Buyer or any Buyer Indemnified Party for indemnification under Section 7.1(a) of this Agreement must be made in writing and must be given to Seller and GAC (or not at all) on or prior to the 12 month anniversary of the Closing Date, except (a) for indemnification for matters addressed in Sections 2.7(a)(v), 2.18, 2.19, 2.20, 2.21(b)(xxi)-(xxiv), 2.22(1)-(n) and 7.5, which must be made in writing and must be given to Seller and GAC (or not at all) on or prior to the date that is ninety (90) days after the date on which the applicable statute of limitations expires with respect to the matters covered thereby and (b) for indemnification for breaches of the representations and warranties contained in Sections 2.1, 2.2 and 2.3, which must be made in writing and may be given to Seller and GAC at any time after the Closing Date without limitation. After Closing, any assertion by Seller or GAC or any Seller Indemnified Party that Parent or Buyer is liable to Seller, GAC or any Seller Indemnified Party for indemnification under Section 7.2(a) of this Agreement or the certificate delivered in respect of Section 5.2(a) of this Agreement must be made in writing and must be given to Buyer and Parent (or not at all) on or prior to the 12 month anniversary of the Closing Date, except for indemnification for breaches of the representations and warranties contained in Sections 3.1 and 3.2, which must be made in writing and may be given to Buyer and Parent at any time after the Closing Date without limitation.

Section 7.7 Sole and Exclusive Remedy. **Except in all cases for claims of, or causes of action arising from, fraud, bad faith or willful misconduct, From and after the Closing, the indemnification provisions of this Article VII shall be the sole and exclusive right and remedy of each party (including the Seller Indemnified Parties and the Buyer Indemnified Parties) (i) for any breach of the other party's representations, warranties, covenants, or agreements contained in this Agreement or (ii) otherwise with respect to this Agreement or the transactions contemplated hereby, and the parties waive the right to all other remedies; provided, however, that nothing set forth in this Section 7.7 shall be deemed to prohibit or otherwise limit either party's right at any time before, on or after the closing date, to seek injunctive or equitable relief for the failure of the other party to perform any covenant or agreement set forth herein.**

Section 7.8 Treatment of Indemnification Payments. All indemnification payments made pursuant to this Article VII shall be treated by the parties as adjustments to the Purchase Price unless otherwise required by applicable law.

ARTICLE VIII.
MISCELLANEOUS

Section 8.1 Amendment and Modification. This Agreement may be amended, modified or supplemented, only by a written agreement signed by each of the parties hereto.

Section 8.2 Waiver of Compliance; Consents. Any failure of Parent or Buyer, on the one hand, or Seller, on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by Seller or Parent or Buyer, respectively, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 8.2.

Section 8.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by telecopier (with a confirmed receipt thereof) or registered or certified mail (postage prepaid, return receipt requested), and on the next Business Day when sent by overnight courier service, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent, to:

White Mountains Insurance Group, Ltd.
80 South Main Street
Hanover, NH 03755
Attention: Robert Seelig, General Counsel
Facsimile: 603-643-4592

and with a copy to:

Cravath Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7475
Attention: Philip A. Gelston and Faiza J. Saeed
Facsimile: 212-474-3700

(b) if to Buyer, to:

Occum Acquisition Corp.
370 Church Street
Guilford, CT 06437
Attention: Reid Campbell, Treasurer
Facsimile: 203-458-0754

with a copy to:

White Mountains Insurance Group, Ltd.
80 South Main Street
Hanover, NH 03755
Attention: Robert Seelig, General Counsel
Facsimile: 603-643-4592

and with a copy to:

Cravath Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7475
Attention: Philip A. Gelston and Faiza J. Saeed
Facsimile: 212-474-3700

(c) if to Seller or GAC to:

Safeco Corporation
Safeco Plaza
4333 Brooklyn Avenue NE
Seattle, WA 98185
Attention: James W. Ruddy, Senior Vice President and General Counsel
Facsimile: 206-545-5559

with a copy to:

Latham & Watkins LLP
Sears Tower – Suite 5800
233 South Wacker Drive

Chicago, IL 60606
Attention: Michael D. Levin
Facsimile: 312-993-9767

Section 8.4 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties; provided, however, that the rights (but not the obligations) of Buyer may be transferred to any direct or indirect wholly owned subsidiary of Parent with an appropriate amendment to this Agreement.

Section 8.5 Expenses. Whether or not the transactions set forth in Section 1.1 are consummated, all fees, charges and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees, charges or expenses, except as set forth in the following sentence. The Seller shall pay the following costs and expenses of the transactions contemplated hereby to the extent incurred prior to the Closing: (i) any third-party assignment penalties or premiums (whether imposed in the form of fees, penalties, assessments, loss of servicing income, or otherwise) and (ii) all other external costs incurred in securing third party consents, including all costs related to the preparation (including, but not limited to, legal fees), printing and mailing of proxies and all proxy solicitation expenses with respect to the Registered Investment Companies.

Section 8.6 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the state of New York applicable to agreements made and to be performed entirely within such state, without regard to the choice of law principles thereof.

Section 8.7 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 8.8 Interpretation.

(a) The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. The parties are sophisticated, represented by counsel and jointly have participated in the negotiation and drafting of this Agreement and there shall be no presumption or burden of proof favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(b) (i) Seller and Buyer acknowledge that all references to specific line items within any of the definitions referred to in the defined term "June Adjusted Statutory Book Value" (other than the defined term "Book Value of Certain Non-Admitted Assets" and the definitions referred to in such defined term) were created on the basis of line items set forth in the audited statutory statement of the applicable Insurance Company as of December 31, 2003. In the event that the title of any line item in the audited statutory statements of the Insurance Companies as of June 30, 2004 has changed from the titling in the audited statutory statements of one or more Insurance Companies as of December 31, 2003, a parallel change shall be deemed to have been made in all line item references described in the preceding sentence to which such labeling change would be applicable, with the intent that the values and amounts described by such line item references shall remain consistent between the two sets of audited statutory statements.

(ii) Seller and Buyer acknowledge that all references to specific line items within any of the definitions referred to in the defined term "Book Value of Certain Non-Admitted Assets" were created on the basis of line items set forth in the statutory annual statement of the applicable Insurance Company as of December 31, 2003. In the event that the title of any line item in the quarterly statutory statements of the Insurance Companies as of June 30, 2004 has changed from the titling in the December 31, 2003 annual statements of one or more Insurance Companies, a parallel change shall be deemed to have been made in all line item references described in the preceding sentence to which such labeling change would be applicable, with the intent that the values and amounts described by such line item references shall remain consistent between the two sets of statements.

Section 8.9 Entire Agreement. This Agreement (including the schedules, exhibits, documents or instruments referred to herein), the other Transaction Documents and the Confidentiality Agreement embody the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof and supersede all prior agreements and understandings, both written and oral, among the parties, or between any of them, with respect to the subject matter hereof and thereof. There are no restrictions, promises, representations, warranties, agreements or undertakings whatsoever with respect to the transactions contemplated by this Agreement, the other Transaction Documents or the Confidentiality Agreement, other than those expressly set forth herein or therein.

Section 8.10 No Third Party Beneficiaries. This Agreement is not intended to, and does not, create any rights or benefits of any party other than the parties hereto.

Section 8.11 Severability. If any provision of this Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof (or the remaining portion thereof) or the application of such provision to any other Persons or circumstances. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

Section 8.12 Consent to Jurisdiction. Each party irrevocably submits to the exclusive jurisdiction of (a) the New York State Supreme Court sitting in the borough of Manhattan, and (b) the United States District Court for the Southern District of New York sitting in the borough of Manhattan, for the purposes of any suit, action or other proceeding arising out of this Agreement, any Transaction Document or any transaction contemplated hereby or thereby. Each of Parent, Buyer, Seller and GAC further agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth above shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section 8.12. Each of Parent, Buyer, Seller and GAC irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement, any Transaction Document or the transactions contemplated hereby and thereby in (i) the New York State Supreme Court sitting in the borough of Manhattan, or (ii) the United States District Court for the Southern District of New York sitting in the borough of Manhattan, and hereby and thereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

Section 8.13 WAIVER OF JURY TRIAL. EACH PARTY HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER TRANSACTION DOCUMENTS, OR ANY COURSE OF CONDUCT, COURSE OF DEALING OR STATEMENT (WHETHER VERBAL OR WRITTEN) RELATING TO THE FOREGOING. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT.

ARTICLE IX.
DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings ascribed to them in this Article IX:

"AAA" is defined in Section 7.4(e).

"Accounting Expert" is defined in Section 1.4(d).

"Acquired Company" is defined in the recitals.

"Acquired Company Employee" means each (i) employee of an Acquired Company on the Closing Date, whether or not such employee is actively at work on such day including any employees who are on military leave, disability, worker's compensation or any other leave of absence, whether or not paid, and (ii) each Bank Channel Employee who actually becomes an employee of Buyer or an Acquired Company pursuant to Section 4.6(h).

"Acquired Company Plans" means each Plan that is maintained or sponsored solely by an Acquired Company for its current and/or former employees.

"Acquired Company Proprietary Rights" means all Proprietary Rights owned by the Acquired Companies.

"Adjustment Memorandum" is defined in Section 1.4(c).

"Adjustment Note" is defined in Section 1.4(g).

"Admitted Statutory Deferred Tax Asset" means the total of the values set forth as 'Net deferred tax asset' in the audited statutory statement as of June 30, 2004 of each of Safeco Life Insurance Company, American States Life Insurance Company, Safeco National Life Insurance Company and First Safeco National Life Insurance Company of New York.

"Advisory Agreement" means, with respect to any Person, each Contract or Other Agreement relating to its rendering of investment management, investment advisory, management, administration or any other services to a Client, including any sub-advisory or similar agreement.

"Affiliate," with respect to any Person, shall mean any Person controlling, controlled by or under common control with such Person and shall also include any Person 10% or more of whose outstanding voting power is owned by the specified Person either directly or indirectly through subsidiaries.

"Affiliated Group" means Seller, the Acquired Companies and each other member of the affiliated group of corporations that includes Seller within the meaning of Section 1504 of the Code.

"Agreed Accounting Policies" is defined in Section 1.4(a).

"Agreement" is defined in the preamble.

"Asset Management Business" means the business conducted by those Acquired Companies that are Investment Advisor Subsidiaries or Broker/Dealer Subsidiaries.

"Asset Valuation Reserve" means the total of the values set forth as 'Asset valuation reserve' in the audited statutory statements as of June 30, 2004 of each of Safeco Life Insurance Company, American States Life Insurance Company, Safeco National Life Insurance Company and First Safeco National Life Insurance Company of New York.

"Bank Channel Employee" means each employee set forth on Schedule 4.6(h).

"Book Value of Certain Non-Admitted Assets" is the total of the values of all non-admitted assets as of June 30, 2004 as reflected in the Quarterly Statutory Statement, Page 2, Column 2 of each of Safeco Life Insurance Company, Safeco National Life Insurance Company and First Safeco National Life Insurance Company of New York, but excluding (i) Intangible Assets and (ii) the Non-Admitted Statutory Deferred Tax Asset.

"Broker/Dealer Subsidiaries" is defined in Section 2.7(b).

"Business Day" means any day which is not a Saturday, Sunday, or legal holiday recognized by the United States of America.

"Business Employee" means each employee of an Acquired Company and each Bank Channel Employee.

"Buyer" is defined in the preamble.

"Buyer Indemnified Parties" is defined in Section 7.1.

"Buyer Intellectual Property License" is defined in Section 1.3(a)(iii).

"Buyer's Group Welfare Plans" is defined in Section 4.6(d).

"Buyer's Retirement Plan" is defined in Section 4.6(c).

"Cap" is defined in Section 7.3(a).

"Client" means, with respect to any Person, each Investment Company and each other Person for which such Person or any of its Subsidiaries is a Service Provider.

"Client Contracts" is defined in Section 2.21(a)(ii).

"Closing" is defined in Section 1.2.

"Closing Consideration" is defined in Section 1.3(b)(i).

"Closing Date" is defined in Section 1.2.

"COBRA" is defined in Section 4.6(a).

"Code" means the Internal Revenue Code of 1986, as amended.

"Combined Return" is a Seller Tax Return for any Taxes imposed by a state, local or foreign Tax authority for which Seller or any Affiliate of Seller other than the Acquired

Companies files with any of the Acquired Companies on a consolidated, combined or unitary basis.

"Commonly Controlled Entity" is defined in Section 2.20(a).

"Company Forms" is defined in Section 2.22(a).

"Competitive Activities" is defined in Section 4.20(a).

"Confidentiality Agreement" is defined in Section 4.2(a).

"Constituent Documents" means, with respect to any corporation, its charter and by-laws; with respect to any partnership, its certificate of partnership and partnership agreement; with respect to any limited liability company, its certificate of formation and limited liability

company or operating agreement; with respect to any trust, its declaration or agreement of trust; and with respect to each other Person, its comparable constitutional instruments or documents; together in each case, with all material consents and other instruments delegating authority pursuant to such Constituent Documents.

"Contracts or Other Agreements" is defined in Section 2.4.

"De Minimis Amount" is defined in Section 7.3(a).

"December Financial Statements" is defined in Section 1.4(a).

"Deductible Amount" is defined in Section 7.3(a).

"delivered" shall include delivery by means of computer disk, CD-ROM, electronic mail, facsimile, hand deliveries, messenger or other courier service.

"Environmental Claim" means any and all administrative, regulatory or judicial actions, suits, orders, demands, directives, claims, liens, investigations, proceedings or written notices of violation by or from any Person alleging liability of whatever kind or nature arising out of, based on or resulting from (y) the presence or release of, or exposure to, any Hazardous Materials at any location; or (z) the failure to comply with any Environmental Law.

"Environmental Laws" means all applicable federal, state, local and foreign laws, rules, regulations, orders, decrees, judgments, legally binding agreements or Environmental Permits issued, promulgated or entered into by or with any Governmental Entity, relating to pollution, natural resources or protection of endangered or threatened species, human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata).

"Environmental Permit" means all permits, licenses and governmental authorizations pursuant to Environmental Law.

"Equity Interest" means, with respect to any Person, any share of capital stock of, general, limited or other partnership interest, membership interest or similar ownership interest under the laws of a jurisdiction outside the United States, in such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Plans" is defined in Section 2.7(c).

"Excess Capital Dividend" is defined in Section 4.1(c).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Value" of an asset shall be the value for such asset calculated by Seller using assumptions and methodologies consistent with those assumptions and methodologies utilized to calculate the amounts included in Schedule 4.15, with the exception that instead of

using the December 31, 2003 yield curve for such calculation, the treasury yield curve as of the date of the sale will be used in the calculation.

"Fair Value of the Sold Assets" is defined as the total of the Fair Value amounts calculated at the time of sale for each Sold Asset.

"Financial Intermediary Arrangements" is defined in Section 2.22(l).

"Financing" is defined in Section 3.6.

"Fund Agreements" is defined in Section 2.21(b)(vi).

"Fund Reports" is defined in Section 2.21(b)(iv).

"GAAP" shall mean generally accepted accounting principles in the United States in effect as of the date of the most recent balance sheet included within the GAAP Financial Statements delivered to Parent and Buyer.

"GAAS" is defined in Section 1.4(a).

"GAC" is defined in the preamble.

"Goldman Sachs" is defined in Section 2.11.

"Governmental Entity" means any foreign, federal, state, municipal, local or other governmental department, commission, board, bureau, agency or instrumentality or court of competent jurisdiction or any governmental or non-governmental self-regulatory organization, agency or authority (including the National Association of Securities Dealers, Inc., the Commodities and Futures Trading Commission, the National Futures Association and the National Association of Insurance Commissioners.

"Hazardous Materials" means (y) any petroleum or petroleum products, radioactive materials or wastes, asbestos in any form and polychlorinated biphenyls; and (z) any other chemical, material, substance or waste that in relevant form or concentration is prohibited, limited or regulated under any Environmental Law.

"HIPAA" is defined in Section 2.22(o).

"HSR Act" is defined in Section 2.5.

"including" shall, unless the context clearly requires otherwise, mean including but not limited to the items or things following such term.

"Indemnified Party" is defined in Section 7.4(a).

"Indemnifying Party" is defined in Section 7.4(a).

"Initial Adjustment Amount" is defined in Section 1.4(g).

"Insurance Subsidiaries" is defined in Section 2.7(a)(i).

"Insurance Subsidiaries HIPAA/Privacy Plan" is defined in Section 2.22(o).

"Insurance Subsidiary Statements" shall mean (a) audited statutory financial statements (including any exhibits or schedules thereto) filed in each Insurance Subsidiary's state of domicile for the year 2003 and (b) the annual and quarterly statutory financial statements (including any exhibits or schedules thereto) filed in each Insurance Subsidiary's state of domicile for all years and quarters ending thereafter and prior to the Closing for each Insurance Subsidiary.

"Intangible Assets" means the total of the values set forth as 'Intangible Assets' included as an Aggregate Write-in on Page 2, Column 2, line 2302 of the Quarterly Statutory Statement as of June 30, 2004 of each of Safeco Life Insurance Company, American States Life Insurance Company, Safeco National Life Insurance Company and First Safeco National Life Insurance Company of New York.

"Investment Adviser Subsidiary" is defined in Section 2.7(c).

"Investment Advisers Act" means the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"Investment Company" means an investment company, as such term is defined in the Investment Company Act (including any entity that, although an investment company, is exempt from registration as an investment company under such Act). When used herein without reference to a specified Person, "Investment Company" refers to any Investment Company for which any of the Acquired Companies acts as a Service Provider.

"Investment Company Act" means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

"Investment Company Advisory Agreement" means any Advisory Agreement to which an Investment Company is a party.

"Investment Company Board" or "Board" means the board of directors or trustees (or persons performing similar functions) of an Investment Company.

"Investment Company Financial Statements" is defined in Section 2.21(b)(ii).

"Investment Guidelines" means the Safeco Corporation Investment Policies and Guidelines adopted as of November 5, 2001, effective as of January 1, 2002, as amended and restated on August 7, 2002, as delivered to Buyer prior to the date of this Agreement.

"Investment Portfolio" means all investments, including stocks, bonds, cash and limited partnership interests, owned, directly or indirectly, by the Affiliated Group for the benefit of the Acquired Companies, other than shares in any Acquired Company.

"IP Side Letters" is defined in Section 4.1(z).

"IRS" means the Internal Revenue Service.

"June Adjusted Statutory Book Value" is the total of (i) Statutory Capital and Surplus plus (ii) the Asset Valuation Reserve minus (iii) the Admitted Statutory Deferred Tax Asset plus (iv) the Book Value of Certain Non-Admitted Assets plus (v) a Mark to Market Adjustment.

"June Financial Statements" is defined in Section 1.4(a).

"knowledge" with respect to Seller, shall mean the actual knowledge of Christine Mead, James Ruddy, Roger Harbin, Michael Kinzer, Michael Murphy and Randall Talbot.

"Law" means any applicable statute, law (including common law), ordinance, regulation, rule, ruling, order, writ, injunction, decree, or other official enactment of or by any Governmental Entity.

"Lease" is defined in Section 2.16(b).

"Lease Agreement" is defined in Section 1.3(a)(v).

"Leased Property" is defined in Section 2.16(b).

"Lien" means any lien, security interest, charge, claim, mortgage, deed of trust, warrant, purchase right, lease, or other encumbrance.

"Life and Annuity Contracts" means all group health and medical, life insurance, annuity and endowment contracts and other contracts and agreements typically considered part of the group health and medical or life lines of insurance, which contracts and agreements shall have been sold, arranged delivered, issued for delivery, assumed, coinsured, whether on a modified coinsurance basis or otherwise, or reinsured by any Acquired Company at any time prior to the Closing, including without limitation all group life and health contracts, all individual and group term, whole, universal, variable, universal variable and other life insurance policies, all individual and group endowment and modified endowment contracts, all individual and group disability insurance products, all individual and group fixed, variable and other annuity contracts, all guaranteed investment contracts, all funding agreements, all other agreements issued by, against or funded by the general or separate account of any life insurance company which is an Acquired Company, and, with respect to the aforesaid group insurance and annuity contracts, all certificates and employer participation agreements in effect and issued under such policies, and all reinstatements of such policies, contracts, certificates and agreements required to be made at any time after the Closing, and all such policies, contracts, certificates and agreements sold, arranged, delivered, issued, assumed, coinsured or reinsured by any Acquired Company after the Closing pursuant to the exercise of options or operation of agreements or arrangements in effect prior to the Closing (including, in each case, all supplements, endorsements, riders and ancillary agreements in connection therewith).

"Life Insurance Contract" means all individual and group term, whole, universal, variable, universal variable and other life insurance policies.

"Losses" is defined in Section 7.1.

"Mark to Market Adjustment" is defined as 3% of the sum of (i) Statutory Capital and Surplus plus (ii) the Asset Valuation Reserve.

"Material Adverse Effect," with respect to the Acquired Companies, means any (i) change, (ii) effect, (iii) event, (iv) occurrence or (v) development or developments, which individually or in the aggregate, would reasonably be expected to result in any change or effect, that (A) is materially adverse to the business, financial condition, properties, assets, liabilities (contingent or otherwise) or results of operations of the Acquired Companies, taken as a whole, or (B) would reasonably be expected to prevent or materially delay the consummation by Seller or GAC, as applicable, of the transactions contemplated by this Agreement and the other Transaction Documents; provided, however, that none of the following shall be deemed, either alone or in combination, to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (i) changes in Laws, rules or regulations of general applicability or interpretations thereof by Governmental Entities, in each case after the date hereof, (ii) changes, after the date hereof, in applicable GAAP or SAP, (iii) actions or omissions of a party to this Agreement taken with the prior written consent of the other party to this Agreement and (iv) changes, after the date hereof, generally affecting (x) any of the industries in which the Acquired Companies conduct their business, so long as the changes in such industries do not disproportionately impact (other than as a result of the volume of business transacted) the Acquired Companies or (y) general economic and financial market conditions in the United States (including movements in interest rates).

"Material Adverse Effect," with respect to Parent or Buyer, means any (i) change, (ii) effect, (iii) event, (iv) occurrence or (v) development or developments, which, individually or in the aggregate, would reasonably be expected to prevent or materially delay the consummation by Parent or Buyer, as applicable, of the transactions contemplated by this Agreement and the other Transaction Documents.

"Material Contract" is defined in Section 2.10(b).

"MEC" is defined in Section 2.22(c).

"Milliman" is defined in Section 2.11.

"Multiemployer Plan" is defined in Section 2.20(f).

"NASD" is defined in Section 2.7(b).

"NASD Regulations" means the Conduct Rules of the NASD (Rules 2000 through 3420).

"NAV" is defined in Section 2.21(b)(xxi).

"Non-Admitted Statutory Deferred Tax Asset" means the total of the values set forth in Page 2, Column 2, line 15.2 of the Quarterly Statutory Statement as of June 30, 2004 of each of Safeco Life Insurance Company, American States Life Insurance Company, Safeco

National Life Insurance Company and First Safeco National Life Insurance Company of New York.

"Non-Insurance Financial Statements" is defined in Section 2.6.

"Objection Period" is defined in Section 1.4(b).

"Objection Notice" is defined in Section 1.4(b).

"Orders" is defined in Section 2.9.

"Parent" is defined in the preamble.

"PBGC" is defined in Section 2.20(g).

"Pension Plan" is defined in Section 2.20(a).

"Person" shall mean and include an individual, a partnership, a joint venture, a limited liability company, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

"Plans" is defined in Section 2.20(a).

"Policy" is defined in Section 2.22(c).

"Policy Owner" is defined in Section 2.22(c).

"Post-Closing Adjustment Amount" is defined in Section 1.4(f).

"Post-Closing Tax Period" means any Tax Period beginning after the Closing Date and the portion of any Straddle Period beginning after the Closing Date.

"Pre-Closing Tax Period" means any Tax period ending on or before the Closing Date and the portion ending on the Closing Date of any Straddle Period including operations through the Closing Date.

"Proceeding" is defined in Section 2.9.

"Proprietary Rights" means patents, registered and common law trademarks, trade secrets, and registered and unregistered copyrights.

"Purchase Price" is defined in Section 1.4(f).

"Qualified Contract" means a Life & Annuity Contract issued in connection with a plan or arrangement intended to qualify for tax treatment under Section 401(a), 403(a), 403(b), 408, 408A or 457 of the Code.

"Quarterly Statutory Statement" means the quarterly statutory financial statements of the named entity as filed with the applicable state insurance regulator for the quarter ending June 30, 2004.

"Registered Investment Company" means an Investment Company registered under the Investment Company Act.

"Registered Separate Account" is defined in Section 2.22(g).

"Related Contracts" means a Life and Annuity Contract or other contract, in each case entered into in the ordinary course of business, that is used in conjunction with a Life and Annuity Contract and that is (i) a surety bond guaranteeing performance of Safeco Assigned Benefits Service Company; (ii) a qualified assignment between Safeco Assigned Benefits Service Company and various Safeco Property & Casualty Subsidiaries; (iii) a non-qualified assignment between Safeco National Life Insurance Company and various Safeco Property & Casualty Subsidiaries; (iv) a single premium immediate annuity purchased from Safeco Life Insurance Company by various Safeco Property & Casualty Subsidiaries; (v) an Administrative Agreement between Safeco Life Insurance Company and various Safeco Property & Casualty Subsidiaries allowing Safeco Life Insurance Company to make certain administrative decisions and take certain actions on unassigned structured settlement annuity contracts owned by the Safeco Property & Casualty Subsidiaries; or (vi) a single premium group annuity purchased by Safeco Corporation from Safeco Life Insurance Company designed to provide periodic payments to certain retirees of American States Insurance Company.

"Relevant Entities" is defined in Section 4.10(b)(i).

"Remediation Plan" is defined in Section 4.10(g)(ii).

"Required Licenses" is defined in Section 2.17 (a).

"Restraints" is defined in Section 5.1(a).

"Reviewer" is defined in Section 7.4(e).

"Reviewer Conclusion" is defined in Section 7.4(e).

"RIC Procedures" is defined in Section 2.21(b)(xxi).

"Sale Price of the Sold Assets" is defined as the net proceeds from the sale of the Sold Assets received by the Acquired Companies, without reflecting the impact of any taxes due or paid as a result of such sale.

"SAP" is defined in Section 2.7(a)(ii).

"SAP Reps" is defined in Section 7.4(e).

"SEC" means the Securities and Exchange Commission, and any successor thereto.

"SEC Documents" is defined in Section 2.7(c).

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Securities Laws" means the Securities Act, the Exchange Act, the Investment Company Act, the Investment Advisors Act and the state "blue sky" laws, and the rules and regulations promulgated thereunder.

"Seller" is defined in the preamble.

"Seller Disclosure Letter" is defined in Article II.

"Seller Indemnified Parties" is defined in Section 7.2.

"Seller Plan" means each Plan other than an Acquired Company Plan.

"Seller's Retiree Plans" is defined in Section 4.6(d).

"Seller's Retirement Plans" is defined in Section 4.6(c).

"Service Provider" means any Person who acts as investment manager, administrator, general partner, managing member or similar controlling person, investment advisor, subadviser or distributor or provider of other services.

"Separate Account" is defined in Section 2.22(e).

"Shares" is defined in the recitals.

"SIS" means Safeco Investment Services, Inc., a Washington corporation and a wholly owned subsidiary of GAC.

"Sold Assets" is defined in Section 4.15(a).

"Statutory Capital and Surplus" means the value set forth as 'Total capital and surplus' in the audited statutory financial statements as of June 30, 2004 of Safeco Life Insurance Company.

"Straddle Period" means any Tax period beginning before and ending after the Closing Date.

"Subsidiary," with respect to any Person, shall mean any corporation 50% or more of the outstanding voting power of which, or any partnership, joint venture, limited liability company or other entity 50% or more of the total equity interest of which, is directly or indirectly owned by such Person. For purposes of this Agreement, all references to "Subsidiaries" of a Person shall be deemed to mean "Subsidiary" if such Person has only one subsidiary.

"Target Statutory Book Value" means $1.15 billion.

"Taxes" shall mean all taxes of any kind, including, without limitation, those on or measured by or referred to as income, gross receipts, sales, use, ad valorem, franchise, profits, license, value added, property or windfall profits taxes, customs, duties or similar fees, assessments or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any governmental authority, domestic or foreign.

"Tax Return" shall mean any return, report or statement required to be filed with any governmental authority with respect to Taxes.

"Third Party Claim" is defined in Section 7.4(a).

"Third Party Reinsurance Contracts" is defined in Section 2.23.

"Transaction Documents" is defined in Section 1.3(b)(iv).

"Transfer Taxes" is defined in Section 1.5.

"Transition Services Agreement" is defined in Section 1.3(a)(ii).

"Transitional Trademark License" is defined in Section 1.3(a)(iv).

"12b-1 Plan" is defined in Section 2.21(b)(vi).

"Welfare Plan" is defined in Section 2.20(a).

* * *

IN WITNESS WHEREOF, Parent, Buyer, Seller and GAC have caused this Agreement to be signed by their respective duly authorized officers as of the date first above written.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

By:

Its:

OCCUM ACQUISITION CORP.

By:

Its:

SAFECO CORPORATION

By:

Its:

GENERAL AMERICA CORPORATION

By:

Its:

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
SYMETRA FINANCIAL CORPORATION

ARTICLE I

The corporation was initially incorporated under Delaware law on February 25, 2004 under the name Occum Acquisition Corp. by the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware. The Certificate of Incorporation was amended on July 27, 2004 to change the corporation's name from Occum Acquisition Corp. to Symetra Financial Corporation, effective August 2, 2004, and was last amended and restated November 7, 2007. This Amended and Restated Certificate of Incorporation of the corporation, which both further amends and restates the provisions of the corporation's Certificate of Incorporation, was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "DGCL") and by the written consent of its stockholders in accordance with Section 228 of the DGCL. The Certificate of Incorporation of the corporation is hereby amended and restated to read in its entirety as follows:

ARTICLE II

The name of the corporation is Symetra Financial Corporation (hereinafter called the "Corporation").

ARTICLE III

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of the registered agent at such address is The Corporation Trust Company.

ARTICLE IV

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE V

Section 5.01. Capital Stock. The total number of shares of capital stock that the Corporation shall have authority to issue is seven hundred and sixty million (760,000,000) shares, consisting of seven hundred and fifty million (750,000,000) shares of common stock, par value of $0.01 per share ("Common Stock") and ten million (10,000,000) shares of preferred stock, par value $0.01 per share ("Preferred Stock"). The number of authorized shares of Common Stock and Preferred Stock may be increased or decreased (but not below the number of

shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or Preferred Stock voting separately as a class shall be required therefor.

Section 5.02. Preferred Stock. The Board of Directors of the Corporation (the "Board") is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for series of Preferred Stock and, with respect to each such series, to fix the number of shares constituting such series and the designation of such series, and the voting powers (if any) of the shares of such series, preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of such series. The voting powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

Section 5.03. Voting; Other Rights. (a) Each holder of Common Stock, as such, shall be entitled to one vote in person or by proxy for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote; provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) or pursuant to the DGCL.

(b) Except as otherwise required by law, holders of a series of Preferred Stock shall be entitled only to such voting rights, if any, as shall expressly be granted thereto pursuant to the provisions of this Article V (including any Certificate of Designation relating to such series).

(c) Upon the dissolution, liquidation or winding up of the Corporation, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, the holders of the Common Stock, as such, shall be entitled to receive the assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them

(d) Subject to the preferential rights of the Preferred Stock, if any, the holders of Common Stock shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property or in shares of capital stock.

ARTICLE VI

Subject to the rights of the holders of any series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation may be effected at a duly called annual or special meeting of the stockholders of the Corporation. Effective upon the date on which public trading of shares of the Corporation's common stock commences on a national securities exchange, no action required or permitted to be taken at any annual or special meeting of the stockholders of the Corporation may be taken without a meeting and the power of the stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

ARTICLE VII

In furtherance and not in limitation of the powers conferred upon it by law, the Board is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation by the vote of a majority of the entire Board or such greater vote as shall be specified in the Bylaws.

ARTICLE VIII

The business and affairs of the Corporation shall be managed by or under the direction of the Board. The exact number of directors shall be fixed in a manner provided in the Bylaws. The directors, other than those who may be elected by the holders of any series of Preferred Stock pursuant to the provisions of this Amended and Restated Certificate of Incorporation or any resolution or resolutions providing for the issuance of such class or series of stock adopted by the Board, shall be elected by the stockholders entitled to vote thereon at each annual or special meeting of stockholders and shall hold office until the next annual meeting of stockholders and until each of their successors shall have been elected and qualified. Unless otherwise provided in the Bylaws, the election of directors need not be by written ballot. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director. The directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, one class to be originally elected for a term expiring at the first annual meeting of stockholders following the effectiveness of this Amended and Restated Certificate of Incorporation, another class to be originally elected for a term expiring at the second annual meeting of stockholders following the effectiveness of this Amended and Restated Certificate of Incorporation, and another class to be originally elected for a term expiring at the third annual meeting of stockholders following the effectiveness of this Amended and Restated Certificate of Incorporation, with each director to hold office until such person's successor is duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until such person's successor shall have been duly elected and qualified.

Except as otherwise provided for or fixed by or pursuant to the provisions of Article V of this Amended and Restated Certificate of Incorporation relating to the rights of the

holders of any series of Preferred Stock, newly created directorships resulting from any increase in the number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

Any director may be removed, with or without cause, by the affirmative vote of a majority of the directors then in office.

There shall be no limitation on the qualifications of any person to be a director or on the ability of any director to vote on any matter brought before the Board, except (a) as required by applicable law or (b) as set forth in this Amended and Restated Certificate of Incorporation.

ARTICLE IX

To the fullest extent that the DGCL or any other law of the State of Delaware as it exists or as it may hereafter be amended permits the limitation or elimination of the liability of directors, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL hereinafter is amended to further eliminate or limit the liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended DGCL. No amendment to or repeal of this Article IX shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

ARTICLE X

Each person who is or was or had agreed to become a director or officer of the Corporation, and each such person who is or was serving or who had agreed to serve at the request of the Corporation as a director, officer, partner, member, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise (including the heirs, executor, administrators or estate of such person), shall be indemnified by the Corporation to the fullest extent permitted from time to time by applicable law.

IN WITNESS WHEREOF, I, Randall H. Talbot, President and Chief Executive Officer of Symetra Financial Corporation, have executed this Amended and Restated Certificate of Incorporation this 19th day of August, 2008.

/s/ Randall H. Talbot

Randall H. Talbot
President and Chief Executive Officer

FORM OF AMENDED BYLAWS

OF

SYMETRA FINANCIAL CORPORATION

(HEREINAFTER CALLED THE "CORPORATION")

ARTICLE I

Meetings Of Stockholders

Section 1. Place of Meetings. Meetings of the stockholders shall be held at such place, either within or without the state of Delaware, as shall be designated from time to time by the Board of Directors or the chairman of the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The annual meetings of the stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall transact such business as may be properly brought before the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Amended and Restated Certificate of Incorporation, special meetings of the stockholders of the Corporation may be called at any time and for any purpose or purposes by affirmative vote of a majority of the entire Board of Directors or our President. Special meetings of the stockholders of the Corporation may not be called by any other person or persons or in any other manner. No conduct other than that specified in the notice for such meeting may take place at a special meeting.

Section 4. Notice of Meetings. Except as otherwise provided by applicable law or by the Amended and Restated Certificate of Incorporation, notice of each meeting of the stockholders, whether annual or special, shall be given not less than 10 days nor more than 60 days before the date of the meeting to each stockholder of record entitled to vote at the meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Each such notice shall state the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Notice of any meeting of the stockholders shall not be required to be given to any stockholder who shall waive notice thereof as provided in Section 2 of Article V of these Bylaws. Notice of adjournment of a

meeting of the stockholders need not be given if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at such meeting, unless the adjournment is for more than 30 days or, after adjournment, a new record date is fixed for the adjourned meeting.

Section 5. Quorum. Unless otherwise provided by law or by the Amended and Restated Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 6. Order of Business. (a) At every meeting of stockholders, the Chairman of the Board of Directors, or in such person's absence, the Chief Executive Officer and President, or in the absence of both of them, any Vice President, shall act as Chairman of the meeting. In the absence of the Chairman of the Board of Directors, the Chief Executive Officer and President and each Vice President, the Board of Directors, or if the Board of Directors fails to act, the stockholders may appoint any stockholder, director or officer of the Corporation to act as Chairman of any meeting. The Chairman of any meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting. The Secretary of the Corporation shall act as Secretary of the meeting, but in the absence of the Secretary, the Chairman of the meeting may appoint any person to act as Secretary of the meeting.

(b) (1) Except as otherwise provided in the Amended and Restated Certificate of Incorporation, nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at any annual meeting of the stockholders, only (i) pursuant to the Corporation's notice of meeting (or any supplement thereto), (ii) by or at the direction of the Board of Directors or (iii) by any stockholder who is a holder of record at the time of the giving of the notice provided for in this Section 6, who is entitled to vote at the meeting and who complies with the procedures set forth in this Section 6.

(2) Except as otherwise provided in the Amended and Restated Certificate of Incorporation, for nominations or business properly to be brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation and any such proposed business other than the nomination of persons for election to the Board of Directors must constitute a

proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the stockholder to be timely must be so delivered or received not earlier than the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper written form, a stockholder's notice to the Secretary of the Corporation shall set forth in writing as to each matter the stockholder proposes to bring before the annual meeting: (i) as to each person whom the stockholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration) and the reasons for conducting such business at the annual meeting and in the event that such business includes a proposal to amend these bylaws, the language of the proposed amendment; (iii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business or nomination and the name and address of the beneficial owner, if any, on whose behalf the nomination or proposal is being made; (iv) the class or series and number of shares of capital stock of the Corporation which are beneficially owned or owned of record by the stockholder and the beneficial owner; (v) any material interest of the stockholder in such business; (vi) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such annual meeting and intends to appear in person or by proxy at such meeting to propose such business; and (vii) if the stockholder intends to solicit proxies in support of such stockholder's proposal, a representation to that effect. The foregoing notice requirements shall be deemed satisfied by a stockholder if the stockholder has notified the Corporation of his or her intention to make a nomination or present a proposal at an annual meeting and such stockholder's nominee or proposal has been included in a proxy statement that has been prepared by management of the Corporation to solicit proxies for such annual meeting; provided, however, that if such stockholder does not appear or send a qualified representative to present such nominee or proposal at such annual meeting, the Corporation need not present such nominee or proposal for a vote at such meeting notwithstanding that proxies in respect of such vote may have been received by the

Corporation. For purposes of this Section 6, to be considered a qualified representative of the stockholder, a person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of such writing or electronic transmission, at the meeting of stockholders. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in paragraph (b)(2) above to the contrary, in the event that the number of directors to be elected to the Board of Directors at an annual meeting of the stockholders is increased and there is no public announcement naming all of the nominees for directors or specifying the size of the increased Board of Directors made by the Corporation at least 90 days prior to the first anniversary of the date of the immediately preceding annual meeting, a stockholder's notice required by this Section 6 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

(c) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder who is a holder of record at the time of the giving of notice provided for in this Section 6, who is entitled to vote at the meeting and who complies with the procedures set forth in this Section 6 (except as otherwise provided in the Amended and Restated Certificate of Incorporation). In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder has given timely notice thereof in proper written form to the Secretary of the Corporation (except as otherwise provided in the Amended and Restated Certificate of Incorporation). To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not earlier than the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper written form, such notice must meet the requirements of paragraph (b)(2) above.

(d) Except as otherwise provided in the Amended and Restated Certificate of Incorporation, only such persons who are nominated in accordance with this Section 6 (including, for avoidance of doubt, pursuant to the fifth sentence of paragraph (b)(2) above) shall be eligible to serve as directors of the Corporation and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 6 (including, for avoidance of doubt, pursuant to the fifth sentence of paragraph (b)(2) above). The Chairman of a meeting shall refuse to permit any business to be brought before the meeting which fails to comply with the foregoing or if a stockholder solicits proxies in support of such stockholder's nominee or proposal without such stockholder having made the representation required by clause (vii) of paragraph (b)(2) above.

(e) Notwithstanding the foregoing provisions of this Section 6, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 6. Nothing in this Section 6 shall be deemed to affect any rights of stockholders to request inclusion of proposals or nominations in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

Section 7. Voting. Unless otherwise required by law, the Amended and Restated Certificate of Incorporation or these bylaws, any question brought before any meeting of the stockholders shall be decided by the vote of the holders of a majority of the stock represented and voting on such question. Each stockholder represented at a meeting of the stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy.

Section 8. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to examination by any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, as required by law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 9. Stock Ledger. The stock ledger of the Corporation shall constitute the list required by Section 8 and shall be the only evidence as to who are the stockholders entitled to examine the stock ledger or to vote in person or by proxy at any meeting of stockholders.

ARTICLE II

Directors

Section 1. Qualification and Election of Directors. Directors need not be stockholders or citizens or residents of the United States of America. Each of the directors shall hold office until his resignation or removal in the manner hereinafter provided.

Section 2. Resignations. Any director may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified therein, and if no time be specified, at the time of its receipt by the Chairman of the Board, if any, the President or the Secretary. The acceptance of a resignation shall not be necessary to make it effective.

Section 3. Removal. Directors may only be removed as provided in the Amended and Restated Certificate of Incorporation.

Section 4. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until their earlier resignation or removal.

Section 5. Number of Directors. The number of directors will be fixed from time to time solely pursuant to a resolution adopted by the Board of Directors.

Section 6. Chairman of the Board of Directors. The Board of Directors, in its discretion, may choose a Chairman of the Board of Directors and one or more Vice Chairmen (who must be directors). The Chairman of the Board of Directors, if one shall be appointed, shall preside at all meetings of the stockholders and of the Board of Directors. Except where by law the signature of the President is required, the Chairman of the Board of Directors shall possess the same power as the President to sign all contracts, certificates and other instruments of the Corporation which may be authorized by the Board of Directors. During the absence or disability of the President, the Chairman of the Board of Directors shall exercise all the powers and discharge all the duties of the President. The Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these bylaws or by the Board of Directors.

Section 7. Vice Chairman. The Vice Chairman of the Board of Directors, if one shall be appointed, or the Vice Chairmen, if there shall be more than one, shall perform such duties and may exercise such other powers as from time to time may be assigned by these bylaws, the Board of Directors or the Chairman of the Board of Directors. In the absence or disability of the chairman of the Board of Directors, or if there be none, the Vice Chairman shall preside at meetings of the stockholders and the Board of Directors.

Section 8. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Amended and Restated Certificate of Incorporation or by these bylaws, conferred upon or reserved to the stockholders.

Section 9. Meetings. The Board of Directors may hold meetings either within or without the state of Delaware.

Section 10. Quorum. Unless otherwise provided by law, the Amended and Restated Certificate of Incorporation or these bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors then in office shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 11. Actions of Board. If the Board of Directors submits any action for the transaction of business which results in an equal number of the directors at the meeting voting for and against the action and such action would be effective when taken by a majority vote, then in such case the Chairman of the Board of Directors shall be entitled to cast a tie breaking vote with respect to such action. Unless otherwise restricted by the Amended and Restated Certificate of Incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors, or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 12. Meeting by Means of Conference Telephone. Unless otherwise provided by law, the Amended and Restated Certificate of Incorporation or these bylaws, members of the Board of Directors of the Corporation may participate in a meeting of the Board of Directors by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and participation in a meeting pursuant to this Section 12 shall constitute presence in person at such meeting.

Section 13. Committees. The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Initially, the Corporation shall have the following committees of the Board of Directors: the audit committee, the nominating and corporate governance committee and the compensation committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any

meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not the member or members present constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Section 14. Compensation. The directors who are officers or employees of the Corporation or any of its subsidiaries shall serve on the Board of Directors without compensation or reimbursement of expenses. The compensation of any other director shall be in the form of a fixed fee and expenses of attendance set by resolution adopted by the Board of Directors. Nothing herein contained, however, shall be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

ARTICLE III

Officers

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a President, a Secretary and a Treasurer. The Board of Directors, in its discretion, may also choose one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers as it may deem proper. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Amended and Restated Certificate of Incorporation or these bylaws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors and any Vice Chairman, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by any officer of the Corporation and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any Corporation or entity in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have

exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. President. The President shall be the Chief Executive Officer of the Corporation and shall exercise general and active supervision over and management of the property, affairs and business of the Corporation and shall authorize other officers of the Corporation to exercise such powers as he, in his discretion, may deem to be in the best interests of the Corporation. The President shall preside at meetings of the stockholders and the Board of Directors in the absence or non-election of the Chairman of the Board of Directors. The President shall, in general, perform all duties incident to the office of President and shall have such other duties as the Board of Directors may from time to time prescribe.

Section 5. Vice President. The Vice President, or Vice Presidents, if any shall be appointed, shall have such duties as the Board of Directors, the President or these bylaws may from time to time prescribe.

Section 6. Treasurer. The Treasurer shall have the custody of the Corporation funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. He shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositaries as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors, or the President, taking proper vouchers for such disbursements. He shall render to the President, the Board of Directors and each stockholder at the meetings of the Board of Directors or the stockholders, or whenever any of the foregoing may request it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 7. Secretary. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and directors and all other notices required by law or by these bylaws, and in case of his absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the President, the directors or stockholders, upon whose request the meeting is called as provided in these bylaws. He shall record all the proceedings of the meetings of the Board of Directors, any committees thereof and the stockholders of the Corporation in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him by the Board of Directors or the President. He shall have the custody of the seal of the Corporation and shall affix the same to all instruments requiring it, when authorized by the Board of Directors or the President, and attest the same.

Section 8. Assistant Treasurers and Assistant Secretaries. Assistant Treasurers and Assistant Secretaries, if any shall be appointed, shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Board of Directors or the President.

ARTICLE IV

Stock

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman or the Vice Chairman of the Board of Directors, or the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2. Signatures. Where a certificate is countersigned by (i) a transfer agent other than the Corporation or its employee, or (ii) a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Sections 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend, or to express consent to corporate action in writing without a meeting, or in order to make a determination of stockholders for any other proper purposes, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 days nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice

is waived, at the close of business on the next day preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE V

Notices

Section 1. Notices. Whenever written notice is required by law, the Amended and Restated Certificate of Incorporation or these bylaws, to be given to any director or stockholder, such notice may be given by mail, addressed to such director or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by telegram, telex or cable or otherwise as permitted by law.

Section 2. Waivers of Notice. Whenever notice is required to be given under any provision of the Amended and Restated Certificate of Incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Amended and Restated Certificate of Incorporation or these bylaws.

ARTICLE VI

General Provisions

Section 1. Dividends. Subject to the provisions of the Amended and Restated Certificate of Incorporation, if any, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any meeting, and may be paid in cash or in property. Before payment of any dividend, there may be set aside out of any

funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3 . Fiscal Year. The fiscal year of the Corporation shall be the calendar year, or such other period as may be adopted by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words “corporate seal, Delaware”. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VII

Indemnification

Section 1. Power to Indemnify in Actions, Suits or Proceedings. The Corporation shall indemnify to the fullest extent permitted by, and in the manner permissible under, the laws of the State of Delaware any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorney’s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. Expenses incurred by a director or officer in defending or investigating the defense of a threatened or pending action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized by the laws of the state of Delaware.

Section 2. Indemnification by a Court. Any director or officer may apply to any court of competent jurisdiction in the state of Delaware for indemnification to the extent otherwise permissible under the laws of the state of Delaware. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because it is permitted by the laws of the state of Delaware. The fact that the Corporation has not previously authorized indemnification for such director or officer shall not be a defense to such application or

create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 2 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 3. Nonexclusivity of Indemnification and Advancement of Expenses. The foregoing rights of indemnification shall not be deemed exclusive of any other right to which any director may be entitled apart from the provisions of this Article VII.

Section 4. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VII.

Section 5. Certain Definitions. For purposes of this Article VII, references to “the Corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VII, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries.

Section 6. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Limitation on Indemnification. Notwithstanding anything contained in this Article VII to the contrary, except for proceedings to enforce rights to

indemnification (which shall be governed by Section 2 of this Article VII), the Corporation shall not be obligated to indemnify any director, officer, employee or agent in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

ARTICLE VIII

Amendments

The Board of Directors shall have the power to adopt, amend or repeal bylaws. Bylaws adopted by the Board of Directors may be repealed or changed, and new bylaws made, by the stockholders.

Exhibit 4.2

EXECUTION COPY

FISCAL AGENCY AGREEMENT

between

SYMETRA FINANCIAL CORPORATION
as Issuer

AND

U.S. BANK NATIONAL ASSOCIATION
as Fiscal Agent

6.125% Notes Due 2016

Dated as of March 30, 2006

TABLE OF CONTENTS

FISCAL AGENCY AGREEMENT dated as of March 30, 2006 (the *"Agreement"*), between SYMETRA FINANCIAL CORPORATION, a Delaware corporation (the *"Company"*) and U.S. BANK NATIONAL ASSOCIATION, as fiscal agent (the *"Fiscal Agent"*).

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's Securities:

ARTICLE ONE

DEFINITIONS

Section 1.01. *Definitions.*

"Additional Securities" means 6.125% Senior Notes due 2016 of the Company issued under this Agreement after the Issuance Date in accordance with Sections 2.02 and 2.15 hereof, and having identical terms and conditions to the Securities.

"Affiliate " means any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company.

"Agent" means any Registrar or Paying Agent. See Section 2.03.

"Agreement" means this Fiscal Agency Agreement as amended or supplemented from time to time.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Security, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"Board of Directors" means the Board of Directors of the Company or any committee of the Board of Directors duly authorized to act for it hereunder.

"Board Resolution" means a resolution of the Board of Directors, which may be evidenced by a certificate of the Secretary or an Assistant Secretary of the Company stating that such resolution has been duly adopted by the Board of Directors and is in full force and effect.

"Capital Stock" shall mean (i) in the case of a corporation, corporate stock; (ii) in the case of an association or business entity that is not a corporation, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; (iii) in the case of a limited partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and (iv) any other interest of participation that confers on a person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing person, but excluding from the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation in Capital Stock.

"Company" means the party named as such in this Agreement until a successor replaces it pursuant to this Agreement and thereafter means the successor.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Depositary*" shall mean, with respect to the Securities issuable or issued in whole or in part in the form of one or more Global Securities, the person designated as Depositary by the Company, which Depositary shall be a clearing agency registered under the Exchange Act.

"*Distribution Compliance Period*" shall mean the period that begins on the closing of any offering of Securities (including any Additional Securities) and ends 40 days later.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Fiscal Agent*" means the party named as such in this Agreement until a successor replaces it pursuant to this Agreement and thereafter means the successor.

"*Global Security*" or "*Global Securities*'" means a Security or Securities, as the case may be, in the form prescribed in Section 2.01 of this Agreement evidencing all or part of the Securities, issued to the Depositary or its nominee and registered in the name of such Depositary or nominee.

"*guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however,* that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"*Holder*" or "*Securityholder*" or "*Holder of Securities*" or "*Noteholder*" means a person in whose name a Security is registered on the Registrar's books.

"*Indirect Participant*" means a Person who holds a beneficial interest in a Global Security through a Participant.

"*Issuance Date*" means March 30, 2006.

"*Officer*" means the Chairman of the Board of Directors, the President, any Vice President, the Treasurer, the Secretary or the Controller of the Company.

"*Officers' Certificate*" means a certificate signed by two Officers or by an Officer and an Assistant Treasurer, Assistant Secretary or Assistant Controller of the Company.

"*Opinion of Counsel*" means a written opinion from legal counsel who may be an employee of or counsel to the Company, or who may be other counsel reasonably satisfactory to the Fiscal Agent.

"*Participant*" means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Place of Payment*" means, when used with respect to Securities, the place or places where the principal of, premium, if any, and interest, if any, on the Securities are payable.

"*Qualified Institutional Buyer*" means a "qualifed institutional buyer" as defined in Rule 144A.

"*Responsible Officer*" means any officer in the Corporate Trust Division of the Fiscal Agent or any other officer of the Fiscal Agent assigned by the Fiscal Agent to administer its corporate trust matters.

"*Rule 144*" means Rule 144 promulgated under the Securities Act.

"*Rule 144A*" means Rule 144A promulgated under the Securities Act.

"*Rule 903*" means Rule 903 promulgated under the Securities Act.

"*Rule 904*" means Rule 904 promulgated the Securities Act.

"*SEC*" means the Securities and Exchange Commission.

"*Securities*" means the 6.125% Senior Notes due 2016 of the Company (including, without limitation, any Additional Securities) issued under this Agreement.

"*Securities Act*" means the Securities Act of 1933, as amended from time to time.

"*Securities Custodian*" means the Fiscal Agent, as custodian with respect to the Securities in global form, or any successor entity thereto.

"*U.S. Government Obligations*" means direct obligations of the United States for the payment of which the full faith and credit of the United States is pledged.

Section 1.02. *Other Definitions.*

Term	Defined in Section
"Bankruptcy Law"	6.01
"Cash Equivalents"	8.03
"Comparable Treasury Issue"	3.06
"Comparable Treasury Price"	3.06
"Covenant Defeasance"	8.03
"Custodian"	6.01
"Definitive Securities"	2.01
"Discharge"	8.05
"DTC"	2.01
"DTC Participants"	2.01
"Event of Default"	6.01
"Fair Value"	4.04
"Indebtedness"	4.01
"Insurance Subsidiaries"	4.01
"Legal Holiday"	2.16
"Lien"	4.01
"Make Whole Amount"	3.06
"Notice of Default"	6.01
"Obligations"	11.01
"Outstanding Securities	2.08
"144A Global Security"	2.01
"Paying Agent"	2.03
"Payor"	4.02
"Private Placement Legend"	2.06
"Quotation Agent"	3.06
"Redemption Date"	3.06
"Reference Treasury Dealer"	3.06
"Reference Treasury Dealer Quotations"	3.06
"Register"	2.03
"Registrar"	2.03
"Regulation S Global Security"	2.01
"Subsidiary"	4.01
"Successor Company"	5.01
"Symetra Life"	4.01
"Taxes"	4.02
"Temporary Regulation S Global Security"	2.01
"Treasury Rate"	3.06
"United States"	4.01

All other terms used in this Agreement that are defined by SEC rule have the meanings assigned to them.

Section 1.03. *Rules of Construction.*

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term, not otherwise defined, has the meaning assigned to it in accordance with generally accepted accounting principles;

(3) "or" is not exclusive; and

(4) words in the singular include the plural, and in the plural include the singular.

ARTICLE TWO

The Securities

Section 2.01. *Form and Dating.*

(a) *General Form of Securities.* The Securities and the Fiscal Agent's certificate of authentication shall be substantially in the form of Exhibit A hereto, which Exhibit is part of this Agreement. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Security shall be dated the date of its authentication. The Securities shall be in minimum denominations of $2,000 and integral multiples of $1,000. The terms and provisions contained in the Securities shall constitute, and are hereby expressly made, a part of this Agreement and the Company and the Fiscal Agent, by their execution and delivery of this Agreement, expressly agree to such terms and provisions and to be bound thereby.

Securities offered and sold to Qualified Institutional Buyers in reliance on Rule 144A under the Securities Act will initially be issued only in the form of one or more global Securities in definitive, fully registered form without interest coupons (each a *"144A Global Security"*). The 144A Global Securities shall be substantially in the form of Exhibit A attached hereto, with such applicable legends as are provided for herein.

Securities offered and sold outside the United States in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more temporary global Securities (the *"Temporary Regulation S Global Security"*), without interest coupons. Temporary Regulation S Global Securities shall be substantially in the form of Exhibit A attached hereto, with such applicable legends as are provided for herein. The Temporary Regulation S Global Securities, which will be deposited on behalf of the purchasers of the Securities represented thereby with the Fiscal Agent, as custodian for DTC, and registered in the name of DTC or a nominee of DTC for the accounts of Euroclear and Clearstream, shall be duly executed by the Company and authenticated by the Fiscal Agent as hereinafter provided. Beneficial interests in the Temporary Regulation S Global Security will be exchanged for beneficial interests in one or more corresponding permanent global Securities, in definitive, fully registered form without interest coupons (each a *"Regulation S Global Security"*; collectively with 144A Global Securities, the *"Global Securities"*), substantially in the form of Exhibit A attached hereto, with such applicable legends as are provided for herein within a reasonable period after the expiration of the Distribution Compliance Period (as defined below) upon delivery of a certificate in the form of Exhibit C hereto. Prior to the expiration of the Distribution Compliance Period, interests in the Temporary Regulation S Global Security may only be

transferred to non-U.S. persons pursuant to Regulation S, unless exchanged for interests in a Global Security in accordance with the transfer and certification requirements described herein.

(b) *Form of Global Securities.*

(i) Each Global Security (A) shall represent such portion of the outstanding Securities as shall be specified therein, (B) shall provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions, (C) shall be registered in the name of the Depositary or its nominee, duly executed by the Company and authenticated by the Fiscal Agent as provided herein, for credit to the respective accounts of the Holders (or such accounts as they may direct) at the Depositary, (D) shall be delivered by the Fiscal Agent or its Agent to the Depositary or a Securities Custodian pursuant to the Depositary's instructions and (E) shall bear the applicable legends required by Section 2.06(d) hereof.

(ii) Members of, or participants in, the Depositary *("DTC Participants"*) shall have no rights under this Agreement with respect to any Global Security held on their behalf by the Depositary, and the Depositary may be treated by the Company, the Fiscal Agent, and any agent of the Company or the Fiscal Agent as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Fiscal Agent, or any agent of the Company or the Fiscal Agent from giving effect to any written certification, proxy or other authorization furnished to the Depositary or impair, as between the Depositary and its agent members, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

Any endorsement of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Fiscal Agent or the Securities Custodian, at the direction of the Fiscal Agent, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

(c) Form of Definitive Securities. Subject to the provisions of Section 2.06 hereof, Definitive Securities may be produced in any manner determined by the Officers of the Company executing such Securities, as evidenced by their execution of such Securities. The Fiscal Agent must register Definitive Securities so issued in the name of, and cause the same to be delivered to, such Person (or its nominee).

(d) Provisions Applicable to Forms of Securities. The Securities may also have such additional provisions, omissions, variations or substitutions as are not inconsistent with the provisions of this Agreement, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with this Agreement, any applicable law or with any rules made pursuant there to or with the

rules of any securities exchange or governmental agency or as may be determined consistently herewith by the Officer of the Company executing such Securities, as conclusively evidenced by their execution of such Securities. All Securities shall be otherwise substantially identical except as provided herein.

Subject to the provisions of this Article 2, a registered Holder in a Global Security may grant proxies and otherwise authorize any Person to take any action that a Holder is entitled to take under this Agreement or the Securities.

Section 2.02. *Execution and Authentication.*

An Officer shall sign the Securities for the Company by manual or facsimile signature. The Company's seal may be reproduced on the Securities and may be in facsimile form.

If an Officer whose signature is on a Security no longer holds that office at the time a Security is authenticated, the Security shall nevertheless be valid.

A Security shall not be valid or obligatory for any purpose or entitled to the benefits of this Agreement until authenticated by the manual signature of the Fiscal Agent or its authenticating agent. The signature shall be conclusive evidence that the Security has been authenticated under this Agreement.

The Fiscal Agent shall authenticate Securities for original issue up to an initial maximum aggregate principal amount of $300,000,000 on the Issuance Date. Any Additional Securities issued by the Company in accordance with Section 2.15 hereof shall be authenticated by the Fiscal Agent on the date of their issuance in an aggregate principal amount specified in a Board Resolution and an Officers' Certificate provided pursuant to Section 2.15.

The Fiscal Agent may appoint an authenticating agent reasonably acceptable to the Company to authenticate Securities. An authenticating agent may authenticate Securities whenever the Fiscal Agent may do so. Each reference in this Agreement to authentication by the Fiscal Agent includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

Section 2.03. *Fiscal Agent, Registrar and Paying Agent.*

The Company hereby appoints U.S. Bank National Association, at its principal office in Cincinnati, Ohio, as the Fiscal Agent hereunder and U.S. Bank National Association hereby accepts such appointment. The Fiscal Agent shall have the powers and authority granted to and conferred upon it in the Securities and hereby and such further powers and authority to act on behalf of the Company as may be mutually agreed upon by the Company and the Fiscal Agent, and the Fiscal Agent shall keep a copy of this Agreement available for inspection during normal business hours at its principal office in Cincinnati, Ohio.

The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange *("Registrar")* and an office or agency where Securities may be presented for payment *("Paying Agent").* The Registrar shall keep a register

("Register") of the Securities and of their transfer and exchange. The Company may also from time to time appoint one or more co-registrars and one or more additional paying agents. The term *"Registrar"* includes any co-registrar and the term *"Paying Agent"* includes any additional paying agent. The Company may change any Paying Agent or Registrar upon notice to the Holders. The Company shall notify the Fiscal Agent in writing of the name and address of any Agent not a party to this Agreement. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Fiscal Agent shall act, subject to the penultimate paragraph of this Section 2.03, as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar; *provided*, *however*, that none of the Company, its Subsidiaries or the Affiliates of the foregoing shall act as Paying Agent or Registrar if a Default or Event of Default has occurred and is continuing.

The Company initially appoints the Fiscal Agent to act as the Registrar and Paying Agent and to act as Securities Custodian with respect to the Global Securities.

All of the terms and provisions with respect to such powers and authority contained in the Securities are subject to and governed by the terms and provisions hereof.

The Fiscal Agent may resign as Registrar or Paying Agent upon 30 days prior written notice to the Company.

The Company initially appoints DTC to act as Depositary with respect to the Global Securities.

Section 2.04. *Paying Agent to Hold Money in Trust.*

The Company shall require each Paying Agent other than the Fiscal Agent to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Fiscal Agent all money and Cash Equivalents held by the Paying Agent for the payment of principal of, or premium, if any, or interest on, the Securities, and shall notify the Fiscal Agent of any default by the Company in making any such payment. While any such default continues, the Fiscal Agent may require a Paying Agent to pay all money and Cash Equivalents held by it to the Fiscal Agent. The Company at any time may require a Paying Agent to pay all money and Cash Equivalents held by it to the Fiscal Agent. Upon payment of all such money and Cash Equivalents over to the Fiscal Agent, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money and Cash Equivalents. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders, all money and Cash Equivalents held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Fiscal Agent shall serve as Paying Agent for the Securities.

Section 2.05. *Holder Lists.*

The Fiscal Agent shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Fiscal Agent is not the Registrar, the Company shall furnish to the Fiscal Agent at least seven business days before each interest payment date, and at such other times as the Fiscal Agent may request in

writing, a list in such form and as of such date as the Fiscal Agent may reasonably require of the names and addresses of the Holders of Securities.

Section 2.06. *Transfer and Exchange.*

(a) Transfer and Exchange of Global Securities. A Global Security may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Global Securities may be exchanged or replaced, in whole or in part, as provided in this Section 2.06 and Section 2.07 hereof. Every Security authenticated and delivered in exchange for, or in lieu of, a Global Security or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10 hereof, shall be authenticated and delivered in the form of, and shall be, a Global Security. A Global Security may not be exchanged for another Security other than as provided in this Section 2.06(a) and Section 2.06(c) hereof; however, beneficial interests in a Global Security may be transferred and exchanged as provided in Section 2.06(b) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Securities. The transfer and exchange of beneficial interests in the Global Securities shall be effected through the Depositary, in accordance with the provisions of this Agreement and the Applicable Procedures. Beneficial interests in the Global Securities shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Securities also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(i) *Transfer of Beneficial Interests in the Same Global Security.* Beneficial interests in any Global Security may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Security in accordance with the transfer restrictions set forth in the Private Placement Legend. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b).

(ii) *All Other Transfers and Exchanges of Beneficial Interests in Global Securities.* In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(i), the transferer of such beneficial interest must deliver to the Registrar (A) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Security in an amount equal to the beneficial interest to be transferred or exchanged and (B) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase. In addition, the Registrar must receive the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Security, then the transferer must

deliver a certificate in the forai of Exhibit B hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Security, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof;

provided that, after any Distribution Compliance Period, the Registrar need not receive such certificate in respect of a transfer of a beneficial interest in the Regulation S Global Security. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Securities contained in this Agreement and the Securities or otherwise applicable under the Securities Act, the Fiscal Agent shall adjust the principal amount of the relevant Global Security(s) pursuant to Section 2.06(e) hereof.

(c) *Exchange for Definitive Securities.*

(i) Except as provided below, owners of beneficial interests in Global Securities will not be entitled to receive Definitive Securities. Definitive Securities shall be transferred to all beneficial owners in exchange for their beneficial interests in a Global Security if (A) DTC notifies the Company that it is unwilling or unable to continue as depositary for such Global Security or DTC ceases to be a clearing agency registered under the Exchange Act, at a time when DTC is required to be so registered in order to act as depositary, and in each case a successor depositary is not appointed by the Company within 90 days of such notice, (B) the Company executes and delivers to the Fiscal Agent and Registrar an Officers' Certificate stating that such Global Security shall be so exchangeable; provided that in no event shall the Temporary Regulation S Global Security be exchanged by the Company for Definitive Securities prior to the expiration of the Distribution Compliance Period or (C) an Event of Default has occurred and is continuing and the Registrar has received a request from DTC.

(ii) In connection with the transfer of an entire Global Security to beneficial owners pursuant to this Section 2.06(c), such Global Security shall be deemed to be surrendered to the Fiscal Agent for cancellation, and the Company shall execute, and the Fiscal Agent shall authenticate and deliver, to each beneficial owner identified by DTC in exchange for its beneficial interest in such Global Security, an equal aggregate principal amount of Definitive Securities of authorized denominations. Any Definitive Security delivered in exchange for an interest in a Global Security pursuant to this Section 2.06(c) shall bear the Private Placement Legend.

(d) *Legends.* The following legends shall appear on the face of all Securities issued under this Agreement unless specifically stated otherwise in the applicable provisions of this Agreement.

(i) *Private Placement Legend.* Each Security (and all Securities issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form (the *"Private Placement Legend").*

"THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) AGREES THAT IT WILL NOT PRIOR TO (X) THE DATE WHICH IS TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER OR ONE OF ITS AFFILIATES, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER, THE FISCAL AGENT AND THE REGISTRAR SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATION OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE FISCAL AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "UNITED

STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT."

(ii) *Global Security Legend*. Each Global Security shall bear legends in substantially the following form:

"UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION *("DTC")*, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE FISCAL AGENCY AGREEMENT GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE FISCAL AGENT MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06(b)(ii) AND SECTION 2.06(e) OF THE FISCAL AGENCY AGREEMENT, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE FISCAL AGENCY AGREEMENT, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE FISCAL AGENT FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE FISCAL AGENCY AGREEMENT AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY."

(e) *Cancellation and/or Adjustment of Global Securities.* At such time as all beneficial interests in a particular Global Security have been exchanged for Definitive Securities or a particular Global Security has been redeemed, repurchased or canceled in whole and not in part, each such Global Security shall be returned to or retained and canceled by the Fiscal Agent in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security or exchanged for Definitive Securities pursuant to Section 2.06(c) hereof, the principal amount of Securities represented by such Global Security shall be reduced accordingly and an endorsement shall be made on such Global Security by the Fiscal Agent or by the Depositary at the direction of the Fiscal Agent to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Security, such other Global Security shall be increased accordingly and an endorsement shall be made on such other Global Security by the Fiscal Agent or by the Depositary at the direction of the Fiscal Agent to reflect such increase.

(f) *General Provisions Relating to Transfers and Exchanges.*

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Fiscal Agent shall authenticate Global Securities and Definitive Securities upon the Company's order or at the Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange by or transfer to the same Holder pursuant to Sections 2.06 or 9.04 hereof).

(iii) The Registrar shall not be required to register the transfer of or exchange any Security selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

(iv) All Securities issued upon any registration of transfer or exchange pursuant to the terms of this Agreement shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Agreement, as the Securities surrendered upon such registration of transfer or exchange.

(v) The Company shall not be required (A) to issue, to register the transfer of or to exchange any Securities during a period beginning at the opening of business 15 days before the day of any selection of Securities for redemption under Section 3.02 hereof and ending at the close of business on the day of selection or (B) to register the transfer of or to exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

(vi) Prior to due presentment for the registration of a transfer of any Security, the Fiscal Agent, any Agent and the Company may deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of, premium, if any, and interest on such Securities and for ail other purposes, and none of the Fiscal Agent, any Agent or the Company shall be affected by notice to the contrary.

(vii) The Fiscal Agent shall authenticate Securities in accordance with the provisions of Section 2.02 hereof.

(viii) All certifications, certificates and Opinions of Counsel required to be submitted to the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted by facsimile.

(ix) The Fiscal Agent shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Agreement or under applicable law with respect to any transfer of any interest in any Security (including any transfers between or among Participants or beneficial owners of interests in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 2.07. *Replacement Securities.*

If any mutilated Security is surrendered to the Fiscal Agent, or the Company and the Fiscal Agent receive evidence to their satisfaction of the destruction, loss or theft of any Security, the Company shall, upon the written request of the Holder thereof, issue and the Fiscal Agent, upon the written order of the Company signed by two Officers of the Company, shall authenticate a replacement Security if the Fiscal Agent's requirements are met. If required by the Fiscal Agent or the Company, an indemnity bond must be supplied by such Holder that is sufficient in the judgment of the Fiscal Agent and the Company to protect the Company, the Fiscal Agent, any Agent and any authenticating agent from any loss that any of them may suffer if a Security is replaced. The Company may charge such Holder for its expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company and shall be entitled to all of the benefits of this Agreement equally and proportionately with all other Securities duly issued hereunder.

The provisions of this Section 2.07 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 2.08. *Outstanding Securities.*

The Securities outstanding at any time (the *"Outstanding Securities")* are all the Securities authenticated by the Fiscal Agent except for those cancelled by it (or its agent), those delivered to it (or its agent) for cancellation, those reductions in the beneficial interest in a Global Security effected by the Fiscal Agent in accordance with the provisions hereof, and those described in this Section 2.08 as not outstanding. Except as set forth in Section 2.09 hereof, a Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

If a Security is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Fiscal Agent receives proof satisfactory to it that the replaced Security is held by a "protected purchaser" (as such term is defined in Section 8-303 of the Uniform Commercial Code as in effect in the State of New York).

If the principal amount of any Security is considered paid under Section 4.02 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money or Cash Equivalents sufficient to pay all of the principal of, premium (if any) and interest on Securities payable on that date, then on and after that date such Securities shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section 2.09. *Treasury Securities.*

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company, shall be considered as though not outstanding and shall be disregarded, except that for the purposes of determining whether the Fiscal Agent shall be protected in relying on any such direction, waiver or consent, only Securities that a Responsible Officer of the Fiscal Agent has actual knowledge are so owned shall be so disregarded.

Section 2.10. *Temporary Securities.*

In lieu of formal printed Definitive Securities, or until such Definitive Securities are ready for delivery, the Company may prepare and the Fiscal Agent shall authenticate temporary Securities upon a written order of the Company signed by two Ofiicers of the Company. Temporary Securities shall be substantially in the form of Definitive Securities but may have variations that the Company considers appropriate for temporary Securities and as shall be reasonably acceptable to the Fiscal Agent. At the Company's election, the Company may prepare and the Fiscal Agent shall authenticate Definitive Securities in exchange for temporary Securities.

Unless and until any such exchange, Holders of temporary Securities shall be entitled to all of the benefits of this Agreement.

Section 2.11. *Cancellation.*

The Company at any time may deliver Securities to the Fiscal Agent or its agent for cancellation. The Registrar and Paying Agent shall forward to the Fiscal Agent any Securities surrendered to them for registration of transfer, exchange or payment. The Fiscal Agent (or its agent) and no one else shall cancel all Securities surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Securities (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all cancelled Securities shall be delivered to the Company, upon written request, from time to time. The Company may not issue new Securities to replace Securities that it has paid or that have been delivered to the Fiscal Agent (or its agent) for cancellation. If the Company acquires any of the Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Fiscal Agent (or its agent) for cancellation pursuant to this Section 2.11.

Section 2.12. *Defaulted Interest.*

If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawfal manner plus, to the extent lawfiil, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Securities. The Company shall notify the Fiscal Agent in writing of the amount of defaulted interest proposed to be paid on each Security and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date; *provided* that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Fiscal Agent in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such defaulted interest to be paid.

Section 2.13. *Persons Deemed Owners.*

Prior to due presentment for the registration of a transfer of any Security, the Fiscal Agent, any Agent, the Company and any agent of the foregoing shall deem and treat the Person in whose name any Security is registered as the absolute owner of such Security for all purposes (including the purpose of receiving payment of principal of, premium, if any, and interest on such Securities; provided that defaulted interest shall be paid as set forth in Section 2.12), and none of the Fiscal Agent, any Agent, the Company or any agent of the foregoing shall be affected by notice to the contrary.

Section 2.14. *CUSIP Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company will print CUSIP numbers on the Securities, and the Fiscal Agent may use CUSIP numbers in notices of redemption and purchase as a convenience to Holders; *provided, however,* that any such notices may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or purchase and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption or purchase shall not be affected by any defect or omission in such numbers.

Section 2.15. *Issuance of Additional Securities.*

The Company shall be entitled to issue Additional Securities under this Agreement at any time. Additional Securities shall have identical terms as the Securities, other than with respect to the date of issuance and issue price. The Securities and any Additional Securities shall be treated as a single class for all purposes under this Agreement.

With respect to any issuance of Additional Securities, the Company shall deliver to the Fiscal Agent a Board Resolution and an Officers' Certificate, and, if the Company elects, a supplement or amendment to this Agreement, which shall together provide the following information:

(1) the aggregate principal amount of Additional Securities to be authenticated and delivered pursuant to this Agreement;

(2) the issue price and the issue date of such Additional Securities; and

(3) whether such Additional Securities shall be transfer restricted Securities.

Section 2.16. *Legal Holidays.*

A *"Legal Holiday"* is a Saturday, a Sunday or a day on which banking institutions in a jurisdiction in which an action is required hereunder are not required to be open. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If a regular record date is a Legal Holiday, the record date shall not be affected.

ARTICLE THREE

Redemption

Section 3.01. *Notice to Fiscal Agent of Election to Redeem.*

The election of the Company pursuant to Section 3.06 hereof to redeem any Securities shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of all or less than ail of the Securities, the Company, shall, at least 60 days prior to the Redemption Date by the Company (unless a shorter notice shall be satisfactory to the Fiscal Agent), notify the Fiscal Agent in writing of such Redemption Date and of the principal amount of Securities of such series to be redeemed. Any such notice to the Fiscal Agent may be cancelled and rescinded by the Company at any time prior to the mailing of such notice to any Holder pursuant to Section 3.03. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Agreement, the Company shall furnish the Fiscal Agent with an Officers' Certificate evidencing compliance with such restriction.

Section 3.02. *Selection of Securities to be Redeemed.*

In an optional redemption pursuant to Section 3.06, if less than all the Securities are to be redeemed, the particular Securities to be redeemed shall be selected, not more than 60 days prior to the applicable Redemption Date, by the Fiscal Agent, from the Outstanding Securities of such series not previously called for redemption, on a pro rata basis, by lot or by such other method as the Fiscal Agent, in its sole discretion, shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal amount of Securities of a denomination larger than the minimum authorized denomination for the Securities.

The Fiscal Agent shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Agreement, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

The Fiscal Agent may select for redemption portions of the principal amount of the Securities that have denominations larger than $2,000. Securities and portions of them it selects shall be in amounts of $2,000 or integral multiples of $1,000.

Section 3.03. *Notice of Redemption.*

Notice of redemption to the Holders of Securities to be redeemed as a whole or in part at the option of the Company pursuant to Section 3.06 shall be given by mailing notice of such redemption by first-class mail, postage prepaid, at least 30 days and not more than 60 days prior to the Redemption Date to such Holders of Securities at their last addresses as they shall appear on the Register. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail, or any defect in the notice, to the Holder of any Security of a series designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

The notice of redemption to each such Holder shall specify the CUSIP number (if any) and the principal amount of each Security held by such Holder to be redeemed, the Redemption Date, the redemption price, the name of the Paying Agent, Place or Places of Payment, that payment will be made upon presentation and surrender of such Securities, that interest accrued to the Redemption Date will be paid as specified in such notice and that on and after said date interest thereon or on the portions thereof to be redeemed will cease to accrue. In case any Security is to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed and shall state that on and after the Redemption Date, upon surrender of such Security, a new Security or Securities of such series, in principal amount equal to the unredeemed portion thereof, will be issued.

The notice of redemption of Securities to be redeemed shall be given by the Company or, at the Company's timely request, by the Fiscal Agent in the name and at the expense of the Company.

At least one business day prior to the Redemption Date specified in the notice of redemption given as provided in this Section, the Company will deposit with the Fiscal Agent or with one or more paying agents (or, if the Company is acting as Paying Agent, set aside, segregate and hold in trust as provided in Section 2.04) an amount of money or Cash Equivalents, or combination thereof, sufficient to redeem on the redemption date all the Securities so called for redemption at the appropriate redemption price, together with accrued interest, if any, to the Redemption Date. Promptly following the Redemption Date, the Paying Agent shall return to the Company any amounts of money and Cash Equivalents so deposited which are not required to redeem the Securities called for redemption.

Section 3.04. *Payment of Securities Called for Redemption.*

If notice of redemption has been given as above provided, the Securities or portions of Securities specified in such notice shall become due and payable on the date and at the place stated in such notice at the applicable redemption price, together with interest accrued to the Redemption Date, and on and after said Redemption Date (unless the Company shall default in the payment of such Securities at the redemption price, together with interest, if any, accrued to the Redemption Date) any interest on the Securities or portions of Securities so called for redemption shall cease to accrue and such Securities shall cease from and after the Redemption Date to be entitled to any benefit or security under this Agreement, and the Holders thereof shall have no right in respect of such Securities except the right to receive the redemption price thereof and unpaid interest to the Redemption Date. On presentation and surrender of such Securities at a Place of Payment specified in said notice, said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable redemption price, together with any interest accrued thereon to the Redemption Date; provided that any semiannual payment of interest becoming due on the Redemption Date shall be payable to the Holders of such Securities registered as such in the Register on the relevant record date.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the Redemption Date at the rate of interest borne by the Security.

Upon presentation of any Security redeemed in part only, the Company shall execute and the Fiscal Agent shall authenticate and deliver to or on the order of the Holder thereof, at the expense of the Company, a new Security or Securities of such series, of authorized denominations, in principal amount equal to the unredeemed portion of the Security so presented.

Section 3.05. *Exclusion of Certain Securities from Eligibility for Selection for Redemption.*

In the case of an optional redemption pursuant to Section 3.06 hereof, Securities shall be excluded from eligibility for selection for redemption if they are identified by registration and certificate number or other distinguishing symbol in a written statement signed by an authorized officer of the Company and delivered to the Fiscal Agent at least 40 days prior to the last date on which notice of redemption may be given as being owned of record and beneficially by, and not pledged or hypothecated by either (a) the Company or (b) an entity specifically identified in such written statement as directly or indirectly controlling or controlled by or under direct or indirect common control with the Company.

Section 3.06. *Optional Redemption.*

The Securities shall be subject to redemption at the option of the Company, in whole or in part, at any time or from time to time, prior to maturity at the Company's option, at a redemption price equal to the greater of: (i) 100% of the principal amount of the Securities to be redeemed, or (ii) as determined by the Quotation Agent (as defined below), the sum of the present values of the remaining scheduled payments of principal and interest on the Securities to be redeemed (not including any portion of such payments of interest accrued as of the

Redemption Date) discounted to such Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 25 basis points (the "Make Whole Amount"), plus, in each case, accrued and unpaid interest on the Securities to be redeemed to the Redemption Date. The Company shall pay any interest due on an interest payment date which occurs on or prior to a Redemption Date (as defined below) to the registered Holders of the Securities as of the close of business on the regular record date immediately preceding that interest payment date.

For purposes of determining the Make Whole Amount, the following definitions apply:

The term "*Comparable Treasury Issue*" means the U.S. Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized at the time of selection, and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities to be redeemed.

The term "*Comparable Treasury Price*" means (1) the average of three Reference Treasury Dealer Quotations (as defined below) for the Redemption Date, after excluding the highest and lowest of five Reference Treasury Dealer Quotations, or (2) if the Fiscal Agent obtains fewer than five Reference Treasury Dealer Quotations, the average of all such Reference Treasury Dealer Quotations.

The term "*Quotation Agent* means one of the Reference Treasury Dealers appointed by the Fiscal Agent after consultation with the Company.

"*Redemption Date*" means the date fixed for redemption of the Securities.

The term "*Reference Treasury Dealer*" means Lehman Brothers Inc., Banc of America Securities LLC, J.P. Morgan Securities Inc. and two other primary U.S. Government securities dealers.

The term "*Reference Treasury Dealer Quotations*" means the average, as determined by the Fiscal Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed, in each case, as a percentage of its principal amount) quoted in writing to the Fiscal Agent by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding the Redemption Date.

The term "*Treasury Rate*" means the rate per annum equal to the semiannual equivalent or interpolated (on a day-count basis) yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

ARTICLE FOUR

COVENANTS

Section 4.01. *Certain Definitions.*

The following capitalized terms used in this Agreement shall have the meanings ascribed to them below.

"*Indebtedness*" means the principal, premium and interest due on indebtedness of a Person whether outstanding on the date of this Agreement or thereafter created, incurred or assumed, which is indebtedness for borrowed money, and any amendments, renewals, extensions, modifications and refimdings of any such indebtedness. For purposes of this definition, "indebtedness for borrowed money" means: (1) any obligation of, or any obligation guaranteed by, such person for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments; (2) any obligation of, or any such obligation guaranteed by, such person evidenced by bonds, debentures, notes or similar written instruments, including obligations assumed or incurred in connection with the acquisition of property, assets or businesses, provided, however, that the deferred purchase price of any property, assets or businesses will not be considered indebtedness if the purchase price thereof is payable in full within 90 days from the date on which such indebtedness was created; (3) any obligation of such person as lessee under any lease required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles or under any lease of property or assets made as part of any sale and lease-back transaction to which such person is a party; and (4) any obligation of, or any obligation guaranteed by, any person for the payment of amounts due under a swap agreement or similar instrument or agreement, or under a foreign currency hedge exchange or similar instrument or agreement

"*Insurance Subsidiaries*" shall mean Symetra National Life Insurance Company, a Washington corporation and First Symetra National Life Insurance Company of New York, a New York corporation.

"*Lien*" means any mortgage, deed of trust, pledge, lien, security interest or other encumbrance (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, and any filing or agreement to give a lien or file a financing statement as a debtor under the Uniform Commercial Code or any similar statute, other than to reflect ownership by a third party of property leased to the Company under a lease which is not in the nature of a conditional sale or title retention agreement).

"*Subsidiary*" means a direct or indirect subsidiary of the Company.

"*Symetra Life*" shall mean Symetra Life Insurance Company, a Washington corporation.

"*United States*" means the United States of America including its territories and possessions.

Section 4.02. *Payment of Securities.*

(a) The Company shall pay the principal of, premium, if any, and interest on the Securities on the date and in the manner provided in the Securities and this Agreement. An installment of principal or interest shall be considered paid on the date it is due if the Fiscal Agent or Paying Agent holds on that date money irrevocably designated for and sufficient to pay the installment. At the Company's option, it may pay any interest on any Securities by mailing checks by first class mail to the Holders of such Securities at their address as shown on the Registrar's books; *provided* that all payments with respect to Global Securities and Definitive Securities the Holders of which hâve given wire transfer instructions to the Company will be required to be made by wire transfer of same day fonds to the accounts in the United States specified by the Holders thereof. The Company shall pay interest on overdue principal and premium, if any, at the rate or rates borne by the Securities; it shall, to the extent lawful, pay interest on overdue installments of interest at the same rate or rates.

The Company hereby further agrees that all payments made by the Company or any successor entity of the Company (each a *"Payor")* on the Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature *("Taxes")* unless the withholding or deduction of such Taxes is then required by law.

(b) The Payor will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery or registration of any Securities or any other document or instrument referred to therein.

Section 4.03. *Limitation on Liens of Capital Stock.*

As long as any Securities are outstanding, the Company shall not, and it shall not permit Symetra Life or any Insurance Subsidiary to, directly or indirectly, create, assume, incur or permit to exist any Lien on the capital stock of Symetra Life or any Insurance Subsidiary to secure any Indebtedness unless the Securities are secured equally and ratably with such Indebtedness for at least the time period such Indebtedness is so secured.

Section 4.04. *Limitation on Disposition of Stock.*

As long as any Securities are outstanding, the Company shall not, and it shall not permit Symetra Life or any Insurance Subsidiary to issue, sell, transfer or otherwise dispose of any shares of Capital Stock of Symetra Life or any Insurance Subsidiary, or any securities convertible into or exercisable or exchangeable for shares of Capital Stock of Symetra Life or any Insurance Subsidiary, or warrants, rights or options to subscribe for or purchase shares of Capital Stock of Symetra Life or any Insurance Subsidiary, unless such issuance, sale, transfer or other disposition is for at least fair value (as determined by the Board of Directors acting in good faith) *("Fair Value")* and the Company will own, directly or indirectly, at least 80% of the Capital Stock of Symetra Life or any Insurance Subsidiary after giving effect to that transaction. The foregoing covenant shall not prohibit any issuance or disposition of securities by any of our Subsidiaries (other than Symetra Life or any Insurance Subsidiary) either (i) to the Company in

accordance with applicable law or (ii) if required by any regulation or order or any governmental regulatory authority.

The Company shall not permit Symetra Life or any Insurance Subsidiary to (a) merge or consolidate with or into any corporation or other person, unless such merger or consolidation is for at least Fair Value and (i) the surviving corporation or person is the Company, or (ii) at least 80% of the surviving corporation's issued and outstanding voting stock is owned, directly or indirectly, by the Company; or (b) lease, sell, assign or transfer all or substantially all of its properties and assets to any corporation or other person (other than the Company), unless such lease, sale, assignment or transfer is for at least Fair Value and at least 80% of the issued and outstanding voting stock of that corporation or other person is owned, directly or indirectly, by the Company.

Notwithstanding anything to the contrary in this Section 4.04, the Company may (i) merge or consolidate any of its Subsidiaries (including any Insurance Subsidiary) into or with another of the Company's wholly-owned Subsidiaries and (ii) sell, transfer or otherwise dispose of the Company's business in accordance with Article 5.

Section 4.05. *Compliance Certificate.*

The Company shall deliver to the Fiscal Agent within 120 days after the end of each fiscal year of the Company an Officers' Certificate stating whether or not the signers know of any Default by the Company in performing its covenants and obligations hereunder that occurred during the fiscal year and is continuing. If they do know of such a Default, the Certificate shall describe the nature and status of the Default. The Certificate need not comply with Section 11.03.

Section 4.06. *Certain Financial Information of the Company.*

The Company will furnish to the Fiscal Agent and the Holders of the Securities, (i) annually, within 90 days of the year end date, audited Consolidated financial statements of the Company and (ii) quarterly, within 45 days of the quarter end date, unaudited Consolidated balance sheet, income statement and statement of cash flows of the Company. In addition, for so long as any of the Securities remain outstanding, the Company has agreed to make available to any Holder of the Securities or prospective purchaser of the Securities, at their request, the information required by Rule 144A(d)(4) under the Securities Act if, at the time of such request the Company is not subject to the reporting requirements under Section 13 or 15(d) of the Exchange Act.

ARTICLE FIVE

Successor Company

Section 5.01. *When the Company May Merge, etc.*

The Company may not consolidate with or merge into, or sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to another person or entity, unless (a) (i) the Company is the continuing corporation, or (ii) the entity (if other than the

Company) (the *"Successor Company")* formed by the consolidation or into which the Company is merged or the entity that acquires all or substantially all of the properties and assets of the Company is a corporation, partnership or trust organized and validly existing under the laws of United States, any State or the District of Columbia, and expressly assumes payment of the principal of and any premium and interest on all the Securities and the performance of all of the Company's covenants applicable to the Indebtedness; (b) immediately thereafter, no Event of Default (and no event that, after notice or lapse of time, or both, would become an Event of Default) has occurred and is continuing; and (c) the Company has delivered to the Fiscal Agent required certificates and opinions relating to the transaction.

The predecessor Company shall be released from its obligations under this Agreement and the Successor Company shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Agreement, but, in the case of a lease of all or substantially all its assets, the predecessor Company shall not be released from the obligation to pay the principal of and any premium and interest on the Securities.

ARTICLE SIX

Defaults and Remedies

Section 6.01. *Events of Default.*

An *"Event of Default"* occurs with respect to the Securities if:

(1) the Company defaults in the payment of any installment of interest on any Security when the same becomes due and payable and such Default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of, or premium, if any, on, any Security when the same becomes due and payable at maturity, upon redemption or otherwise;

(3) the Company defaults in the performance of, or fails to comply with any other term, covenant or agreement in the Securities or this Agreement (other than those referred to in (1) or (2) above) and the default continues for the period and after the notice specified below in the last paragraph of this Section 6.01;

(4) the Company defaults under any other series of debt securities or any agreements, indentures or instruments under which the Company then has outstanding indebtedness in excess of $25 million in the aggregate which indebtedness, if not already matured in accordance with its terms, has been accelerated and the acceleration has not been rescinded or annulled or the indebtedness has not been discharged within ten days after notice is given to the Company by the trustee thereunder or to the Company and the trustee by the holders of at least 25% in aggregate principal amount of outstanding debt securities of the series, unless (a) prior to the entry of judgment in favor of the trustee thereunder, the default under that indenture or instrument is remedied or cured by the Company or waived by the holders of the indebtedness, or (b) the default results from an

action of the United States government or a foreign government which prevents the Company from performing its obligations under the agreement, indenture or instrument;

(5) the Company pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case;

(b) consents to the entry of any order for relief from claims against it in an involuntary case;

(c) consents to the appointment of a Custodian of it or for all or substantially all of its property; or

(d) makes a general assignment for the benefit of its creditors;

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Company in an involuntary case;

(b) appoints a Custodian of the Company for all or substantially all of its property; or

(c) orders the liquidation of the Company;

and the order or decree remains unstayed and in effect for 90 days.

The term *"Bankruptcy Law"* means Title 11, U.S. Code or any similar Federal or State law for the relief of debtors. The term *"Custodian"* means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default with respect to the Securities under clause (3) is not an Event of Default until the Fiscal Agent notifies the Company or the Holders of at least 25% in principal amount of the outstanding Securities notify the Fiscal Agent and the Company of the Default and the Company does not cure the Default within 60 days after-receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a *"Notice of Default"*.

Section 6.02. *Acceleration.*

If an Event of Default occurs and is continuing with respect to Securities, the Fiscal Agent by notice to the Company, or the Holders of at least 25% in principal amount of outstanding Securities by notice to the Company and the Fiscal Agent, may declare that the principal of, premium, if any, and accrued interest on the Securities shall be due and payable immediately, except that such amount shall become due and payable automatically in the case of an Event of Default described in clauses (5) and (6) of Section 6.01. Upon such declaration, such principal (or specified amount), premium, if any, and accrued interest shall be due and payable immediately. The Holders of a majority in principal amount of the outstanding Securities by notice to the Company and the Fiscal Agent may rescind an acceleration and its consequences if

the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of principal, interest or premium, if any, that has become due solely because of the acceleration.

Section 6.03. *Other Remedies.*

If an Event of Default with respect to Securities occurs and is continuing, the Fiscal Agent may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of, interest or premium, if any, on, the Securities or to enforce the performance of any provision of the Securities or this Agreement. If an Event of Default occurs and is continuing, the Fiscal Agent must exercise such of its rights and powers under this Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Fiscal Agent may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Fiscal Agent or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 6.04. *Waiver of Past Defaults.*

Subject to Section 9.02, the Holders of a majority in principal amount of the outstanding Securities on behalf of the Holders of the outstanding Securities by notice to the Fiscal Agent may waive an existing past Default or Event of Default and its consequences but such waiver shall not extend to any future Event of Default. When a Default or Event of Default is waived by the Holders of Securities, it is cured and stops continuing.

Section 6.05. *Control by Majority.*

The Holders of a majority in principal amount of the outstanding Securities may direct the time, method and place of (1) conducting any proceeding for any remedy available to the Fiscal Agent with respect to the Securities; or (2) exercising any trust or power conferred on the Fiscal Agent with respect to the Securities. However, the Fiscal Agent may refuse to follow any direction that conflicts with law or this Agreement, or, subject to Section 7.01, that the Fiscal Agent determines would be unduly prejudicial to the rights of other Securityholders or that would involve the Fiscal Agent in personal liability. The Fiscal Agent may require indemnity satisfactory to it from the Holders requesting the Fiscal Agent to enforce this Agreement or the Securities before doing so.

Section 6.06. *Limitation on Suits.*

A Securityholder may pursue a remedy with respect to this Agreement or the Securities only if:

(1) the Holder gives to the Fiscal Agent written notice of a continuing Event of Default;

(2) the Holders of at least 25% in principal amount of the outstanding Securities make a written request to the Fiscal Agent to pursue the remedy;

(3) such Holder or Holders offer to the Fiscal Agent indemnity satisfactory to the Fiscal Agent against any loss, liability or expense;

(4) the Fiscal Agent does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the outstanding Securities do not give the Fiscal Agent a direction inconsistent with the request.

A Holder of Securities may not use any provision of this Agreement to prejudice the rights of another Holder of any Securities or to obtain a preference or priority over another Holder of any Securities.

Section 6.07. *Rights of Holders to Receive Payment.*

Notwithstanding any other provision of this Agreement, the right of any Holder of a Security to receive payment of principal of, interest and premium, if any, on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of the Holder.

Section 6.08. *Collection Suit by Fiscal Agent.*

If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Fiscal Agent may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal, interest and any premium remaining unpaid on the Securities.

Section 6.09. *Fiscal Agent May File Proofs of Claim.*

The Fiscal Agent may file such proofs of claim and other papers or documents as may be necessary or advisable in order to hâve the claims of the Fiscal Agent and the Holders of Securities allowed in any judicial proceedings relative to the Company, its creditors or its property.

Section 6.10. *Priorities.*

If the Fiscal Agent collects any money or Cash Equivalents pursuant to this Article, it shall pay out the money or Cash Equivalents in the following order:

FIRST: to the Fiscal Agent and any predecessor fiscal agent of it for amounts due under Section 7.05;

SECOND: to Holders of Securities for amounts due and unpaid on the Securities for principal, interest and premium, if any, ratably without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, interest and premium, if any, respectively; and

THIRD: to the Company.

The Fiscal Agent may fix a record date and payment date for any payment to Securityholders pursuant to this Section 6.10.

Section 6.11. *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Agreement or in any suit against the Fiscal Agent for any action taken or omitted by it as Fiscal Agent, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Fiscal Agent, a suit by a Holder pursuant to Section 6.07 or a suit by Holders of more than 25% in principal amount of the Securities.

Section 6.12. *Notice to Holders by Fiscal Agent.*

The Fiscal Agent shall, within 90 days after the occurrence of a Default known to it, give Holders of the Securities notice of Default; however, the Fiscal Agent may withhold from Holders of the Securities notice of any continuing Default (except a Default in the payment of principal, interest or premium, if any) if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Holders of the Securities.

ARTICLE SEVEN

Fiscal Agent

Section 7.01. *Duties of Fiscal Agent.*

The Fiscal Agent accepts its obligations herein set forth upon the terms and conditions hereof, including the following, to all of which the Company agrees and to all of which the rights of Holders of Securities are subject:

(1) In acting under this Agreement and in connection with the Securities, the Fiscal Agent is acting solely as an agent of the Company and does not assume any responsibility for the correctness of the recitals in the Securities (except for the correctness of the statement of the Fiscal Agent in its certificate of authentication thereon) or any obligation or relationship of agency, for or with any of the owners or Holders of the Securities.

(2) The Fiscal Agent shall (except as ordered by a court of competent jurisdiction or as required by any applicable law), notwithstanding any notice to the contrary, be entitled to treat the Holder of any Security as the owner thereof as set forth in Section 2.13, shall not be liable for so doing and shall be indemnified and held harmless by the Company against any loss, liability, claim, demand or expense arising from or based upon it so doing.

(3) Except as may otherwise be agreed, the Fiscal Agent shall not be under any liability for interest on monies at any time received by it pursuant to any of the provisions of this Agreement or of the Securities.

(4) The Fiscal Agent may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Agreement and the Securities shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(5) The Fiscal Agent shall not be charged with knowledge of any Default or Event of Default with respect to the Securities, unless either (a) a Responsible Officer shall have actual knowledge of such Default or Event of Default or (b) written notice of such Default or Event of Default shall have been given to the Fiscal Agent by the Company or by any Holder of the Securities and such notice references this Agreement and the Securities.

(6) The permissive rights of the Fiscal Agent enumerated herein shall not be construed as duties.

(7) The duties and obligations of the Fiscal Agent shall be determined solely by the express provisions of this Agreement and the Securities and the Fiscal Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement and the Securities, and no implied covenants or obligations shall be read into this Agreement or the Securities against the Fiscal Agent.

Section 7.02. *Rights of Fiscal Agent.*

(1) The Fiscal Agent shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by it in reliance upon any Security, notice, direction, consent, certificate, affedavit, statement, or other document to the extent that such communication conforms to the provisions set forth herein, believed by it, in good faith and without negligence, to be genuine and to have been passed or signed by the proper parties.

(2) Before the Fiscal Agent acts or refrains from acting, it may require an Officers' Certificate or any Opinion of Counsel. The Fiscal Agent shall not be liable for any action it takes or omits to take in good faith in reliance on the Certificate or Opinion.

(3) The Fiscal Agent may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(4) The Fiscal Agent shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

Section 7.03. *Individual Rights of Fiscal Agent.*

The Fiscal Agent in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company with the same rights it would have if it were not Fiscal Agent. Any Agent may do the same with like rights.

Section 7.04. *Fiscal Agent's Disclaimer.*

The Fiscal Agent makes no representation as to the validity or adequacy of this Agreement or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, and it shall not be responsible for any statement in the Securities other than its certificate of authentication.

Section 7.05. *Compensation and Indemnity.*

The Company shall pay to the Fiscal Agent, from time to time, reasonable compensation for its services under this Agreement. The Company shall reimburse the Fiscal Agent upon request for all reasonable out-of-pocket expenses incurred by it in the performance of its duties under this Agreement. Such expenses shall include the reasonable compensation and expenses of the Fiscal Agent's agents and counsel.

Except as provided below in this paragraph, the Company shall indemnify the Fiscal Agent, any predecessor fiscal agent of it and each director, officer, employee and agent of the Fiscal Agent or predecessor fiscal agent against any loss, liability, cost, claim, action, demand or expense (including reasonable fees and expenses of legal counsel) incurred by it in connection with its appointment, or the performance of its duties hereunder, including all reasonable costs and expenses in defending itself against any claim or liability in connection with the exercise or performance of any of its powers and duties under this Agreement, or performance of any other duties pursuant to the terms and conditions hereof, except such as may result from the gross negligence, bad faith or willful misconduct of any such Person. The Fiscal Agent shall notify the Company promptly of any claim for which it may seek indemnity but failure to do so shall not relieve the Company of its obligations under this Section 7.05. The Company need not pay for any settlement made by the Fiscal Agent without the Company's consent, which consent shall not be unreasonably withheld. The Company need not reimburse any expense or indemnify against any loss or liability incurred by either the Fiscal Agent or any predecessor fiscal agent of it through its own gross negligence, bad faith or willful misconduct. In respect of the Company's payment obligations in this Section 7.05, the Fiscal Agent shall have a senior claim to which the Securities are hereby made subordinate on all money or property held or collected by the Fiscal Agent as such and not in its individual capacity, except for money or property held in trust for the benefit of the Holders to pay the principal of and interest and premium, if any, on particular Securities. Notwithstanding anything contained in this Agreement to the contrary, the indemnity agreement set forth in this paragraph shall survive the termination of this Agreement and the resignation or removal of the Fiscal Agent.

Section 7.06. *Replacement of Fiscal Agent.*

The Fiscal Agent may resign upon 30 days' written notice to the Company. The Holders of a majority in principal amount of the outstanding Securities may remove the Fiscal Agent by notifying the removed Fiscal Agent and the Company. Those Holders may appoint a successor Fiscal Agent with the Company's consent. The Company may remove the Fiscal Agent without prior notice if:

(1) the Fiscal Agent is adjudged a bankrupt or an insolvent;

(2) a receiver or public officer takes charge of the Fiscal Agent or its property; or

(3) the Fiscal Agent becomes incapable of acting.

If the Fiscal Agent resigns or is removed or if a vacancy exists in the office of Fiscal Agent for any reason, the Company shall promptly appoint a successor Fiscal Agent. Within one year after the successor Fiscal Agent takes office, the Holders of a majority in principal amount of the Securities may appoint a successor Fiscal Agent to replace the successor Fiscal Agent appointed by the Company.

If a successor Fiscal Agent does not take office within 60 days after the retiring Fiscal Agent resigns or is removed, the retiring Fiscal Agent, the Company or the Holders of a majority in principal amount of the Securities may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

A successor Fiscal Agent shall deliver a written acceptance of its appointment to the retiring Fiscal Agent and to the Company. Immediately after that, the retiring Fiscal Agent shall transfer all property held by it as Fiscal Agent to the successor Fiscal Agent, the resignation or removal of the retiring Fiscal Agent shall become effective, and the successor Fiscal Agent shall hâve all the rights, powers and duties of the Fiscal Agent under this Agreement. A successor Fiscal Agent shall mail notice of its succession to each Holder of Securities for which it acts as Fiscal Agent.

If at the time a successor to the Fiscal Agent succeeds to the trusts created by this Agreement any of the Securities shall have been authenticated but not delivered, the successor to the Fiscal Agent may adopt the certificate of authentication of any predecessor fiscal agent and deliver the Securities so authenticated. If at that time any of the Securities shall not have been authenticated, any successor to the Fiscal Agent may authenticate the Securities either in the name of any predecessor fiscal agent hereunder or in the name of the successor fiscal agent. In all such cases the certificate of authentication shall have the same force and effect which the provisions of the Securities or this Agreement provided that certificates of authentication of the Fiscal Agent shall have, except that the right to adopt the certificate of authentication of any predecessor Fiscal Agent or to authenticate the Securities in the name of any predecessor Fiscal Agent shall apply only to its successor or successors by merger, conversion or consolidation.

Section 7.07. *Successor Fiscal Agent by Merger, etc.*

If the Fiscal Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust assets to, another corporation, the successor corporation shall be the successor Fiscal Agent, without any further act.

ARTICLE EIGHT

Defeasance and Discharge

Section 8.01. *Option to Effect Covenant Defeasance.*

The Company may, at the option of its Board of Directors evidenced by a Board Resolution set forth in an Officers' Certificate, at any time, elect to have Section 8.02 hereof be applied to all outstanding Securities upon compliance with the conditions set forth below in this Article 8.

Section 8.02. *Covenant Defeasance.*

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, and subject to the satisfaction of the conditions set forth in Section 8.03 hereof, the Company shall be released from its obligations under the covenants contained in Sections 4.03, 4.04 and 4.05 and Article 5 on and after the date the conditions set forth below are satisfied (hereinafter, *"Covenant Defeasance"),* and the Securities shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Securities shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Agreement and such Securities shall be unaffected thereby.

Section 8.03. *Conditions to Covenant Defeasance.*

In order to exercise Covenant Defeasance, the Company must irrevocably deposit, or caused to be deposited, with the Fiscal Agent (or another fiscal agent satisfying the requirements of this Agreement), in trust for such purpose, (1) money in an amount, (2) U.S. Government Obligations that through the payment of principal and interest in accordance with their terms will provide money in an amount *("Cash Equivalents"),* or (3) a combination thereof, sufficient in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Fiscal Agent, to pay the principal of, premium, if any, and interest on, the outstanding Securities at maturity or upon redemption, together with all other amounts payable by the Company under this Agreement. Such Covenant Defeasance will become effective 91 days after such deposit if and only if:

(i) no Default or Event of Default with respect to the Securities has occurred and is continuing immediately prior to the time of such deposit;

(ii) no Default or Event of Default shall have occurred at any time in the period ending on the 91st day after the date of such deposit and shall be continuing on such 91st day;

(iii) such defeasance does not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound (and, in furtherance of such condition, no Default or Event of Default shall result under this Agreement due to the incurrence of indebtedness to fund such deposit and the entering into of customary documentation in connection therewith, even though such documentation may contain provisions that would otherwise give rise to a Default or Event of Default); and

(iv) the Company has delivered to the Fiscal Agent (A) an Opinion of Counsel to the effect that the Holders of the Securities will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and (B) an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to such Covenant Defeasance have been complied with.

Section 8.04. *Discharge*.

If (i) the Company shall deliver to the Fiscal Agent for cancellation all Securities theretofore authenticated and delivered (other than any Securities which shall have been destroyed, lost or stolen and in lieu of or in substitution for which other Securities shall have been authenticated and delivered) and not theretofore cancelled, or (ii) all Securities not theretofore surrendered or delivered to the Fiscal Agent for cancellation shall have become due and payable, or are by their terms to become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Fiscal Agent, and the Company shall irrevocably deposit with the Fiscal Agent, as trust fonds solely for the benefit of the Holders for that purpose, an amount sufficient to pay at maturity or upon redemption all of the Securities (other than any Securities which shall have been destroyed, lost or stolen and in lieu of or in substitution for which other Securities shall have been authenticated and delivered) not theretofore surrendered or delivered to the Fiscal Agent for cancellation, including principal, premium, if any, and interest due or to become due to such date of maturity or redemption date, as the case may be, then this Agreement shall cease to be of further force or effect (except as to rights of registration of transfer or exchange of the Securities provided in this Agreement) and, at the written request of the Company, accompanied by an Officers' Certificate and Opinion of Counsel, each stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Agreement have been complied with, and upon payment of the costs, charges and expenses incurred or to be incurred by the Fiscal Agent in relation thereto or in carrying out the provisions of this Agreement, the Fiscal Agent shall satisfy and discharge this

Agreement *("Discharge"); provided* that the Company's obligations with respect to the payment of principal, premium, if any, and interest will not terminate until the same shall apply the moneys so deposited to the payment to the Holders of Securities of all sums due and to become due thereon.

Section 8.05. *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.*

Subject to Section 8.06 hereof, all money and Cash Equivalents (including the proceeds thereof) deposited with the Fiscal Agent (or other qualifying fiscal agent, collectively for purposes of this Section 8.05, the *"Fiscal Agent")* pursuant to Section 8.02 hereof in respect of the outstanding Securities shall be held in trust and applied by the Fiscal Agent, in accordance with the provisions of such Securities and this Agreement, to the payment, either directly or through the Paying Agent as the Fiscal Agent may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal, premium, if any, and interest but such money and Cash Equivalents need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Fiscal Agent against any tax, fee or other charge imposed on or assessed against the money or Cash Equivalents deposited pursuant to this Section 8.05 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Securities.

Anything in this Article 8 to the contrary notwithstanding, the Fiscal Agent shall deliver or pay to the Company from time to time upon the request of the Company any money or Cash Equivalents held by it as provided in this Section 8.05 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Fiscal Agent (which may be the opinion delivered under Section 8.03 hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Covenant Defeasance or Discharge.

Section 8.06. *Repayment to Company.*

Any money and Cash Equivalents deposited with the Fiscal Agent or any Paying Agent, or then held by the Company or any of its Subsidiaries, in trust for the payment of the principal of, or premium, if any, or interest on, any Security and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company or any of its Subsidiaries) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Fiscal Agent or such Paying Agent with respect to such trust money and Cash Equivalents, and all liability of the Company or any of its Subsidiaries or Affiliates as fiscal agent thereof, shall thereupon cease; *provided, however,* that the Fiscal Agent or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times, The Wall Street Journal (national edition) and such foreign publication as may be required by applicable law, notice that such money and Cash Equivalents

remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money and Cash Equivalents then remaining will be repaid to the Company.

Section 8.07. *Reinstatement*

If the Fiscal Agent or Paying Agent is unable to apply any United States dollars or Cash Equivalents in accordance with Section 8.02 or 8.04 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Agreement and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.04 hereof until such time as the Fiscal Agent or Paying Agent is permitted to apply all such assets in accordance with Section 8.02 or 8.04 hereof, as the case may be; *provided, however,* that, if the Company makes any payment of principal of, or premium, if any, or interest on, any Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money and Cash Equivalents held by the Fiscal Agent or Paying Agent.

ARTICLE NINE

Amendments, Supplements and Waivers

Section 9.01. *Without Consent of Holders.*

The Company and the Fiscal Agent may amend or supplement this Agreement or the Securities without notice to or consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency or to make other formal changes;

(2) to comply with Article Four or Five;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(4) to add to the covenants of the Company or to add any additional Events of Default for the benefit of all the Securities;

(5) to add to or change any of the provisions of this Agreement to such extent as shall be necessary to permit or facilitate the issuance of Securities in (i) bearer form, registrable or not registrable as to principal, and/or (ii) coupon form, registrable or not registrable as to principal, and to provide for exchangeability of such Securities with Securities issued hereunder in fully registered form;

(6) to add to or change any provisions of this Agreement as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Fiscal Agent;

(7) to issue Additional Securities pursuant to Section 2.15; or

(8) to make any change that does not adversely affect the rights of any Securityholder;

but none of such changes shall adversely affect the rights of any Securityholder.

Section 9.02. *With Consent of Holders.*

The Company and the Fiscal Agent may amend this Agreement or the Securities with the written consent of the Holders of at least a majority in principal amount of the outstanding Securities affected by such supplement or amendment. The Holders of a majority in principal amount of the outstanding Securities may waive compliance by the Company in a particular instance with any provision of this Agreement or the Securities without notice to any Holder of Securities. Without the consent of each Securityholder affected, however, an amendment, supplement or waiver, including a waiver pursuant to Section 6.04, may not:

(1) change the stated maturity of the principal of, or any installment of principal of or interest on, the Securities;

(2) reduce the principal amount of (or premium, if any) or any interest on the Securities;

(3) change the place of payment on any Security;

(4) impair the right to institute suit for the enforcement of any payment on or with respect to the Securities on or after its stated maturity (or, in the case of redemption, on or after the Redemption Date); or

(5) reduce the percentage in principal amount of outstanding Securities of any series, the consent of the Holders of which is required for modification or amendment of this Agreement or for waiver of compliance with certain provisions of this Agreement or for waiver of certain defaults.

It shall not be necessary for the consent of the Holders under this Section to approve the particular form of any proposed supplement, but it shall be sufficient if such consent approves the substance thereof.

Section 9.03. *Revocation and Effect of Consents.*

A consent to an amendment, supplement or waiver by a Holder of a Security is a continuing consent, irrevocable for a period of nine months from the date given or, if earlier, until the amendment, supplement or waiver becomes effective, both as to the Holder giving such consent and as to every subsequent Holder of a Security or a portion of a Security that evidences

the same debt as the consenting Holder's Security, even if notation of the consent is not made on each Security. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Securityholder.

Section 9.04. *Notation on or Exchange of Securities.*

If an amendment, supplement or waiver changes the term of a Security, the Fiscal Agent may require the Holder of the Security to deliver it to the Fiscal Agent. The Fiscal Agent may place an appropriate notation on the Security about an amendment, supplement or waiver and return it to the Holder. Alternatively, the Company in exchange for Securities may issue and the Fiscal Agent shall authenticate new Securities that reflect an amendment, supplement or waiver.

Section 9.05. *Fiscal Agent to Sign Amendments, etc.*

The Fiscal Agent need not sign any supplement or amendment to this Agreement that adversely affects its rights. In signing any amendment, supplement or waiver, the Fiscal Agent shall be entitled to receive, and (subject to Section 7.02) shall be fully protected in relying upon an Officers' Certificate and Opinion of Counsel stating that such amendment, supplement or waiver is not prohibited by the Agreement.

ARTICLE TEN

MISCELLANEOUS

Section 10.01. *Notices.*

Any notice or communication shall be in writing and delivered in person or mailed by first-class mail to the other's address as follows:

If to the Company:	Symetra Financial Corporation Symetra Financial Center P.O. Box 34690 Seattle, Washington 98124-1690 Attn: General Counsel
With a copy to:	Orrick Herrington & Sutcliffe LLP 719 Second Avenue, Suite 900 Seattle, Washington 98104 Attn: Stephen M. Graham
If to the Fiscal Agent:	U.S. Bank National Association Corporate Trust Services CN-OH-W6CT 425 Walnut Street Cincinnati, Ohio 45202 Attn: William E. Sicking

The Company or the Fiscal Agent by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication mailed to a Holder of a Security shall be mailed by first class mail to his or her address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

In case, by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice as required by this Agreement, then such method of notification as shall be made with the approval of the Fiscal Agent shall constitute a sufficient mailing of such notice.

Section 10.02. *Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Company to the Fiscal Agent to take any action under this Agreement, the Company shall furnish to the Fiscal Agent:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Agreement relating to the proposed action hâve been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent hâve been complied with.

Section 10.03. *Statements Required in Certificate or Opinion.*

Each Certificate or Opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(1) a statement that the person making such Certificate or Opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Certificate or Opinion are based;

(3) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Section 10.04. *Rules by Fiscal Agent, Paying Agent, Registrar.*

The Fiscal Agent may make reasonable rules for action by or a meeting of Securityholders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 10.05. *Governing Law.*

THIS AGREEMENT AND THE SECURITIES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 10.06. *No Recourse Against Others.*

All liability described in the Securities of any director, officer, employee or stockholder, as such, of the Company is waived and released.

Section 10.07. *Successors.*

All agreements of the Company in this Agreement and the Securities shall bind its successor. All agreements of the Fiscal Agent in this Agreement shall bind its successor.

Section 10.08. *Execution in Counterparts.*

The parties may sign this Agreement in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same agreement.

SIGNATURES

SYMETRA FINANCIAL CORPORATION

By /s/ Margaret A. Meister
Name: Margaret A. Meister
Title: Executive Vice President and
Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION

By /s/ William E. Sicking
Name: William E. Sicking
Title: Vice President and Trust Officer

SYMETRA FINANCIAL CORPORATION
(formerly Occum Acquisition Corp.)

Warrant Certificate

Certificate No.: W-11 **Date:** 10-26-07

Warrant Holder: General Reinsurance Corporation **Warrant Shares:** 9,487,872

This Certificate is issued to the Warrant Holder and for the number of Warrant Shares identified above, pursuant to:

o **Assignment of prior Warrant Holder:**

☑ **Other: Share number adjusted to reflect the Company's stock dividend, effective October 26, 2007**

and replaces Certificate No. W-6 (1,090,560 Warrant Shares)

All other terms and conditions of the Warrant dated July 29, 2004, attached hereto remain the same.

Recorded on Symetra Financial Corporation's Warrant Ledger.

By: /s/ Julie M. Bodmer
Julie M. Bodmer
Assistant Secretary

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS (I) (A) A REGISTRATION STATEMENT IS IN EFFECT UNDER THE SECURITIES ACT WITH RESPECT TO SUCH SECURITIES, OR (B) A WRITTEN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE COMPANY IS PROVIDED TO THE COMPANY TO THE EFFECT THAT NO SUCH REGISTRATION IS REQUIRED, AND (II) THE TRANSFEREE IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT.

IN ADDITION, ANY SALE, ASSIGNMENT, TRANSFER, PLEDGE OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY, AND THE RIGHTS ATTACHING TO THESE SECURITIES ARE SUBJECT TO, THE TERMS AND CONDITIONS CONTAINED HEREIN AND THE SHAREHOLDERS AGREEMENT DATED AS OF MARCH 8, 2004 (THE "SHAREHOLDERS AGREEMENT"), AS IT MAY BE AMENDED FROM TIME TO TIME, WHICH ARE AVAILABLE FOR EXAMINATION BY HOLDERS OF SECURITIES AT THE REGISTERED OFFICE OF THE COMPANY. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE, BY ACQUIRING AND HOLDING SUCH SECURITIES, SHALL BE DEEMED A PARTY TO SUCH SHAREHOLDERS AGREEMENT FOR ALL PURPOSES AND SHALL BE REQUIRED TO AGREE IN WRITING TO BE BOUND BY AND PERFORM ALL OF THE TERMS AND PROVISIONS OF SUCH SHAREHOLDERS AGREEMENT, ALL AS MORE FULLY PROVIDED THEREIN. IN ADDITION, ANY TRANSFEREE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE SHALL BE DEEMED TO BE A PARTY TO SUCH SHAREHOLDERS AGREEMENT FOR ALL PURPOSES AND SHALL BE REQUIRED BY THE TRANSFEROR TO AGREE IN WRITING TO ACQUIRE AND HOLD SUCH SECURITIES SUBJECT TO ALL OF THE TERMS OF SUCH SHAREHOLDERS AGREEMENT, ALL AS MORE FULLY PROVIDED THEREIN, WHICH TERMS ARE TO BE ENFORCED BY THE SHAREHOLDERS OF THE COMPANY.

OCCUM ACQUISITION CORP.

WARRANT

Certificate No.: W - 2 **Date: July 29, 2004**

FOR CONSIDERATION RECEIVED, Occum Acquisition Corp., a Delaware corporation (the "Company"), hereby grants to Berkshire Hathaway Inc. (the "Warrant Holder") this warrant certificate (this "Warrant") to purchase, in accordance with the terms set forth herein, 1,090,560 shares (the "Warrant Shares") of the Company's common shares, initially having a par value of U.S. $0.01 per share (the "Common Shares"), at a price per share equal to U.S. $100, as adjusted from time to time

pursuant to Section 2 hereof (the "Exercise Price") but at no time shall the Exercise Price be less than the then current par value of any share to be issued pursuant hereto.

This Warrant is issued pursuant to a letter agreement, dated as of March 8, 2004, between the Company and the Warrant Holder.

This Warrant is subject to the following provisions:

SECTION 1. Warrant Terms. (a) This Warrant is for the purchase of the Warrant Shares at the Exercise Price.

(b) This Warrant shall expire on the tenth anniversary of the date hereof (the "Expiration Date"). The Warrant exercise procedure set forth in Section 3 hereof must be commenced by the Warrant Holder by 3:30 p.m. New York City time on such Expiration Date.

SECTION 2. Anti-dilution Provisions. In order to prevent dilution of the purchase rights granted under Section 1 hereof, the Exercise Price shall be subject to adjustment from time to time pursuant to this Section 2; provided, however, that under no circumstances will the Exercise Price be less than the then current par value of any share to be issued under this Warrant.

(a) Effect on Exercise Price of Certain Events. For purposes of determining the adjusted Exercise Price, the following shall be applicable:

(1) Share Dividend, Subdivision or Consolidation/Combination of Common Shares. If the Company, at any time while this Warrant is outstanding, (A) shall pay a stock or bonus share dividend on its Common Shares or pay any other distribution in Common Shares, (B) subdivide the class of Common Shares into a larger number of shares or (C) consolidate/combine the class of Common Shares into a smaller number of shares, then the Exercise Price thereafter shall be determined by multiplying the Exercise Price by a fraction (x) the numerator of which shall be the number of Common Shares (excluding treasury shares, if any) issued and outstanding before such event and (y) the denominator of which shall be the number of Common Shares (excluding treasury shares, if any) issued and outstanding after such event. Any adjustment made pursuant to this Section 2(a)(1) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(2) Issuance of Additional Common Shares. In case the Company at any time or from time to time after the date hereof shall issue or sell additional Common Shares, other than any issuance to which Section 2(a)(1) shall apply, without consideration or for a consideration per share less than the Fair Market Value of the Common Shares on the day immediately prior to such issue or sale, then, and in each such case, subject to Section 2(b)(iv), the Exercise Price shall be

reduced, concurrently with such issue or sale, to a price determined by multiplying such Exercise Price by a fraction

(x) the numerator of which shall be (i) the number of Common Shares outstanding immediately prior to such issue or sale plus (ii) the number of Common Shares which the aggregate consideration received by the Company for the total number of such additional Common Shares so issued or sold would purchase at such Fair Market Value of the Common Shares, and

(y) the denominator of which shall be the number of Common Shares outstanding immediately after such issue or sale;

provided that for the purposes of this Section 2(a)(2), treasury shares shall not be deemed to be outstanding.

(3) Dividends and Distributions. In case the Company at any time or from time to time after the date hereof shall declare, order, pay or make a dividend or other distribution (including any distribution of other or additional stock or other securities or property or options, warrants or other rights to purchase Common Shares or Convertible Securities (as hereinafter defined) (other than options granted to employees of the Company) (collectively, "Assets") by way of dividend or spin-off, reclassification, recapitalization or similar corporate rearrangement) on the Common Shares, other than a dividend payable in additional Common Shares (which is the subject of Section 2(a)(1) hereof), then, and in each such case, the Company shall make the same dividend or distribution to Warrant Holders as it makes to holders of Common Shares pro rata based on the number of Common Shares for which such Warrants are then exercisable, and the Exercise Price shall not be adjusted in respect thereof.

(4) Consolidation, Merger, etc.

(A) Adjustments for Consolidation, Merger, Sale of Assets, Reorganization, etc. In case the Company after the date hereof (i) shall consolidate with or merge into any other Person (as hereinafter defined) and shall not be the continuing or surviving corporation of such consolidation or merger, (ii) shall permit any other Person to consolidate with or merge into the Company and the Company shall be the continuing or surviving Person but, in connection with such consolidation or merger, the Common Shares shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, (iii) shall transfer all or substantially all of its properties or assets to any other Person, (iv) shall effect a capital reorganization or reclassification of the Common Shares (other than a capital reorganization or reclassification resulting in an adjustment to the Exercise Price as provided in another paragraph of this Section 2), or (v) shall effect any other transaction in which the Common Shares are

changed into or exchanged for stock or other securities of any other Person, then, except and insofar as otherwise provided in Section 2(a)(4)(C) in the case of each such transaction, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the holder of this Warrant, upon the exercise hereof at any time after the consummation of such transaction, shall be entitled to receive (at the aggregate Exercise Price in effect at the time of such consummation for all Common Shares issuable upon such exercise immediately prior to such consummation), in lieu of the Common Shares issuable upon such exercise prior to such consummation, the amount of securities, cash or other property to which such holder would actually have been entitled as a shareholder upon such consummation if such holder had exercised the rights represented by this Warrant immediately prior thereto. As used herein, "Person" shall mean an individual, company, corporation, limited liability company, firm, partnership, trust, estate, unincorporated association or other entity.

(B) Assumption of Obligations. Notwithstanding anything contained in this Warrant or in the Shareholders Agreement to the contrary, the Company will not effect any of the transactions described in Sections 2(a)(4)(A)(i)-(v) unless, prior to the consummation thereof, each Person (other than the Company) which may be required to deliver any stock, securities, cash or property upon the exercise of this Warrant as provided herein shall assume, by written instrument delivered to, and reasonably satisfactory to, the holder of this Warrant, the obligations of the Company under this Warrant (and if the Company shall survive the consummation of such transaction, such assumption shall be in addition to, and shall not release the Company from, any continuing obligations of the Company under this Warrant). Nothing in this Section 2(a)(4) shall be deemed to authorize the Company to enter into any transaction not otherwise permitted by the Shareholders Agreement or the By-laws.

(C) Qualifying Transactions. (1) In the event that, after the date hereof, the Company shall effect a transaction of the type contemplated by subparagraph (A) above and in connection therewith (x) the Common Shares are exchanged in whole or in part for cash (other than cash in lieu of fractional shares), securities (other than Voting Common Stock (as defined below)) or other property (collectively, "Non-Common Consideration") and (y) the Per Share Value (as defined below) exceeds the Subscription Price (as defined below) (any such transaction being referred to herein as a "Qualifying Transaction"), then (i) the holder of this Warrant shall receive, upon the consummation of the Qualifying Transaction, an amount in cash equal to the Intrinsic Value Amount (as defined below) and (ii) if any portion of the consideration to be received by holders of Common Shares in such Qualifying Transaction consists of Voting Common Stock (as defined below), the holder of the Warrant, upon the exercise hereof at any time after the consummation of such

Qualifying Transaction, shall be entitled to receive, at the aggregate exercise price determined pursuant to subparagraph (C)(3) below, the number of shares of Voting Common Stock determined pursuant to subparagraph (C)(3) below.

(2) Certain Definitions. For purposes of this Section 2(a)(4), the following terms have the following meanings:

"Per Share Value" means the average value of the consideration to be received in respect of each outstanding Common Share pursuant to the Qualifying Transaction as determined by mutual agreement of the Independent Directors (as defined in Section 2(b)(ii) below) and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank.

"Subscription Price" means U.S. $100.00; provided, however, that such amount shall be (i) adjusted in an appropriate and proportionate manner consistent with the provisions for adjusting the Exercise Price in Section 2(a)(1) for any events that require an adjustment in the Exercise Price pursuant to such section and (ii) reduced by an amount equal to the pre-tax value (determined pursuant to Section 2(b)(i)) per Common Share of any dividend or other distribution described in Section 2(a)(3).

"Voting Common Stock" means, as to any issuer, (i) voting equity securities of such issuer having no preference as to dividends or in a liquidation over any other securities of such issuer, (ii) nonvoting equity securities of such issuer which are in all other respects identical to, and are expected to have, after completion of the Qualifying Transaction, liquidity substantially equivalent to or greater than, the outstanding voting equity securities of such issuer that would fit the description in the preceding clause (i), or (iii) securities convertible into or exchangeable for the voting or nonvoting securities described in clause (i) or (ii).

"Intrinsic Value Amount" means (i) the Applicable Black-Scholes Value minus (ii) the Applicable Reduction, if any.

"Applicable Black-Scholes Value" shall mean the product of (i) the Black-Scholes Value and (ii) the Non-Common Stock Portion.

"Non-Common Stock Portion" means (i) one minus (ii) the Common Stock Portion.

"Common Stock Portion" means the quotient obtained by dividing (i) the total value of the shares of Voting Common Stock to be issued in respect of the outstanding Common Shares pursuant to the Qualifying Transaction by (ii) the total value of the shares of Voting Common Stock and Non-Common Consideration to be issued in respect of the outstanding Common Shares pursuant to the Qualifying Transaction, in each case as determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank.

"Applicable Reduction" means the product of (i) the Reduction Amount and (ii) the Non-Common Stock Portion.

"Reduction Amount" means the product of (i) the Discount Factor and (ii) the amount by which (x) the Black-Scholes Value exceeds (y) the Total Spread.

"Discount Factor" means (A) one minus (B) the quotient obtained by dividing (i) the amount by which (x) the Per Share Value exceeds (y) the Subscription Price by (ii) the amount by which (x) the Hurdle Price exceeds (y) the Subscription Price; provided, that if the quotient determined pursuant to clause (B) is greater than one, such quotient shall be deemed to be one.

"Total Spread" means the product of (i) the total number of Warrant Shares purchasable pursuant to this Warrant immediately prior to the completion of the Qualifying Transaction and (ii) the Spread.

"Spread" means the amount by which (i) the Per Share Value exceeds (ii) the Subscription Price; provided, however, that in the event the Subscription Price exceeds the Per Share Value, the Spread shall be deemed to be zero.

"Hurdle Price" means U.S. $155.00; provided, however, that such amount shall be (i) adjusted in an appropriate and proportionate manner consistent with the provisions for adjusting the Exercise Price in Section 2(a)(1) for any events that require an adjustment in the Exercise Price pursuant to such section and (ii) reduced by an amount equal to the pre-tax value (determined pursuant to Section 2(b)(i)) per Common Share of any dividend or other distribution described in Section 2(a)(3).

"Investment Bank" means an independent nationally-recognized U.S. investment banking firm selected by the Independent Directors with the consent of the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision (which consent shall not be unreasonably withheld), the fees and expenses of which shall be shared equally by the Company on the one hand and such holders on the other.

"Black-Scholes Value" means the value of this Warrant immediately prior to consummation of the Qualifying Transaction, as calculated by an Investment Bank, using the Black-Scholes calculation method for valuing options and the following assumptions:

Volatility =	25%
Risk Free Rate =	the then current effective U.S. Federal government interest rate for a bond or note with a remaining time to maturity equal to the Term of the Warrant then in effect
Dividend Yield =	0%

Exercise Price = the Exercise Price in effect immediately prior to the consummation of the Qualifying Transaction

Term of the Warrant = the lesser of five years and the remaining term of the Warrant, measured from the date of completion of the Qualifying Transaction to the Expiration Date

The underlying security price for purposes of the Black-Scholes calculation shall be the Per Share Value.

Exhibit C to this Warrant contains examples illustrating certain of the calculations required by this Section 2(a)(4)(C).

(3) Voting Common Stock Consideration. In the event of a Qualifying Transaction in which any portion of the consideration to be received by holders of Common Shares in such Qualifying Transaction consists of Voting Common Stock, then proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the holder of this Warrant, upon the exercise hereof at any time after the consummation of such Qualifying Transaction, shall be entitled to receive (at the aggregate exercise price determined pursuant to this subparagraph (3)) a number of shares of Voting Common Stock equal to the product of (i) the product of (x) the aggregate number of Warrant Shares purchasable pursuant to this Warrant immediately prior to the completion of the Qualifying Transaction and (y) the Common Stock Portion and (ii) the Calculated Exchange Ratio. The aggregate exercise price of this Warrant after the consummation of such Qualifying Transaction shall be equal to the product of (i) the aggregate Exercise Price of this Warrant for the number of Warrant Shares purchasable pursuant to this Warrant immediately prior to the completion of the Qualifying Transaction and (ii) the Common Stock Portion.

For purposes of this subparagraph (3):

"Calculated Exchange Ratio" means the quotient obtained by dividing (i) the Per Share Value by (ii) the Average Closing Price of the Voting Common Stock.

"Average Closing Price" means (a) the average of the closing prices per share of the Voting Common Stock on the national securities exchange or automated quotation system on which such stock is then listed for the 10 consecutive trading days immediately preceding the closing date of the Qualifying Transaction, or (b) if such Voting Common Stock is not so listed, the fair market value per share of such Voting Common Stock, determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank.

(4) Cancelation of Warrant. In the event of a Qualifying Transaction in which the Common Stock Portion is zero, then the holder of this Warrant shall surrender this Warrant at the time of payment of the Intrinsic Value Amount,

whereupon this Warrant shall be canceled and all rights hereunder shall expire. In the event of a Qualifying Transaction in which the Common Stock Portion is more than zero, then the holder of this Warrant shall surrender this Warrant at the time of payment of the Intrinsic Value Amount in exchange for a warrant of like tenor representing the right to purchase the number of shares of Voting Common Stock determined pursuant to Section 2(a)(4)(C)(3) at the aggregate exercise price as determined pursuant to Section 2(a)(4)(C)(3).

(5) Cash Elections; etc. In the event that the type of consideration to be received per Common Share in a Qualifying Transaction is subject to the election of the holders thereof, such election permits such holder to elect to receive Voting Common Stock and there is no limitation on the number of shares of Voting Common Stock to be issued in the Qualifying Transaction, then (i) after the consummation of such transaction this Warrant shall be exercisable solely for Voting Common Stock, (ii) such transaction shall not be deemed to constitute a Qualifying Transaction and (iii) the provisions of Section 2(a)(4)(A) shall apply.

(6) All Reasonable Efforts. In the case of a Qualifying Transaction in which any portion of the consideration to be received by the holders of Common Shares consists of Voting Common Stock, the holder of this Warrant and the Company shall use all reasonable efforts to cause this Warrant to become exercisable solely for Voting Common Stock and, if the Person who shall be issuing Voting Common Stock in such transaction agrees in writing that this Warrant shall be exercisable solely for Voting Common Stock, then (i) such transaction shall not be deemed to constitute a Qualifying Transaction and (ii) the provisions of Section 2(a)(4)(A) shall apply.

(b) Other Provisions Applicable to Adjustments Under This Section. The following provisions shall be applicable to the making of adjustments to the number of Warrant Shares for which the Warrant is exercisable provided for in this Section 2.

(i) Adjustment in Number of Warrant Shares. Upon each adjustment of the Exercise Price pursuant to Sections 2(a)(1) or 2(a)(2), the number of Common Shares for which this Warrant is exercisable shall be adjusted by multiplying the number of Common Shares for which this Warrant was exercisable prior to such adjustment by a fraction (i) whose numerator is the Exercise Price in effect immediately prior to such adjustment and (ii) whose denominator is the Exercise Price in effect immediately after such adjustment.

(ii) Computation of Asset Value and Fair Market Value for Purposes of Section 2. To the extent that the Company shall distribute Assets other than cash, except as herein otherwise expressly provided, then the value of such Assets shall be determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank. The "Fair Market Value" of the Common Shares at any given time shall mean (a) if the Common Shares are listed on a

securities exchange (or quoted in a securities quotation system), the average closing sale price of the Common Shares on such exchange (or in such quotation system), or, if the Common Shares are listed on (or quoted in) more than one exchange (or quotation system), the average closing sale price of the Common Shares on the principal securities exchange (or quotation system) on which the Common Shares are then traded, or, if the Common Shares are not then listed on a securities exchange (or quotation system) but are traded in the over-the-counter market, the average of the latest bid and asked quotations for the Common Shares in such market, in each case for the last five trading days immediately preceding the day on which such Fair Market Value is determined in accordance with the applicable provision of this Section 2 or (b) if no such closing sales prices or quotations are available because such shares are not publicly traded or otherwise, the fair value of such shares as determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank. As used herein, the term "Independent Director" shall mean each member of the Board of Directors of the Company that is not (x) a director, officer or employee of any Warrant Holder or any affiliate of any Warrant Holder, (y) the holder of a 10% or greater equity interest in any Warrant Holder or any affiliate of any Warrant Holder or (z) a member of the immediate family of any director, officer or employee of any Warrant Holder or any holder of a 10% or greater equity interest in any such Warrant Holder or any affiliate of any Warrant Holder.

(iii) When Adjustment To Be Made. The adjustments required by this Section 2 shall be made whenever and as often as any specified event requiring an adjustment shall occur. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(iv) Fractional Interest: Rounding. In computing adjustments under this Section 2, fractional interests in Common Shares shall be taken into account to the nearest 1/l0th of a share, and adjustments in the Exercise Price shall be made to the nearest $.001.

(v) Certain Exclusions. No adjustment in the number of Common Shares purchasable under this Warrant or the Exercise Price therefor shall be made as a result of (x) any adjustment in the number of Common Shares purchasable under any other Warrant or the exercise price thereunder, or (y) for the issuance of any employee stock options or any Common Shares issuable under employee stock options, employee stock purchase plans, or any other form of equity based compensation granted to employees of the Company.

(vi) Computation of Consideration. For the purposes of this Section 2,

(A) the consideration for the issue or sale of any additional Common Shares shall, irrespective of the accounting treatment of such consideration,

(x) insofar as it consists of cash, be computed at the net amount of cash received by the Company,

(y) insofar as it consists of property (including securities) other than cash, be computed at the fair value thereof at the time of such issue or sale, as determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing adjustment provisions of like tenor to the applicable adjustment provision contained in this Warrant, or, if they shall fail to agree, by an Investment Bank, and

(z) in case additional Common Shares are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be the portion of such consideration so received, computed as provided in clauses (x) and (y) above, allocable to such additional Common Shares, all as determined in good faith by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing adjustment provisions of like tenor to the applicable adjustment provision contained in this Warrant, or, if they shall fail to agree, by an Investment Bank;

(B) additional Common Shares deemed, pursuant to Section 2(c), to have been issued, relating to Options and Convertible Securities, shall be deemed to have been issued for a consideration per share determined by dividing

(x) the total amount, if any, received and receivable by the Company as consideration for the issue, sale, grant or assumption of the Options or Convertible Securities in question, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration to protect against dilution) payable to the Company upon the exercise in full of such Options or the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, in each case computing such consideration as provided in the foregoing subdivision (A),

by

(y) the maximum number of Common Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities; and

(C) additional Common Shares deemed to have been issued pursuant to Section 2(a)(1), relating to stock dividends, stock splits, etc., shall be deemed to have been issued for no consideration.

(c) Treatment of Options and Convertible Securities. In case the Company at any time or from time to time after the date hereof shall issue, sell, grant or assume, or shall fix a record date for the determination of holders of any class of securities of the Company other than the Common Shares entitled to receive, any (x) options, warrants or other rights to purchase Common Shares (other than options granted to employees) or Convertible Securities (as defined below) ("Options") or (y) securities convertible into or exchangeable for Common Shares ("Convertible Securities"), then, and in each such case, the maximum number of additional Common Shares (as set forth in the instrument relating thereto, without regard to any provisions contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed for purposes of Section 2(a)(2) to be additional Common Shares issued as of the time of such issue, sale, grant or assumption or, in case such a record date shall have been fixed, as of the close of business on such record date (or, if the Common Shares trade on an ex-dividend basis, on the date prior to the commencement of ex-dividend trading); provided, however, that such additional Common Shares shall not be deemed to have been issued unless the consideration per share (determined pursuant to section 2(b)(vi)) would be less than the Fair Market Value on the date immediately prior to such issue, sale, grant or assumption or immediately prior to the close of business on such record date (or, if the Common Shares trade on an ex-dividend basis, on the date prior to the commencement of ex-dividend trading), as the case may be, and provided further that in any such case in which additional Common Shares are deemed to be issued:

(i) no further adjustment of the Exercise Price shall be made upon the subsequent issue or sale of Convertible Securities or Common Shares upon the exercise of such Options or the conversion or exchange of such Convertible Securities;

(ii) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Company, or decrease or increase in the number of additional Common Shares issuable, upon the exercise, conversion or exchange thereof (by change of rate or otherwise), the Exercise Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the

record date, or date prior to the commencement of ex-dividend trading, as the case may be, with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options, or the rights of conversion or exchange under such Convertible Securities, which are outstanding at such time;

(iii) upon the expiration (or purchase by the Company and cancellation or retirement) of any such Options which shall not have been exercised or the expiration of any rights of conversion or exchange under any such Convertible Securities which (or purchase by the Company and cancellation or retirement of any such Convertible Securities the rights of conversion or exchange under which) shall not have been exercised, the Exercise Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the record date, or date prior to the commencement of ex-dividend trading, as the case may be, with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration (or such cancellation or retirement, as the case may be), be recomputed as if:

(A) in the case of Options for Common Shares or Convertible Securities, the only additional Common Shares issued or sold were the additional Common Shares, if any, actually issued or sold upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was (x) an amount equal to (1) the consideration actually received by the Company for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (2) the consideration actually received by the Company upon such exercise, minus (3) the consideration paid by the Company for any purchase of such Options which were not exercised, or (y) an amount equal to (1) the consideration actually received by the Company for the issue or sale of all such Convertible Securities which were actually converted or exchanged, plus (2) the additional consideration, if any, actually received by the Company upon such conversion or exchange, minus (3) the consideration paid by the Company for any purchase of such Convertible Securities the rights of conversion or exchange under which were not exercised, and

(B) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued or sold upon the exercise of such Options were issued at the time of the issue, sale, grant or assumption of such Options, and the consideration received by the Company for the additional Common Shares deemed to have then been issued was an amount equal to (x) the consideration actually received by the Company for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (y) the consideration deemed to have been received by the Company (pursuant to section 2(b)(vi)) upon the issue or sale of such Convertible Securities with respect to which such Options

were actually exercised, minus (z) the consideration paid by the Company for any purchase of such Options which were not exercised;

(iv) no readjustment pursuant to subdivision (ii) or (iii) above shall have the effect of increasing the Exercise Price by an amount in excess of the amount of the adjustment thereof originally made in respect of the issue, sale, grant or assumption of such Options or Convertible Securities; and

(v) in the case of any such Options which expire by their terms not more than 30 days after the date of issue, sale, grant or assumption thereof, no adjustment of the Exercise Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the manner provided in subdivision (iii) above.

(d) Other Dilutive Events. In case any event shall occur as to which the provisions of Section 2 are not strictly applicable but the failure to make any adjustment would not fairly protect the purchase rights (including the rights provided under Section 2(a)(4)(C)) represented by this Warrant in accordance with the essential intent and principles of such Sections, then, in each such case, the Independent Directors of the Company shall appoint an Investment Bank, which shall give its opinion upon the adjustment, if any, on a basis consistent with the essential intent and principles established in Section 2, necessary to preserve, without dilution, the purchase rights represented by this Warrant. Upon receipt of such opinion, the Company will promptly mail a copy thereof to the holder of this Warrant and shall make the adjustments described therein.

(e) Notices. Immediately upon any adjustment of the Exercise Price, the Company shall give, or cause to be given, written notice thereof, executed by the Chief Financial Officer (or, if none, the Chief Executive Officer or President) of the Company, to the Warrant Holder, setting forth in reasonable detail and certifying the event requiring the adjustment, the method by which the adjustment was calculated, the number of Warrant Shares for which the Warrant is exercisable and the Exercise Price after giving effect to such adjustment. The Company shall keep at its registered office copies of all such written notices and cause the same to be available for inspection during normal business hours by the Warrant Holder. The Company shall give, or cause to be given, written notice to the Warrant Holder at least 10 days prior to the date on which the Company closes its books or takes a record (i) with respect to any dividend or distribution upon Common Shares, (ii) with respect to any pro rata subscription offer to holders of Common Shares or (iii) for determining rights to vote with respect to any transaction described in Section 2(a)(4), dissolution or liquidation. The Company shall also give, or cause to be given, written notice to the Warrant Holder at least 10 days prior to the date on which any transaction described in Section 2(a)(4) shall take place.

SECTION 3. Exercise of Warrant. (a) Exercise Procedure. The Warrant Holder may exercise all or a portion of this Warrant for all or a portion of the Warrant Shares at any time and from time to time commencing after the date hereof until 3:30 p.m. New York City time, on the Expiration Date by irrevocably surrendering at the

registered office of the Company this Warrant and a completed Exercise Agreement (substantially in the form of Exhibit A attached hereto) setting forth the number of Warrant Shares being exercised, and by paying the Exercise Price in one of the following manners:

(i) Cash Exercise. The Warrant Holder shall deliver to the Company by wire transfer of immediately available funds an amount equal to the Exercise Price per Warrant Share exercised in the Exercise Agreement; or

(ii) Cashless Exercise. After the date of issuance of this Warrant, if the Common Shares are listed on a national securities exchange, automated quotation system or are available for sale in the over-the-counter market, the Warrant Holder shall have the right to surrender this Warrant to the Company (including that portion of the Warrant in payment of the Exercise Price to effect such cashless exercise) together with a notice of cashless exercise, in which event the Company shall exchange such portion of the Warrant subject to the Exercise Agreement, as the circumstances require in order for such number of Common Shares to be issued, determined as follows:

X = Y multiplied by (A-B)/A where:

X = the number of Common Shares to be issued to the Warrant Holder

Y = the number of Warrant Shares with respect to which this Warrant is being exercised in the Exercise Agreement

A = the average of the per share Market Price of the Common Shares for the five (5) trading days immediately prior to (but not including) the date of exercise (but not less than the then par value of the Common Shares)

B = the Exercise Price

If the foregoing calculation results in a negative number, then no Warrant Shares shall be issued.

For purposes of Rule 144 promulgated under the Securities Act only, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired and the full purchase price therefor paid by the Warrant Holder, and the holding period for the Warrant Shares shall be deemed to have been commenced on the issue date to the extent permitted by Rule 144.

For purposes hereof, "Market Price" means on any particular date (i) the closing bid price per Common Share on such date on the national securities exchange or automated quotation system on which the Common Shares are then listed or if there is no such price on such date, then the closing bid price on such exchange or quotation system on the date nearest preceding such date, or (ii) if the Common Shares are not then listed on a national

securities exchange or automated quotation system, the closing bid price for each Common Share in the over-the-counter market, as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date.

(b) The Company shall cause certificates for the Warrant Shares to be issued in the name of and delivered to the Warrant Holder, or subject to the transfer restrictions referred to in the legend endorsed hereon, as the Warrant Holder may direct, as soon as practicable and in any event within ten (10) business days after receipt by the Company of the items required by Section 3(a) for the respective method or methods of exercise. Unless this Warrant has expired or all of the purchase rights represented hereby have been exercised, the Company shall prepare a new Warrant, substantially identical hereto, representing the rights formerly represented by this Warrant which have not expired or been exercised and shall, within such 10-business-day period, deliver such new Warrant to such Warrant Holder.

(c) Any Warrant Shares issuable upon the proper exercise of this Warrant shall be deemed to have been issued to the Warrant Holder on the date the Company receives the completed Exercise Agreement and payment of the Exercise Price, if any, and the Warrant Holder shall be deemed for all purposes to have become the record holder of such Common Shares on such date.

(d) The issuance of certificates for the Warrant Shares shall be made without charge to the Warrant Holder for any issuance tax in respect thereof or other cost incurred by the Company in connection with such exercise and the related issuance of the Warrant Shares.

(e) The Company shall at all times reserve and keep available such number of authorized but unissued Common Shares, solely for the purpose of issuance upon exercise of this Warrant, as are issuable upon exercise of this Warrant. All Warrant Shares shall, when issued, be duly and validly issued, fully paid and nonassessable (meaning that no further sums are required to be paid by the holders thereof in connection with the issue thereof) and free from all taxes, liens and charges. The Company shall take such actions as may be necessary to ensure that the Warrant Shares may be so issued without violation of any applicable law or governmental regulation or any requirements of any securities exchange upon which its shares may be listed (except for official notice of issuance which shall be immediately delivered by the Company upon each such issuance).

(f) Without prejudice to the rights of the Warrant Holders as signatory to the Shareholders Agreement as set forth in Section 5 hereof, the Company shall have the option, in its sole discretion, to deliver Warrant Shares which are (i) subject to the securities law transfer restrictions referred to in the legend endorsed hereon or (ii) subject to a registration statement filed under the Securities Act.

SECTION 4. Warrant Transfer Restrictions. Subject to the transfer conditions referred to in the legend endorsed hereon, this Warrant and all rights

hereunder are transferable, in whole or in part, without charge to the Warrant Holder, upon surrender of this Warrant with a properly executed Assignment (substantially in the form of Exhibit B hereto) at the registered office of the Company; provided, however, that (i) such transfer shall comply with Section 2 of the Shareholders Agreement and (ii) prior to such transfer, the transferee shall enter into the Shareholders Agreement with the Company.

SECTION 5. Shareholders Agreement; Registration Rights. The Warrant Holder, as signatory to the Shareholders Agreement, shall have the rights set forth in Section 3 of the Shareholders Agreement with respect to this Warrant and any Warrant Shares issued hereunder.

SECTION 6. Amendment and Waiver. Except as otherwise provided herein, the provisions of this Warrant may be amended only if the Company has obtained the written consent of the Warrant Holder and a majority of the Independent Directors has approved the amendment.

SECTION 7. Descriptive Headings. The descriptive headings of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

SECTION 8. Definitions. Terms used in this Warrant unless otherwise defined herein shall have the meaning ascribed to them in the Shareholders Agreement.

SECTION 9. Governing Law. This Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York. Each party hereby irrevocably submits to the nonexclusive jurisdiction of the courts of New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that (i) it is not personally subject to the jurisdiction of any such court, and/or (ii) that such suit, action or proceeding is not brought in the proper forum. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

SECTION 10. Complete Agreement; Severability. Except as otherwise expressly set forth herein, this Warrant embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. In case any provision of this Warrant shall be invalid, illegal or unenforceable, such invalidity, illegality, or unenforceability shall not in any way affect or impair any other provision of this Warrant.

SECTION 11. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, facsimile, or air courier guaranteeing overnight delivery.

If to the Company:	Occum Acquisition Corp. 370 Church Street Guilford, CT 06437 Attention: Reid Campbell, Treasurer
With a copy to:	Cravath, Swaine & Moore LLP 825 Eighth Avenue New York, New York 10019 Attention: William J. Whelan, III, Esq.
If to the Warrant Holder:	Berkshire Hathaway Inc. [ ]

All such notices and communications shall be deemed to have been duly given when delivered by hand, if personally delivered; five business days after the date of deposit in the U.S. mail, if mailed by first-class air mail; when receipt is acknowledged by the recipient facsimile machine, if sent by facsimile; and three business days after being delivered to a next-day air courier.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed and attested by its duly authorized officer and to be dated the date of issuance hereof.

OCCUM ACQUISITION CORP.,

By _____

Name:
Title:

Accepted and Agreed to:

BERKSHIRE HATHAWAY INC.,

By: _____

Name:
Title:

EXHIBIT A

EXERCISE AGREEMENT

To: **OCCUM ACQUISITION CORP.**

The undersigned hereby: (1) irrevocably elects to subscribe for and offers to purchase _____ Common Shares of Occum Acquisition Corp., pursuant to Warrant No. W-2 heretofore issued to _____ on July 29, 2004; (2) [choose either (a) or (b)] (a) encloses a payment of $100 per share (as adjusted pursuant to the provisions of the Warrant) which reflects a payment pursuant to Section 3(a)(i) of the Warrant; or (b) elects a cashless exercise pursuant to Section 3(a)(ii) of the Warrant (as adjusted pursuant to the provisions of the Warrant) and requests that a certificate for the relevant number of Common Shares be issued in the name of the undersigned and delivered to the undersigned at the address specified below.

Dated:

Name: _____
Address: _____
_____

By _____
Name:
Title:

EXHIBIT B

ASSIGNMENT

Subject to Section 2 of the Shareholders Agreement, for value received, _____ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant (Certificate No.: W-2) with respect to the number of Common Shares subject to such Warrant as set forth below, unto:

Names of Assignee	Address	No. of Shares

Dated:

Signature _____

Address _____

Witness _____

EXHIBIT C

The following two examples illustrate certain of the calculations in Section 2(a)(4)(C) of the Warrant. These examples assume that the Warrant is for 100 shares; the Exercise Price is $100.00 per share; the Subscription Price is $100.00; and the Hurdle Price is $155.00.

Example A

Per Share Value: $140.00
Non-Common Stock Portion: 0.30
Average Closing Price: $47.00
Spread: $40.00
Total Spread: $4,000.00
Black Scholes Value: $4,500.00

Applicable Black-Scholes Value = $4,500.00 x .30 = $1,350.00
Applicable Reduction = Reduction Amount (136.35) x .30 = $40.90
Reduction Amount = Discount Factor (.2727) x $500.00 = $136.35
Discount Factor = (x) One minus (y) .7273 - .2727
Intrinsic Value Amount = $1,309.10
Post-merger Warrant = 208.51 shares at aggregate exercise price of $7,000.00 (in-the-money value = $2,800.00)

Example B

Per Share Value: $300.00
Non-Common Stock Portion: 0.40
Average Closing Price: $97.00
Spread: $200.00
Total Spread: $20,000.00

Black-Scholes Value: $23,000.00

Applicable Black-Scholes Value = $23,000.00 x .40 = $9,200.00
Applicable Reduction = Reduction Amount (0) x.40 = $0
Reduction Amount = Discount Factor (0) x $3,000.00 = $0
Discount Factor = (x) One minus (y) [$200.00/55 = 3.6364 but not more than one] = 0
Intrinsic Value Amount = $9,200.00
Post-merger Warrant = 185.567 shares at aggregate exercise price of $6,000.00 (in-the-money value = $12,000.00)

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed and attested by its duly authorized officer and to be dated the date of issuance hereof.

OCCUM ACQUISITION CORP.,

By [ILLEGIBLE]
Name:
Title:

Accepted and Agreed to:

BERKSHIRE HATHAWAY INC.,

By: /s/ Marc D. Hamburg
Name: Marc D. Hamburg
Title: Vice President

SYMETRA FINANCIAL CORPORATION
(formerly Occum Acquisition Corp.)

Warrant Certificate

Certificate No.: W-16 **Date:** 7/24/2008

Warrant Holder: White Mountains Re (NL) B.V. **Warrant Shares:** 9,487,872

This Certificate is issued to the Warrant Holder and for the number of Warrant Shares identified above, pursuant to:

☑ **Assignment of prior Warrant Holder: White Mountains Re (Luxembourg) S.à r.l.**

o **Other:** _____

_____

and replaces Certificate No. W-15

All other terms and conditions of the Warrant dated July 29, 2004, attached hereto remain the same.

Recorded on Symetra Financial Corporation's Warrant Ledger.

By: /s/ Julie M. Bodmer
Julie M. Bodmer
Assistant Secretary

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS (I) (A) A REGISTRATION STATEMENT IS IN EFFECT UNDER THE SECURITIES ACT WITH RESPECT TO SUCH SECURITIES, OR (B) A WRITTEN OPINION OF COUNSEL REASONABLY ACCEPTABLE TO THE COMPANY IS PROVIDED TO THE COMPANY TO THE EFFECT THAT NO SUCH REGISTRATION IS REQUIRED, AND (II) THE TRANSFEREE IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT.

IN ADDITION, ANY SALE, ASSIGNMENT, TRANSFER, PLEDGE OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY, AND THE RIGHTS ATTACHING TO THESE SECURITIES ARE SUBJECT TO, THE TERMS AND CONDITIONS CONTAINED HEREIN AND THE SHAREHOLDERS AGREEMENT DATED AS OF MARCH 8, 2004 (THE "SHAREHOLDERS AGREEMENT"), AS IT MAY BE AMENDED FROM TIME TO TIME, WHICH ARE AVAILABLE FOR EXAMINATION BY HOLDERS OF SECURITIES AT THE REGISTERED OFFICE OF THE COMPANY. THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE, BY ACQUIRING AND HOLDING SUCH SECURITIES, SHALL BE DEEMED A PARTY TO SUCH SHAREHOLDERS AGREEMENT FOR ALL PURPOSES AND SHALL BE REQUIRED TO AGREE IN WRITING TO BE BOUND BY AND PERFORM ALL OF THE TERMS AND PROVISIONS OF SUCH SHAREHOLDERS AGREEMENT, ALL AS MORE FULLY PROVIDED THEREIN. IN ADDITION, ANY TRANSFEREE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE SHALL BE DEEMED TO BE A PARTY TO SUCH SHAREHOLDERS AGREEMENT FOR ALL PURPOSES AND SHALL BE REQUIRED BY THE TRANSFEROR TO AGREE IN WRITING TO ACQUIRE AND HOLD SUCH SECURITIES SUBJECT TO ALL OF THE TERMS OF SUCH SHAREHOLDERS AGREEMENT, ALL AS MORE FULLY PROVIDED THEREIN, WHICH TERMS ARE TO BE ENFORCED BY THE SHAREHOLDERS OF THE COMPANY.

OCCUM ACQUISITION CORP.

WARRANT

Certificate No.: W - 2 **Date: July 29, 2004**

FOR CONSIDERATION RECEIVED, Occum Acquisition Corp., a Delaware corporation (the "Company"), hereby grants to White Mountains Re Group, Ltd. (the "Warrant Holder") this warrant certificate (this "Warrant") to purchase, in accordance with the terms set forth herein, 1,090,560 shares (the "Warrant Shares") of the Company's common shares, initially having a par value of U.S. $0.01 per share (the "Common Shares"), at a price per share equal to U.S. $100, as adjusted from time to time

pursuant to Section 2 hereof (the "Exercise Price") but at no time shall the Exercise Price be less than the then current par value of any share to be issued pursuant hereto.

This Warrant is issued pursuant to a letter agreement, dated as of March 8, 2004, between the Company and the Warrant Holder.

This Warrant is subject to the following provisions:

SECTION 1. Warrant Terms. (a) This Warrant is for the purchase of the Warrant Shares at the Exercise Price.

(b) This Warrant shall expire on the tenth anniversary of the date hereof (the "Expiration Date"). The Warrant exercise procedure set forth in Section 3 hereof must be commenced by the Warrant Holder by 3:30 p.m. New York City time on such Expiration Date.

SECTION 2. Anti-dilution Provisions. In order to prevent dilution of the purchase rights granted under Section 1 hereof, the Exercise Price shall be subject to adjustment from time to time pursuant to this Section 2; provided, however, that under no circumstances will the Exercise Price be less than the then current par value of any share to be issued under this Warrant.

(a) Effect on Exercise Price of Certain Events. For purposes of determining the adjusted Exercise Price, the following shall be applicable:

(1) Share Dividend, Subdivision or Consolidation/Combination of Common Shares. If the Company, at any time while this Warrant is outstanding, (A) shall pay a stock or bonus share dividend on its Common Shares or pay any other distribution in Common Shares, (B) subdivide the class of Common Shares into a larger number of shares or (C) consolidate/combine the class of Common Shares into a smaller number of shares, then the Exercise Price thereafter shall be determined by multiplying the Exercise Price by a fraction (x) the numerator of which shall be the number of Common Shares (excluding treasury shares, if any) issued and outstanding before such event and (y) the denominator of which shall be the number of Common Shares (excluding treasury shares, if any) issued and outstanding after such event. Any adjustment made pursuant to this Section 2(a)(l) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

(2) Issuance of Additional Common Shares. In case the Company at any time or from time to time after the date hereof shall issue or sell additional Common Shares, other than any issuance to which Section 2(a)(l) shall apply, without consideration or for a consideration per share less than the Fair Market Value of the Common Shares on the day immediately prior to such issue or sale, then, and in each such case, subject to Section 2(b)(iv), the Exercise Price shall be

reduced, concurrently with such issue or sale, to a price determined by multiplying such Exercise Price by a fraction

(x) the numerator of which shall be (i) the number of Common Shares outstanding immediately prior to such issue or sale plus (ii) the number of Common Shares which the aggregate consideration received by the Company for the total number of such additional Common Shares so issued or sold would purchase at such Fair Market Value of the Common Shares, and

(y) the denominator of which shall be the number of Common Shares outstanding immediately after such issue or sale;

provided that for the purposes of this Section 2(a)(2), treasury shares shall not be deemed to be outstanding.

(3) Dividends and Distributions. In case the Company at any time or from time to time after the date hereof shall declare, order, pay or make a dividend or other distribution (including any distribution of other or additional stock or other securities or property or options, warrants or other rights to purchase Common Shares or Convertible Securities (as hereinafter defined) (other than options granted to employees of the Company) (collectively, "Assets") by way of dividend or spin-off, reclassification, recapitalization or similar corporate rearrangement) on the Common Shares, other than a dividend payable in additional Common Shares (which is the subject of Section 2(a)(l) hereof), then, and in each such case, the Company shall make the same dividend or distribution to Warrant Holders as it makes to holders of Common Shares pro rata based on the number of Common Shares for which such Warrants are then exercisable, and the Exercise Price shall not be adjusted in respect thereof.

(4) Consolidation, Merger, etc.

(A) Adjustments for Consolidation, Merger, Sale of Assets, Reorganization, etc. In case the Company after the date hereof (i) shall consolidate with or merge into any other Person (as hereinafter defined) and shall not be the continuing or surviving corporation of such consolidation or merger, (ii) shall permit any other Person to consolidate with or merge into the Company and the Company shall be the continuing or surviving Person but, in connection with such consolidation or merger, the Common Shares shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, (iii) shall transfer all or substantially all of its properties or assets to any other Person, (iv) shall effect a capital reorganization or reclassification of the Common Shares (other than a capital reorganization or reclassification resulting in an adjustment to the Exercise Price as provided in another paragraph of this Section 2), or (v) shall effect any other transaction in which the Common Shares are

changed into or exchanged for stock or other securities of any other Person, then, except and insofar as otherwise provided in Section 2(a)(4)(C) in the case of each such transaction, proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the holder of this Warrant, upon the exercise hereof at any time after the consummation of such transaction, shall be entitled to receive (at the aggregate Exercise Price in effect at the time of such consummation for all Common Shares issuable upon such exercise immediately prior to such consummation), in lieu of the Common Shares issuable upon such exercise prior to such consummation, the amount of securities, cash or other property to which such holder would actually have been entitled as a shareholder upon such consummation if such holder had exercised the rights represented by this Warrant immediately prior thereto. As used herein, "Person" shall mean an individual, company, corporation, limited liability company, firm, partnership, trust, estate, unincorporated association or other entity.

(B) Assumption of Obligations. Notwithstanding anything contained in this Warrant or in the Shareholders Agreement to the contrary, the Company will not effect any of the transactions described in Sections 2(a)(4)(A)(i)-(v) unless, prior to the consummation thereof, each Person (other than the Company) which may be required to deliver any stock, securities, cash or property upon the exercise of this Warrant as provided herein shall assume, by written instrument delivered to, and reasonably satisfactory to, the holder of this Warrant, the obligations of the Company under this Warrant (and if the Company shall survive the consummation of such transaction, such assumption shall be in addition to, and shall not release the Company from, any continuing obligations of the Company under this Warrant). Nothing in this Section 2(a)(4) shall be deemed to authorize the Company to enter into any transaction not otherwise permitted by the Shareholders Agreement or the By-laws.

(C) Qualifying Transactions. (1) In the event that, after the date hereof, the Company shall effect a transaction of the type contemplated by subparagraph (A) above and in connection therewith (x) the Common Shares are exchanged in whole or in part for cash (other than cash in lieu of fractional shares), securities (other than Voting Common Stock (as defined below)) or other property (collectively, "Non-Common Consideration") and (y) the Per Share Value (as defined below) exceeds the Subscription Price (as defined below) (any such transaction being referred to herein as a "Qualifying Transaction"), then (i) the holder of this Warrant shall receive, upon the consummation of the Qualifying Transaction, an amount in cash equal to the Intrinsic Value Amount (as defined below) and (ii) if any portion of the consideration to be received by holders of Common Shares in such Qualifying Transaction consists of Voting Common Stock (as defined below), the holder of the Warrant, upon the exercise hereof at any time after the consummation of such

Qualifying Transaction, shall be entitled to receive, at the aggregate exercise price determined pursuant to subparagraph (C)(3) below, the number of shares of Voting Common Stock determined pursuant to subparagraph (C)(3) below.

(2) Certain Definitions. For purposes of this Section 2(a)(4), the following terms have the following meanings:

"Per Share Value" means the average value of the consideration to be received in respect of each outstanding Common Share pursuant to the Qualifying Transaction as determined by mutual agreement of the Independent Directors (as defined in Section 2(b)(ii) below) and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank.

"Subscription Price" means U.S. $100.00; provided, however, that such amount shall be (i) adjusted in an appropriate and proportionate manner consistent with the provisions for adjusting the Exercise Price in Section 2(a)(l) for any events that require an adjustment in the Exercise Price pursuant to such section and (ii) reduced by an amount equal to the pre-tax value (determined pursuant to Section 2(b)(i)) per Common Share of any dividend or other distribution described in Section 2(a)(3).

"Voting Common Stock" means, as to any issuer, (i) voting equity securities of such issuer having no preference as to dividends or in a liquidation over any other securities of such issuer, (ii) nonvoting equity securities of such issuer which are in all other respects identical to, and are expected to have, after completion of the Qualifying Transaction, liquidity substantially equivalent to or greater than, the outstanding voting equity securities of such issuer that would fit the description in the preceding clause (i), or (iii) securities convertible into or exchangeable for the voting or nonvoting securities described in clause (i) or (ii).

"Intrinsic Value Amount" means (i) the Applicable Black-Scholes Value minus (ii) the Applicable Reduction, if any.

"Applicable Black-Scholes Value" shall mean the product of (i) the Black-Scholes Value and (ii) the Non-Common Stock Portion.

"Non-Common Stock Portion" means (i) one minus (ii) the Common Stock Portion.

"Common Stock Portion" means the quotient obtained by dividing (i) the total value of the shares of Voting Common Stock to be issued in respect of the outstanding Common Shares pursuant to the Qualifying Transaction by (ii) the total value of the shares of Voting Common Stock and Non-Common Consideration to be issued in respect of the outstanding Common Shares pursuant to the Qualifying Transaction, in each case as determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank.

"Applicable Reduction" means the product of (i) the Reduction Amount and (ii) the Non-Common Stock Portion.

"Reduction Amount" means the product of (i) the Discount Factor and (ii) the amount by which (x) the Black-Scholes Value exceeds (y) the Total Spread.

"Discount Factor" means (A) one minus (B) the quotient obtained by dividing (i) the amount by which (x) the Per Share Value exceeds (y) the Subscription Price by (ii) the amount by which (x) the Hurdle Price exceeds (y) the Subscription Price; provided, that if the quotient determined pursuant to clause (B) is greater than one, such quotient shall be deemed to be one.

"Total Spread" means the product of (i) the total number of Warrant Shares purchasable pursuant to this Warrant immediately prior to the completion of the Qualifying Transaction and (ii) the Spread.

"Spread" means the amount by which (i) the Per Share Value exceeds (ii) the Subscription Price; provided, however, that in the event the Subscription Price exceeds the Per Share Value, the Spread shall be deemed to be zero.

"Hurdle Price" means U.S. $ 155.00; provided, however, that such amount shall be (i) adjusted in an appropriate and proportionate manner consistent with the provisions for adjusting the Exercise Price in Section 2(a)(l) for any events that require an adjustment in the Exercise Price pursuant to such section and (ii) reduced by an amount equal to the pre-tax value (determined pursuant to Section 2(b)(i)) per Common Share of any dividend or other distribution described in Section 2(a)(3).

"Investment Bank" means an independent nationally-recognized U.S. investment banking firm selected by the Independent Directors with the consent of the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision (which consent shall not be unreasonably withheld), the fees and expenses of which shall be shared equally by the Company on the one hand and such holders on the other.

"Black-Scholes Value" means the value of this Warrant immediately prior to consummation of the Qualifying Transaction, as calculated by an Investment Bank, using the Black-Scholes calculation method for valuing options and the following assumptions:

Volatility =	25%
Risk Free Rate =	the then current effective U.S. Federal government interest rate for a bond or note with a remaining time to maturity equal to the Term of the Warrant then in effect
Dividend Yield =	0%

Exercise Price = the Exercise Price in effect immediately prior to the consummation of the Qualifying Transaction

Term of the Warrant = the lesser of five years and the remaining term of the Warrant, measured from the date of completion of the Qualifying Transaction to the Expiration Date

The underlying security price for purposes of the Black-Scholes calculation shall be the Per Share Value.

Exhibit C to this Warrant contains examples illustrating certain of the calculations required by this Section 2(a)(4)(C).

(3) Voting Common Stock Consideration. In the event of a Qualifying Transaction in which any portion of the consideration to be received by holders of Common Shares in such Qualifying Transaction consists of Voting Common Stock, then proper provision shall be made so that, upon the basis and the terms and in the manner provided in this Warrant, the holder of this Warrant, upon the exercise hereof at any time after the consummation of such Qualifying Transaction, shall be entitled to receive (at the aggregate exercise price determined pursuant to this subparagraph (3)) a number of shares of Voting Common Stock equal to the product of (i) the product of (x) the aggregate number of Warrant Shares purchasable pursuant to this Warrant immediately prior to the completion of the Qualifying Transaction and (y) the Common Stock Portion and (ii) the Calculated Exchange Ratio. The aggregate exercise price of this Warrant after the consummation of such Qualifying Transaction shall be equal to the product of (i) the aggregate Exercise Price of this Warrant for the number of Warrant Shares purchasable pursuant to this Warrant immediately prior to the completion of the Qualifying Transaction and (ii) the Common Stock Portion.

For purposes of this subparagraph (3):

"Calculated Exchange Ratio" means the quotient obtained by dividing (i) the Per Share Value by (ii) the Average Closing Price of the Voting Common Stock.

"Average Closing Price" means (a) the average of the closing prices per share of the Voting Common Stock on the national securities exchange or automated quotation system on which such stock is then listed for the 10 consecutive trading days immediately preceding the closing date of the Qualifying Transaction, or (b) if such Voting Common Stock is not so listed, the fair market value per share of such Voting Common Stock, determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank.

(4) Cancelation of Warrant. In the event of a Qualifying Transaction in which the Common Stock Portion is zero, then the holder of this Warrant shall surrender this Warrant at the time of payment of the Intrinsic Value Amount,

whereupon this Warrant shall be canceled and all rights hereunder shall expire. In the event of a Qualifying Transaction in which the Common Stock Portion is more than zero, then the holder of this Warrant shall surrender this Warrant at the time of payment of the Intrinsic Value Amount in exchange for a warrant of like tenor representing the right to purchase the number of shares of Voting Common Stock determined pursuant to Section 2(a)(4)(C)(3) at the aggregate exercise price as determined pursuant to Section 2(a)(4)(C)(3).

(5) Cash Elections; etc. In the event that the type of consideration to be received per Common Share in a Qualifying Transaction is subject to the election of the holders thereof, such election permits such holder to elect to receive Voting Common Stock and there is no limitation on the number of shares of Voting Common Stock to be issued in the Qualifying Transaction, then (i) after the consummation of such transaction this Warrant shall be exercisable solely for Voting Common Stock, (ii) such transaction shall not be deemed to constitute a Qualifying Transaction and (iii) the provisions of Section 2(a)(4)(A) shall apply.

(6) All Reasonable Efforts. In the case of a Qualifying Transaction in which any portion of the consideration to be received by the holders of Common Shares consists of Voting Common Stock, the holder of this Warrant and the Company shall use all reasonable efforts to cause this Warrant to become exercisable solely for Voting Common Stock and, if the Person who shall be issuing Voting Common Stock in such transaction agrees in writing that this Warrant shall be exercisable solely for Voting Common Stock, then (i) such transaction shall not be deemed to constitute a Qualifying Transaction and (ii) the provisions of Section 2(a)(4)(A) shall apply.

(b) Other Provisions Applicable to Adjustments Under This Section. The following provisions shall be applicable to the making of adjustments to the number of Warrant Shares for which the Warrant is exercisable provided for in this Section 2.

(i) Adjustment in Number of Warrant Shares. Upon each adjustment of the Exercise Price pursuant to Sections 2(a)(l) or 2(a)(2), the number of Common Shares for which this Warrant is exercisable shall be adjusted by multiplying the number of Common Shares for which this Warrant was exercisable prior to such adjustment by a fraction (i) whose numerator is the Exercise Price in effect immediately prior to such adjustment and (ii) whose denominator is the Exercise Price in effect immediately after such adjustment.

(ii) Computation of Asset Value and Fair Market Value for Purposes of Section 2. To the extent that the Company shall distribute Assets other than cash, except as herein otherwise expressly provided, then the value of such Assets shall be determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank. The "Fair Market Value" of the Common Shares at any given time shall mean (a) if the Common Shares are listed on a

securities exchange (or quoted in a securities quotation system), the average closing sale price of the Common Shares on such exchange (or in such quotation system), or, if the Common Shares are listed on (or quoted in) more than one exchange (or quotation system), the average closing sale price of the Common Shares on the principal securities exchange (or quotation system) on which the Common Shares are then traded, or, if the Common Shares are not then listed on a securities exchange (or quotation system) but are traded in the over-the-counter market, the average of the latest bid and asked quotations for the Common Shares in such market, in each case for the last five trading days immediately preceding the day on which such Fair Market Value is determined in accordance with the applicable provision of this Section 2 or (b) if no such closing sales prices or quotations are available because such shares are not publicly traded or otherwise, the fair value of such shares as determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing this provision, or, if they shall fail to agree, by an Investment Bank. As used herein, the term "Independent Director" shall mean each member of the Board of Directors of the Company that is not (x) a director, officer or employee of any Warrant Holder or any affiliate of any Warrant Holder, (y) the holder of a 10% or greater equity interest in any Warrant Holder or any affiliate of any Warrant Holder or (z) a member of the immediate family of any director, officer or employee of any Warrant Holder or any holder of a 10% or greater equity interest in any such Warrant Holder or any affiliate of any Warrant Holder.

(iii) When Adjustment To Be Made. The adjustments required by this Section 2 shall be made whenever and as often as any specified event requiring an adjustment shall occur. For the purpose of any adjustment, any specified event shall be deemed to have occurred at the close of business on the date of its occurrence.

(iv) Fractional Interest: Rounding. In computing adjustments under this Section 2, fractional interests in Common Shares shall be taken into account to the nearest 1/10th of a share, and adjustments in the Exercise Price shall be made to the nearest $ .001.

(v) Certain Exclusions. No adjustment in the number of Common Shares purchasable under this Warrant or the Exercise Price therefor shall be made as a result of (x) any adjustment in the number of Common Shares purchasable under any other Warrant or the exercise price thereunder, or (y) for the issuance of any employee stock options or any Common Shares issuable under employee stock options, employee stock purchase plans, or any other form of equity based compensation granted to employees of the Company.

(vi) Computation of Consideration. For the purposes of this Section 2,

(A) the consideration for the issue or sale of any additional Common Shares shall, irrespective of the accounting treatment of such consideration,

(x) insofar as it consists of cash, be computed at the net amount of cash received by the Company,

(y) insofar as it consists of property (including securities) other than cash, be computed at the fair value thereof at the time of such issue or sale, as determined by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing adjustment provisions of like tenor to the applicable adjustment provision contained in this Warrant, or, if they shall fail to agree, by an Investment Bank, and

(z) in case additional Common Shares are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be the portion of such consideration so received, computed as provided in clauses (x) and (y) above, allocable to such additional Common Shares, all as determined in good faith by mutual agreement of the Independent Directors and the holders of not less than 50% in interest of all outstanding warrants to purchase Common Shares containing adjustment provisions of like tenor to the applicable adjustment provision contained in this Warrant, or, if they shall fail to agree, by an Investment Bank;

(B) additional Common Shares deemed, pursuant to Section 2(c), to have been issued, relating to Options and Convertible Securities, shall be deemed to have been issued for a consideration per share determined by dividing

(x) the total amount, if any, received and receivable by the Company as consideration for the issue, sale, grant or assumption of the Options or Convertible Securities in question, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration to protect against dilution) payable to the Company upon the exercise in full of such Options or the conversion or exchange of such Convertible Securities or, in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, in each case computing such consideration as provided in the foregoing subdivision (A),

by

(y) the maximum number of Common Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities; and

(C) additional Common Shares deemed to have been issued pursuant to Section 2(a)(l), relating to stock dividends, stock splits, etc., shall be deemed to have been issued for no consideration.

(c) Treatment of Options and Convertible Securities. In case the Company at any time or from time to time after the date hereof shall issue, sell, grant or assume, or shall fix a record date for the determination of holders of any class of securities of the Company other than the Common Shares entitled to receive, any (x) options, warrants or other rights to purchase Common Shares (other than options granted to employees) or Convertible Securities (as defined below) ("Options") or (y) securities convertible into or exchangeable for Common Shares ("Convertible Securities"), then, and in each such case, the maximum number of additional Common Shares (as set forth in the instrument relating thereto, without regard to any provisions contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed for purposes of Section 2(a)(2) to be additional Common Shares issued as of the time of such issue, sale, grant or assumption or, in case such a record date shall have been fixed, as of the close of business on such record date (or, if the Common Shares trade on an ex-dividend basis, on the date prior to the commencement of ex-dividend trading); provided, however, that such additional Common Shares shall not be deemed to have been issued unless the consideration per share (determined pursuant to section 2(b)(vi)) would be less than the Fair Market Value on the date immediately prior to such issue, sale, grant or assumption or immediately prior to the close of business on such record date (or, if the Common Shares trade on an ex-dividend basis, on the date prior to the commencement of ex-dividend trading), as the case may be, and provided further that in any such case in which additional Common Shares are deemed to be issued:

(i) no further adjustment of the Exercise Price shall be made upon the subsequent issue or sale of Convertible Securities or Common Shares upon the exercise of such Options or the conversion or exchange of such Convertible Securities;

(ii) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any increase or decrease in the consideration payable to the Company, or decrease or increase in the number of additional Common Shares issuable, upon the exercise, conversion or exchange thereof (by change of rate or otherwise), the Exercise Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the

record date, or date prior to the commencement of ex-dividend trading, as the case may be, with respect thereto), and any subsequent adjustments based thereon, shall, upon any such increase or decrease becoming effective, be recomputed to reflect such increase or decrease insofar as it affects such Options, or the rights of conversion or exchange under such Convertible Securities, which are outstanding at such time;

(iii) upon the expiration (or purchase by the Company and cancellation or retirement) of any such Options which shall not have been exercised or the expiration of any rights of conversion or exchange under any such Convertible Securities which (or purchase by the Company and cancellation or retirement of any such Convertible Securities the rights of conversion or exchange under which) shall not have been exercised, the Exercise Price computed upon the original issue, sale, grant or assumption thereof (or upon the occurrence of the record date, or date prior to the commencement of ex-dividend trading, as the case may be, with respect thereto), and any subsequent adjustments based thereon, shall, upon such expiration (or such cancellation or retirement, as the case may be), be recomputed as if:

(A) in the case of Options for Common Shares or Convertible Securities, the only additional Common Shares issued or sold were the additional Common Shares, if any, actually issued or sold upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was (x) an amount equal to (1) the consideration actually received by the Company for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (2) the consideration actually received by the Company upon such exercise, minus (3) the consideration paid by the Company for any purchase of such Options which were not exercised, or (y) an amount equal to (1) the consideration actually received by the Company for the issue or sale of all such Convertible Securities which were actually converted or exchanged, plus (2) the additional consideration, if any, actually received by the Company upon such conversion or exchange, minus (3) the consideration paid by the Company for any purchase of such Convertible Securities the rights of conversion or exchange under which were not exercised, and

(B) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued or sold upon the exercise of such Options were issued at the time of the issue, sale, grant or assumption of such Options, and the consideration received by the Company for the additional Common Shares deemed to have then been issued was an amount equal to (x) the consideration actually received by the Company for the issue, sale, grant or assumption of all such Options, whether or not exercised, plus (y) the consideration deemed to have been received by the Company (pursuant to section 2(b)(vi)) upon the issue or sale of such Convertible Securities with respect to which such Options

were actually exercised, minus (z) the consideration paid by the Company for any purchase of such Options which were not exercised;

(iv) no readjustment pursuant to subdivision (ii) or (iii) above shall have the effect of increasing the Exercise Price by an amount in excess of the amount of the adjustment thereof originally made in respect of the issue, sale, grant or assumption of such Options or Convertible Securities; and

(v) in the case of any such Options which expire by their terms not more than 30 days after the date of issue, sale, grant or assumption thereof, no adjustment of the Exercise Price shall be made until the expiration or exercise of all such Options, whereupon such adjustment shall be made in the manner provided in subdivision (iii) above.

(d) Other Dilutive Events. In case any event shall occur as to which the provisions of Section 2 are not strictly applicable but the failure to make any adjustment would not fairly protect the purchase rights (including the rights provided under Section 2(a)(4)(C)) represented by this Warrant in accordance with the essential intent and principles of such Sections, then, in each such case, the Independent Directors of the Company shall appoint an Investment Bank, which shall give its opinion upon the adjustment, if any, on a basis consistent with the essential intent and principles established in Section 2, necessary to preserve, without dilution, the purchase rights represented by this Warrant. Upon receipt of such opinion, the Company will promptly mail a copy thereof to the holder of this Warrant and shall make the adjustments described therein.

(e) Notices. Immediately upon any adjustment of the Exercise Price, the Company shall give, or cause to be given, written notice thereof, executed by the Chief Financial Officer (or, if none, the Chief Executive Officer or President) of the Company, to the Warrant Holder, setting forth in reasonable detail and certifying the event requiring the adjustment, the method by which the adjustment was calculated, the number of Warrant Shares for which the Warrant is exercisable and the Exercise Price after giving effect to such adjustment. The Company shall keep at its registered office copies of all such written notices and cause the same to be available for inspection during normal business hours by the Warrant Holder. The Company shall give, or cause to be given, written notice to the Warrant Holder at least 10 days prior to the date on which the Company closes its books or takes a record (i) with respect to any dividend or distribution upon Common Shares, (ii) with respect to any pro rata subscription offer to holders of Common Shares or (iii) for determining rights to vote with respect to any transaction described in Section 2(a)(4), dissolution or liquidation. The Company shall also give, or cause to be given, written notice to the Warrant Holder at least 10 days prior to the date on which any transaction described in Section 2(a)(4) shall take place.

SECTION 3. Exercise of Warrant. (a) Exercise Procedure. The Warrant Holder may exercise all or a portion of this Warrant for all or a portion of the Warrant Shares at any time and from time to time commencing after the date hereof until 3:30 p.m. New York City time, on the Expiration Date by irrevocably surrendering at the

registered office of the Company this Warrant and a completed Exercise Agreement (substantially in the form of Exhibit A attached hereto) setting forth the number of Warrant Shares being exercised, and by paying the Exercise Price in one of the following manners:

(i) Cash Exercise. The Warrant Holder shall deliver to the Company by wire transfer of immediately available funds an amount equal to the Exercise Price per Warrant Share exercised in the Exercise Agreement; or

(ii) Cashless Exercise. After the date of issuance of this Warrant, if the Common Shares are listed on a national securities exchange, automated quotation system or are available for sale in the over-the-counter market, the Warrant Holder shall have the right to surrender this Warrant to the Company (including that portion of the Warrant in payment of the Exercise Price to effect such cashless exercise) together with a notice of cashless exercise, in which event the Company shall exchange such portion of the Warrant subject to the Exercise Agreement, as the circumstances require in order for such number of Common Shares to be issued, determined as follows:

X = Y multiplied by (A-B)/A where:

X = the number of Common Shares to be issued to the Warrant Holder

Y = the number of Warrant Shares with respect to which this Warrant is being exercised in the Exercise Agreement

A = the average of the per share Market Price of the Common Shares for the five (5) trading days immediately prior to (but not including) the date of exercise (but not less than the then par value of the Common Shares)

B = the Exercise Price

If the foregoing calculation results in a negative number, then no Warrant Shares shall be issued.

For purposes of Rule 144 promulgated under the Securities Act only, it is intended, understood and acknowledged that the Warrant Shares issued in a cashless exercise transaction shall be deemed to have been acquired and the full purchase price therefor paid by the Warrant Holder, and the holding period for the Warrant Shares shall be deemed to have been commenced on the issue date to the extent permitted by Rule 144.

For purposes hereof, "Market Price" means on any particular date (i) the closing bid price per Common Share on such date on the national securities exchange or automated quotation system on which the Common Shares are then listed or if there is no such price on such date, then the closing bid price on such exchange or quotation system on the date nearest preceding such date, or (ii) if the Common Shares are not then listed on a national

securities exchange or automated quotation system, the closing bid price for each Common Share in the over-the-counter market, as reported by the National Quotation Bureau Incorporated (or similar organization or agency succeeding to its functions of reporting prices) at the close of business on such date.

(b) The Company shall cause certificates for the Warrant Shares to be issued in the name of and delivered to the Warrant Holder, or subject to the transfer restrictions referred to in the legend endorsed hereon, as the Warrant Holder may direct, as soon as practicable and in any event within ten (10) business days after receipt by the Company of the items required by Section 3(a) for the respective method or methods of exercise. Unless this Warrant has expired or all of the purchase rights represented hereby have been exercised, the Company shall prepare a new Warrant, substantially identical hereto, representing the rights formerly represented by this Warrant which have not expired or been exercised and shall, within such 10-business-day period, deliver such new Warrant to such Warrant Holder.

(c) Any Warrant Shares issuable upon the proper exercise of this Warrant shall be deemed to have been issued to the Warrant Holder on the date the Company receives the completed Exercise Agreement and payment of the Exercise Price, if any, and the Warrant Holder shall be deemed for all purposes to have become the record holder of such Common Shares on such date.

(d) The issuance of certificates for the Warrant Shares shall be made without charge to the Warrant Holder for any issuance tax in respect thereof or other cost incurred by the Company in connection with such exercise and the related issuance of the Warrant Shares.

(e) The Company shall at all times reserve and keep available such number of authorized but unissued Common Shares, solely for the purpose of issuance upon exercise of this Warrant, as are issuable upon exercise of this Warrant. All Warrant Shares shall, when issued, be duly and validly issued, fully paid and nonassessable (meaning that no further sums are required to be paid by the holders thereof in connection with the issue thereof) and free from all taxes, liens and charges. The Company shall take such actions as may be necessary to ensure that the Warrant Shares may be so issued without violation of any applicable law or governmental regulation or any requirements of any securities exchange upon which its shares may be listed (except for official notice of issuance which shall be immediately delivered by the Company upon each such issuance).

(f) Without prejudice to the rights of the Warrant Holders as signatory to the Shareholders Agreement as set forth in Section 5 hereof, the Company shall have the option, in its sole discretion, to deliver Warrant Shares which are (i) subject to the securities law transfer restrictions referred to in the legend endorsed hereon or (ii) subject to a registration statement filed under the Securities Act.

SECTION 4. Warrant Transfer Restrictions. Subject to the transfer conditions referred to in the legend endorsed hereon, this Warrant and all rights

hereunder are transferable, in whole or in part, without charge to the Warrant Holder, upon surrender of this Warrant with a properly executed Assignment (substantially in the form of Exhibit B hereto) at the registered office of the Company; provided, however, that (i) such transfer shall comply with Section 2 of the Shareholders Agreement and (ii) prior to such transfer, the transferee shall enter into the Shareholders Agreement with the Company.

SECTION 5. Shareholders Agreement; Registration Rights. The Warrant Holder, as signatory to the Shareholders Agreement, shall have the rights set forth in Section 3 of the Shareholders Agreement with respect to this Warrant and any Warrant Shares issued hereunder.

SECTION 6. Amendment and Waiver. Except as otherwise provided herein, the provisions of this Warrant may be amended only if the Company has obtained the written consent of the Warrant Holder and a majority of the Independent Directors has approved the amendment.

SECTION 7. Descriptive Headings. The descriptive headings of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

SECTION 8. Definitions. Terms used in this Warrant unless otherwise defined herein shall have the meaning ascribed to them in the Shareholders Agreement.

SECTION 9. Governing Law. This Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York. Each party hereby irrevocably submits to the nonexclusive jurisdiction of the courts of New York for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that (i) it is not personally subject to the jurisdiction of any such court, and/or (ii) that such suit, action or proceeding is not brought in the proper forum. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

SECTION 10. Complete Agreement; Severability. Except as otherwise expressly set forth herein, this Warrant embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. In case any provision of this Warrant shall be invalid, illegal or unenforceable, such invalidity, illegality, or unenforceability shall not in any way affect or impair any other provision of this Warrant.

SECTION 11. Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, facsimile, or air courier guaranteeing overnight delivery.

If to the Company:	Occum Acquisition Corp. 370 Church Street Guilford, CT 06437 Attention: Reid Campbell, Treasurer
With a copy to:	Cravath, Swaine & Moore LLP 825 Eighth Avenue New York, New York 10019 Attention: William J. Whelan, III, Esq.
If to the Warrant Holder:	White Mountains Re Group, Ltd. [ ]

All such notices and communications shall be deemed to have been duly given when delivered by hand, if personally delivered; five business days after the date of deposit in the U.S. mail, if mailed by first-class air mail; when receipt is acknowledged by the recipient facsimile machine, if sent by facsimile; and three business days after being delivered to a next-day air courier.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed and attested by its duly authorized officer and to be dated the date of issuance hereof.

OCCUM ACQUISITION CORP.,

By /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

Accepted and Agreed to:

WHITE MOUNTAINS RE GROUP, LTD.,

By: /s/ Dennis Beaulieu
Name: Dennis Beaulieu
Title: Vice President

EXHIBIT A

EXERCISE AGREEMENT

To: **OCCUM ACQUISITION CORP.**

The undersigned hereby: (1) irrevocably elects to subscribe for and offers to purchase _____ Common Shares of Occum Acquisition Corp., pursuant to Warrant No. W-2 heretofore issued to _____ on July 29, 2004; (2) [choose either (a) or (b)] (a) encloses a payment of $100 per share (as adjusted pursuant to the provisions of the Warrant) which reflects a payment pursuant to Section 3(a)(i) of the Warrant; or (b) elects a cashless exercise pursuant to Section 3(a)(ii) of the Warrant (as adjusted pursuant to the provisions of the Warrant) and requests that a certificate for the relevant number of Common Shares be issued in the name of the undersigned and delivered to the undersigned at the address specified below.

Dated:

Name: _____

Address: _____

_____

By _____

Name:

Title:

EXHIBIT B

ASSIGNMENT

Subject to Section 2 of the Shareholders Agreement, for value received, _____ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant (Certificate No.: W-2) with respect to the number of Common Shares subject to such Warrant as set forth below, unto:

Names of Assignee	Address	No. of Shares

Dated:

Signature _____

Address _____

Witness _____

EXHIBIT C

The following two examples illustrate certain of the calculations in Section 2(a)(4)(C) of the Warrant. These examples assume that the Warrant is for 100 shares; the Exercise Price is $100.00 per share; the Subscription Price is $100.00; and the Hurdle Price is $155.00.

Example A

Per Share Value: $140.00
Non-Common Stock Portion: 0.30
Average Closing Price: $47.00
Spread: $40.00
Total Spread: $4,000.00
Black Scholes Value: $4,500.00

Applicable Black-Scholes Value = $4,500.00 x .30 = $ 1,350.00
Applicable Reduction = Reduction Amount (136.35) x .30 = $40.90
Reduction Amount = Discount Factor (.2727) x $500.00 = $136.35
Discount Factor = (x) One minus (y) .7273 - .2727
Intrinsic Value Amount = $1,309.10
Post-merger Warrant = 208.51 shares at aggregate exercise price of $7,000.00 (in-the-money value = $2,800.00)

Example B

Per Share Value: $300.00
Non-Common Stock Portion: 0.40
Average Closing Price: $97.00
Spread: $200.00
Total Spread: $20,000.00

Black-Scholes Value: $23,000.00

Applicable Black-Scholes Value = $23,000.00 x .40 = $9,200.00
Applicable Reduction = Reduction Amount (0) x.40 = $0
Reduction Amount = Discount Factor (0) x $3,000.00 = $0
Discount Factor = (x) One minus (y) [$200.00/55 = 3.6364 but not more than one] = 0
Intrinsic Value Amount = $9,200.00
Post-merger Warrant = 185.567 shares at aggregate exercise price of $6,000.00 (in-the-money value = $12,000.00)

Exhibit 4.5

[EXECUTION COPY]

CREDIT AGREEMENT

Dated as of August 16, 2007

among

SYMETRA FINANCIAL CORPORATION,
as the Borrower,

BANK OF AMERICA, N.A.,
as Administrative Agent, Swing Line Lender and Issuing Lender,

and

THE OTHER LENDERS PARTY HERETO

JPMORGAN CHASE BANK, N.A.,

as Syndication Agent

and

THE BANK OF NEW YORK,

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. NEW YORK BRANCH,

and

U.S. BANK, NATIONAL ASSOCIATION

as Co-Documentation Agents

and

BANC OF AMERICA SECURITIES LLC,
as Sole Lead Arranger and Sole Book Manager

SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT

This **CREDIT AGREEMENT**, dated as of August 16, 2007, among (i) **SYMETRA FINANCIAL CORPORATION**, a Delaware corporation (the "Borrower"), (ii) each lender from time to time party hereto (collectively, the "Lenders"), and (iii) **BANK OF AMERICA, N.A.**, as Administrative Agent, Swing Line Lender and the Issuing Lender.

PRELIMINARY STATEMENTS

The Borrower has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. DEFINITIONS

1.1. Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Act" has the meaning specified in Section 10.18.

"Act of 1934" means the Securities Exchange Act of 1934 and the regulations issued thereunder.

"Additional Commitment Lender" has the meaning specified in Section 2.22.

"Administrative Agent" means Bank of America, N.A., in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent appointed in accordance with Section 9.9.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.2, or such other address or account as the Administrative Agent may from time to time notify the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agent-Related Persons" means the Administrative Agent, together with its Affiliates (including, Bank of America, N.A. in its capacity as the Administrative Agent and Banc of America Securities LLC in its capacity as the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Agreement" means this Credit Agreement, as amended, restated, extended, supplemented or otherwise modified from time to time.

"Annual Statement" means the annual statutory financial statement of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation or organization, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or organization or, if no specific form is so required, in the form of financial statements permitted by such Department to be used for filing annual statutory financial statements and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

"Applicable Margin" means, from time to time, the applicable percentage per annum, based upon the Debt Rating as set forth below:

Pricing Level	Debt Rating	Applicable Margin
I	A-/A3	0.190%
II	BBB+/Baa1	0.275%
III	BBB/Baa2	0.360%
IV	BBB-/Baa3	0.430%
V	<BBB-/Baa3	0.600%

"Debt Rating" means, as of any date of determination, the rating as determined by either S&P or Moody's (collectively, the "Debt Ratings") of the Borrower's non-credit-enhanced, senior unsecured long-term debt; provided that (a) if the respective Debt Ratings issued by the foregoing rating agencies differ by one level, then the Pricing Level for the higher of such Debt Ratings shall apply (with the Debt Rating for Pricing Level I being the highest and the Debt Rating for Pricing Level V being the lowest); (b) if there is a split in Debt Ratings of more than one level, then the Pricing Level that is one level lower than the Pricing Level of the higher Debt Rating shall apply; and (c) if the Borrower does not have any Debt Rating, Pricing Level V shall apply.

The Applicable Margin in effect from the Closing Date through the first Business Day immediately following the date the first Compliance Certificate is delivered to the Administrative Agent pursuant to Section 6.2(b), shall be the Applicable Margin set forth in Pricing Level III. Thereafter, each change in the Applicable Margin resulting from a publicly announced change in the Debt Rating shall be effective during

the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change.

"Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time used by the Issuing Lender, which shall not be inconsistent with this Agreement or impose additional obligations on the Borrower.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means Banc of America Securities LLC, in its capacity as lead arranger and sole book manager.

"Assignee Group" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.7(b)), and accepted by the Administrative Agent, substantially in the form of Exhibit G or any other form approved by the Administrative Agent.

"Attorney Costs" means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel.

"Available Revolving Credit Commitment" means, with respect to any Lender at any time, an amount equal to the excess, if any, of (a) such Lender's Revolving Credit Commitment then in effect over (b) such Lender's Revolving Extensions of Credit then outstanding.

"Base Rate" means, for any day, a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America, N.A. as its "prime rate." The "prime rate" is a rate set by Bank of America, N.A. based upon various factors including Bank of America, N.A.'s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America, N.A. shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loans" means Loans for which the applicable rate of interest is based upon the Base Rate.

"Benefited Lender" has the meaning specified in Section 10.8.

"Berkshire Hathaway" means, Berkshire Hathaway Inc., or an Affiliate thereof.

"Board" means the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower Materials" has the meaning specified in Section 6.2(e).

"Borrower" has the meaning specified in the preamble hereto.

"Borrowing Date" means any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

"Borrowing Request" means a notice of (a) a borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Loans pursuant to Sections 2.2 or 2.9 which, if in writing, shall be substantially in the form of Exhibit B-1.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in Dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New York City for the conduct of substantially all of the commercial lending activities, and interbank wire transfers can be made on the Fedwire system.

"Capital Lease Obligations" means, with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital and Surplus" means, as of any date, (a) as to any Insurance Subsidiary domiciled in the United States, the total surplus as regards to policyholders (or any successor line item description that contains the same information) as shown in its Annual Statement or Interim Statement, or an amount determined in a consistent manner for any date other than one as of which an Annual Statement or Interim Statement is prepared and (b) as to any other Insurance Subsidiary, the equivalent amount (determined in good faith by the Borrower).

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock or share capital of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the Issuing Lender and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and the Issuing Lender (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings.

"Change of Control" means (a) the acquisition of beneficial ownership, directly or indirectly, by any Person or group (within the meaning of the Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), other than the Permitted Holders, of Capital Stock representing more than 30% of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Borrower (or, if the Permitted Holders own 30% or more of the aggregate ordinary voting power represented by the issued and outstanding Capital Stock of the Borrower, a percentage greater than such percentage of ownership), or (b) the occupation, within a period of two years commencing after the IPO, of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated. For the avoidance of doubt, none of the Capital Stock held by the Permitted Holders, shall be included as being owned by a Person or group when determining whether such Person or group has met the 30% threshold set forth in clause (a).

"Closing Certificate" means a certificate substantially in the form of Exhibit E.

"Closing Date" means the first date on which all the conditions precedent in Section 4.1 are satisfied or waived in accordance with Section 10.1.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitments" means, collectively the Revolving Credit Commitments, the Swing Line Commitment, the L/C Commitment or as the context may require, any such Commitment.

"Commonly Controlled Entity" means an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 (a) (14) of ERISA or that is treated as a single employer with the Borrower under Section 414 of the Code.

"Compensation Period" has the meaning specified in Section 2.14(e)(ii).

"Compliance Certificate" means a certificate duly executed by a Responsible Officer on behalf of the Borrower substantially in the form of Exhibit A.

"Conditional Common Equity" means convertible preferred equity issued by the Borrower or any of its Subsidiaries which will convert to common equity of the

Borrower or any of its Subsidiaries upon shareholder approval (provided that such shareholder approval is obtained within the period required by the terms thereof).

"Consolidated Net Worth" means, as at any date, the sum of all amounts that would, in conformity with GAAP be included on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries under stockholders' equity at such date, plus minority interests in Subsidiaries, as determined in accordance with GAAP; provided, however, that in calculating Consolidated Net Worth as at any date, there shall be excluded for purposes of the calculation of Consolidated Net Worth any effects resulting from (a) SFAS 115 or (b) the application of FIN 46R.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Debt" means indebtedness for borrowed money.

"Debt Rating" has the meaning specified in the definition of "Applicable Margin."

"Debtor Relief Laws" the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions, domestic or foreign, from time to time in effect and affecting the rights of creditors generally.

"Default" means any of the events specified in Section 8.1, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Loans or participations in the L/C Obligations required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder unless such failure has been cured, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due unless the subject of a good faith dispute or unless such failure has been cured or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Default Rate" has the meaning specified in Section 2.11(c).

"Department" means, with respect to any Insurance Subsidiary, the insurance commissioner or other Governmental Authority of such Insurance Subsidiary's jurisdiction of incorporation or organization.

"Dollars" and "$" means lawful currency of the United States of America.

"Eligible Assignee" means any Person that meets the requirements to be an assignee under Section 10.7(b)(iii), (v), (vi), (vii) and (viii) (subject to such consents, if any, as may be required under Section 10.7(b)(iii)).

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, injunctive or equitable relief, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries resulting from or based upon (a) a violation of any environmental law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) human exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Loans" means Loans for which the applicable rate of interest is based upon the Eurodollar Rate.

"Eurodollar Rate" means, for any Interest Period with respect to a Eurodollar Loan, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 A.M., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "Eurodollar Rate" for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Loan being made, continued or converted by Bank of America, N.A. and with a term equivalent to such Interest Period would be offered by Bank of America, N.A.'s London branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 A.M. (London time) two Business Days prior to the commencement of such Interest Period.

"Excluded Taxes" has the meaning specified in Section 2.16(a).

"Existing Credit Agreement" means that certain Credit Agreement, dated as of June 14, 2004, among the Borrower (as successor in interest to Occum Acquisition Corp.,), the several banks and other financial institutions or entities from time to time parties thereto, and Bank of America, N.A., as administrative agent.

"Existing Letters of Credit" means those letters of credit set forth on Schedule 1A.

"Existing Revolving Credit Termination Date" has the meaning specified in Section 2.22.

"Extending Lender" has the meaning specified in Section 2.22.

"Extension Request" has the meaning specified in Section 2.22.

"Event of Default" means any of the events specified in Section 8.1, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Facility Fee Rate" means, from time to time, the applicable percentage per annum based upon the Debt Rating as set forth below:

Pricing Level	Debt Rating	Facility Fee Rate
I	A-/A3	0.060%
II	BBB+/Baa1	0.075%
III	BBB/Baa2	0.090%
IV	BBB-/Baa3	0.120%
V	<BBB-/Baa3	0.150%

The Facility Fee Rate in effect from the Closing Date through the first Business Day immediately following the date the first Compliance Certificate is delivered to the Administrative Agent pursuant to Section 6.2(b), shall be the Facility Fee Rate set forth in Pricing Level III. Thereafter, each change in the Facility Fee Rate resulting from a publicly announced change in the Debt Rating shall be effective, in the case of an upgrade, during the period commencing on the date of delivery by the Borrower to the Administrative Agent of notice thereof pursuant to Section 6.7(b)(iii) and ending on the date immediately preceding the effective date of the next such change and, in the case of a downgrade, during the period commencing on the date of the public announcement thereof and ending on the date immediately preceding the effective date of the next such change.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America, N.A. on such day on such transactions as reasonably determined by the Administrative Agent.

"Fee Letter" means, that certain letter agreement dated as of July 17, 2007 by and between the Borrower, the Administrative Agent and Banc of America Securities LLC.

"FIN 46R" means FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," and its revision by the Financial Accounting Standards Board.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in revolving credit facilities and similar extensions of credit in the ordinary course of its business.

"Fundamental Change" means any of (a) the Borrower consolidating or amalgamating with or merging into any other Person, (b) the Borrower failing to preserve, renew and keep, in full force and effect, its corporate existence, (c) the Borrower, directly or indirectly through one or more of its Subsidiaries, conveying or transferring the properties and assets of the Borrower and its Subsidiaries (taken as a whole for the Borrower and its Subsidiaries) substantially as an entirety (other than to the Borrower or one or more of its Subsidiaries), or (d) the Borrower liquidating, winding up or dissolving itself, other than, in the case of clauses (a) through (d), any such transaction or transactions the sole purpose of which is to change the domicile of the Borrower (in any such redomiciliation (x) the surviving**,** amalgamated or transferee entity shall expressly assume, by an agreement reasonably satisfactory to the Administrative Agent, the obligations of the Borrower to be performed or observed hereunder and deliver to the Administrative Agent such corporate authority documents and legal opinions as the Administrative Agent shall reasonably request, (y) the surviving**,** amalgamated or transferee entity shall succeed to, and be substituted for, and may exercise every right and power of, the Borrower under this Agreement with the same effect as if such surviving, amalgamated or transferee entity had been named as the Borrower herein and (z) the surviving**,** amalgamated or transferee entity shall be organized under the laws of the United States of America, any state thereof or the District of Columbia).

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time and set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof whether state or local and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, including any board of insurance, insurance department or insurance commissioner.

"Granting Lender" has the meaning specified in Section 10.7(h).

"Guarantee Obligation" means as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Hazardous Materials" means all explosive or radioactive substances or wastes, hazardous or toxic substances or wastes, pollutants, solid, liquid or gaseous wastes, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls ("PCBs") or PCB-containing materials or equipment, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any environmental law.

"Hedge Agreements" means all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrower or its Subsidiaries providing for protection against fluctuations in interest rates or currency exchange rates or otherwise providing for the exchange of nominal interest obligations, either generally or under specific contingencies.

"Increase Effective Date" has the meaning specified in Section 2.21(b).

"Indebtedness" means, as to any Person at any date, without duplication, all of the following, whether or not included as Indebtedness or liabilities in accordance

with GAAP (a) all Debt of such Person, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit, bank guarantees, surety bonds or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire, defease or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of any of the foregoing, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation and (j) for the purposes of Section 8.1(h) only, all obligations of such Person in respect of Hedge Agreements entered into in the ordinary course of business and not for speculative purposes.

"Indemnified Liabilities" has the meaning specified in Section 10.6.

"Indemnitees" has the meaning specified in Section 10.6.

"Information" has the meaning specified in Section 10.16.

"Insolvency" means with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent" means pertaining to a condition of Insolvency.

"Instrument of Accession" has the meaning specified in Section 2.21.

"Insurance Regulations" means any Law, directive or order applicable to an insurance company.

"Insurance Regulator" means any Person charged with the administration, oversight or enforcement of any Insurance Regulation.

"Insurance Subsidiary" means any Subsidiary which is required to be licensed by any Department as an insurer or reinsurer and each direct or indirect Subsidiary of such Subsidiary.

"Intellectual Property" means the collective reference to all rights, priorities and privileges relating to intellectual property, arising under Laws, including, without limitation, copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or

in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date" means (a) as to any Base Rate Loan, the first Business Day of each of January, April, July and October and the last day of the Revolving Credit Commitment Period, (b) as to any Eurodollar Loan, the last day of each Interest Period applicable to such Loan and the last day of the Revolving Credit Commitment Period; provided, however, that if any Interest Period for a Eurodollar Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates, and (c) as to any Loan (other than a Base Rate Loan), the date of any repayment or prepayment made in respect thereof.

"Interest Period" means, as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to any Lender, nine or twelve months) thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months (or, unless unavailable to any Lender, nine or twelve months) thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period in respect of the Loans that would otherwise extend beyond the Revolving Credit Termination Date shall end on the Revolving Credit Termination Date; and

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period.

"Interim Statement" means any interim statutory financial statement or financial report (whether quarterly, semiannually or otherwise) of any Insurance Subsidiary required to be filed with the Department of its jurisdiction of incorporation or organization, which statement or report shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or organization or, if no specific form is so required, in the form of financial statements or financial reports permitted by such

Department to be used for filing interim statutory financial statements or financial reports and shall contain the type of information permitted or required by such Department to be disclosed therein, together with all exhibits or schedules filed therewith.

"IPO" means an initial public offering by the Borrower of its common stock pursuant to an effective S-1 Registration Statement under the Securities Act of 1933, as amended.

"ISP" means with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

"Issuer Documents" means with respect to any Letter of Credit, the Application, and any other document, agreement and instrument entered into by the Issuing Lender and the Borrower (or any Subsidiary) or by the Borrower (or any Subsidiary) in favor of the Issuing Lender and relating to any such Letter of Credit.

"Issuing Lender" means Bank of America, N.A. and any other Lender from time to time designated by the Borrower as an Issuing Lender, with the consent of such Lender and the Administrative Agent.

"Laws" means any law, treaty, rule, regulation or order of an arbitrator or a court or other Governmental Authority.

"L/C Advance" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Revolving Credit Percentage.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a borrowing.

"L/C Commitment" means $50,000,000, as the same may be reduced from time to time pursuant to Section 2.7.

"L/C Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof or the increase of the amount thereof.

"L/C Fee Payment Date" means the first Business Day of each of January, April, July and October and the last day of the Revolving Credit Commitment Period.

"L/C Obligations" means, at any time, an amount equal to the sum of (a) the aggregate amount available to be drawn under all outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.3. For purposes of computing the amount available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.3. For all purposes of this Agreement, if on any

date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of Rule 3.14 of the ISP, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"L/C Participants" means, with respect to any Letter of Credit, the collective reference to all of the Lenders, other than the Issuing Lender that issued such Letter of Credit.

"Lenders" has the meaning specified in the preamble hereto.

"Letters of Credit" means any letters of credit issued hereunder and shall include the Existing Letters of Credit.

"License" means any license, certificate of authority, permit or other authorization which is required to be obtained from any Governmental Authority in connection with the operation, ownership or transaction of insurance or reinsurance business.

"Lien" means any mortgage, pledge, security interest, encumbrance, charge or security interest of any kind.

"Loan" means any loan made by any Lender to the Borrower pursuant to this Agreement, including any Revolving Credit Loan and any Swing Line Loan made by the Swing Line Lender.

"Loan Documents" means this Agreement, the Applications, the Notes, any Instrument of Accession executed hereunder pursuant to Section 2.21 and any Extension Request executed pursuant to Section 2.22.

"Majority Lenders" means the holders of more than 50% of the Total Revolving Extensions of Credit (or, if no such Revolving Extensions of Credit are outstanding, prior to any termination of the Revolving Credit Commitments, the holders of more than 50% of the Total Revolving Credit Commitments). The Revolving Credit Commitment in effect (or, when applicable, Revolving Extensions of Credit outstanding) of any Defaulting Lender shall be excluded for purposes of any vote of Majority Lenders.

"Mandatory Convertible Securities" means equity securities or subordinated debt securities (which subordinated debt securities, if issued by the Borrower, will include subordination to the obligations of the Borrower hereunder), issued by the Borrower or one of its Subsidiaries which (i) are not (w) Mandatory Redeemable Securities (other than Qualified Securities) or (x) Conditional Common Equity and (ii) provide, pursuant to the terms thereof, that the issuer of such securities (or an affiliate of such issuer) may cause (without the payment of additional cash consideration by the issuer thereof) the conversion or exchange of, or has agreed to convert or exchange, such securities to or for equity securities of the Borrower or one of its Subsidiaries upon the occurrence of a certain date or of certain events. A Mandatory

Convertible Security that is also a Qualified Security shall be treated as a Mandatory Convertible Security.

"Mandatory Redeemable Securities" means debt or equity securities (other than Conditional Common Equity, so long as such Conditional Common Equity may not be required, by the holder thereof, to be repurchased or redeemed during the period provided for shareholder approval of conversion pursuant to the terms of such Conditional Common Equity) issued by the Borrower or one of its Subsidiaries which either (i) are subordinated debt securities (which subordinated debt securities, if issued by the Borrower, will include subordination to the obligations of the Borrower hereunder), or (ii) provide, pursuant to the terms thereof, that such securities must be repurchased or redeemed, or the holder of such securities may require the issuer of such securities to repurchase or redeem such securities, upon the occurrence of a certain date or of certain events.

"Material Adverse Effect" means, a material adverse effect on (a) the business, assets, property or financial condition of the Borrower and its Subsidiaries taken as a whole, or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights and remedies of the Administrative Agent and the Lenders hereunder or thereunder.

"Material Insurance Subsidiary" means any Insurance Subsidiary (whether existing on or acquired or formed after the Closing Date) having Capital and Surplus equal to 10% or more of the Consolidated Net Worth of the Borrower as of the most recent Annual Statement or Interim Statement of such Insurance Subsidiary.

"Maturity Extension Date" has the meaning specified in Section 2.22.

"Maximum Rate" has the meaning specified in Section 10.19(a).

"Moody's" means Moody's Investors Service, Inc. (or any successor thereto).

"Multiemployer Plan" means a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NAIC" means the National Association of Insurance Commissioners or any successor thereto, or in the absence of the National Association of Insurance Commissioners or such successor, any other association, agency or other organization performing advisory, coordination or other like functions among insurance departments, insurance commissioners and similar Governmental Authorities of the various states of the United States towards the promotion of uniformity in the practices of such Governmental Authorities.

"Non-Excluded Taxes" has the meaning specified in Section 2.16(a).

"Non-Extending Lender" has the meaning specified in Section 2.22.

"Non-Regulated Operating Subsidiary" means each Subsidiary of the Borrower engaged directly (as opposed to indirectly through the ownership of Capital Stock of a Person engaged in a Principal Business) in a Principal Business, whether now owned or hereafter acquired, which is not an Insurance Subsidiary.

"Non-U.S. Lender" has the meaning specified in Section 2.16(d).

"Note" means any promissory note, including any revolving credit note or swing line note, made by the Borrower in favor of a Lender evidencing any Loan, substantially in the forms of Exhibit C-1 and C-2, as the case may be and as any such Note may be amended, restated, supplemented, modified or replaced from time to time.

"Notice Date" has the meaning specified in Section 2.22.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning specified in Section 10.7(d).

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Permitted Holders" means collectively, Berkshire Hathaway and White Mountains.

"Permitted Liens" means (a) any Lien upon Property to secure any part of the cost of development, construction, alteration, repair or improvement of such Property, or Debt incurred to finance such cost; (b) any extension, renewal or replacement, in whole or in part, of any Lien referred to in the foregoing clause (a); (c) any Lien relating to a sale and leaseback transaction; (d) any Lien in favor of the Borrower or any Subsidiary granted by the Borrower or any Subsidiary in order to secure any intercompany obligations; (e) mechanic's, materialmen's, carriers' or other like Liens arising in the ordinary course of business (including construction of facilities) in respect of obligations which are not due or which are being contested in good faith; (f) any Lien arising in connection with any legal proceeding which is being contested in good faith; (g) Liens for taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings; (h) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not incurred in connection with Debt and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person; (i) pledges or deposits under workers' compensation Laws, unemployment insurance Laws or similar social security legislation; (j) any pledge or deposit to secure performance of letters of credit, bank guarantees, bids, leases,

statutory obligations, surety and appeal bonds, performance bonds or other obligations of a like nature in the ordinary course of business; (k) any interest or title of a lessor under any lease entered into in the ordinary course of business; (l) Liens on assets of any Insurance Subsidiary securing (i) short-term Debt (i.e. with a maturity of less than one year when issued, provided that such Debt may include an option to extend for up to an additional one year period) incurred to provide short-term liquidity to facilitate claims payments in the event of catastrophe, (ii) Debt incurred in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Debt) and letters of credit issued for the account of any such Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Debt) or (iii) insurance-related obligations (that do not constitute Debt); (m) Liens on the assets of any mutual fund Subsidiary securing Debt incurred to provide short-term (i.e. not anticipated to be outstanding for more than one year when incurred) liquidity to facilitate redemption payments by such mutual fund Subsidiary; and (n) Liens securing the obligations hereunder.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan" means at a particular time, any employee pension benefit plan that is subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Platform" has the meaning specified in Section 6.2(e).

"Principal Business" means (a) a business of the type engaged in by the Borrower and its Subsidiaries on the date of this Agreement, (b) any other insurance, insurance services, insurance related, asset management, asset management related or risk management related business and (c) any business reasonably incident to any of the foregoing.

"Property" means any property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.

"Public Lender" has the meaning specified in Section 6.2(e).

"Qualified Securities" means (a) Mandatory Redeemable Securities issued by the Borrower or one of its Subsidiaries that, pursuant to the terms thereof, must be redeemed or repurchased or repaid, or may be required to be redeemed or repurchased or repaid at the option of the holder of such securities (excluding redemption, repurchase or repayment upon the occurrence of one or more events or conditions but including redemption, repurchase or repayment upon the occurrence of a certain date), (i) if such Mandatory Redeemable Securities are equity securities or subordinated debt securities, not sooner than the Revolving Credit Termination Date (except to the extent permitted by

clause (ii) below) or (ii) only in exchange for equity securities or other Qualified Securities of the Borrower or any of its Subsidiaries (except to the extent permitted by clause (i) above) and (b) any other debt or equity securities issued by the Borrower or one of its Subsidiaries whose proceeds are or would be accorded, at or about the time of issuance, equity treatment by S&P.

"Refunded Swing Line Loans" has the meaning specified in Section 2.4(b).

"Refunding Date" has the meaning specified in Section 2.4(c).

"Register" has the meaning specified in Section 10.7(c).

"Regulation U" means Regulation U of the Board as in effect from time to time.

"Reimbursement Obligation" means the obligation of the Borrower to reimburse an Issuing Lender pursuant to Section 3.3(a) for amounts drawn under Letters of Credit issued by such Issuing Lender for the account of the Borrower.

"Related Person" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Reorganization" means, with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived.

"Requested Reimbursement Date" has the meaning specified in Section 3.3(a).

"Requirement of Law" means, as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person (excluding, in the case of Section 2.15(a)(i), any of the foregoing relating to the Administrative Agent or any Lender), and any Law, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Responsible Officer" means, as to the Borrower or any Subsidiary, the chief executive officer, president, chief financial officer, treasurer, chief accounting officer, any vice president or any managing director of the Borrower or any Subsidiary, as the context requires. Any document delivered hereunder that is signed by a Responsible Officer on behalf of the Borrower or a Subsidiary shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other

action on the part of the Borrower or such Subsidiary and such Responsible Officer shall be conclusively presumed to have acted on behalf of the Borrower or such Subsidiary.

"Revolving Credit Commitment" means, as to any Lender, the obligation of such Lender, if any, to make Revolving Credit Loans and participate in Swing Line Loans and Letters of Credit, in an aggregate principal or face amount not to exceed the amount set forth under the heading "Revolving Credit Commitment" opposite such Lender's name on Schedule 1 to this Agreement, or, as the case may be, in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be adjusted from time to time pursuant to the terms hereof.

"Revolving Credit Commitment Period" means the period from and including the Closing Date to the earliest of (a) the Revolving Credit Termination Date, (b) the date of termination of the Revolving Credit Commitments pursuant to Section 2.7, and (c) the date of termination of the commitment of each Lender to make Loans and of the obligation of the Issuing Lender to make L/C Credit Extensions pursuant to Section 8.2.

"Revolving Credit Loans" has the meaning specified in Section 2.1.

"Revolving Credit Percentage" means, as to any Lender at any time, the percentage (carried out to the ninth decimal place) which such Lender's Revolving Credit Commitment then constitutes of the Total Revolving Credit Commitments (or, at any time after the commitment of each Lender to make Loans and the obligation of the Issuing Lender to make L/C Credit Extensions shall have terminated pursuant to Section 8.2 or if the Revolving Credit Commitments shall have expired, then the percentage which the aggregate amount of such Lender's Revolving Extensions of Credit then outstanding constitutes of the amount of the Total Revolving Extensions of Credit then outstanding).

"Revolving Credit Termination Date" means August 16, 2012, or such later date to which the Revolving Credit Termination Date may be extended pursuant to Section 2.22; provided, however, that, if such date is not a Business Day, the Revolving Credit Termination Date shall be the next succeeding Business Day.

"Revolving Extensions of Credit" means, as to any Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (b) the principal amount equal to such Lender's Revolving Credit Percentage of the L/C Obligations then outstanding and (c) the principal amount equal to such Lender's Revolving Credit Percentage of the aggregate principal amount of Swing Line Loans then outstanding.

"S&P" means Standard & Poor's Rating Services (or any successor thereto).

"SAP" means with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the Department in the jurisdiction of incorporation or organization of such Insurance Subsidiary for the preparation of annual

statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary, which are applicable to the circumstances as of the date of determination.

"SEC" means the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

"SFAS" means the Statements of Financial Accounting Standards adopted by the Financial Accounting Standards Board.

"Single Employer Plan" means any Plan that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"SPC" has the meaning specified in Section 10.7(h).

"Specified Event of Default" means an Event of Default pursuant to Sections 8.1(a), 8.1(b) (with respect to Section 7.1 only) or 8.1(c).

"Stated Rate" has the meaning specified in Section 10.19(a).

"Subsidiary" of a Person means (a) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (b) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of the Borrower.

"Swing Line Commitment" means the obligation of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.3 in an aggregate principal amount at any one time outstanding not to exceed $10,000,000.

"Swing Line Lender" means Bank of America, N.A., in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

"Swing Line Loans" has the meaning specified in Section 2.3(a).

"Swing Line Participation Amount" has the meaning specified in Section 2.4(c).

"Syndication Agent" means JPMorgan Chase Bank, N.A., and any other Lender as may be designated from time to time by the Borrower as a syndication agent, with the consent of such Lender and the Arranger.

"Total Consolidated Capitalization" means, as at any date, the sum, without duplication, of (a) Consolidated Net Worth plus (b) Total Consolidated Debt plus, (c) the amounts in respect of Trust Preferred Securities, Mandatory Convertible

Securities, Mandatory Redeemable Securities, Conditional Common Equity and any other preferred equity that would, in conformity with GAAP, be reflected on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries prepared as of such date and which are not already included in clause (a) or (b) above. Total Consolidated Capitalization shall in any event not include any effects resulting from the application of FIN 46R.

"Total Consolidated Debt" means, at any date, the sum, without duplication, of (a) all amounts that would, in conformity with GAAP, be reflected and classified as debt on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries prepared as of such date (other than amounts excluded by clauses (b) and (c) below), (b) Indebtedness represented by (i) Trust Preferred Securities or Qualified Securities (in each case, owned by Persons other than the Borrower or any of its consolidated Subsidiaries) but only to the extent that such securities (other than Mandatory Convertible Securities) exceed 15% of Total Consolidated Capitalization or (ii) Mandatory Redeemable Securities (owned by Persons other than the Borrower or any of its consolidated Subsidiaries) other than Qualified Securities, and (c) Indebtedness represented by Mandatory Convertible Securities (owned by Persons other than the Borrower or any of its consolidated Subsidiaries) but only to the extent that such Mandatory Convertible Securities plus Trust Preferred Securities and Qualified Securities (in each case, owned by Persons other than the Borrower or any of its consolidated Subsidiaries) exceed 25% of Total Consolidated Capitalization; provided, that in the event that the notes related to the Mandatory Convertible Securities remain outstanding following the exercise of forward purchase contracts related to such Mandatory Convertible Securities, then such outstanding notes will be included in Total Consolidated Debt thereafter. Total Consolidated Debt shall, in any event, not include (1) Hedge Agreements entered into in the ordinary course of business for non-speculative purposes, (2) Indebtedness of the type described in Sections 7.2(a)(ii), (a)(iii), (a)(iv), (a)(vi) and (a)(vii), (3) Conditional Common Equity, (4) any other amounts in respect of Trust Preferred Securities, Mandatory Redeemable Securities, Mandatory Convertible Securities or Qualified Securities, or (5) any effects resulting from the application of FIN 46R.

"Total Consolidated Debt to Total Consolidated Capitalization Ratio" means, as at the end of any fiscal quarter of the Borrower, the ratio of (a) Total Consolidated Debt to (b) Total Consolidated Capitalization.

"Total Revolving Credit Commitments" means, at any time, the aggregate amount of the Revolving Credit Commitments then in effect. The aggregate amount of the Total Revolving Credit Commitments on the Closing Date is $200,000,000.

"Total Revolving Extensions of Credit" means, at any time, the aggregate amount of the Revolving Extensions of Credit of the Lenders outstanding at such time.

"Transferee" means a Participant or an assignee of any Lender's rights and obligations under this Agreement pursuant to an Assignment and Assumption.

"Trust Preferred Securities" means preferred equity issued by a special purpose entity, the proceeds of which are used to purchase subordinated debt securities of the Borrower or one of its Subsidiaries having terms that substantially mirror those of such preferred equity issued by the special purpose entity such that the subordinated debt securities constitute credit support for obligations in respect of such preferred equity and such preferred equity is reflected on a consolidated balance sheet of the Borrower and its consolidated Subsidiaries in accordance with GAAP.

"Type" means, as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

"Unreimbursed Amount" has the meaning specified in Section 3.3(a).

"White Mountains" means White Mountains Insurance Group, Ltd., a company organized under the laws of Bermuda, or an Affiliate thereof.

1.2. Other Definitional Provisions. Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrower or its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP or SAP, as the case may be.

(b) References herein to particular pages, columns, lines or sections of any Person's Annual Statement shall be deemed, where appropriate, to be references to the corresponding page, column, line or section of such Person's Interim Statement, or if no such corresponding page, column, line or section exists or if any report form changes, then to the corresponding item referenced thereby.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(e) The word "or" is not exclusive and the words "include", "includes" or "including" shall be deemed to be followed by the phrase "without limitation".

(f) References to "preferred equity" includes Capital Stock designated as preferred stock, preference shares, preferred shares or any similar term.

1.3. Letter of Credit Amounts. Unless otherwise specified herein, the amount of a Letter of Credit at any time shall be deemed to be the stated amount of such Letter of Credit in

effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, other than with respect to the calculation of fees in connection with Letters of Credit, the amount of such Letter of Credit shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at such time.

1.4. Rounding. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.5. Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

2. AMOUNT AND TERMS OF COMMITMENTS

2.1. Revolving Credit Commitments. (a) Subject to the terms and conditions hereof, the Lenders severally agree to make revolving credit loans ("Revolving Credit Loans") to the Borrower from time to time on any Business Day during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding for each Lender which, when added to such Lender's Revolving Credit Percentage of the sum of (i) the L/C Obligations then outstanding and (ii) the aggregate principal amount of the Swing Line Loans then outstanding, does not exceed the amount of such Lender's Revolving Credit Commitment. During the Revolving Credit Commitment Period the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Credit Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.9, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date.

(b) The Borrower shall repay to the Lenders all outstanding Revolving Credit Loans made to the Borrower on the Revolving Credit Termination Date.

2.2. Procedure for Revolving Credit Borrowing. The Borrower may borrow under the Revolving Credit Commitments on any Business Day during the Revolving Credit Commitment Period, provided that the Borrower shall give the Administrative Agent a borrowing request in the form of Exhibit B-1 hereto (hereinafter, a "Borrowing Request") (which Borrowing Request must be received by the Administrative Agent prior to 11:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) on the requested Borrowing Date, in the case of Base Rate Loans, provided that requests for Base Rate Loans not received prior to 11:00 A.M., New York City time on the requested Borrowing Date shall be deemed received on the following Business Day), and must specify (i) the amount and Type of Revolving Credit Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurodollar Loans, the length of the initial

Interest Period therefor; provided, however, that if the Borrower wishes to request Eurodollar Loans having an Interest Period of nine or twelve months in duration as provided in the definition of "Interest Period," the applicable notice must be received by the Administrative Agent not later than 11:00 A.M. New York City time, four Business Days prior to the requested date of such borrowing, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is unavailable to any of them. Not later than 10:00 A.M. New York City time, three Business Days before the requested date of such borrowing, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period is unavailable to any Lender. If the Borrower requests a borrowing of Eurodollar Loans in any Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Each borrowing of Revolving Credit Loans under the Revolving Credit Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, $1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Credit Commitments are less than $1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, $5,000,000 or a whole multiple of $1,000,000 in excess thereof; provided, that the Swing Line Lender may request, on behalf of the Borrower, borrowings of Base Rate Loans under the Revolving Credit Commitments in other amounts pursuant to Section 2.4. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make its Revolving Credit Percentage of the amount of each borrowing of Revolving Credit Loans available to the Administrative Agent for the account of the Borrower at the Administrative Agent's Office prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent in like funds as received by the Administrative Agent.

2.3. Swing Line Commitment. (a) Subject to the terms and conditions hereof, the Swing Line Lender agrees, in reliance on the agreements of the other Lenders set forth in Section 2.4, that during the Revolving Credit Commitment Period, it will make available to the Borrower in the form of swing line loans ("Swing Line Loans") a portion of the credit otherwise available to the Borrower under the Revolving Credit Commitments; provided that (i) the aggregate principal amount of Swing Line Loans outstanding at any time shall not exceed the Swing Line Commitment then in effect (notwithstanding that the Swing Line Loans outstanding at any time, when aggregated with the Swing Line Lender's other outstanding Revolving Credit Loans hereunder, may exceed the Swing Line Commitment then in effect or such Swing Line Lender's Revolving Credit Commitment then in effect) and (ii) the Borrower shall not request, and the Swing Line Lender shall not make, any Swing Line Loan if, after giving effect to the making of such Swing Line Loan, the aggregate amount of the Available Revolving Credit Commitments would be less than zero. During the Revolving Credit Commitment Period, the Borrower may use the Swing Line Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swing Line Loans shall be Base Rate Loans only.

(b) The Borrower shall repay all outstanding Swing Line Loans on the earlier to occur of (i) the date ten Business Days after such Swing Line Loan is made and (ii) the Revolving Credit Termination Date. Each payment in respect of Swing Line Loans shall be made to the Swing Line Lender.

2.4. Procedure for Swing Line Borrowing; Refunding of Swing Line Loans.

(a) The Borrower may borrow under the Swing Line Commitment on any Business Day during the Revolving Credit Commitment Period, provided, the Borrower shall give the Swing Line Lender irrevocable telephonic notice confirmed promptly in writing in the form of Exhibit B-2 (which telephonic notice must be received by the Swing Line Lender not later than 1:00 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date. Each borrowing under the Swing Line Commitment shall be in an amount equal to $500,000 or a whole multiple of $100,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in the borrowing notice in respect of any Swing Line Loan, the Swing Line Lender shall make available to the Administrative Agent at the Administrative Agent's Office an amount in immediately available funds equal to the amount of such Swing Line Loan. The Administrative Agent shall make the proceeds of such Swing Line Loan available to the Borrower on such Borrowing Date in like funds as received by the Administrative Agent.

(b) The Swing Line Lender, not less frequently than once each week shall, and at any other time, from time to time, as the Swing Line Lender elects in its sole and absolute discretion, may, on behalf of the Borrower (which hereby irrevocably directs the Swing Line Lender to act on its behalf), on one Business Day's notice given by the Swing Line Lender no later than 12:00 Noon, New York City time, request each Lender to make, and each Lender hereby agrees to make, a Revolving Credit Loan, in an amount equal to such Lender's Revolving Credit Percentage of the aggregate amount of the Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date of such notice, to repay the Swing Line Lender. Each Lender shall make the amount of such Revolving Credit Loan available to the Administrative Agent at the Administrative Agent's Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such Revolving Credit Loans shall be made immediately available by the Administrative Agent to the Swing Line Lender for application by the Swing Line Lender to the repayment of the Refunded Swing Line Loans. Upon the written request of any Lender, the Administrative Agent will, within three Business Days of such request, inform such Lender of the aggregate amount of Swing Line Loans outstanding on the date of such request.

(c) If prior to the time a Revolving Credit Loan would have otherwise been made pursuant to Section 2.4(b), one of the events described in Section 8.1(c) shall have occurred and be continuing with respect to the Borrower, or if for any other reason, as determined by the Swing Line Lender in its sole discretion, Revolving Credit Loans may not be made as contemplated by Section 2.4(b), each Lender shall, on the date such Revolving Credit Loan was to have been made pursuant to the notice referred to in Section 2.4(b) (the "Refunding Date"), purchase for cash an undivided participating interest in the then outstanding Swing Line Loans by paying to the Swing Line Lender an amount (the "Swing Line Participation Amount") equal to (i) such Lender's Revolving Credit Percentage times (ii) the sum of the aggregate principal amount of Swing Line Loans then outstanding which were to have been repaid with such Revolving Credit Loans.

(d) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the

foregoing provisions of Section 2.4(b) by the time specified in Section 2.4(b), the Swing Line Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Swing Line Lender in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Swing Line Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this paragraph (d) shall be conclusive absent manifest error.

(e) Each Lender's obligation to make the Loans referred to in Section 2.4(b) and to purchase participating interests pursuant to Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 4; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower or any Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrower to repay Swing Line Loans, together with interest as provided herein.

(f) Whenever, at any time after the Swing Line Lender has received from any Lender such Lender's Swing Line Participation Amount, the Swing Line Lender receives any payment on account of the Swing Line Loans, the Swing Line Lender will distribute to such Lender its Swing Line Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swing Line Loans then due); provided, however, that in the event that such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Swing Line Lender any portion thereof previously distributed to it by the Swing Line Lender. The obligation of the Lenders under this paragraph (f) shall survive the payment in full of the Obligations and the termination of this Agreement.

(g) The Swing Line Lender shall be responsible for invoicing the Borrower for interest on the Swing Line Loans. Until each Lender funds its Refunded Swing Line Loan or risk participation pursuant to this Section 2.4 to refinance such Lender's Revolving Credit Percentage of any Swing Line Loan, interest in respect of such Revolving Credit Percentage shall be solely for the account of the Swing Line Lender.

(h) The Borrower shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Administrative Agent for the account of the Swing Line Lender.

2.5. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Lender (i) the then unpaid principal amount on the Revolving Credit Termination Date (or on such earlier date on which the Loans become due and payable pursuant to Section 8.2) of each Revolving Credit Loan of such Lender made to the Borrower and (ii) pursuant to the terms of Section 2.3(b), each Swing Line Loan of such Swing Line Lender made to the Borrower. The Borrower hereby further agrees to pay interest to the Administrative Agent for the account of the appropriate Lender on the unpaid principal amount of the Loans made to it from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.11.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.7(c), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan to the Borrower made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from or for the account of the Borrower and each Lender's share thereof. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.5(b) shall, to the extent permitted by applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to it by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, it will execute and deliver to such Lender a promissory note of the Borrower evidencing any Revolving Credit Loans or Swing Line Loans, as the case may be, made by such Lender to the Borrower, substantially in the forms of Exhibit C-1 or C-2, respectively, with appropriate insertions as to date and principal amount. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(f) In addition to the accounts and records referred to herein above, each Lender and the Administrative Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.6. Facility Fee, etc. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender in accordance with its Revolving Credit Percentage a facility fee for the period from and including the Closing Date to the last day of the Revolving Credit Commitment Period, computed at the Facility Fee Rate on the average daily amount of the Revolving Credit Commitment of such Lender during the period for which payment is made. The facility fee shall accrue at all times during the Revolving Credit Commitment Period, including at any time during which one or more of the conditions in Section 4.2 is not met, and shall be payable quarterly in arrears on the first Business Day of each of January, April, July and October and on the last day of the Revolving Credit Commitment Period, commencing on the first of such dates to occur after the Closing Date. The facility fee shall be calculated quarterly in arrears, and if there is any change in the Facility Fee Rate during any quarter, the actual daily amount shall be computed and multiplied by the Facility Fee Rate separately for each period during such quarter that the Facility Fee Rate was in effect.

(b) The Borrower agrees to pay to the Arranger for its own account the fees in the amounts and on the dates from time to time agreed to in the Fee Letter.

(c) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates from time to time agreed to in the Fee Letter.

2.7. Termination or Reduction of Revolving Credit Commitments. The Borrower shall have the right, upon notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the aggregate amount of the Revolving Credit Commitments; provided that (a) no such termination or reduction of Revolving Credit Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans and Swing Line Loans made on the effective date thereof, the Total Revolving Extensions of Credit would exceed the Total Revolving Credit Commitments, (b) any such reduction shall be in an amount equal to $1,000,000, or a whole multiple thereof (or the remaining amount of the Revolving Credit Commitments), (c) any such notice shall be received by the Administrative Agent not later than 11:00 A.M. New York City time, three Business Days prior to the date of termination or reduction and (d) if, after giving effect to any reduction of the Revolving Credit Commitments, the L/C Commitment or the Swing Line Commitment exceeds the amount of the Revolving Credit Commitment, such Commitment shall be automatically reduced by the amount of such excess; provided, further, that a notice of termination of the Revolving Credit Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, transactions or borrowings in general, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. The Administrative Agent will promptly notify the Lenders of any notice of termination or

reduction of the Revolving Credit Commitments. Any reduction of the Revolving Credit Commitments shall be applied to the Revolving Credit Commitment of each Lender according to its Revolving Credit Percentage. All fees accrued until the effective date of any termination of the Revolving Credit Commitment shall be paid on the effective date of such termination. Any reduction shall reduce permanently the Revolving Credit Commitments then in effect.

2.8. Prepayments. (a) The Borrower may at any time and from time to time prepay the Loans made to the Borrower, in whole or in part, without premium or penalty, upon notice delivered to the Administrative Agent at least three Business Days prior thereto in the case of Eurodollar Loans and on the date of prepayment in the case of Base Rate Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Base Rate Loans; provided, that (i) if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.17 and (ii) no prior notice is required for the prepayment of Swing Line Loans; provided, further, that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Credit Commitments as contemplated by Section 2.7, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.7. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Base Rate Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Revolving Credit Loans shall be in an aggregate principal amount of $1,000,000 or a whole multiple thereof. Partial prepayments of Swing Line Loans shall be in an aggregate principal amount of $100,000 or a whole multiple thereof.

(b) If for any reason the Total Revolving Extensions of Credit at any time exceed the Total Revolving Credit Commitments then in effect, the Borrower shall immediately prepay the Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrower shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.8(b) unless after the prepayment in full of the Loans the Total Revolving Extensions of Credit exceed the Total Revolving Credit Commitments then in effect.

2.9. Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans made to the Borrower to Base Rate Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice (which may be telephonic) of such election. The Borrower may elect from time to time to convert Base Rate Loans made to the Borrower to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice (which may be telephonic) of such election (which notice shall specify the length of the initial Interest Period therefor); provided, however, that if the Borrower wishes to request Eurodollar Loans having an Interest Period of nine or twelve months in duration as provided in the definition of "Interest Period", the applicable notice must be received by the Administrative Agent not later than 11:00 A.M. New York City time, four Business Days prior to the requested date of such conversion or continuation, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is unavailable to any of them. Not later than 10:00 A.M. New York City time, three Business Days before the requested date of such conversion or

continuation, the Administrative Agent shall notify the Borrower (which notice may be by telephone) whether or not the requested Interest Period is unavailable to any of the Lenders, provided, further that no Base Rate Loan may be converted to a Eurodollar Loan (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have determined in its or their sole discretion not to permit such conversions or (ii) after the date that is one month prior to the Revolving Credit Termination Date. Each telephonic notice by the Borrower pursuant to this Section 2.9 must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request appropriately completed and signed by a Responsible Officer of the Borrower. If the Borrower requests a conversion to a Eurodollar Loan in any Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

(b) The Borrower may elect to continue any Eurodollar Loan made to the Borrower as such upon the expiration of the then current Interest Period with respect thereto by giving irrevocable notice (which may be telephonic) to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Lenders have, determined in its or their sole discretion not to permit such continuations or (ii) after the date that is one month prior to the Revolving Credit Termination Date, and provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso, such Loans shall be converted automatically to Base Rate Loans on the last day of such then expiring Interest Period. Each telephonic notice by the Borrower pursuant to this Section 2.9 must be confirmed promptly by delivery to the Administrative Agent of a written Borrowing Request appropriately completed and signed by a Responsible Officer of the Borrower. Upon receipt of any such notice the Administrative Agent shall promptly notify the Lenders thereof.

2.10. Maximum Number of Eurodollar Loans. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that no more than ten Eurodollar Loans shall be outstanding at any one time.

2.11. Interest Rates and Payment Dates. (a) Subject to the provisions of paragraph (c) below, each Eurodollar Loan shall bear interest on the outstanding principal amount thereof for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Base Rate Loan, including Swing Line Loans, shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by

acceleration or otherwise), such overdue amount shall bear interest at a rate per annum that is equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section 2.11 plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans plus 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any facility fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans plus 2%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (each of the foregoing collectively, the "Default Rate").

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section 2.11 shall be payable from time to time on demand (after as well as before judgment and before and after the commencement of any proceeding under any Debtor Relief Law).

2.12. Computation of Interest and Fees. (a) Interest, fees and commissions payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year), except that, all computations of interest with respect to Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate", shall be calculated on the basis of a 365-day (or 366-day, as the case may be) year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in any interest rate. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.14(d), bear interest for one day.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error.

2.13. Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified

by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

2.14. Pro Rata Treatment and Payments. (a) Each borrowing, other than borrowings of Swing Line Loans, by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any facility fee or Letter of Credit fee, and any reduction of the Revolving Credit Commitments of the Lenders, shall be made pro rata according to the respective Revolving Credit Percentages of the relevant Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Revolving Credit Loans of the Borrower shall be made pro rata according to the respective outstanding principal amounts of the Revolving Credit Loans of the Borrower then held by the Lenders. Each payment in respect of Reimbursement Obligations in respect of any Letter of Credit shall be made to the relevant Issuing Lender.

(c) The application of any payment of Loans shall be made, first, to Base Rate Loans and, second, to Eurodollar Loans. Each payment of the Eurodollar Loans shall be accompanied by accrued interest to the date of such payment on the amount paid.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the relevant Lenders, at the Administrative Agent's Office, in Dollars and in immediately available funds. Any payment made by the Borrower after 12:00 Noon, New York City time, on any Business Day shall be deemed to have been made on the next following Business Day. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Borrower or any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with the foregoing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Revolving Credit Percentage of the Loan included in the applicable borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Revolving Credit Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (e) shall be conclusive, absent manifest error.

(f) The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and Swing Line Loans and to make payments under Section 10.6 are several and not joint. The failure of any Lender to make any Loan, to fund any such

participation or to make any payment under Section 10.6 on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or make its payment under Section 10.6.

2.15. Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes or Other Taxes covered by Section 2.16 and the imposition of, or any change in, the rate of any Excluded Tax payable by such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans to the Borrower or issuing or participating in Letters of Credit issued at the request of the Borrower, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section 2.15, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request

therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) In addition to, and without duplication of, amounts which may become payable from time to time pursuant to paragraphs (a) and (b) of this Section 2.15, the Borrower agrees to pay to each Lender which requests compensation under this paragraph (c) by notice to the Borrower, on the last day of each Interest Period with respect to any Eurodollar Loan made by such Lender to the Borrower, at any time when such Lender shall be required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System (or, at any time when such Lender may be required by the Board of Governors of the Federal Reserve System or by any other Governmental Authority, whether within the United States or in another relevant jurisdiction, to maintain reserves against any other category of liabilities which includes deposits by reference to which the Eurodollar Rate is determined as provided in this Agreement or against any category of extensions of credit or other assets of such Lender which includes any such Eurodollar Loans), an additional amount (determined by such Lender's calculation or, if an accurate calculation is impracticable, reasonable estimate using such reasonable means of allocation as such Lender shall determine) equal to the actual costs, if any, incurred by such Lender during such Interest Period as a result of the applicability of the foregoing reserves to such Eurodollar Loans.

(d) A certificate as to any additional amounts payable pursuant to this Section 2.15 submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. No Lender shall be entitled to compensation under this Section 2.15 from the Borrower for any costs incurred or reductions suffered more than 180 days prior to the date that such Lender notifies the Borrower of the circumstances giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided that if a change of law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. The obligations of the Borrower pursuant to this Section 2.15 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.16. Taxes. (a) Except as required by Law, all payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise and doing business taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document) (such net income taxes and franchise or doing business taxes imposed in lieu of net income taxes being referred to hereinafter as "Excluded Taxes"). If any such taxes, levies, imposts, duties, charges, fees, deductions or withholdings other than Excluded Taxes ("Non-Excluded Taxes") or any Other Taxes are required to be withheld from any amounts payable to

the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section 2.16 or (ii) that are withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement or designates a new lending office, except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office or assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this Section 2.16(a).

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as soon as practicable thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an official receipt received by the Borrower showing payment thereof (or other evidence of such payment reasonably satisfactory to the Administrative Agent). If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this Section 2.16 shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(d) Each Lender (or Transferee) that is not (i) a citizen or resident of the United States of America, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or (iii) an estate or trust that is subject to U.S. federal income taxation regardless of the source of its income (a "Non-U.S. Lender") that may lawfully do so shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI (or other applicable form), or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit D and a Form W-8BEN (or other applicable form), or to the extent such Lender may lawfully do so, it shall deliver any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, to the extent it may lawfully do so, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall, as soon as reasonably practicable, notify the Borrower at any time it determines that it is no longer

in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the Law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable Law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable Law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation.

2.17. Compensation for Losses. The Borrower agrees to, upon demand of any Lender (with a copy to the Administrative Agent) from time to time, to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender sustains or incurs as a consequence of (a) default by the Borrower in making a borrowing of, conversion to or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making by the Borrower of a prepayment or conversion of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto; provided that any request for indemnification made by a Lender pursuant to this Section 2.17 shall be made within six months of the incurrence of the loss or expense requested to be indemnified. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. A certificate as to any amounts payable pursuant to this Section 2.17 submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.18. Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by Law. If

any such conversion of a Eurodollar Loan to a Base Rate Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.17.

2.19. Change of Office. Each Lender agrees that, upon the occurrence of any event that it knows to give rise to the operation of Sections 2.15, 2.16(a) or 2.18 with respect to such Lender, it will use all commercially reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, or to assign its rights and obligations hereunder with respect to such Loans to another of its offices, branches or affiliates with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the reasonable sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section 2.19 shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Sections 2.15, 2.16(a) or 2.18. The Borrower hereby agrees to pay all reasonable out-of-pocket costs and expenses incurred by any Lender in connection with any such designation or assignment.

2.20. Replacement of Lenders under Certain Circumstances. The Borrower shall be permitted to replace any Lender (a) that requests reimbursement for amounts owing pursuant to Section 2.15, (b) with respect to which the Borrower is required to pay any amounts under Sections 2.16 or 2.18, (c) that defaults in its obligation to make Loans hereunder, (d) any Non-Extending Lender pursuant to Section 2.22, or (e) that fails to approve any amendment which, pursuant to Section 10.1, requires the approval of each Lender, provided, that such amendment is approved by at least the Majority Lenders, with a replacement financial institution or other entity; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) with respect to a condition described in clause (a) or (b) above, prior to any such replacement, such replaced Lender shall have taken no action under Section 2.19 so as to eliminate the continued need for payment of amounts owing pursuant to Sections 2.15, 2.16, or 2.18 (iii) the replacement financial institution or other entity shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (iv) the Borrower shall be liable to such replaced Lender under Section 2.17 (as though Section 2.17 were applicable) if any Eurodollar Loan to the Borrower owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (v) the replacement financial institution or other entity, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent and otherwise an Eligible Assignee, (vi) the replaced Lender and replacement Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.7 (including, without limitation, obtaining the consents provided for therein) (provided that the Borrower shall be obligated to pay the registration and processing fee referred to therein), (vii) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.15, 2.16 or 2.18, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, and (viii) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

2.21. Increase in Commitments.

(a) Request for Increase. Upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Borrower may from time to time on or after the Closing Date, increase the Total Revolving Credit Commitments by an amount not to exceed $100,000,000 less the aggregate amount of all prior increases of the Total Revolving Credit Commitment pursuant to this Section 2.21. Such increase in the Total Revolving Credit Commitments may be provided by the Lenders or Eligible Assignees designated by the Borrower to become Lenders (pursuant to an instrument of accession in the form of Exhibit H hereto, an "Instrument of Accession") that are willing to provide such increase; provided that (i) any such increase shall be in a minimum amount of $5,000,000 and (ii) the aggregate amount of the Total Revolving Credit Commitments after giving effect to any such increase shall not at any time exceed $300,000,000. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Revolving Credit Commitment hereunder.

(b) Effective Date and Allocations. If the Total Revolving Credit Commitments are increased in accordance with this Section 2.21, the Administrative Agent and the Borrower shall determine the effective date (the "Increase Effective Date") and the Borrower, in consultation with the Administrative Agent, shall determine the final allocation of such increase. The Administrative Agent shall promptly notify the Lenders of the final allocation of such increase and the Increase Effective Date.

(c) Conditions to Effectiveness of Increase. As a condition precedent to such increase, (i) no Default shall exist, (ii) the Borrower shall (x) deliver to the Administrative Agent (1) an Instrument of Accession executed by the Borrower and the applicable Lender(s), and (2) a certificate dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of the Borrower (A) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such increase, and (B) certifying that, before and after giving effect to such increase no Default exists and (iii) pursuant to the terms of the Fee Letter, pay the fees to the applicable Persons. The Borrower shall prepay any Revolving Credit Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to Section 2.15) to the extent necessary to keep the outstanding Revolving Credit Loans ratable with any revised Revolving Credit Percentages arising from any nonratable increase in the Total Revolving Credit Commitments under this Section 2.21.

(d) Conflicting Provisions. This Section 2.21 shall supersede any provisions in Section 2.14 or 10.1 to the contrary.

2.22. Extension of Revolving Credit Termination Date.

(a) Requests for Extension. The Borrower may, by notice to the Administrative Agent (which shall promptly notify the Lenders) substantially in the form of Exhibit I attached hereto (an "Extension Request"), not earlier than 120 days and not later than 35 days prior to the first anniversary and the second anniversary of the Closing Date (the first anniversary and the second anniversary of the Closing Date referred to herein, as applicable, as the "Maturity Extension Date") request that each Lender extend such Lender's then Revolving Credit Termination Date (the "Existing Revolving Credit Termination Date"), for an additional 364 days from the then Existing Revolving Credit Termination Date.

(b) Lender Elections to Extend. Each Lender, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not earlier than 90 days and not later than the date (the "Notice Date") that is 20 days prior to the Maturity Extension Date, advise the Administrative Agent whether or not such Lender agrees to such extension (and each Lender that determines not to so extend its Revolving Credit Termination Date (a "Non-Extending Lender") shall notify the Administrative Agent of such fact promptly after such determination (but in any event no later than the Notice Date) and any Lender that does not so advise the Administrative Agent on or before the Notice Date shall be deemed to be a Non-Extending Lender. The election of any Lender to agree to such extension shall not obligate any other Lender to so agree.

(c) Notification by Administrative Agent. The Administrative Agent shall notify the Borrower of each Lender's determination under this Section 2.22 no later than the date 15 days prior to the Maturity Extension Date (or, if such date is not a Business Day, on the next preceding Business Day).

(d) Additional Commitment Lenders. The Borrower shall have the right to replace each Non-Extending Lender, on or before the then Existing Revolving Credit Termination Date, with, and add as "Lenders" under this Agreement in place thereof, one or more Eligible Assignees (each, an "Additional Commitment Lender") as provided in Section 10.7; provided that each of such Additional Commitment Lenders shall enter into an Assignment and Assumption pursuant to which such Additional Commitment Lender shall, effective on a date not earlier than the Maturity Extension Date, undertake a Commitment (and, if any such Additional Commitment Lender is already a Lender, its Commitment shall be in addition to such Lender's Commitment hereunder on such date).

(e) Minimum Extension Requirement. If (and only if) the Majority Lenders (without regard to the new or increased Commitment of any Additional Commitment Lender), have agreed so to extend their Revolving Credit Termination Date (each, an "Extending Lender"), then, effective as of the Maturity Extension Date, the Revolving Credit Termination Date of each Extending Lender and of each Additional Commitment Lender shall be extended to the date falling 364 days after the Existing Revolving Credit Termination Date (except that, if such date is not a Business Day, such Revolving Credit Termination Date as so extended shall be the next preceding Business Day) and each Additional Commitment Lender shall thereupon become a "Lender" for all purposes of this Agreement.

(f) Conditions to Effectiveness of Extensions. As a condition precedent to such extension, the Borrower shall deliver to the Administrative Agent a certificate dated as of the Maturity Extension Date (in sufficient copies for each Extending Lender and each Additional Commitment Lender) signed by a Responsible Officer of the Borrower (i) certifying and attaching the resolutions adopted by the Borrower approving or consenting to such extension and (ii) certifying that, (A) before and after giving effect to such extension, (1) the representations and warranties contained in Section 5 and the other Loan Documents are true and correct on and as of the Maturity Extension Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Section 2.22, the representations and warranties contained in subsections (a) and (b) of Section 5.1 shall be deemed to refer to the most recent statements

furnished pursuant to subsection (a) of Section 6.1 and (2) no Default has occurred and is continuing and (B) there has occurred no Material Adverse Effect since the date of delivery of the most recent financial statements pursuant to Section 6.1, and (iii) on the Existing Revolving Credit Termination Date applicable to any Non-Extending Lender, the Borrower shall prepay any Loans outstanding on such date (and pay any additional amounts required pursuant to Section 2.17) to the extent necessary to keep outstanding Loans ratable with the revised Revolving Credit Percentages of the respective Lenders effective as of such date.

(g) Conflicting Provisions. This Section 2.22 shall supersede any provisions in Section 2.14 or 10.1 to the contrary.

3. LETTERS OF CREDIT

3.1. L/C Commitment. (a) Subject to the terms and conditions hereof, each Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.3, agrees to issue Letters of Credit for the account of the Borrower or any of its Subsidiaries and to amend or extend Letters of Credit previously issued by it, in accordance with Section 3.2(b), on any Business Day during the Revolving Credit Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided, that the Issuing Lender shall not issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Credit Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date which is five Business Days prior to the Revolving Credit Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (y) above). All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(b) No Issuing Lender shall at any time be obligated to issue any Letter of Credit hereunder if (i) such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law, (ii) such issuance would violate one or more policies of the Issuing Lender applicable to letters of credit generally or (iii) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Lender from issuing such Letter of Credit, or any Law applicable to the Issuing Lender or any request or directive (whether or not having the force of Law) from any Governmental Authority with jurisdiction over the Issuing Lender shall prohibit, or request that the Issuing Lender refrain from, the issuance of letters of credit generally, or such Letter of Credit in particular.

3.2. Procedure for Issuance and Amendment of Letter of Credit. (a) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Borrower delivered to the Issuing Lender (with a copy to the Administrative Agent) in the form of an Application, completed and signed by a Responsible Officer of the Borrower. Such Application must be received by the Issuing Lender and the Administrative Agent not later than 11:00 A.M., New York City time, at least two Business Days (or such later date and time as the Administrative Agent and the Issuing Lender may agree in a particular instance in their sole

discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Application shall specify in form and detail reasonably satisfactory to the Issuing Lender: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the Issuing Lender may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Application shall specify in form and detail reasonably satisfactory to the Issuing Lender (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the Issuing Lender may reasonably require. Additionally, the Borrower shall furnish to the Issuing Lender and the Administrative Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, including any Issuer Documents, as the Issuing Lender or the Administrative Agent may reasonably require.

(b) Promptly after receipt of any Application, the Issuing Lender will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Application from the Borrower and, if not, the Issuing Lender will provide the Administrative Agent with a copy thereof. Unless the Issuing Lender has received written notice from any Lender or the Administrative Agent, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Section 4 shall not then be satisfied, then, subject to the terms and conditions hereof, the Issuing Lender shall, on the requested date, issue a Letter of Credit for the account of the Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the Issuing Lender's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Lender a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Revolving Credit Percentage times the amount of such Letter of Credit.

(c) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the Issuing Lender will also deliver to the Borrower and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

3.3. Drawings and Reimbursements; Funding of Participations. (a) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the Issuing Lender shall notify the Borrower and the Administrative Agent thereof. The Borrower shall reimburse the Issuing Lender, through the Administrative Agent, for the amount of any drawing under a Letter of Credit not later than 1:00 P.M., New York City time, on the date that such drawing is made (if the Borrower has received notice from the Issuing Lender of such drawing prior to 10:00 A.M., New York City time, on such date) or, if the Borrower has not received notice of such drawing prior to such time on such date, then not later than 1:00 P.M., New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 A.M., New York City time, on the day of receipt, or (ii) the

Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to 10:00 A.M., New York City time, on the day of such receipt (the date on which such reimbursement by the Borrower is due pursuant to this sentence being referred to herein as the "Requested Reimbursement Date"). If the Borrower fails to so reimburse the Issuing Lender by such time, the Administrative Agent shall promptly notify each Lender of the Requested Reimbursement Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Lender's Revolving Credit Percentage thereof. In such event, the Borrower shall be deemed to have requested a borrowing of Base Rate Loans to be disbursed on the Requested Reimbursement Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples, and notice periods, specified in Section 2.2 for the principal amount of Base Rate Loans. Such Base Rate Loans may from time to time be converted to Eurodollar Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Section 2.9, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Revolving Credit Termination Date. Any notice given by the Issuing Lender or the Administrative Agent pursuant to this Section 3.3(a) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(b) Each Lender (including the Lender acting as Issuing Lender) shall upon any notice pursuant to Section 3.3(a) make funds available to the Administrative Agent for the account of the Issuing Lender at the Administrative Agent's Office in an amount equal to its Revolving Credit Percentage of the Unreimbursed Amount not later than 1:00 P.M., New York City time, on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 3.3(a), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the Issuing Lender.

(c) If any drawing is made under a Letter of Credit and is not reimbursed or refinanced on the date such drawing is made, for any reason, the Borrower shall be deemed to have incurred from the Issuing Lender an L/C Borrowing in the amount of the Unreimbursed Amount that is not so reimbursed or refinanced, which L/C Borrowing (i) shall bear interest at the rate applicable to Base Rate Loans from and including the date that such drawing is paid by the Issuing Bank to but excluding the earlier of the date that such Unreimbursed Amount is so reimbursed or refinanced or the date that is the next Business Day following the Requested Reimbursement Date and, if not so reimbursed or refinanced on or prior to the date that is the next Business Day following the Requested Reimbursement Date, then, from and after the date that is the next Business Day following the Requested Reimbursement Date to but excluding the date so reimbursed or refinanced, the rate applicable to Base Rate Loans plus 2% and (ii) shall, on and after the date that is the next Business Day following the Requested Reimbursement Date, be due and payable on demand. In such event, each Lender's payment to the Administrative Agent for the account of the Issuing Lender pursuant to Section 3.3(b) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 3.3.

(d) Until each Lender funds its Loan or L/C Advance pursuant to this Section 3.3 to reimburse the Issuing Lender for any amount drawn under any Letter of Credit, interest in

respect of such Lender's Revolving Credit Percentage of such amount shall be solely for the account of the Issuing Lender.

(e) Each Lender's obligation to make Loans or L/C Advances to reimburse the Issuing Lender for amounts drawn under Letters of Credit, as contemplated by this Section 3.3, shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Lender's obligation to make Loans pursuant to this Section 3.3 is subject to the conditions set forth in Section 4.2 (other than delivery by the Borrower of a Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Lender for the amount of any payment made by the Issuing Lender under any Letter of Credit, together with interest as provided herein.

(f) If any Lender fails to make available to the Administrative Agent for the account of the Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 3.3 by the time specified in Section 3.3(b), the Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Issuing Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Issuing Lender in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Issuing Lender in connection with the foregoing. If such Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Lender's Loan included in the relevant borrowing or L/C Advance in respect of the relevant L/C Borrowing, as the case may be. A certificate of the Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this paragraph (f) shall be conclusive absent manifest error.

3.4. Repayment of Participations. (a) At any time after the Issuing Lender has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 3.3(b), if the Administrative Agent receives for the account of the Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Borrower or otherwise, including proceeds of cash collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Revolving Credit Percentage thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(b) If any payment received by the Administrative Agent for the account of the Issuing Lender pursuant to Section 3.3(b) is required to be returned under any of the circumstances described in Section 10.8 (including pursuant to any settlement entered into by the Issuing Lender in its discretion), each Lender shall pay to the Administrative Agent for the

account of the Issuing Lender its Revolving Credit Percentage thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

3.5. Obligations Absolute. The obligation of the Borrower to reimburse the Issuing Lender for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower or any of its Subsidiaries may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the Issuing Lender under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or any of its Subsidiaries.

3.6. Role of Issuing Lender. Each Lender and the Borrower agree that, in paying any drawing under a Letter of Credit, the Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such

document or the authority of the Person executing or delivering any such document. None of the Issuing Lender, any Agent-Related Person nor any of the respective correspondents, participants or assignees of the Issuing Lender shall be liable to any Lender for (a) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable; (b) any action taken or omitted in the absence of gross negligence or willful misconduct; or (c) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Application. The Borrower hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrower's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the Issuing Lender, any Agent-Related Person, nor any of the respective correspondents, participants or assignees of the Issuing Lender, shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 3.5; provided, however, that anything in such clauses (i) through (v) to the contrary notwithstanding, the Borrower may have a claim against the Issuing Lender, and the Issuing Lender may be liable to the Borrower, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Borrower which the Borrower proves were caused by the Issuing Lender's willful misconduct or gross negligence or the Issuing Lender's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the Issuing Lender shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

3.7. Cash Collateral. Upon the request of the Administrative Agent, if, as of the Revolving Credit Termination Date, any Letter of Credit for any reason remains outstanding and partially or wholly undrawn, the Borrower shall immediately Cash Collateralize the then outstanding amount of all L/C Obligations (in an amount equal to such outstanding amount determined as of the Revolving Credit Termination Date). Sections 2.8 and 8.2 set forth certain additional requirements to deliver Cash Collateral hereunder. To the extent that the Borrower is required to Cash Collateralize L/C Obligations, the Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Lender and the Lenders, a security interest in all cash, deposit accounts and all balances therein and all proceeds of the foregoing. Such cash collateral shall be maintained in blocked, interest bearing deposit accounts with the Administrative Agent.

3.8. Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the Issuing Lender and the Borrower when a Letter of Credit is issued including any such agreement as applicable to an Existing Letter of Credit, (i) the rules of the ISP shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance shall apply to each commercial Letter of Credit.

3.9. Fees and Other Charges. (a) The Borrower will pay to the Administrative Agent, for the account of the Lenders, a fee on the daily amount available to be drawn under all outstanding Letters of Credit issued for its account at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans, to be shared ratably among the Lenders in accordance with their respective Revolving Credit Percentages and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower shall pay to the relevant Issuing Lender for its own account a fronting fee on the daily amount available to be drawn under all outstanding Letters of Credit issued by such Issuing Lender for the Borrower's account at a rate and at the times to be agreed upon by the Borrower and such Issuing Lender. For purposes of computing the average daily amount available to be drawn under the Letters of Credit, the amount of such Letters of Credit shall be determined in accordance with Section 1.3.

(b) In addition to the foregoing fees, the Borrower shall pay or reimburse each Issuing Lender for such normal and customary costs and expenses as are incurred or charged by such Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit issued for the account of the Borrower.

3.10. Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

4. CONDITIONS PRECEDENT

4.1. Conditions to Closing. The occurrence of the Closing Date is subject to the satisfaction on such date of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the Borrower, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance reasonably satisfactory to the Administrative Agent:

(i) executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent, each Lender party hereto on the date hereof and the Borrower;

(ii) a Note executed by the Borrower in favor of each Lender requesting a Note so long as such request is made at least 3 Business Days prior to the Closing Date;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower as the Administrative Agent may reasonably require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which the Borrower is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that the Borrower is duly organized or formed, and that the Borrower is validly existing, in good standing and qualified to engage in business in the jurisdiction where the Borrower is organized;

(v) a Closing Certificate of the Borrower with appropriate insertions and attachments, if any;

(vi) a certificate signed by a Responsible Officer on behalf of the Borrower either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by the Borrower and the validity against the Borrower of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required; and

(vii) a certificate signed by a Responsible Officer on behalf of the Borrower certifying (A) that the conditions specified in Sections 4.2(a) and (b) have been satisfied, and (B) that there has been no event or circumstance since December 31, 2006 that has had or could be reasonably expected to have a Material Adverse Effect.

(b) Fees. (i) The Administrative Agent and the Arranger shall have received all fees required to be paid by the Borrower on or prior to the Closing Date.

(ii) The Borrower shall have paid all fees, charges and disbursements of Bingham McCutchen LLP, as counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent), to the extent required to be paid by the Borrower and invoiced prior to the Closing Date.

(c) Legal Opinions. The Administrative Agent shall have received the legal opinion of Cravath, Swaine & Moore LLP counsel to the Borrower substantially in the form of Exhibit F.

(d) Termination of Existing Credit Facility. The Administrative Agent shall have received evidence (including, without limitation, payoff letters), reasonably satisfactory to the Administrative Agent in its reasonable discretion, that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated.

(e) Closing Date. The Closing Date shall occur on or before August 31, 2007.

(f) Material Adverse Effect. Up to and including the Closing Date, since December 31, 2006 no event or circumstance that has had or could reasonably be expected to have a Material Adverse Effect shall have occurred.

4.2. Conditions to Closing and Each Extension of Credit. The occurrence of the Closing Date and the agreement of each Lender to make any extension of credit requested to be

made by it hereunder on any date (including, without limitation, its initial extension of credit or any issuance, or increase in the amount of, any Letter of Credit but excluding conversions or continuations of Loans) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower in Section 5 (other than Section 5.5) or pursuant to any of the other Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent that they expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

(c) Borrowing Request. Except as provided in Section 3.3, the Administrative Agent shall have received a Borrowing Request or, as applicable, an Application.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit (including any issuance, or increase in the amount of, any Letter of Credit) that the conditions contained in Section 4.2 (a) and (b) have been satisfied on and as of the date of the applicable extension of credit.

5. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

5.1. Financial Statements.

(a) The audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries, as at December 31, 2006 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on and accompanied by unqualified reports from Ernst & Young LLP or another independent certified public accounting firm of nationally recognized standing, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries, as at such date, and the consolidated results of their operations and their consolidated cash flows for such fiscal year then ended in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).

(b) The unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries, as of and for the fiscal quarter ended June 30, 2007, and the related unaudited consolidated statements of income and cash flows for such fiscal quarters ended on such dates, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such dates, and the consolidated results of their operations and their consolidated cash flows for the fiscal quarters then ended in accordance with GAAP applied consistently throughout the periods involved (except (x) as approved by the

aforementioned firms of accountants and disclosed therein or (y) for normal year-end audit adjustments and the absence of footnotes).

5.2. Corporate Existence; Compliance with Law. The Borrower and each of its Subsidiaries (a) is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, except to the extent that the failure of the Subsidiaries to be so organized, validly existing and in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (b) has the corporate or other power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, except to the extent that the failure to have such power, authority and legal right could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (c) is duly qualified as a foreign corporation and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification, except to the extent failure to so qualify or be in good standing could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (d) is in compliance with all Requirements of Law, including, without limitation, with respect to environmental laws, except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.3. Corporate Power; Authorization; Enforceable Obligations. The Borrower has the corporate or other power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and to borrow hereunder. The Borrower has taken all necessary corporate or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents, except consents, authorizations, filings and notices described in Schedule 5.3, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and except to the extent failure to obtain any consents, authorizations, filings, and notices could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Loan Document to which the Borrower is a party has been duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each other Loan Document to which the Borrower is a party upon execution will constitute, a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.4. No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of the Borrower or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation, except to the extent such violation or Lien could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5. No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of their respective properties or assets that (a) purport to affect or pertain to this Agreement or any other Loan Document or any of the transactions contemplated hereby or thereby, or (b) could reasonably be expected to have a Material Adverse Effect.

5.6. Ownership of Property; Liens. The Borrower and each of its Subsidiaries has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other Property, and none of such Property is subject to any Lien except as permitted by Section 7.3, except to the extent such defects in title could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.7. Intellectual Property. The Borrower and each of its Subsidiaries owns, or is licensed to use, all Intellectual Property material to the conduct of its business as currently conducted. No material claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Borrower know of any valid basis for any such claim, other than claims that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. The use of Intellectual Property by the Borrower and its Subsidiaries does not infringe on the rights of any Person in any material respect, except for infringements that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.8. Taxes. The Borrower and each of its Subsidiaries has filed or caused to be filed all material Federal, state and other tax returns that are required to be filed (taking into account any applicable extensions) and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority and, to the knowledge of the Borrower, no tax Lien has been filed, and no claim is being asserted, with respect to any such tax, fee or other charge, except (i) those in respect of which the amount or validity are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrower or its Subsidiaries, as the case may be, and (ii) any amount the failure of which to pay could not reasonably be expected to result in a Material Adverse Effect.

5.9. Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

5.10. ERISA. Except as could not reasonably be expected to result in a Material Adverse Effect, neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any

Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by an amount which could reasonably be expected to result in a Material Adverse Effect. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect. Except as could not reasonably be expected to result in a Material Adverse Effect, no such Multiemployer Plan is in Reorganization or Insolvent.

5.11. Investment Company Act; Other Regulations. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any Requirement of Law (other than Regulation X of the Board) which limits its ability to incur Indebtedness hereunder.

5.12. Use of Proceeds. The proceeds of the Loans and the Letters of Credit shall be used for working capital and general corporate purposes of the Borrower and its Subsidiaries, including, without limitation, (a) acquisitions, (b) the issuance of Letters of Credit, (c) refinancings of outstanding indebtedness, if any, of the Borrower and its Subsidiaries (including under the Existing Credit Agreement and the Existing Letters of Credit), and (d) for payment of fees and expenses incurred in connection with this Agreement.

5.13. Accuracy of Information, etc. No statement or information contained in any document, certificate or statement furnished to the Administrative Agent or the Lenders or any of them, by or on behalf of the Borrower for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, taken as a whole contained, as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statement, information, document or certificate was made or furnished. The projections and pro forma financial information contained in the materials referenced above were prepared in good faith based on assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

5.14. Insurance Regulatory Matters. No License of any Insurance Subsidiary, the loss of which could reasonably be expected to have a Material Adverse Effect, is the subject of a proceeding for suspension or revocation. To the knowledge of the Borrower, there is no sustainable basis for such suspension or revocation, and no such suspension or revocation has been threatened by any Governmental Authority.

5.15. Indebtedness and Liens. As of the Closing Date, (i) no Subsidiary of the Borrower had outstanding any Indebtedness that was created, incurred or assumed after June 30, 2007, except Indebtedness that would have been permitted by Section 7.2 (without giving effect to the Indebtedness permitted by Section 7.2(a)(i)) if created, incurred or assumed by such Subsidiary on the Closing Date and (ii) there does not exist (a) any Lien that was created, incurred or assumed after June 30, 2007, upon any stock or Indebtedness of any Subsidiary to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder) or (b) any Lien that was created, incurred or assumed after June 30, 2007, upon any other Property, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder), except, in the case of (a) or (b), Liens that would have been permitted by Section 7.3 hereof (without giving effect to the Liens that would have been permitted by Section 7.3(j)(x)) if so created, incurred or assumed on the Closing Date.

5.16. Taxpayer Identification Number. As of the date hereof, the Borrower's true and correct U.S. taxpayer identification number is set forth on Schedule 10.02.

6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as, the Commitments remain in effect, any Letter of Credit remains outstanding, there exists any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

6.1. Financial Statements. Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender):

(a) (i) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event (including if not required to be filed pursuant to the Act of 1934) not later than 95 days after the end of each fiscal year of the Borrower ending subsequent to the Closing Date, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year, and the related audited consolidated statements of income and of cash flows for such fiscal year, setting forth in each case in comparative form the figures as of the end of and for the previous fiscal year, accompanied by an opinion by Ernst & Young LLP, or other independent certified public accounting firm of nationally recognized standing, which report shall be prepared in accordance with generally accepted auditing standards and applicable securities laws and shall not be subject to a "going concern" or like qualification or exception, or qualification as to the scope of the audit (for purposes hereof, delivery of the Borrower's annual report on Form 10-K (which shall be deemed delivered on the date when such document is posted on the SEC's website at www.sec.gov or any replacement website) will be sufficient in lieu of delivery of such financial statements); and (ii) not later than the date required to be filed pursuant to the Act of 1934 (after giving effect to any extension permitted or granted by the SEC), but in any event (including if not required to be filed pursuant to the Act of 1934) not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower ending subsequent to the Closing Date, a copy of the unaudited consolidated balance

sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal quarter and the related unaudited consolidated statements of income and of cash flows for such fiscal quarter and the portion of the fiscal year through the end of such fiscal quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period in the previous year, certified by a Responsible Officer on behalf of the Borrower as being fairly stated in all material respects in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes) (for purposes hereof, delivery of the Borrower's Quarterly Report on Form 10-Q (which shall be deemed delivered on the date when such document is posted on the SEC's website at www.sec.gov or any replacement website) will be sufficient in lieu of delivery of such financial statements and certifications); all such financial statements, together with notes to such financial statements, to fairly present in all material respects the financial condition and income and cash flows of the subject thereof as at the dates and for the periods covered thereby in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except (x) as approved by such accountants or officer, as the case may be, and disclosed therein or (y) in the case of unaudited financial statements, subject to normal year-end adjustments and the absence of footnotes);

(b) not later than the date required by Law to be prepared (or such later date as may be allowed by the applicable Governmental Authority), but in any event not later than (i) 95 days after the end of each fiscal year of a Material Insurance Subsidiary (as of the date of delivery pursuant hereto), copies of the unaudited Annual Statement of such Material Insurance Subsidiary, certified by a Responsible Officer on behalf of such Material Insurance Subsidiary; all such statements to be prepared in accordance with SAP consistently applied throughout the periods reflected therein and, if required by the applicable Governmental Authority, audited and certified by independent certified public accounting firm of recognized national standing (it being understood that delivery of audited statements shall be made within 10 days following the delivery of such statements to the applicable Governmental Authority); and (ii) 70 days after the end of each interim financial period of each Material Insurance Subsidiary in respect of which an Interim Statement is required to be prepared (as of the date delivery of such Interim Statement is required), copies of the Interim Statement of such Material Insurance Subsidiary for such interim financial period, all such statements to be prepared in accordance with SAP consistently applied throughout the period reflected herein;

(c) within 15 days after being delivered to any Material Insurance Subsidiary subsequent to the Closing Date, any final Report on Examination issued by the applicable Department or the NAIC that results in material adjustments to the financial statements referred to in paragraph (b) above;

(d) to the extent such a statement is required by Law to be prepared, within 10 days following the delivery to the applicable Department, a copy of each "Statement of Actuarial Opinion" and "Management Discussion and Analysis" for a Material Insurance Subsidiary which is provided to the applicable Department as to the adequacy of loss reserves of such Material Insurance Subsidiary, such opinion to be in the format prescribed by the insurance code of the state of domicile of such Material Insurance Subsidiary; and

(e) promptly after the Borrower's receipt thereof, subject to any restrictions imposed by such independent accountants, copies of any management letters submitted to the

board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the annual audit of the Borrower or any of its Subsidiaries.

6.2. Certificates; Other Information. Furnish to the Administrative Agent (either electronically or with sufficient copies for distribution by the Administrative Agent to each Lender) or, in the case of clause (d), to the relevant Lender:

(a) within 5 Business Days after the delivery of the audited financial statements referred to in Section 6.1(a)(i), a certificate of the independent certified public accounting firm reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default (it being understood that (i) such certificate shall only be required if delivery by such independent certified public accounting firm of such a certificate is not prohibited by its policies and (ii) any such certificate may be limited in scope and qualified in accordance with customary practices of the accounting profession), except as specified in such certificate;

(b) within 5 Business Days after the deadline for the delivery of any financial statements pursuant to Section 6.1(a), (i) a certificate of a Responsible Officer of the Borrower stating that such Responsible Officer has obtained no knowledge of any continuing Default or Event of Default except as specified in such certificate and (ii) a Compliance Certificate containing all information and calculations necessary for determining compliance by the Borrower with Section 7.1 as of the last day of the fiscal quarter or fiscal year of the Borrower;

(c) within 10 days after the same are filed with the SEC (unless posted on the SEC's website at www.sec.gov or any replacement website), all reports and filings on Forms 10-K, 10-Q and 8-K that the Borrower may make to, or file with, the SEC, including any request of an extension of time for the filing of any such reports; and

(d) promptly, such additional financial and other information as the Administrative Agent or any Lender may from time to time reasonably request.

(e) The Borrower hereby acknowledges that (a) unless otherwise directed by the Borrower, the Administrative Agent and/or the Arranger will make available to the Lenders and the Issuing Bank materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform"), subject to confidentiality undertakings reasonably acceptable to the Borrower and the Arranger, and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Arranger, the Issuing Bank and the Lenders to treat such Borrower Materials as either publicly available information or not material information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal

and state securities laws; (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor." Notwithstanding any of the foregoing, if the Borrower also delivers any materials and/or information pursuant to this Section 6.2(e) in paper format to the Administrative Agent, such paper materials shall be deemed to be Borrower Materials for all purposes. Nothing in this Section 6.2(e) shall limit the obligations of the Administrative Agent and the Lenders under Section 10.16.

6.3. Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature (other than Indebtedness), except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be; provided, that the Borrower may, in the ordinary course of business, extend payments on those payables if beneficial to the operation of their businesses.

6.4. Conduct of Business and Maintenance of Existence, etc. (a) Except as otherwise would not be a Fundamental Change (i) with respect to each Subsidiary of the Borrower, preserve, renew and keep in full force and effect its corporate existence and (ii) with respect to the Borrower and each of its Subsidiaries, take all reasonable action to maintain all licenses, permits, rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in the case of clause (i) above and clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations (other than in respect of Indebtedness) and Requirements of Law, except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5. Maintenance of Property; Insurance. (a) Keep all Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies (other than with the Borrower or its Subsidiaries) insurance on all its Property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business (it being understood that, to the extent consistent with prudent business practices of Persons carrying on a similar business in a similar location, a program of self-insurance for first and other loss layers may be utilized).

6.6. Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP(or SAP as applicable) and all Requirements of Law shall be made of all material dealings and transactions in relation to its business and activities and (b) upon reasonable prior notice, permit representatives of the Administrative Agent (who may be accompanied by representatives of other Lenders) and, during the continuance of an Event of Default, any Lender to (x) visit and inspect any of its properties, (y) during the continuance of an Event of Default, conduct reasonable examinations of (and, with the consent of the Borrower, such consent not to be

unreasonably withheld, make abstracts from) any of its books and records at any reasonable time and as often as may reasonably be requested and (z) discuss the business, operations, properties and financial and other condition of the Borrower with officers and employees of the Borrower. It is understood that (i) any information obtained by the Administrative Agent or any Lender in any visit or inspection pursuant to this Section 6.6 shall be subject to the confidentiality requirements of Section 10.16, (ii) the Borrower may impose, with respect to any Lender or any Affiliate of any Lender reasonably deemed by the Borrower to be engaged significantly in a business which is directly competitive with any material business of the Borrower and its Subsidiaries, reasonable restrictions on access to proprietary information of the Borrower and its Subsidiaries and (iii) the Lenders will coordinate their visits through the Administrative Agent with a view to preventing the visits provided for by this Section 6.6 from becoming unreasonably burdensome to the Borrower and its Subsidiaries.

6.7. Notices. Give notice to the Administrative Agent (it being agreed that the Administrative Agent shall, upon receipt of such notice, notify each Lender thereof) of the following within the time periods specified:

(a) Promptly after any Responsible Officer of the Borrower obtains knowledge thereof, the occurrence of any Default or Event of Default;

(b) Within five days after any Responsible Officer of the Borrower obtains knowledge thereof, the occurrence of:

(i) any default or event of default under any Contractual Obligation (other than in respect of Indebtedness) of the Borrower or any of its Subsidiaries or any litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(ii) (A) any litigation or proceeding affecting the Borrower or any of its Subsidiaries (other than claims-related litigation involving an Insurance Subsidiary) in which (x) the amount involved (and not covered by insurance) is $50,000,000 or more or (y) in which injunctive or similar relief is sought that could reasonably be expected to have a Material Adverse Effect and (B) any claims-related litigation affecting any Insurance Subsidiary which could reasonably be expected to have a Material Adverse Effect; and

(iii) of any announcement by Moody's or S&P of any change in a Debt Rating that changes the Applicable Margin.

(c) As soon as possible and, in any event, within 30 days after a Responsible Officer of the Borrower obtains knowledge thereof: (A) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization

or Insolvency of, any Multiemployer Plan or (B) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer on behalf of the Borrower setting forth details of the occurrence or such default referred to therein and stating what action the Borrower or the relevant Subsidiary proposes to take with respect thereto.

6.8. Taxes. Pay, discharge, or otherwise satisfy before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon it and its real estate, sales and activities, or any part thereof, or upon the income or profits therefrom, other than where failure to pay such taxes could not reasonably be expected to result in a Material Adverse Effect; provided that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and reserves in conformity with SAP or GAAP, as applicable, have been provided on the books of the Borrower and its Subsidiaries, as the case may be.

6.9. Use of Proceeds. Use the proceeds of the Loans and the Letters of Credit solely for the purposes set forth in Section 5.12.

6.10. Further Assurances. The Borrower will, and will cause each of its Subsidiaries to, cooperate with the Lenders and the Administrative Agent and execute such further instruments and documents as the Lenders or the Administrative Agent shall reasonably request to give effect to the transactions contemplated by this Agreement and the other Loan Documents.

7. NEGATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Letter of Credit remains outstanding, there exist any unpaid Reimbursement Obligations or any principal or interest on any Loan or any fee payable hereunder is owing to any Lender or the Administrative Agent hereunder:

7.1. Financial Condition Covenants.

(a) Authorized Control Level Risk-Based Capital of Material Insurance Subsidiaries. The Borrower will cause each of its Material Insurance Subsidiaries to maintain a ratio of (x) “Total Adjusted Capital” to (y) “Company Action Level Risk-Based Capital” of at least 200%”, in each case, as determined at the end of each fiscal year and as each such term is defined from time to time by the rules and regulations of the NAIC.

(b) Maintenance of Total Consolidated Debt to Total Consolidated Capitalization Ratio. The Borrower shall not permit its Total Consolidated Debt to Total Consolidated Capitalization Ratio, as at the end of any fiscal quarter, commencing with the first fiscal quarter ending after the Closing Date, to exceed thirty-seven and one-half percent (37.5%).

7.2. Limitation on Indebtedness. (a) The Borrower will not permit any of its Subsidiaries to create, incur or assume or suffer to exist any Indebtedness, except:

(i) Indebtedness outstanding as of the Closing Date and any refinancings, refundings, renewals or extensions thereof (without any increase in the principal amount thereof, other than by the amount of any necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing, or any shortening of the final maturity of any principal amount thereof to a date prior to the Revolving Credit Termination Date);

(ii) Indebtedness of any Insurance Subsidiary incurred or issued in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary and letters of credit, bank guarantees, surety bonds or similar instruments issued for the account of any Insurance Subsidiary in the ordinary course of its business or in securing insurance-related obligations (that do not constitute Indebtedness) of such Insurance Subsidiary;

(iii) Indebtedness in respect of letters of credit, bank guarantees, surety and appeal bonds, or performance bonds or other obligations of a like nature arising in the ordinary course of business and not for capital raising purposes and issued for the account of any Non-Regulated Operating Subsidiary;

(iv) short-term Indebtedness (i.e. with a maturity of less than one year when issued, provided that such Indebtedness may include an option to extend for up to an additional one year period) of any Insurance Subsidiary incurred to provide short-term liquidity to facilitate claims payment in the event of catastrophe;

(v) Indebtedness of a Subsidiary acquired after the Closing Date or a corporation merged into or consolidated with a Subsidiary after the Closing Date and Indebtedness assumed in connection with the acquisition of assets, which Indebtedness, in each case, exists at the time of such acquisition, merger or consolidation and is not created in contemplation of such event, as well as any refinancings, refunds, renewals or extensions of such Indebtedness (without increase in the principal amount thereof other than by the amount of any necessary pre-payment premiums, unpaid accrued interest and other costs of refinancing);

(vi) Indebtedness owing or issued by a Subsidiary to any other Subsidiary or to the Borrower;

(vii) Guarantee Obligations made by a Subsidiary in respect of obligations of another Subsidiary;

(viii) Indebtedness under the Loan Documents;

(ix) Indebtedness represented by Qualified Securities, Trust Preferred Securities or Mandatory Convertible Securities (except to the extent such Indebtedness is included in the calculation of Total Consolidated Debt);

(x) Indebtedness of any mutual fund Subsidiary incurred to provide short-term (i.e. not anticipated to be outstanding for more than one year when incurred) liquidity to facilitate redemption payments by such mutual fund Subsidiary; and

(xi) other Indebtedness of such Subsidiaries, provided that at the time such Indebtedness is incurred or issued, the aggregate principal amount of such Indebtedness when added to all other Indebtedness incurred or issued pursuant to this clause (xi) and then outstanding, does not exceed 15% of the Consolidated Net Worth of the Borrower.

7.3. Limitation on Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist (a) any Lien upon any stock or indebtedness of any Subsidiary, whether owned on the date of this Agreement or hereafter acquired, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder) or (b) any Lien upon any other Property of the Borrower or its Subsidiaries, whether owned or leased on the date of this Agreement, or thereafter acquired, to secure any Debt of the Borrower or any of its Subsidiaries or any other Person (other than the obligations hereunder), except:

(i) (x) any Lien existing on the date of this Agreement or (y) any Lien upon stock or Indebtedness or other Property of any Person existing at the time such Person becomes a Subsidiary or existing upon stock or Indebtedness of a Subsidiary or any other Property at the time of acquisition of such stock or Indebtedness or other Property (provided that such Lien was not created in connection with the acquisition of such Person or such Property), and any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any such Lien in clauses (x) or (y) above; provided, however, that the principal amount of Debt secured by such Lien shall not exceed the principal amount of Debt so secured at the time of such extension, renewal or replacement; and provided, further, that such Lien shall be limited to all or such part of the stock or Indebtedness or other Property which secured the Lien so extended, renewed or replaced;

(ii) any Permitted Liens; and

(iii) any Lien upon any Property if the aggregate amount of all Debt then outstanding secured by such Lien and all other Liens permitted pursuant to this clause (iii) does not exceed 15% of the Consolidated Net Worth of the Borrower as shown on the audited consolidated balance sheet contained in the latest annual report to stockholders of the Borrower;

provided that Debt secured by Liens permitted by clauses (i) and (ii) shall not be included in the amount of such secured Debt.

7.4. Limitation on Changes in Fiscal Periods. The Borrower shall not permit its fiscal year to end on a day other than December 31 or change its method of determining fiscal quarters.

7.5. Limitation on Lines of Business. The Borrower shall not engage to any extent that is material for the Borrower and its Subsidiaries, taken as a whole, in any business, either directly or through any Subsidiary, other than a Principal Business.

8. EVENTS OF DEFAULT

8.1. Events of Default. If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan made to the Borrower or Reimbursement Obligation owing by the Borrower when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan made to the Borrower or Reimbursement Obligation owing to the Borrower, or any other amount payable by the Borrower hereunder or under any other Loan Document, within three Business Days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) The Borrower shall default in the observance or performance of any agreement contained in Section 6.7(a) or Section 7; or

(c) (i) The Borrower or any of the Borrower's Material Insurance Subsidiaries shall voluntarily commence any case, proceeding or other action (A) under any Debtor Relief Law, (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower or any of the Borrower's Material Insurance Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or any of the Borrower's Material Insurance Subsidiaries any case, proceeding or other action under any Debtor Relief Law that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) the Borrower or any of the Borrower's Material Insurance Subsidiaries shall take any corporate action to authorize or effect any of the acts set forth in clause (i), or (ii), above; or (iv) the Borrower or any of the Borrower's Material Insurance Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(d) A Change of Control; or

(e) A Fundamental Change; or

(f) Any representation or warranty made or deemed made by the Borrower herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this

Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made or furnished; or

(g) The Borrower shall default in the observance or performance of any other agreement, covenant, term or condition contained in this Agreement or any other Loan Document (not specified in Sections 8.1(a), 8.1(b) or 8.1(f)); or

(h) The Borrower or any of its Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Loans and Reimbursement Obligations) on the scheduled or original due date with respect thereto (after giving effect to any applicable grace periods); or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, the effect of which default is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to a mandatory offer to purchase by the obligor thereunder as a result of the occurrence of such default thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default described in clause (i), (ii) or (iii) of this paragraph (h) shall not at any time constitute an Event of Default unless, at such time, one or more defaults of the type described in clauses (i), (ii) and (iii) of this paragraph (h) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $50,000,000; or

(i) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Majority Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA or, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Majority Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan and in each case in clauses (i) through (v) above, such event or condition, together with all other such events or conditions for which liability to the Borrower is reasonably expected to occur, if any, could, in the reasonable judgment of the Majority Lenders, reasonably be expected to have a Material Adverse Effect; or

(j) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving for the Borrower and its Subsidiaries taken as a whole a liability (to the extent not paid or fully covered by insurance above applicable deductions) of

$50,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 45 days from the entry thereof; or

(k) Any License of any Insurance Subsidiary (i) shall be revoked by the Governmental Authority which issued such License, or any action (administrative or judicial) to revoke such License shall have been commenced against such Insurance Subsidiary and shall not have been dismissed within thirty days after the commencement thereof, (ii) shall be suspended by such Governmental Authority for a period in excess of thirty days or (iii) shall not be reissued or renewed by such Governmental Authority upon the expiration thereof following application for such reissuance or renewal of such Insurance Subsidiary, which, in the case of each of clauses (i), (ii) and (iii) above, could reasonably be expected to have a Material Adverse Effect.

Notwithstanding the foregoing, in the case of each of paragraphs (f) through (k) of this Section 8.1, such event shall not constitute an Event of Default unless such event continues unremedied for a period of 30 days after the Borrower shall have received written notice of such event from the Administrative Agent.

8.2. Remedies Upon Event of Default. If any Event of Default specified in Section 8.1 occurs and is continuing, then, and in any such event, (a) if such event is an Event of Default specified in clause (i) or (ii) of Section 8.1(c) above with respect to the Borrower, automatically the commitment of each Lender to make Loans and any obligation of the Issuing Lender to make L/C Credit Extensions shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (b) if such event is any other Event of Default specified in Section 8.1, either or both of the following actions may be taken: (i) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Credit Commitments and the obligation of the Issuing Lender to issue Letters of Credit to be terminated forthwith, whereupon the Revolving Credit Commitments and the L/C Commitment shall immediately terminate; and (ii) with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. In the case of any Letter of Credit issued for the account of the Borrower with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time Cash Collateralize such L/C Obligations in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Such cash collateral shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After (a) all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement

Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full or (b) all Defaults and Events of Default hereunder and under the other Loan Document shall have been cured or waived, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto).

9. THE ADMINISTRATIVE AGENT

9.1. Appointment. (a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Section 9 with respect to any acts taken or omissions suffered by the Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the Applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this Section 9 and in the definition of "Agent-Related Person" included the Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the Issuing Lender; provided that nothing in this Agreement shall be construed to excuse the Issuing Lender from any liability to the Borrower for damages caused by the gross negligence or willful misconduct of the Issuing Lender or any Agent-Related Person.

9.2. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

9.3. Liability of Administrative Agent. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this

Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by the Borrower or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower or any Affiliate thereof.

9.4. Reliance by Administrative Agent. (a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 10.7 and all actions required by such Section 10.7 in connection with such transfer shall have been taken. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders; provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Law.

(b) For purposes of determining compliance with the conditions specified in Section 4.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

9.5. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default unless the Administrative Agent shall have

received written notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such Default as may be directed by the Majority Lenders in accordance with Section 8.2; provided, however, that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of the Lenders.

9.6. Credit Decision; Disclosure of Information by Administrative Agent. Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of the Borrower or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Borrower or any of its Affiliates which may come into the possession of any Agent-Related Person.

9.7. Indemnification of Administrative Agent. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct, provided, however, that no action taken in accordance with the directions of the Majority Lenders (or such greater percentage of Lenders as may be required hereunder) shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section 9.7. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including

Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Borrower. The undertaking in this Section 9.7 shall survive termination of the Total Revolving Credit Commitments, the payment of all other obligations and the resignation of the Administrative Agent.

9.8. Administrative Agent in its Individual Capacity. Bank of America, N.A. and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Borrower and its Affiliates as though Bank of America, N.A. were not the Administrative Agent or the Issuing Lender hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America, N.A. or its Affiliates may receive information regarding the Borrower or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrower or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America, N.A. shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or the Issuing Lender, and the terms "Lender" and "Lenders" include Bank of America, N.A. in its individual capacity.

9.9. Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders and the Borrower; provided that any such resignation by Bank of America, N.A. shall also constitute its resignation as Issuing Lender and Swing Line Lender, so long as a successor Issuing Lender and a successor Swing Line Lender (each consented to by the Borrower, such consent not to be unreasonably withheld or delayed) is appointed. If the Administrative Agent resigns under this Agreement, the Majority Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders, which successor administrative agent shall be consented to by the Borrower at all times other than during the continuance of a Specified Event of Default (which consent of the Borrower shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Borrower, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all of the rights, powers and duties of the retiring Administrative Agent, Issuing Lender and Swing Line Lender and the respective terms "Administrative Agent," "Issuing Lender" and "Swing Line Lender" shall mean such successor administrative agent, Letter of Credit issuer and swing line lender, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring Issuing Lender's and Swing Line Lender's rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring Issuing Lender or Swing Line Lender or any other Lender, other than the obligation of the successor Issuing Lender to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring Issuing Lender to

effectively assume the obligations of the retiring Issuing Lender with respect to such Letters of Credit. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 9 and Sections 10.5 and 10.6 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Lenders appoint a successor agent as provided for above.

9.10. Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.5, 3.9 and 10.5) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.5, 3.9 and 10.5.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the obligations of the Borrower hereunder or under any of the other Loan Documents or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.11. Guarantee and Collateral Matters. The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) upon termination of the Total Revolving Credit Commitments and payment in full of all obligations of the Borrower hereunder or under any of the other Loan Documents (other than contingent indemnification obligations) and the expiration or termination of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to Section 10.1, if approved, authorized or ratified in writing by the Majority Lenders; and

(b) to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.3.

9.12. Other Agents; Arrangers and Managers. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "lead manager," "arranger," "lead arranger" or "co-arranger" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

10. MISCELLANEOUS

10.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Majority Lenders and the Borrower and delivered to the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) extend the expiration date of or increase the Revolving Credit Commitment of any Lender (or reinstate any Revolving Credit Commitment terminated pursuant to Section 8.2) without the written consent of such Lender;

(b) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest or fees payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or, subject to clause (y) of the second proviso to this Section 10.1, any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Majority Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the Default Rate;

(d) change Section 2.14 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender directly affected thereby; or

(e) change any provision of this Section 10.1 or the percentage in the definition of "Majority Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

(f) amend, modify or waive any provision of Section 2.3 or 2.4 without the written consent of the Swing Line Lender;

(g) amend, modify or waive any provision of Section 3 without the consent of the Issuing Lender;

(h) amend, modify or waive the provisions of the definition of Interest Period regarding nine or twelve month Interest Periods for Eurodollar Loans without the consent of each relevant Lender; or

(i) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents;

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Lender in addition to the Lenders required above, modify the rights or duties of the Issuing Lender under this Agreement or any Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, modify the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, modify the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) Section 10.7(h) may not be amended, waived or otherwise modified without the consent of each Granting Lender all or any part of whose Loans are being funded by an SPC at the time of such amendment, waiver or other modification; and (v) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Revolving Credit Commitment of such Lender may not be increased or extended without the consent of such Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any

such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section 10.1; provided, that delivery of an executed signature page of any such instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

For the avoidance of doubt, this Agreement may be amended (or amended and restated) with the written consent of the Majority Lenders, the Administrative Agent and the Borrower party to each relevant Loan Document (x) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Loans, the L/C Obligations and the accrued interest and fees in respect thereof and (y) to include appropriately the Lenders holding such credit facilities in any determination of the Majority Lenders.

10.2. Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopier or by electronic mail as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower, the Administrative Agent, the Issuing Lender or the Swing Line Lender, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 10.2; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders and the Issuing Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to service of process or to notices to any Lender or the Issuing Lender pursuant to Section 2. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved

by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT-RELATED PERSONS DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT-RELATED PERSONS OR THE BORROWER IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Agent-Related Persons or the Borrower have any liability to any Agent-Related Person, the Borrower, any Lender, or the Issuing Lender for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent-Related Persons or the Borrower; provided, however, that in no event shall any Agent-Related Persons or the Borrower have any liability to any Agent-Related Person, the Borrower, any Lender, or the Issuing Lender for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages). Each Lender agrees that the Borrower shall be responsible only for the Borrower Materials and shall not have any liability (unless otherwise agreed in writing by the Borrower) for any other materials made available to the Lenders and shall not have any liability for any errors or omissions other than errors or omissions in the materials delivered to the Administrative Agent by the Borrower. Nothing in this Section 10.2(c) shall limit the obligation of the Administrative Agent and the Lenders under Section 10.16.

(d) Change of Address, Etc. The Borrower, the Administrative Agent, the Issuing Lender and the Swing Line Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower, the Administrative Agent, the Issuing Lender and the Swing Line Lender. In addition, each Lender agrees to notify the Administrative

Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Administrative Agent, Issuing Lender and Lenders. The Administrative Agent, the Issuing Lender and the Lenders shall be entitled to rely and act upon any notices (including telephonic and written Borrowing Requests and notices of Swing Line Loans) purportedly given by or on behalf of the Borrower; provided that the foregoing shall not apply to losses, costs, expenses and liabilities caused by the gross negligence or willful misconduct of the relevant Lender or any Agent-Related Person even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, the Issuing Lender, each Lender and the Agent-Related Persons from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower; provided that the foregoing shall not apply to losses, costs, expenses and liabilities caused by the gross negligence or willful misconduct of the relevant Lender or any Agent-Related Person. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

(f) Effectiveness of Facsimile Documents and Signatures. Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on the Borrower, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

10.3. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

10.4. Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any extension of credit, and shall continue in full force and effect as long as any Loan or

any other obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.5. Attorney Costs and Expenses. The Borrower agrees (a) to pay or reimburse the Administrative Agent and the Arranger for all reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Lender for all reasonable out-of-pocket costs and expenses (which may include, to the extent reasonably incurred, all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts) incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the obligations of the Borrower hereunder or under any of the other Loan Documents and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. All amounts due under this Section 10.5 shall be payable not later than 30 days following written demand. The agreements in this Section 10.5 shall survive the termination of the Total Revolving Credit Commitments and repayment of all other obligations.

10.6. Indemnification. (a) Whether or not the transactions contemplated hereby are consummated, the Borrower shall indemnify and hold harmless each Agent-Related Person, each Arranger, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents, shareholders and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments and causes of action of any kind or nature whatsoever and reasonable related out-of-pocket costs and expenses which may at any time be imposed on, incurred, suffered, sustained, required to be paid by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Revolving Credit Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Borrower or any Subsidiary, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that such indemnity shall not,

as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, settlement payments, causes of action or costs or expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. In all such litigation, or the preparation therefor, the Indemnitees shall be entitled to select counsel to the Indemnitees. To the extent reasonably practicable and not disadvantageous to any Indemnitee (as reasonably determined by the relevant Indemnitee), it is anticipated that a single counsel selected by the affected Lenders will be used. No Indemnitee shall be liable to the Borrower for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, and, to the fullest extent permitted by applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof (whether before or after the Closing Date); provided that this sentence shall not, as to any Indemnitee, apply to the extent such Indemnitee is found by a final non-appealable judgment of a court of competent jurisdiction to have acted with willful misconduct or gross negligence. All amounts due under this Section 10.6 shall be payable not later than 30 days following written demand. The agreements in this Section 10.6 shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Total Revolving Credit Commitments and the repayment, satisfaction or discharge of all the other obligations of the Borrower hereunder.

(b) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under Section 10.5 and Section 10.6(a) to be paid by it to the Administrative Agent (or any sub-agent thereof), the Issuing Lender or any Agent-Related Person of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), the Issuing Lender or such Agent-Related Person, as the case may be, such Lender's Revolving Credit Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or the Issuing Lender in its capacity as such, or against any Agent-Related Person of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or Issuing Lender in connection with such capacity. The obligations of the Lenders under this Section 10.6(b) are subject to the provisions of Section 2.14(f).

10.7. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of their rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or

obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of Section 10.7(b), (ii) by way of participation in accordance with the provisions of Section 10.7(d), (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 10.7(f), or (iv) to an SPC in accordance with the provisions of Section 10.7(h) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 10.7(d) and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section 10.7, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Revolving Credit Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 unless each of the Administrative Agent and, so long as no Specified Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single assignee (or to an assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met.

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Revolving Credit Commitment assigned, except that this clause (ii) shall

not apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section 10.7 and, provided that:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) a Specified Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund;

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender;

(C) the consent of the Issuing Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding); and

(D) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of $3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any Affiliates or Subsidiaries of the Borrower.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) No Assignment to Approved Funds Prior to Specified Event of Default. No such assignment shall be made to an Approved Fund prior to the occurrence of a Specified Event of Default. After the occurrence and during the continuance of any Specified Event of Default, an Approved Fund shall be an Eligible Assignee hereunder.

(viii) Creditworthiness of Affiliates and Approved Funds. Notwithstanding the foregoing, no such assignment shall be made to an Affiliate of a Lender or to an Approved Fund unless such Affiliate or Approved Fund shall be a financial institution having a senior unsecured debt rating of not less than "A-", or its equivalent, by S&P.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 10.7(c), from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17, 2.18, 10.5 and 10.6 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender and a replacement Note, as applicable, to the assigning Lender.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any Affiliates or Subsidiaries of the Borrower) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Lenders and the Issuing Lender shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the

Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.1 that directly affects such Participant. Subject to Section 10.7(e), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 or 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.7(b). To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender, provided such Participant agrees to be subject to Section 2.14 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 2.15, 2.16 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Non-U.S. Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Sections 2.16(d) and (e) as though it were a Lender.

(f) Certain Pledges. Notwithstanding anything to the contrary contained herein, any Lender may, with notice to, but without prior consent of the Borrower and the Administrative Agent, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank (provided that notice to the Borrower and the Administrative Agent shall not be required in the case of a pledge or assignment to secure obligations to a Federal Reserve Bank); provided further that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute, or permit the substitution of, any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Special Purpose Funding Vehicles. Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may, with notice to, but without prior consent of the Borrower and the Administrative Agent grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to fund any Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and, if it fails to do so, to make such payment to the Administrative Agent as is

required under Section 2.14(e)(ii). Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 2.15), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Loan by an SPC hereunder shall utilize the Revolving Credit Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under any Debtor Relief Laws or any other Laws. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Borrower and the Administrative Agent and with the payment of a processing fee in the amount of $3,500 (which processing fee may be waived by the Administrative Agent in its sole discretion), assign all or any portion of its right to receive payment with respect to any Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Loans to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC.

(i) Resignation as Issuing Lender or Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Bank of America, N.A. assigns all of its Revolving Credit Commitment and Loans pursuant to Section 10.7(b), Bank of America, N.A. may, (i) upon 30 days' notice to the Borrower and the Lenders, resign as Issuing Lender, so long as a successor Issuing Lender (consented to by the Borrower, such consent not to be unreasonably withheld or delayed) has been appointed and/or (ii) upon 30 days' notice to the Borrower, resign as Swing Line Lender, so long as a successor Swing Line Lender (consented to by the Borrower, such consent not to be unreasonably withheld or delayed) has been appointed. In the event of any such resignation as Issuing Lender or Swing Line Lender, the Borrower shall be entitled to appoint from among the Lenders a successor Issuing Lender or Swing Line Lender hereunder; provided, however, that no failure by the Borrower to appoint any such successor shall affect the resignation of Bank of America, N.A. as Issuing Lender or Swing Line Lender, as the case may be. If Bank of America, N.A. resigns as Issuing Lender, it shall retain all the rights and obligations of the Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Lender and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 3.3). If Bank of America, N.A. resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.4. Upon the appointment of a successor Issuing Lender and/or Swing Line Lender, (a) such successor shall succeed to and become vested with all of the rights and obligations of the retiring Issuing Lender or Swing Line Lender, as the case may be, and (b) the successor Issuing Lender shall issue letters

of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Bank of America, N.A. to effectively assume the obligations of Bank of America, N.A. with respect to such Letters of Credit.

10.8. Adjustments; Set-off. (a) Except to the extent that this Agreement provides for a payment to be allocated to a particular Lender, if any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the obligations under the Credit Agreement or the other Loan Documents, owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8.1(c), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's obligations under the Credit Agreement or the other Loan Documents, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's obligations under the Credit Agreement or the other Loan Documents, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by Law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable Law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower, as the case may be, and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

10.9. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.10. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.11. Integration. This Agreement, the other Loan Documents and the Fee Letter represents the entire agreement of the Borrower, the Administrative Agent, the Arranger, the Syndication Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Arranger, the Administrative Agent, the Syndication Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein, in the other Loan Documents or in the Fee Letter. The Borrower agrees that its obligations under the Fee Letter shall survive the execution and delivery of this Agreement.

10.12. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY).

10.13. SUBMISSION TO JURISDICTION; WAIVERS. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO THE BORROWER AT ITS ADDRESS SET FORTH IN SECTION 10.2 OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LEGAL ACTION

OR PROCEEDING REFERRED TO IN THIS SECTION 10.13 ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

10.14. WAIVERS OF JURY TRIAL. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 10.14 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

10.15. No Advisory or Fiduciary Responsibility. In connection with this Agreement, the Borrower acknowledges and agrees that: (a) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Borrower and its Affiliates, on the one hand, and the Administrative Agent and the Arranger, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (b) in connection with the process leading to such transaction, the Administrative Agent and the Arranger, each is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person; (c) neither the Administrative Agent nor the Arranger have assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower with respect to this Agreement or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent or the Arranger have advised or is currently advising the Borrower or any of its Affiliates on other matters) and neither the Administrative Agent nor the Arranger have any obligation to the Borrower or any of its Affiliates with respect to this Agreement except those obligations expressly set forth herein and in the other Loan Documents; (d) the Administrative Agent and the Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor the Arranger have any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (e) the Administrative Agent and the Arranger have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to this Agreement (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate.

10.16. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it or its Affiliates (including any self-regulatory authority, such as the NAIC), (c) to the extent required by applicable Laws or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 10.16, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 10.16 or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower, provided that the Administrative Agent or any such Lender, as applicable, will notify the Borrower as soon as practical in advance of any proposed disclosure pursuant to clause (c) above, unless such notification shall be prohibited by applicable law or legal process, so that the Borrower may seek a protective order or other appropriate remedy and the Administrative Agent or any such Lender, as applicable, will disclose only that portion of the Information that it is advised by its counsel is legally required or otherwise necessary to disclose. For purposes of this Section 10.16, "Information" means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary, provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 10.16 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent, the Lenders and the Issuing Lender acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary thereof, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws.

10.17. Accounting Changes. In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree, upon the request of the Borrower or the Administrative Agent, to enter into negotiations in order to amend such provisions of this Agreement so as to equitably

reflect such Accounting Change with the desired result that the criteria for evaluating the Borrower's financial condition shall be the same after such Accounting Change as if such Accounting Change had not been made. Following any such request and until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Majority Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Change had not occurred. "Accounting Change" refers to a change in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, applicable Insurance Regulators, the NAIC or, if applicable, the SEC.

10.18. USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Act.

10.19. Interest Rate Limitation.

(a) Notwithstanding anything to the contrary contained in any Loan Document, if at any time the rate of interest payable under any Loan Document (the "Stated Rate") would exceed the rate of interest permitted to be charged under any applicable Law (the "Maximum Rate"), then for so long as the Maximum Rate would be so exceeded, the rate of interest payable shall be equal to the Maximum Rate; provided that if at any time thereafter, the Stated Rate is less than the Maximum Rate, the Borrower shall, to the extent permitted by applicable Law, continue to pay interest at the Maximum Rate until such time as the total interest received is equal to the total interest which would have been received had the Stated Rate been (but for the operation of this provision) the interest rate payable. Thereafter, the interest rate payable shall be the Stated Rate unless and until the Stated Rate again would exceed the Maximum Rate, in which event this provision shall again apply.

(b) In no event shall the total interest received by a Lender exceed the amount which it could lawfully have received had the interest been calculated for the full term hereof at the Maximum Rate.

[*Remainder of Page Left Intentionally Blank*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

The Borrower:

SYMETRA FINANCIAL CORPORATION

By: _____
Name:
Title:

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Name:
Title:

BANK OF AMERICA, N.A., as
a Lender, Issuing Lender and Swing Line Lender

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Lender

By: _____
Name:
Title:

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. NEW YORK BRANCH, as Lender

By: _____
Name:
Title:

JPMORGAN CHASE BANK, N.A., as Lender

By: _____
Name: Lawrence Palumbo
Title: Vice President

U.S. BANK, NATIONAL ASSOCIATION, as Lender

By: _____
Name:
Title:

WILLIAM STREET COMMITMENT CORPORATION, as Lender

By: _____
Name:
Title:

LEHMAN COMMERCIAL PAPER INC., as Lender

By: _____
Name:
Title:

MERRILL LYNCH BANK USA, as Lender

By: _____
Name:
Title:

SCHEDULE 10.02

ADMINISTRATIVE AGENT'S OFFICE;
CERTAIN ADDRESSES FOR NOTICES

BORROWER:
Symetra Financial Corporation.
777 108th Avenue NE
Suite 1200
Bellevue, Washington 98004-5135
Attention: John E. Galaviz
Telephone: 425-256-5181
Telecopier: 425-256-5818
Electronic Mail: John.Galaviz@Symetra.com
U.S. Taxpayer Identification Number (Symetra Financial Corporation): 20-0978027

with a copy to:

Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019-7475
Attention: Paul Michalski
Telecopier: 212-474-3700

ADMINISTRATIVE AGENT:

Administrative Agent's Office
(for payments and Requests for Credit Extensions):
Bank of America, N.A.
2001 Clayton Road
Mail Code: CA4-702-02-25
Concord, CA 94520
Attention: Tina Obcena
Telephone: 925-675-8768
Telecopier: 888-969-9246
Electronic Mail: tina.obcena@bankofamerica.com
Account No.: 3750836479
Ref: Symetra Financial Corporation
ABA# 026009593

Other Notices as Administrative Agent:
Bank of America, N.A.
Agency Management
1455 Market Street, 5th Floor
Mail Code: CA5-701-05-19
San Francisco, CA 94103
Attention: Aamir Saleem
Telephone: 415-436-2769
Telecopier: 415-503-5089

Electronic Mail: aamir.saleem@bankofamerica.com

ISSUING LENDER:

Bank of America, N.A.
Trade Operations
1000 W. Temple Street
Mail Code: CA9-705-07-05
Los Angeles, CA 90012-1514
Attention: Stella Rosales
Telephone: 213-481-7828
Telecopier: 213-580-8441
Electronic Mail: stella.rosales@bankofamerica.com

SWING LINE LENDER:

Bank of America, N.A.
2001 Clayton Road
Mail Code: CA4-702-02-25
Concord, CA 94520
Attention: Tina Obcena
Telephone: 925-675-8768
Telecopier: 888-969-9246
Electronic Mail: tina.obcena@bankofamerica.com
Account No.: 3750836479
Ref: Symetra Financial Corporation
ABA# 026009593

Exhibit 4.6

EXECUTION COPY

$150,000,000

SYMETRA FINANCIAL CORPORATION

Capital Efficient Notes due 2067

PURCHASE AGREEMENT

October 4, 2007

J.P. Morgan Securities Inc
Lehman Brothers Inc.
As Representatives of the severa
Initial Purchasers named in Schedule I attached hereto,

c/o J.P. Morgan Securities Inc.
270 Park Avenue
New York, New York 10017

Ladies and Gentlemen:

Symetra Financial Corporation, a Delaware corporation (the "Company"), proposes, upon the terms and considerations set forth in this agreement (this "Agreement"), to issue and sell to the several initial purchasers listed on Schedule I hereto (the "Initial Purchasers"), for who you are acting as representatives (the "Representatives") $150,000,000 aggregate principal amount of its Capital Efficient Notes due 2067 (the "Notes"). The Notes will (i) have terms and provisions that are summarized in the Offering Memorandum (as defined below) and (ii) are to be issued pursuant to an Indenture (the "Indenture") to be entered into between the Company and U.S. Bank National Association, as trustee (the "Trustee"). This is to confirm the agreement concerning the purchase of the Notes from the Company by the Initial Purchasers.

1. *Purchase and Resale of the Notes*. The Notes will be offered and sold to the Initial Purchasers without registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on an exemption therefrom. The Company has prepared a preliminary offering memorandum, dated October 5, 2007 (the "Preliminary Offering Memorandum"), a pricing term sheet substantially in the form attached hereto as Schedule III (the "Pricing Term Sheet") setting forth the terms of the Notes omitted from the Preliminary Offering Memorandum and an offering memorandum, dated October 10, 2007 (the "Offering Memorandum"), setting forth information regarding the Company and the Notes. The Preliminary Offering Memorandum, as supplemented and amended as of the Applicable Time (as defined below), together with the Pricing Term Sheet and the documents listed on Schedule II hereto are collectively referred to as the "Pricing Disclosure Package." The Company hereby confirms that it has authorized the use of the Pricing Disclosure Package and the Offering Memorandum in connection with the offering and resale of the Notes by the Initial Purchasers. "Applicable Time" means 4:30 p.m. (New York City time) on the date of this Agreement.

It is understood and acknowledged that upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Securities Act, the Notes (and all securities issued in exchange therefor, in substitution thereof) shall bear the legend set forth under the caption "Transfer Restrictions" in the Preliminary Offering Memorandum and the Offering Memorandum.

You have advised the Company that you will make offers (the "Exempt Resales") of the Notes purchased by you hereunder on the terms set forth in each of the Pricing Disclosure Package and the Offering Memorandum, as amended or supplemented, solely to (i) persons whom you reasonably believe to be "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("QIBs") and (ii) outside the United States to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. Those persons specified in clauses (i) and (ii) are referred to herein as the ("Eligible Purchasers"). You will offer the Notes to Eligible Purchasers initially at a price equal to 99.864% of the principal amount thereof. Such price may be changed at any time after the initial offering of the Notes without notice.

2. *Representations, Warranties and Agreements of the Company*. The Company represents, warrants and agrees as follows:

(a) When the Notes are issued and delivered pursuant to this Agreement, such Notes will not be of the same class (within the meaning of Rule 144A under the Securities Act) as securities of the Company that are listed on a United States national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or that are quoted in a United States automated inter-dealer quotation system.

(b) Neither the Company nor any subsidiary is, and after giving effect to the offer and sale of the Notes and the application of the proceeds therefrom as described in each of the Pricing Disclosure Package and the Offering Memorandum will be, an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder.

(c) Assuming that your representations and warranties in Section 3(b) are true, the purchase and resale of the Notes pursuant hereto (including pursuant to the Exempt Resales) is exempt from the registration requirements of the Securities Act and there is no need to qualify an indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

(d) None of the Company or any of its affiliates or any other person acting on its or their behalf (other than you, your affiliates, or any person acting on your or their behalf, as to which no representation is made) has (i) solicited offers for, or offered or sold, the Notes by means of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D (including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) or in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act or (ii) engaged in any directed selling efforts

within the meaning of Rule 902 under the Securities Act, and the Company, any affiliate of the Company and any person acting on its or their behalf (other than you, your affiliates, or any person acting on your or their behalf, as to whom the Company makes no representation) has complied with and will implement the "offering restrictions" required by Rule 902.

(e) Each of the Pricing Disclosure Package and the Offering Memorandum, as of its date, contains all the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act.

(f) The Pricing Disclosure Package and the Offering Memorandum have been prepared by the Company for use by the Initial Purchasers in connection with the Exempt Resales. No order or decree preventing the use of the Pricing Disclosure Package or the Offering Memorandum, or any order asserting that the transactions contemplated by this Agreement are subject to the registration requirements of the Securities Act has been issued and no proceeding for that purpose has commenced or is pending or, to the knowledge of the Company is contemplated.

(g) The Pricing Disclosure Package did not, as of the Applicable Time, and will not, as of the Closing Date, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Pricing Disclosure Package in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information is specified in Section 8(e).

(h) The Offering Memorandum will not, as of its date and as of the Closing Date, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; *provided* that no representation or warranty is made as to information contained in or omitted from the Offering Memorandum in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information is specified in Section 8(e).

(i) The Company (including its agents and representatives, other than the Initial Purchasers in their capacity as such) has not made, used, prepared, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any written communication that constitutes an offer to sell or solicitation of an offer to buy the Notes except for (i) the Preliminary Offering Memorandum and the Offering Memorandum, (ii) the documents listed on Schedule II hereto; (iii) the Pricing Term Sheet and (iv) any other written communications used in accordance with Section 5(e).

(j) The statistical data, market-related, industry-related and customer-related data and estimates included under the captions "Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" in each of the Preliminary Offering Memorandum and the Offering Memorandum and the consolidated financial statements of the Company and its subsidiaries included in the Pricing Disclosure

Package and the Offering Memorandum are based on or derived from sources that the Company believes to be reliable and accurate in all material respects.

(k) The Company and each of its subsidiaries (i) has been duly organized and is validly existing and in good standing (with respect to those jurisdictions that recognize such concept) as a corporation or other business entity under the laws of its jurisdiction of organization and (ii) is duly qualified to do business and in good standing as a foreign corporation or other business entity in each jurisdiction in which its ownership or lease of property or the conduct of its businesses requires such qualification, except where the failure to so qualify would not, individually or in the aggregate, have a Material Adverse Effect; and have all corporate power and authority necessary to own or hold its properties and to conduct the businesses in which they are engaged; and none of the subsidiaries of the Company (other than Symetra Life Insurance Company) is a "significant subsidiary" (as defined in Rule 405 under the Securities Act) (a "Significant Subsidiary").

(l) The Company has an authorized capitalization as set forth in each of the Pricing Disclosure Package and the Offering Memorandum, and all of the issued shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; and all of the issued shares of capital stock of each subsidiary of the Company have been duly authorized and validly issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, provided that with respect to Health Network Strategies, LLC, the Company owns 60% of the capital stock.

(m) The Company has all requisite corporate power and authority to execute, deliver and perform its obligations under the Indenture. The Indenture has been duly and validly authorized by the Company, and upon its execution and delivery and, assuming due authorization, execution and delivery by the Trustee, will constitute the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally and by general equitable principles. The Indenture will conform to the description thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

(n) The Company has all requisite corporate power and authority to execute, issue, sell and perform its obligations under the Notes. The Notes have been duly authorized by the Company and, when duly executed by the Company in accordance with the terms of the Indenture, assuming due authentication of the Notes by the Trustee, upon delivery to the Initial Purchasers against payment therefor in accordance with the terms hereof, will be validly issued and delivered, and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, except as such enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally and by general equitable principles. The Notes will conform to the description thereof in each of the Pricing Disclosure Package and the Offering Memorandum.

(o) The Company has all requisite corporate power to execute, deliver and perform its obligations under this Agreement. This Agreement has been duly and validly authorized, executed and delivered by the Company.

(p) The issue and sale of the Notes and the execution, delivery and performance by the Company of the Notes, the Indenture and this Agreement, the application of the proceeds from the sale of the Notes as described in each of the Pricing Disclosure Package and the Offering Memorandum and the consummation of the transactions contemplated hereby and thereby will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, impose any lien, charge or encumbrance upon any property or assets of the Company or its subsidiaries, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, (ii) result in any violation of the provisions of the charter or by-laws of the Company or any of its subsidiaries or (iii) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets.

(q) No consent, approval, authorization or order of, or filing, registration or qualification with any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries is required for the issue and sale of the Notes, the execution, delivery and performance by the Company of the Notes, the Indenture and this Agreement, the application of the proceeds from the sale of the Notes as described in each of the Pricing Disclosure Package and the Offering Memorandum and the consummation of the transactions contemplated hereby and thereby, except for consents, approvals, authorizations, orders, filings, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Notes by the Initial Purchasers.

(r) Except for the shareholders agreements disclosed in each of the Pricing Disclosure Package and the Offering Memorandum, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities being registered pursuant to any registration statement filed by the Company under the Securities Act.

(s) Neither the Company nor any other person acting on behalf of the Company has sold or issued any securities that would be integrated with the offering of the Notes contemplated by this Agreement pursuant to the Securities Act, the rules and regulations thereunder or the interpretations thereof by the Commission. The Company will take reasonable precautions designed to insure that any offer or sale, direct or indirect, in the United States or to any U.S. person (as defined in Rule 902 under the Securities Act), of any Notes or any substantially similar security issued by the Company, within six months subsequent to the date on which the distribution of the Notes has been completed (as notified to the Company by the Initial Purchasers), is made under restrictions and other circumstances reasonably designed not to affect the status of the offer and sale of the Notes in the United States and to U.S. persons

contemplated by this Agreement as transactions exempt from the registration provisions of the Securities Act, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act.

(t) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest audited financial statements included in each of the Pricing Disclosure Package or the Offering Memorandum, any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree and, since such date, there has not been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change in, or affecting, the condition (financial or otherwise), results of operations, stockholders' equity, properties, management, business or prospects of the Company and its subsidiaries, taken as a whole (a "Material Adverse Effect").

(u) The historical financial statements (including the related notes and supporting schedules) included in each of the Pricing Disclosure Package and the Offering Memorandum present fairly the financial condition, results of operations and cash flows of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with accounting principles generally accepted in the United States applied on a consistent basis throughout the periods involved.

(v) Ernst & Young LLP, who have certified certain financial statements of the Company, whose report appears in each of the Pricing Disclosure Package and the Offering Memorandum and who have delivered the initial letter referred to in Section 7(e) hereof, are independent public accountants as required by the Securities Act and the rules and regulations thereunder during the periods covered by the financial statements on which they reported contained in each of the Pricing Disclosure Package and the Offering Memorandum.

(w) The Company and each of its subsidiaries has good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects, except such as are described in each of the Pricing Disclosure Package and the Offering Memorandum or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all real property and buildings held under lease by the Company or any of its subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as do not materially interfere with the use made and proposed to be made of such property and buildings by the Company or any of its subsidiaries.

(x) The Company and each of its subsidiaries carry, or are covered by, insurance from insurers of recognized financial responsibility in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries (other than reinsurance of insurance policies issued).

(y) The Company and each of its subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, know-how, software, systems and technology (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) necessary for the conduct of their respective businesses and have no reason to believe that the conduct of their respective businesses will conflict with, and have not received any notice of any claim of conflict with, any such rights of others.

(z) There are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject that would, individually or in the aggregate reasonably be expected to have a Material Adverse Effect, and to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or others.

(aa) There are no material legal or governmental proceedings or material contracts (as required by Regulation S-K) or other documents (as required by Regulation S-K) that have not been described in each of the Pricing Disclosure Package or the Offering Memorandum for which the failure to describe would be necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

(bb) No relationship, direct or indirect exists between or among the Company on the one hand, and the directors, officers or stockholders of the Company on the other hand, in which the amount involved exceeds $120,000 per year and is required to be reported under Regulation S-K Item 404, that has not been described in each of the Pricing Disclosure Package and the Offering Memorandum.

(cc) No labor disturbance by the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company or any of its subsidiaries, is imminent that would reasonably be expected to have a Material Adverse Effect.

(dd) The Company and each of its subsidiaries has filed all federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof, subject to permitted extensions, and has paid all taxes due thereon, and no tax deficiency has been determined adversely to the Company or any of its subsidiaries that has had (nor does the Company have any knowledge of any tax deficiencies that, if determined adversely to the Company or any of its subsidiaries would have) a Material Adverse Effect.

(ee) There are no transfer taxes or other similar fees or charges under Federal law or the laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Company or sale by the Company of the Notes.

(ff) Since the date as of which information is given in each of the Pricing Disclosure Package and the Offering Memorandum through the date hereof, and except as may otherwise be disclosed in the Offering Memorandum, the Company has not (i) issued or granted any securities, (ii) incurred any liability or obligation, direct or contingent, other than liabilities

and obligations that were incurred in the ordinary course of business, (iii) entered into any material transaction not in the ordinary course of business or (iv) declared or paid any dividend on its capital stock.

(gg) The Company and each of its subsidiaries (i) makes and keeps accurate books and records and (ii) maintains and has maintained a system of internal accounting controls sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of its financial statements in conformity with accounting principles generally accepted in the United States and to maintain accountability for its assets, (C) access to its assets is permitted only in accordance with management's general or specific authorization and (D) the reported accountability for its assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(hh) Neither the Company nor any of its subsidiaries (i) is in violation of its charter or by-laws (or similar organizational documents), (ii) is in default in any respect, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant, condition or other obligation contained in any indenture, mortgage, deed of trust, loan agreement, license or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation in any respect of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over it or its property or assets or has failed to obtain or maintain any license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except in the case of clauses (ii) and (iii), to the extent that any such conflict, breach, violation or default would not, in the aggregate reasonably be expected to have a Material Adverse Effect.

(ii) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company, any director, officer, agent, employee or other person associated with or acting on behalf of the Company or any of its subsidiaries, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(jj) None of the transactions contemplated by this Agreement (including, without limitation, the use of the proceeds from the sale of the Notes), will violate or result in a violation of Section 7 of the Exchange Act, or any regulation promulgated thereunder, including, without limitation, Regulations T, U and X of the Board of Governors of the Federal Reserve System.

(kk) The statements set forth in each of the Preliminary Offering Memorandum and the Offering Memorandum under the caption "Description of the CENts," insofar as they purport to constitute a summary of the terms of the Notes, under the caption "Replacement Capital Covenant," insofar as they purport to constitute a summary of the terms of the

Replacement Capital Covenant to be entered into by the Company on the Closing Date (the "Replacement Capital Covenant") and under the captions "Certain Material U.S. Federal Income Tax Consequences," "Certain ERISA Considerations," "Regulation," "Certain Relationships and Related Transactions" and "Plan of Distribution", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate in all material respects.

(ll) The Company and its affiliates has not taken, directly or indirectly, any action designed to or that has constituted or that reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company in connection with the offering of the Notes.

(mm) The minute books and records of the Company and its subsidiaries relating to proceedings of their respective shareholders, boards of directors, and committees of their respective boards of directors made available to Simpson Thacher & Bartlett LLP, counsel for the Initial Purchasers, are their original minute books and records or are true, correct and complete copies thereof, with respect to all proceedings of said shareholders, boards of directors and committees since March 1, 2006 through the date hereof. In the event that definitive minutes have not been prepared with respect to any proceedings of such shareholders, boards of directors or committees, the Company has provided Simpson Thacher & Bartlett LLP with originals or true, correct and complete copies of draft minutes or written agendas relating thereto, which drafts and agendas, if any, reflect all events that occurred in connection with such proceedings.

(nn) Since the date of the most recent balance sheet of the Company and its consolidated subsidiaries reviewed or audited by Ernst & Young LLP and the audit committee of the board of directors of the Company, (i) the Company has not been advised of (A) any significant deficiencies in the design or operation of internal controls that could adversely affect the ability of the Company and each of its subsidiaries to record, process, summarize and report financial data, or any material weaknesses in internal controls and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the internal controls of the Company and each of its subsidiaries, and (ii) since that date, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

(oo) Except as may be disclosed in each of the Pricing Disclosure Package and the Offering Memorandum, no subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company.

(pp) Neither the Company nor any subsidiary is in violation of or has received notice of any violation with respect to any federal or state law relating to discrimination in the hiring, promotion or pay of employees, nor any applicable federal or state wage and hour laws, nor any state law precluding the denial of credit due to the neighborhood in which a property is situated, the violation of any of which would reasonably be expected to have a Material Adverse Affect.

(qq) Except as may be disclosed in each of the Pricing Disclosure Package and the Offering Memorandum, (i) the Company and its subsidiaries possess all material permits, licenses, orders, exemptions, registrations approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, except where the failure so to possess would not, singly or in the aggregate, have a Material Adverse Effect and except for such Governmental Licenses that have been deemed unnecessary by the appropriate regulatory agency or body; (ii) the Company and its subsidiaries are in compliance with the terms and conditions of all the Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; (iii) all of the Governmental Licenses are valid and in full force and effect, except where the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and (iv) neither the Company nor any of its subsidiaries has received any written notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(rr) Each subsidiary of the Company that is engaged in the business of insurance or reinsurance (each an "Insurance Subsidiary", collectively the "Insurance Subsidiaries") is licensed or authorized to conduct an insurance or reinsurance business, as the case may be, under the insurance statutes of each jurisdiction in which the conduct of its business requires such licensing or authorization, except for such jurisdictions in which the failure of the Insurance Subsidiary to be so licensed or authorized would not, singly or in the aggregate, have a Material Adverse Effect. The Insurance Subsidiaries have made all required filings under applicable insurance statutes in each jurisdiction where such filings are required, except for such filings the failure of which to make would not, singly or in the aggregate, have a Material Adverse Effect. Each of the Insurance Subsidiaries has all other necessary Governmental Licenses, of and from all insurance regulatory authorities necessary to conduct their respective existing businesses as described in each of the Pricing Disclosure Package and the Offering Memorandum, except where the failure to have such Authorizations would not, singly or in the aggregate, have a Material Adverse Effect and no Insurance Subsidiary has received any notification from any insurance regulatory authority to the effect that any additional authorizations are needed to be obtained by any Insurance Subsidiary in any case where it could reasonably be expected that the failure to obtain such additional authorizations or the limiting of the writing of such business would have a Material Adverse Effect, and no insurance regulatory authority having jurisdiction over any Insurance Subsidiary has issued any order or decree impairing, restricting or prohibiting (i) the payment of dividends by any Insurance Subsidiary to its parent, other than those restrictions applicable to insurance or reinsurance companies under such jurisdiction generally, or (ii) the continuation of the business of the Company or any of the Insurance Subsidiaries in all material respects as presently conducted, in each case except where such orders or decrees would not, singly or in the aggregate, have a Material Adverse Effect.

(ss) Except as described in each of the Pricing Disclosure Package and the Offering Memorandum, (i) all ceded reinsurance and retrocessional treaties, contracts, agreements and arrangements ("Reinsurance Contracts") to which the Company or any Insurance Subsidiary is a party and as to which any of them reported recoverables, premiums due or other amounts in its most recent statutory financial statements are in full force and effect, except where

the failure of such Reinsurance Contracts to be in full force and effect would not, singly or in the aggregate, have a Material Adverse Effect, and (ii) neither the Company nor any Reinsurance Subsidiary has received any notice from any other party to any Reinsurance Contract that such other party intends not to perform such Reinsurance Contract in any material respect, and the Company has no knowledge that any of the other parties to such Reinsurance Contracts will be unable to perform its obligations thereunder in any material respect, except where (A) the Company or the Insurance Subsidiary has established reserves in its financial statements which it deems adequate for potential uncollectible reinsurance or (B) such nonperformance would not have a Material Adverse Effect.

(tt) The Company has no knowledge of any threatened or pending downgrading of the Company's or any of its subsidiaries' claims-paying ability rating or financial strength rating by A.M. Best Company, Inc., Standard & Poor's Rating Group, Moody's Investor Service, Inc., Fitch Ratings, Ltd. or any other "nationally recognized statistical rating organizations," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act, which currently has publicly released a rating of the claims-paying ability or financial strength of the Company or any subsidiary.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Initial Purchasers in connection with the offering of the Notes shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Initial Purchaser.

3. *Purchase of the Notes by the Initial Purchasers, Agreements to Sell, Purchase and Resell*. (a) The Company hereby agrees, on the basis of the representations, warranties and agreements of the Initial Purchasers contained herein and subject to all the terms and conditions set forth herein, to issue and sell to the Initial Purchasers and, upon the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions set forth herein, each Initial Purchaser agrees, severally and not jointly, to purchase from the Company, at a purchase price of 98.364% of the principal amount thereof, the principal amount of Notes set forth opposite the name of such Initial Purchaser in Schedule I hereto. The Company shall not be obligated to deliver any of the securities to be delivered hereunder except upon payment for all of the securities to be purchased as provided herein.

(b) Each of the Initial Purchasers, severally and not jointly, hereby represents and warrants to the Company that it will offer the Notes for sale upon the terms and conditions set forth in this Agreement and in the Pricing Disclosure Package. Each of the Initial Purchasers hereby represents and warrants to, and agrees with, the Company that such Initial Purchaser: (i) is a QIB with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Notes; (ii) is purchasing the Notes pursuant to a private sale exempt from registration under the Securities Act; (iii) in connection with the Exempt Resales, will solicit offers to buy the Notes only from, and will offer to sell the Notes only to, the Eligible Purchasers in accordance with this Agreement and on the terms contemplated by the Pricing Disclosure Package; and (iv) will not offer or sell the Notes, nor has it offered or sold the Notes by, or otherwise engaged in, any form of general solicitation or general advertising (within the meaning of Regulation D, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine,

or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) and will not engage in any directed selling efforts within the meaning of Rule 902 under the Securities Act, in connection with the offering of the Notes.

(c) In connection with the offer and sale of the Notes in reliance on Regulation S, each Initial Purchaser, severally and not jointly, represents, warrants and agrees that:

(i) the Notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for account or benefit of, U.S. persons except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act;

(ii) such Initial Purchaser has offered and sold the Notes, and will offer and sell the Notes, (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date, only in accordance with Regulation S or Rule 144A or any other available exemption from registration under the Securities Act;

(iii) none of such Initial Purchaser or any of its affiliates or any other person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Securities, and all such persons have complied and will comply with the offering restriction requirements of Regulation S;

(iv) at or prior to the confirmation of sale of any Notes sold in reliance on Regulation S, it will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the date of original issuance of the Notes, except in accordance with Regulation S or Rule 144A or any other available exemption from registration under the Securities Act. Terms used above have the meanings given to them by Regulation S."

(v) it has not and will not enter into any contractual arrangement with any distributor with respect to the distribution of the Notes, except with its affiliates or with the prior written consent of the Company.

Terms used in this Section 3(c) have the meanings given to them by Regulation S.

(d) The Initial Purchasers have advised the Company that they will offer the Notes to Eligible Purchasers at a price initially equal to 99.864% of the principal amount thereof, plus accrued interest, if any, from the date of issuance of the Notes. Such price may be changed by the Initial Purchasers at any time after the initial sale of the Notes without notice.

Each of the Initial Purchasers understands that the Company and, for purposes of the opinions to be delivered to the Initial Purchasers pursuant to Sections 7(c) and 7(d) hereof, counsel to the Company and counsel to the Initial Purchasers, will rely upon the accuracy and truth of the foregoing representations, warranties and agreements and the Initial Purchasers hereby consents to such reliance.

4. *Delivery of the Notes and Payment Therefor*. Delivery to the Initial Purchasers of and payment for the Notes shall be made at the office of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017, at 9:00 A.M., New York City time, on October 10, 2007 (the "Closing Date"). The place of closing for the Notes and the Closing Date may be varied by agreement between the Representatives and the Company.

The Notes will be delivered to the Initial Purchasers, or the Trustee as custodian for The Depository Trust Company ("DTC"), against payment by or on behalf of the Initial Purchasers of the purchase price therefor by wire transfer in immediately available funds, by causing DTC to credit the Notes to the account of the Initial Purchasers at DTC. The Notes will be evidenced by one or more global securities in definitive form (the "Global Notes") or by additional definitive securities, and will be registered, in the case of the Global Notes, in the name of Cede & Co. as nominee of DTC, and in the other cases, in such names and in such denominations as the Initial Purchasers shall request prior to 9:30 A.M. New York City time, on the second business day preceding the Closing Date. The Notes to be delivered to the Initial Purchasers shall be made available to the Initial Purchasers in New York City for inspection and packaging not later than 9:30 A.M., New York City time, on the business day preceding the Closing Date.

5. *Agreements of the Company*. The Company agrees with each of the Initial Purchasers as follows:

(a) The Company will furnish to the Initial Purchasers, without charge, as of the date of the Offering Memorandum, such number of copies of the Offering Memorandum as may then be amended or supplemented as they may reasonably request.

(b) The Company will not make any amendment or supplement to the Pricing Disclosure Package or to the Offering Memorandum of which the Initial Purchasers shall not previously have been advised or to which they shall reasonably object after being so advised.

(c) The Company consents to the use of the Pricing Disclosure Package and the Offering Memorandum in accordance with the securities or Blue Sky laws of the jurisdictions in which the Notes are offered by the Initial Purchasers and by all dealers to whom Notes may be sold, in connection with the offering and sale of the Notes to Eligible Purchasers of the Notes in accordance with the terms of this Agreement.

(d) If, at any time prior to completion of the distribution of the Notes by the Initial Purchasers to Eligible Purchasers, any event occurs or information becomes known that, in the judgment of the Company or in the opinion of counsel for the Initial Purchasers, should be set forth in the Pricing Disclosure Package or the Offering Memorandum so that the Pricing Disclosure Package or the Offering Memorandum as then amended or supplemented does not include any untrue statement of material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary to supplement or amend the Pricing Disclosure Package or the Offering Memorandum in order to comply with any law, the Company will forthwith prepare an appropriate supplement or amendment thereto, and will expeditiously furnish to the Initial Purchasers and dealers a reasonable number of copies thereof.

(e) Before using, authorizing, approving or referring to any "written communication" (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or a solicitation of an offer to buy the Notes (an "Issuer Written Communication") (other than the Preliminary Offering Memorandum, the Offering Memorandum, the Pricing Term Sheet and the written communications that are listed on Schedule II hereto), to furnish to the Initial Purchasers and counsel for the Initial Purchasers a copy of such written communication for review and will not use, authorize, approve or refer to any such written communication to which the Initial Purchasers reasonably object.

(f) Promptly from time to time to take such action as the Initial Purchasers may reasonably request to qualify the Notes for offering and sale under the securities or Blue Sky laws of such jurisdictions as the Initial Purchasers may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Notes; *provided*, that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the offering or sale of the Notes, in any jurisdiction where it is not now so subject.

(g) For a period of 90 days from the date of the Offering Memorandum, the Company agrees not to, directly or indirectly, sell, offer to sell, contract to sell, grant any option to purchase, issue any instrument convertible into or exchangeable for, or otherwise transfer or dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition in the future of), any debt securities of the Company or any of its subsidiaries, except with the prior consent of the Representatives.

(h) The Company will furnish to the holders of the Notes as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end

of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the date of the Offering Memorandum), will make available to its securityholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail.

(i) So long as any of the Notes are outstanding, the Company will furnish to the Representatives upon request as soon as reasonably available, a copy of each report of the Company mailed to stockholders generally or filed with any stock exchange or regulatory body.

(j) The Company will apply the net proceeds from the sale of the Notes to be sold by it hereunder substantially in accordance with the description set forth in each of the Pricing Disclosure Package and the Offering Memorandum.

(k) The Company and its subsidiaries will not take, directly or indirectly, any action designed to or that has constituted or that reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company in connection with the offering of the Notes.

(l) The Company will not, and will not permit any of its "affiliates" (as defined in Rule 144 under the Securities Act), to, resell any of the Notes that constitute "restricted securities" under Rule 144 that have been reacquired by any of them.

(m) The Company agrees not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Securities Act) that would be integrated with the sale of the Notes in a manner that would require the registration under the Securities Act of the sale to the Initial Purchasers or the Eligible Purchasers of the Notes.

(n) The Company agrees to comply with all agreements set forth in the representation letter of the Company to DTC relating to the approval of the Notes by DTC for "book entry" transfer.

(o) The Company will take such steps as shall be necessary to ensure that neither the Company nor any of the Company's subsidiaries becomes an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amended.

(p) The Company will not take any action or omit to take any action (such as issuing any press release relating to the Notes without an appropriate legend) which may result in the loss by any of the Initial Purchasers of the ability to rely on any stabilization safe harbor provided by the Financial Services Authority under the Financial Services and Markets Act 2000.

(q) The Company will do and perform all things required or necessary to be done and performed under this Agreement by it prior to the Closing Date, and to satisfy all conditions precedent to the Initial Purchasers' obligations hereunder to purchase the Notes.

6. *Expenses*. Whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, the Company agrees, to pay all costs, expenses, fees and taxes incident to and in connection with: (i) the preparation,

printing, filing and distribution of the Pricing Disclosure Package and the Offering Memorandum (including, without limitation, financial statements and exhibits) and all amendments and supplements thereto (including the fees, disbursements and expenses of the Company's accountants and counsel, but not, however, legal fees and expenses of the Initial Purchasers' counsel incurred in connection therewith); (ii) the preparation, printing (including, without limitation, word processing and duplication costs) and delivery of this Agreement, the Indenture, the Replacement Capital Covenant, all Blue Sky memoranda and all other agreements, memoranda, correspondence and other documents printed and delivered in connection therewith and with the Exempt Resales (but not, however, legal fees and expenses of the Initial Purchasers' counsel incurred in connection with any of the foregoing other than fees of such counsel plus reasonable disbursements incurred in connection with the preparation, printing and delivery of such Blue Sky memoranda); (iii) the issuance and delivery by the Company of the Notes and any taxes payable in connection therewith; (iv) the qualification of the Notes for offer and sale under the securities or Blue Sky laws of the several states (including, without limitation, the reasonable fees and disbursements of your counsel relating to such registration or qualification); (v) the furnishing of such copies of the Pricing Disclosure Package and the Offering Memorandum, and all amendments and supplements thereto, as may be reasonably requested for use in connection with the Exempt Resales; (vi) the preparation of certificates for the Notes (including, without limitation, printing and engraving thereof); (vii) the approval of the Notes by DTC for "book-entry" transfer (including fees and expenses of counsel); (viii) the rating of the Notes; (ix) the obligations of the Trustee, any agent of the Trustee and the counsel, if any for the Trustee in connection with the Indenture and the Notes; (x) the performance by the Company of their other obligations under this Agreement; and (xi) all travel expenses (including expenses related to chartered aircraft) of each Initial Purchaser and the Company's officers and employees and any other expenses of each Initial Purchaser and the Company in connection with attending or hosting meetings with prospective purchasers of the Notes.

7. *Conditions to Initial Purchasers' Obligations*. The respective obligations of the Initial Purchasers hereunder are subject to the accuracy, when made and on and as of the Closing Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Initial Purchasers shall not have discovered and disclosed to the Company on or prior to the Closing Date that the Pricing Disclosure Package or the Offering Memorandum, or any amendment or supplement thereto, contains an untrue statement of a fact which, in the opinion of Simpson Thacher & Bartlett LLP, counsel to the Initial Purchasers, is material or omits to state a fact which, in the opinion of such counsel, is material and is necessary to make the statements therein not misleading.

(b) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Notes, the Indenture, the Pricing Disclosure Package and the Offering Memorandum, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Initial Purchasers, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(c) Cravath, Swaine & Moore LLP shall have furnished to the Initial Purchasers its written opinion, as counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, substantially in the form of Exhibit B hereto.

(d) The internal Counsel of the Company shall have furnished to the Initial Purchasers its written opinion, addressed to the Initial Purchasers and dated the Closing Date, substantially in the form of Exhibit C hereto.

(e) The Initial Purchasers shall have received from Simpson Thacher & Bartlett LLP, counsel for the Initial Purchasers, such opinion or opinions, dated the Closing Date, with respect to the issuance and sale of the Notes, the Offering Memorandum and other related matters as the Initial Purchasers may reasonably require, and the Company shall have furnished to such counsel such documents and information as they reasonably request for the purpose of enabling them to pass upon such matters.

(f) At the time of execution of this Agreement, the Initial Purchasers shall have received from Ernst & Young LLP a letter, in form and substance satisfactory to the Initial Purchasers, addressed to the Initial Purchasers and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 101 of the AICPA's Code of Professional Conduct and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in each of the Pricing Disclosure Package and the Preliminary Offering Memorandum, as of a date not more than three days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information in the Pricing Disclosure Package and the Preliminary Offering Memorandum and (iii) covering such other matters as are ordinarily covered by accountants' "comfort letters" to underwriters in connection with registered public offerings.

(g) With respect to the letter of Ernst & Young LLP referred to in the preceding paragraph and delivered to the Initial Purchasers concurrently with the execution of this Agreement (the "initial letter"), the Company shall have furnished to the Initial Purchasers a letter (the "bring-down letter") of such accountants, addressed to the Initial Purchasers and dated the Closing Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 101 of the AICPA's Code of Professional Conduct, (ii) stating, as of the Closing Date (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in each of the Pricing Disclosure Package or the Preliminary Offering Memorandum, as of a date not more than three days prior to the date of the Closing Date), the conclusions and findings of such firm with respect to the financial information in the Offering Memorandum and other matters covered by the initial letter and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(h) Neither the Company nor any of its subsidiaries shall have sustained, since the date of the latest audited financial statements included in the Pricing Disclosure Package, any material loss or interference with its business from fire, explosion, flood or other calamity,

whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Disclosure Package; and, since such date, there shall not have been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the condition (financial or otherwise), results of operations, stockholders' equity, properties, management, business or prospects of the Company and its subsidiaries, taken as a whole.

(i) The Company shall have furnished or caused to be furnished to the Initial Purchasers on the Closing Date certificates of officers of the Company satisfactory to the Initial Purchasers as to such matters as the Representatives may reasonably request, including, without limitation, a statement that:

(i) The representations and warranties of the Company in Section 2 are true and correct on and as of the Closing Date, and the Company has complied with all its agreements contained herein and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date;

(ii) They have carefully examined the Pricing Disclosure Package and the Offering Memorandum, and, in their opinion, the Pricing Disclosure Package, as of the Applicable Time and as of the Closing Date, and the Offering Memorandum, as of its date and as of the Closing Date, did not and do not contain any untrue statement of a material fact and did not and do not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(iii) Subsequent to the date of the most recent financial statements contained in the Pricing Disclosure Package, there has not been any change in the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the condition (financial or otherwise), results of operations, stockholders' equity, properties, management, business or prospects of the Company and its subsidiaries, taken as a whole.

(j) Subsequent to the execution and delivery of this Agreement there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the Company's debt securities or the Company's financial strength or claims-paying ability by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(k) The Company and the Trustee shall have executed and delivered the Indenture, and the Initial Purchasers shall have received an original copy thereof, duly executed by the Company and the Trustee.

(l) The Company shall have executed and delivered the Replacement Capital Covenant, and the Initial Purchasers shall have received an original copy thereof, duly executed by the Company.

(m) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange, the Nasdaq National Market or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, has been suspended or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction; (ii) a material disruption in securities settlement, payment or clearance services in the United States; (iii) a banking moratorium has been declared by Federal or state authorities; (iv) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity, crisis or emergency if, in the judgment of the Initial Purchasers, the effect of any such attack, outbreak, escalation, act, declaration, calamity, crisis or emergency makes it impractical or inadvisable to proceed with completion of the offering or sale of and payment for the Notes; or (v) the occurrence of any other calamity, crisis (including without limitation as a result of terrorist activities), or material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Initial Purchasers, impracticable or inadvisable to proceed with offering or delivery of the Notes being delivered on the Closing Date or that, in the judgment of the Initial Purchasers, would materially and adversely affect the financial markets or the markets for the Notes and other debt securities.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Initial Purchasers.

8. *Indemnification and Contribution*.

(a) The Company hereby agrees to indemnify and hold harmless each Initial Purchaser, its directors, officers and employees and each person, if any, who controls any Initial Purchaser within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which that Initial Purchaser, director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in the Pricing Disclosure Package or the Offering Memorandum or in any amendment or supplement thereto, (B) in any Blue Sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company) specifically for the purpose of qualifying any or all of the Notes under the securities laws of any state or other

jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application") or (C) in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Notes, including any roadshow or investor presentations made to investors by the Company (whether in person or electronically) ("Marketing Materials"), and any Issuer Written Communications or (ii) the omission or alleged omission to state in the Pricing Disclosure Package or the Offering Memorandum, or in any amendment or supplement thereto, or in any Blue Sky Application, any Marketing Materials or any Issuer Written Communications, any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and shall reimburse each Initial Purchaser and each such director, officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Initial Purchaser, director, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided*, *however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Pricing Disclosure Package or the Offering Memorandum, or in any such amendment or supplement thereto, or in any Blue Sky Application or in any Marketing Materials, in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information consists solely of the information specified in Section 8(e). The foregoing indemnity agreement is in addition to any liability that the Company may otherwise have to any Initial Purchaser or to any director, officer, employee or controlling person of that Initial Purchaser.

(b) Each Initial Purchaser, severally and not jointly, hereby agrees to indemnify and hold harmless the Company, its officers and employees, each of its directors, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in the Pricing Disclosure Package or the Offering Memorandum or in any amendment or supplement thereto, (B) in any Blue Sky Application, or (C) in any Marketing Materials or (ii) the omission or alleged omission to state in the Pricing Disclosure Package or the Offering Memorandum, or in any amendment or supplement thereto, or in any Blue Sky Application or in any Marketing Materials any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Initial Purchaser specifically for inclusion therein, which information is limited to the information set forth in Section 8(e). The foregoing indemnity agreement is in addition to any liability that any Initial Purchaser may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; *provided*, *however*, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and; *provided*, *further*, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided*, *however*, that the Initial Purchasers shall have the right to employ counsel to represent jointly the Initial Purchaser and those other Initial Purchasers and their respective directors, officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Initial Purchasers against the Company under this Section 8 if, in the reasonable judgment of the Initial Purchasers, it is advisable for the Initial Purchasers and those directors, officers, employees and controlling persons to be jointly represented by separate counsel, and in that event the fees and expenses of such separate counsel shall be paid by the Company. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (A) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and (B) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Initial Purchasers on the other from the offering of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect

not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Initial Purchasers on the other with respect to the statements or omissions that resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Initial Purchasers on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes purchased under this Agreement (before deducting expenses) received by the Company on the one hand, and the total underwriting discounts and commissions received by the Initial Purchasers with respect to the Notes purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Notes under this Agreement as set forth on the cover page of the Offering Memorandum. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Initial Purchasers, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Initial Purchasers agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 8(d) shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Notes initially purchased by it were offered to the Eligible Purchasers exceeds the amount of any damages that such Initial Purchaser has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

(e) The Initial Purchasers severally confirm and the Company acknowledges that the statements with respect to the offering of the Notes by the Initial Purchasers set forth in the eighth and ninth paragraphs under the caption "Plan of Distribution," in the Offering Memorandum are correct and constitute the only information concerning such Initial Purchasers furnished in writing to the Company by or on behalf of the Initial Purchasers specifically for inclusion in the Pricing Disclosure Package and the Offering Memorandum or in any amendment or supplement thereto.

9. *Defaulting Initial Purchasers*. If, on the Closing Date, any Initial Purchaser defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Initial Purchasers shall be obligated to purchase the Notes that the defaulting Initial Purchaser agreed but failed to purchase on the Closing Date in the respective proportions that the number of Notes set opposite the name of each remaining non-defaulting Initial Purchaser in Schedule I hereto bears to the aggregate principal amount of Notes set opposite the names of all

the remaining non-defaulting Initial Purchasers in Schedule I hereto; *provided, however*, that the remaining non-defaulting Initial Purchasers shall not be obligated to purchase any of the Notes on the Closing Date if the aggregate principal amount of Notes that the defaulting Initial Purchaser or Initial Purchasers agreed but failed to purchase on such date exceeds 9.09% of the total number of Notes to be purchased on the Closing Date, and any remaining non-defaulting Initial Purchasers shall not be obligated to purchase more than 110% of the aggregate principal amount of Notes that it agreed to purchase on the Closing Date pursuant to the terms of Section 3. If the foregoing maximums are exceeded, the remaining non-defaulting Initial Purchasers, or those other Initial Purchasers satisfactory to the Initial Purchasers who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Notes to be purchased on the Closing Date. If the remaining Initial Purchasers or other Initial Purchasers satisfactory to the Initial Purchasers do not elect to purchase the Notes that the defaulting Initial Purchaser or Initial Purchasers agreed but failed to purchase on the Closing Date, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser or the Company, except that the Company will continue to be liable for the payment of expenses to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "Initial Purchaser" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule I hereto that, pursuant to this Section 9, purchases Notes that a defaulting Initial Purchaser agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Initial Purchaser of any liability it may have to the Company for damages caused by its default. If other Initial Purchasers are obligated or agree to purchase the Notes of a defaulting or withdrawing Initial Purchaser, either the remaining Initial Purchasers or the Company may postpone the Closing Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Initial Purchasers may be necessary in the Pricing Disclosure Package, the Offering Memorandum or in any other document or arrangement.

10. *Termination*. The obligations of the Initial Purchasers hereunder may be terminated by the Initial Purchasers by notice given to and received by the Company prior to delivery of and payment for the Notes if, prior to that time, any of the events described in Sections 7(h), 7(j) or 7(n) shall have occurred or if the Initial Purchasers shall decline to purchase the Notes for any reason permitted under this Agreement.

11. *Reimbursement of Initial Purchasers' Expenses*. If the Company fails to tender the Notes for delivery to the Initial Purchasers by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition of the obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company shall reimburse the Initial Purchasers for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Initial Purchasers in connection with this Agreement and the proposed purchase of the Notes, and upon demand the Company shall pay the full amount thereof to the Initial Purchasers. If this Agreement is terminated pursuant to Section 9 by reason of the default of one or more Initial Purchasers, the Company shall not be obligated to reimburse any defaulting Initial Purchaser on account of those expenses.

12. *No Fiduciary Duty*. Notwithstanding any preexisting relationship, advisory or otherwise, between the parties or any oral representations or assurances previously or

subsequently made by the Initial Purchasers, the Company acknowledges and agrees that: (i) nothing herein shall create a fiduciary or agency relationship between the Company, on the one hand, and the Initial Purchasers, on the other; (ii) the Initial Purchasers are not acting as advisors, expert or otherwise, to the Company in connection with this offering, sale of the Notes or any other services the Initial Purchasers may be deemed to be providing hereunder; (iii) the relationship between the Company, on the one hand, and the Initial Purchasers on the other, is entirely and solely commercial, based on arms-length negotiations; (iv) any duties and obligations that the Initial Purchasers may have to the Company shall be limited to those duties and obligations specifically stated herein; and (v) the Initial Purchasers and its affiliates may have interests that differ from those of the Company. The Company hereby waives and releases, to the fullest extent permitted by law, any claims that the Company may have against the Initial Purchasers with respect to any breach or alleged breach of fiduciary duty in connection with this offering.

13. *Notices, etc*. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to any Initial Purchaser, shall be delivered or sent by hand delivery, mail, telex, overnight courier or facsimile transmission to:

(i) J.P. Morgan Securities
270 Park Avenue
New York, New York 10017
Attention: High Grade Syndicate
Fax: 212-834-6081

(ii) Lehman Brothers Inc.
745 Seventh Avenue
New York, New York 10019
Attention: Debt Capital Markets, Financial Institutions Group
Fax: 646-834-8133.

with a copy to the General Counsel at the same address

(b) if to the Company, shall be delivered or sent by mail, telex, overnight courier or facsimile transmission to Symetra Financial Corporation, PO Box 34690 Seattle, Washington 98124-1690, Attention: General Counsel (Fax: 425-256-8780), with a copy to Cravath, Swaine & Moore LLP, Worldwide Plaza, 825 Eighth Avenue, New York, New York 10019 Attention: William J. Whelan (Fax: 212-474-3700);

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Initial Purchasers by J.P. Morgan Securities.

14. *Persons Entitled to Benefit of Agreement*. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers, the Company, and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of directors, officers and employees of the Initial Purchasers and each person or persons, if any, controlling any Initial Purchaser within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 13, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

15. *Survival*. The respective indemnities, representations, warranties and agreements of the Company and the Initial Purchasers contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Notes and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

16. *Definition of the Terms "Business Day" and "Subsidiary."* For purposes of this Agreement, (a) "business day" means any day on which the New York Stock Exchange, Inc. is open for trading and (b) "subsidiary" has the meaning set forth in Rule 405 under the Securities Act.

17. *Governing Law*. **This Agreement shall be governed by and construed in accordance with the laws of New York.**

18. *Counterparts*. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

19. *Headings*. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement among the Company and the Initial Purchasers, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

SYMETRA FINANCIAL CORPORATION

By _____
Name: Margaret A. Meister
Title: Executive Vice President and Chief Financial Officer

Accepted:

J.P. Morgan Securities Inc.
Lehman Brothers Inc.

By J.P. Morgan Securities Inc.

By _____
Authorized Signatory

For itself and the other Representatives and Initial Purchasers named in Schedule I to the foregoing Agreement

SCHEDULE I

Initial Purchasers	Principal Amount of Notes to be Purchased
J.P. Morgan Securities Inc.	$ 60,000,000
Lehman Brothers Inc.	60,000,000
Banc of America Securities LLC	12,000,000
BNY Capital Markets, Inc.	4,500,000
Mitsubishi UFJ Securities International plc	4,500,000
Piper Jaffray & Co.	4,500,000
UBS Securities LLC	4,500,000
	4,500,000
Total	**$ 150,000,000**

SCHEDULE II

1. The “electronic road show” found at www.netroadshow.com

SCHEDULE III

SYMETRA FINANCIAL CORPORATION

Pricing Term Sheet

October 4, 2007

Symetra Financial Corporation
$150,000,000
Capital Efficient Notes due 2067

Issuer:	Symetra Financial Corporation ("Symetra")
Securities:	Capital Efficient Notes ("CENts")
Legal Format:	Rule 144A and Regulation S
Aggregate Principal Amount:	$150,000,000
Principal Amount per CENt:	$1,000

CUSIP/ISIN:

	CUSIP	ISIN
Rule 144A	87151QAB2	US87151QAB23
Regulation S	U79664AB1	USU79664AB19

Ratings:	Moody's Investors Service: Baa3 Standard & Poor's: BB Fitch Ratings: BBB A securities rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigned rating agency.
Trade Date:	October 4, 2007
Settlement Date:	October 10, 2007 (T+3)
Scheduled Maturity Date:	October 15, 2037, subject to the repayment provisions described in the preliminary offering memorandum.
Final Maturity Date:	October 15, 2067
Interest Rate from and including Settlement Date to but not including October 15, 2017:	8.30%
Interest Payment Dates to and including October 15, 2017:	Payable semi-annually in arrears on each April 15 and October 15 of each year, beginning April 15, 2008, to and including October 15, 2017.
Day Count Convention from and including Settlement Date to but not including October 15, 2017:	30/360
Interest Rate from and including October 15, 2017:	Three-month LIBOR plus 4.177%
Interest Payment Dates after October 15, 2017:	Payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning January 15, 2018.
Date Day Count Convention after October 15, 2017:	Actual/360
Reference Treasury Benchmark:	4.750% due August 15, 2017
Treasury Rate:	4.52%
Spread to Benchmark Treasury:	380 basis points (3.80%)
Default 3-month LIBOR for the Quarterly Interest Period beginning on October 15, 2017:	5.24%
Redemption:	Symetra may redeem the CENts at any time subject to the

	conditions described in the preliminary offering memorandum.
Redemption Price:	Symetra may redeem the CENts in whole or in part, on October 15, 2017 and on each Interest Payment Date thereafter at a redemption price equal to 100% of the principal amount of the CENts so redeemed plus any accrued and unpaid interest, including deferred interest, in respect of such CENts. Symetra may redeem the CENts prior to October 15, 2017 (i) in whole or in part at any time at the redemption price equal to 100% of the principal amount of the CENts so redeemed or, if greater, a make-whole price as described below, in either case plus accrued and unpaid interest, including deferred interest, through the date of redemption or (ii) in whole but not in part within 90 days after the occurrence of a "special event" at a redemption price equal to 100% of the principal amount of the CENts so redeemed or, if greater a special event make-whole price calculated as described below, in either case plus accrued and unpaid interest, including deferred interest, through the date of redemption. A special event is a "tax event" or a "rating agency event" in each case as described in the preliminary offering memorandum. "Make-whole price" and "special event make-whole price" each mean the present value of scheduled payments of principal and interest on the CENts being redeemed from the redemption date to October 15, 2017, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined in the preliminary offering memorandum) plus the applicable rate; provided that the "applicable rate" shall mean, in the case of a redemption in connection with a special event, 0.50%, and in all other cases of an early redemption prior to October 15, 2017, 0.50%.
Interest Deferral Provision:	Symetra may defer payments on the CENts for one or more consecutive interest periods that do not exceed ten years as described in the preliminary offering memorandum.
Share Cap:	115,000,000 shares
Offering Price:	99.864%
Use of Proceeds:	Special cash dividend
Aggregate Net Proceeds (after deducting initial purchasers' fees and estimated expenses):	$146,796,000
Sole Structuring Advisor:	J.P. Morgan Securities Inc.
Joint Book-Running Managers:	J.P. Morgan Securities Inc. ($60,000,000) and Lehman Brothers Inc. ($60,000,000)
Additional Initial Purchasers:	Banc of America Securities LLC ($12,000,000), BNY Capital Markets, Inc. ($4,500,000), Mitsubishi UFJ Securities International plc ($4,500,000), Piper Jaffray & Co. ($4,500,000) and UBS Securities LLC ($4,500,000)

THE OFFER AND SALE OF THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. OFFERS AND SALES OF THE NOTES WILL BE MADE ONLY TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT AND CERTAIN NON-U.S. PERSONS IN TRANSACTIONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTION DESCRIBED IN THE PRELIMINARY OFFERING MEMORANDUM UNDER "TRANSFER RESTRICTIONS."

You may obtain a copy of the Preliminary Offering Memorandum and Final Offering Memorandum (when available) for this transaction from J.P. Morgan Securities Inc. and Lehman Brothers Inc. by calling your J.P. Morgan or Lehman Brothers sales representatives.

Exhibit A

Form of Company Counsel Opinion

The counsel of the Company shall have furnished to the Initial Purchasers its written opinion, as counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

1. Based solely on a certificate from the Secretary of State of the State of Delaware, the Company is a corporation validly existing and in good standing under the laws of the State of Delaware, with all necessary corporate power and authority to own, lease and operate its properties and conduct its businesses as described in the Offering Memorandum.

2. Assuming (i) the accuracy of, and compliance with, the representations, warranties and covenants of the Company in Section 2 of the Purchase Agreement, (ii) the accuracy of, and compliance with, the representations, warranties and covenants of the Initial Purchasers in Section 3 of the Purchase Agreement, (iii) the accuracy of the representations and warranties of each of the purchasers to whom the Initial Purchasers initially resell the CENts, as specified under the heading "Transfer Restrictions" in the Offering Memorandum, (iv) the compliance by the Initial Purchasers with the offering and transfer procedures and restrictions described in the Offering Memorandum and (v) receipt by the purchasers to whom the Initial Purchasers initially resell the CENts of a copy of the Specified Disclosure Package prior to such sale, it is not necessary in connection with the offer, sale and delivery of the CENts or in connection with the initial resale of such CENts in the manner contemplated by the Purchase Agreement and the Offering Memorandum to register the CENts under the Securities Act, and it is not necessary to qualify the Indenture under the Trust Indenture Act of 1939, as amended, it being understood that no opinion is expressed as to any subsequent resale of any CENts.

3. The CENts and the Replacement Capital Covenant conform in all material repsects to the description thereof contained in the Offering Memorandum and the Specified Disclosure Package.

4. Based solely on the certificate dated the date hereof, from an officer of the Company, attached as Exhibit C hereto, the Company is not required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

5. The statements made in the Offering Memorandum and the Specified Disclosure Package under the captions "Description of the CENts" and "Replacement Capital Covenant," insofar as they purport to constitute summaries of the terms of the CENts and the Indenture and the Replacement Capital Covenant, respectively, and under the caption "Certain United States Federal Income Tax Consequences," insofar as they purport to describe the material tax consequences of an investment in the CENts, fairly summarize the matters therein described.

6. The Purchase Agreement has been duly authorized, executed and delivered by the Company.

7. The Indenture has been duly authorized, executed and delivered by the Company, and constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether considered in a proceeding in equity or at law); and the CENts have been duly authorized and executed by the Company and, when executed and authenticated by the Trustee in accordance with the provisions of the Indenture and delivered to and paid for by the Initial Purchasers pursuant to the Purchase Agreement, will constitute legal, valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether considered in a proceeding in equity or at law).

8. The issuance and sale by the Company of the CENts and the consummation of the transactions contemplated by the CENts Documents and the performance by the Company of its obligations under the CENts Documents (i) do not violate the Certificate of Incorporation or Amended and Restated By-laws of the Company, (ii) do not result in a breach of or constitute a default under the express terms and conditions of any Specified Agreement, and (iii) will not violate any law, rule or regulation of the United States of America, the State of New York or the General Corporation Law of the State of Delaware. Our opinion in clause (ii) of the preceding sentence does not extend to compliance with any financial ratio or any limitation in any contractual restriction expressed as a dollar amount (or an amount expressed in another currency.) [We note that certain of the Specified Agreements are governed by laws other than New York law]; our opinions expressed herein are based solely upon our understanding of the plain language of such agreements, and we do not express any opinion with respect to the validity, binding nature or enforceability of any such agreement, and we do not assume any responsibility with respect to the effect on the opinions or statements set forth herein of any interpretation thereof inconsistent with such understanding.

9. No authorization, approval or other action by, and no notice to, consent of, order of, or filing with, any United States Federal, New York State or, to the extent required under the General Corporation Law of the State of Delaware, Delaware governmental authority is required to be made or obtained by the Company for the consummation of the transactions contemplated by the Purchase Agreement, other than those that may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the CENts by the Initial Purchasers.

Exhibit B

Form of General Counsel Opinion

The internal counsel of the Company shall have furnished to the Initial Purchasers its written opinion, as counsel to the Company, addressed to the Initial Purchasers and dated the Closing Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) Each of the Company and the Significant Subsidiary has been duly organized and is validly existing and in good standing as a corporation or other business entity under the laws of its jurisdiction of organization;

(ii) Each of the Company and the Significant Subsidiary has all corporate power and corporate authority necessary to own or hold its respective properties and to conduct the businesses in which they are engaged; and

(iii) All of the issued shares of capital stock of the Significant Subsidiary have been duly authorized and validly issued, and are fully paid and non-assessable. To the counsel's knowledge, all of the issued shares of capital stock of the Significant Subsidiary are owned directly or indirectly by the Company, free and clear of any security interest, mortgage, pledge or lien.

In addition, to the counsel's knowledge and other than as disclosed in each of the Pricing Disclosure Package and the Offering Memorandum, there are no legal or governmental proceedings pending to which the Company or any of its Subsidiaries is a party or of which any property or assets of the Company or any of its Subsidiaries is the subject that, if determined adversely to the Company or any of its Subsidiaries, might have a material adverse effect on the condition (financial or otherwise), results of operations, stockholders' equity, properties, management, business or prospects of the Company or any of its Subsidiaries; and, to the counsel's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

INDENTURE

between

SYMETRA FINANCIAL CORPORATION,
as Company

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of October 10, 2007

Capital Efficient Notes due 2067

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INDENTURE, dated as of October 10, 2007, between SYMETRA FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware (herein called the "**Company**"), having its principal office at 777 108th Avenue NE, Bellevue, Washington 98004 and U.S. BANK NATIONAL ASSOCIATION, as Trustee (together with any successor as Trustee hereunder, the "**Trustee**") having an office located at 1420 5th Avenue, 7th Floor, Seattle, Washington 98101.

RECITALS OF THE COMPANY

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of up to $225,000,000 aggregate principal amount of its Capital Efficient Notes due 2067 (the "**Notes**") issuable as provided in this Indenture;

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company and the Trustee, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders (as defined below) thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE 1

Definitions and Other Provisions of General Application

Section 1.01. Definitions and Construction.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with United States GAAP, and, except as otherwise herein expressly provided, the term "GAAP" with respect to any computation required or permitted hereunder shall mean GAAP as are generally accepted at the date of such computation;

(3) unless the context otherwise requires, any reference to "Article", "Section" or "Exhibit" refers to an Article or Section of or Exhibit to this Indenture;

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(5) all references used herein to the male gender shall include the female gender.

"**Act**," when used with respect to any Holder, has the meaning specified in Section 1.04(a).

"**Additional Interest**" means the interest, if any, that shall accrue on any interest on the Notes the payment of which has not been made on the applicable Interest Payment Date and which shall accrue at the rate per annum specified or determined as specified in Section 2.02(b) from the applicable Interest Payment Date.

"**Additional Notes**" has the meaning set forth in Section 2.06(d).

"**Alternative Payment Mechanism**" has the meaning set forth in Section 2.02(f)(i).

"**APM Commencement Date**" means, with respect to any Deferral Period, the earlier of (i) the first Interest Payment Date during such Deferral Period on which the Company elects to pay current interest on the Notes or (ii) the fifth anniversary of the beginning of such Deferral Period.

"**APM Securities**" means:

(a) Common Stock;

(b) Mandatorily Convertible Preferred Stock;

(c) Qualifying Non-Cumulative Perpetual Preferred Stock; and

(d) Warrants exercisable for Common Stock;

provided that the Company may, without the consent of the Holders of the Notes, amend the definition of APM Securities to eliminate Common Stock and/or Mandatorily Convertible Preferred Stock from this definition if after the date of this Indenture, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to do so would result in a reduction in the Company's earnings per share as calculated in accordance with generally accepted accounting principles in the United States. The Company will promptly notify the Holders of the Notes and the Trustee of any such change.

"**Applicable Procedures**" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the DTC, Euroclear and Clearstream, as the case may be, in each case to the extent applicable to such transaction and as in effect from time to time.

"**Applicable Rate**" has the meaning set forth in Section 2.02(g)(ii).

"**Authenticating Agent**" means any Person authorized by the Trustee pursuant to Section 6.13 to act on behalf of the Trustee to authenticate Notes, and shall initially be the Trustee.

"**Bankruptcy Event**" means any of the events set forth in Section 5.01(3) or Section 5.01(4).

"**Board of Directors**" means either the board of directors of the Company or any duly authorized committee of that board duly authorized to act hereunder.

"**Board Resolution**" means a copy of a resolution, certified by the secretary or an assistant secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, delivered to the Trustee.

"**Business Day**" means any day, other than (i) a Saturday, Sunday or other day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed or (ii) on or after October 15, 2017, a day that is not a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

"**Calculation Agent**" means U.S. Bank National Association, or any other firm appointed by the Company, acting as calculation agent for the Notes.

"**Capital Stock**" for any entity means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) shares issued by that entity.

"**Certificated Notes**" means Notes that are in registered definitive form and that are not Global Notes.

"**Clearstream**" means Clearstream Banking, Société Anonyme.

"**Commercially Reasonable Efforts**" has, with respect to the Scheduled Maturity Obligations, the meaning set forth in Section 2.02(a)(vii), and with respect to the Alternative Payment Mechanism, the meaning set forth in Section 2.02(f)(ix).

"**Commission**" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing, then its successor agency.

"**Common Stock**" means the Company's equity securities, including treasury stock and shares of common stock sold pursuant the Company's dividend reinvestment plan, if any, and employee benefit plans, if any, a security that ranks *pari passu* upon the Company's liquidation, dissolution or winding up with the Company's common stock that tracks the performance of, or relates to the results of, a business, unit or division of the Company, and any securities issued in exchange therefor in connection with a merger, consolidation, binding share exchange, business combination, recapitalization or similar event.

"**Common Stock Maximum Obligation**" has the meaning set forth in Section 2.02(f)(ii).

"**Communication**" has the meaning set forth in Section 13.04.

"**Company**" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "**Company**" shall mean such successor Person.

"**Company Request**" or "**Company Order**" means a written request or order signed in the name of the Company by (i) its chief executive officer, its president or a vice president and (ii) by its treasurer, an assistant treasurer, its comptroller, its secretary or an assistant secretary, and delivered to the Trustee.

"**Corporate Trust Office**" means the office of the Trustee at which at any particular time this Indenture shall be administered, which office, at the time of the execution of this Indenture, is located, at 1420 5th Avenue, 7th Floor, Seattle, Washington 98101, Attention: Symetra Financial Corporation, Capital Efficient Notes due 2067.

"**Covenant Defeasance**" has the meaning set forth in Section 4.04.

"**Covered Debt**" has the meaning assigned to such term in the Replacement Capital Covenant.

"**Current Price**" means, for the Common Stock on any date, the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange or, if the Common Stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which the Common Stock is traded or quoted. If the Common Stock is not listed on any U.S. securities exchange on the relevant date, the "Current Price" shall be the last quoted bid price for the Common Stock in the over-the-counter market on the relevant date as reported by Pink Sheets LLC or a similar organization. If the Common Stock is not so quoted, the "Current Price" shall be the average of the mid-point of the last bid and ask prices for the Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose. If the Common Stock is not so quoted, and if bid and ask prices for the Common Stock are not available, the "Current Price" shall be determined by a nationally recognized independent investment banking firm selected by the Company for this purpose.

"**Defaulted Interest**" has the meaning specified in Section 2.12.

"**Deferral Period**" means the period beginning on an Interest Payment Date with respect to which the Company elects to defer Interest and ending on the earlier of (i) the tenth anniversary of that Interest Payment Date and (ii) the next Interest Payment Date on which the Company has paid all Deferred Interest (including Additional Interest thereon) and all other accrued and unpaid Interest.

"**Deferred Interest**" means the Interest that is deferred in accordance with the provisions of Section 2.02(d).

"**Depositary**" means, unless otherwise specified by the Company pursuant to Section 2.17(a), The Depository Trust Company, New York, New York, or any successor thereto registered under the Exchange Act, as amended, or other applicable statute or regulation.

"**Depositary Participant**" means any member of, or participant in, the Depositary.

"**Distribution Compliance Period**" means the period from and including the date hereof to and including the date 40 days after the date hereof.

"**Distributions**" means, as to a security or combination of securities, dividends, interest payments or other income distributions to the holders thereof that are not Subsidiaries of the Company.

"**DTC**" means The Depository Trust Company, a New York corporation.

"**Eligible Proceeds**" means, with respect to each relevant Interest Payment Date, the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuance) the Company has received during the 180-day period prior to such Interest Payment Date from the issuance of APM Securities to persons that are not the Company's Subsidiaries.

"**Enforcement Event**" has the meaning specified in Section 5.03.

"**Euroclear**" means Euroclear S.A./N.V., and its successors or assigns, as operator of the Euroclear system.

"**Event of Default**" has the meaning specified in Section 5.01.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and rules and regulations promulgated by the Commission thereunder.

"**Final Maturity Date**" means October 15, 2067.

"**Global Note**" means a Note issued to evidence the Notes which is executed by the Company and authenticated and delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction, all in accordance with this Indenture and pursuant to a Company Order, which shall be registered in the name of the Depositary or its nominee.

"**Holder**" means a Person in whose name a Note is registered in the Note Register.

"**Indenture**" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more amendments or indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"**Initial Purchasers**" means the initial purchasers named in Schedule I to that certain purchase agreement relating to the Notes, dated October 4, 2007, among the Company and J.P. Morgan Securities Inc. and Lehman Brothers Inc., as representatives of the several Initial Purchasers.

"**Intent-Based Replacement Disclosure**" has the meaning assigned to such term in the Replacement Capital Covenant.

"**Interest**" means both regularly scheduled interest payments and, to the extent applicable, any Additional Interest.

"**Interest Payment Date**" has the meaning set forth in Section 2.02(b).

"**Interest Period**" means the period from and including any Interest Payment Date (or, in the case of the first Interest Payment Date, October 10, 2007) to but excluding the next Interest Payment Date.

"**Issue Date**" means October 10, 2007.

"**LIBOR Determination Date**" means the second London Banking Day immediately preceding the first day of the Relevant Period.

"**London Banking Day**" means any day on which commercial banks are open for general business (including dealings in deposits in U.S. dollars) in London, England.

"**Make-Whole Price**" has the meaning set forth in Section 2.02(g)(ii).

"**Mandatorily Convertible Preferred Stock**" has the meaning assigned to such term in the Replacement Capital Covenant.

"**Market Disruption Event**" means, for purposes of sales of APM Securities pursuant to the Alternative Payment Mechanism or sales of Qualifying Capital Securities in connection with the Scheduled Maturity Obligations, as applicable (collectively, the "**Permitted Securities**"), the occurrence or existence of any of the following events or sets of circumstances:

(i) the Company is required to obtain the consent or approval of its stockholders or a regulatory body (including, without limitation, any insurance regulator or the securities exchange) or governmental authority to issue Permitted Securities and it fails to obtain such consent or approval notwithstanding its commercially reasonable efforts to obtain such consent or approval;

(ii) trading in securities generally, or shares of the Company's securities specifically, on the New York Stock Exchange or any other national securities exchange or over-the-counter market on which Permitted Securities are then listed or traded shall have been suspended or their settlement generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or market by the Commission, such exchange or market or by any other regulatory body or governmental authority having jurisdiction such that trading shall have been materially disrupted;

(iii) a banking moratorium shall have been declared by the federal or state authorities of the United States such that market trading in any of the Permitted Securities has been materially disrupted or ceased;

(iv) a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States such that market trading in any of the Permitted Securities has been materially disrupted or ceased;

(v) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that market trading in any of the Permitted Securities has been materially disrupted or ceased;

(vi) there shall have occurred such a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, or the effect of international conditions on the financial markets in the United States shall be such as to make it, in the Company's reasonable judgment, impracticable or inadvisable to proceed with the offer and sale of the Permitted Securities;

(vii) an event occurs and is continuing as a result of which the offering document for the offer and sale of Permitted Securities would, in the Company's reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event, in the Company's reasonable judgment, would have a material adverse effect on its business or (b) the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede its ability to consummate that transaction; *provided* that no single suspension period described in this clause (vii) shall exceed 90 consecutive days and multiple suspension periods described in this clause (vii) shall not exceed an aggregate of 180 days in any 360-day period; or

(viii) the Company reasonably believes that the offering document for the contemplated offer and sale of registered Permitted Securities would not be in compliance with a rule or regulation of the Commission, for reasons other than those referred to in clause (vii), and the Company determines that it is unable to comply with such rule or regulation or such compliance is unduly burdensome; *provided* that no single suspension period described in this clause (viii) shall exceed 90 consecutive days and multiple suspension periods described in this clause (viii) shall not exceed an aggregate of 180 days in any 360-day period.

"**Maturity**" means the date on which the principal of the Notes or an installment of principal becomes due and payable as herein provided, whether at the Scheduled Maturity Date, the Final Maturity Date, or by declaration of acceleration, call for redemption or otherwise.

"**Note Register**" means the register in which the Company, its agent or the Trustee provides for the registration of Notes and transfers of Notes as herein provided.

"**Notes**" has the meaning set forth in the recitals to this Indenture and more particularly means any Notes authenticated and delivered under this Indenture.

"**Notice of Enforcement Event**" has the meaning set forth in Section 5.03(1).

"**Notice of Redemption**" has the meaning set forth in Section 11.04.

"**Notice of Repayment**" has the meaning set forth Section 3.03.

"**Offering Memorandum**" means the Offering Memorandum dated October 10, 2007, relating to the sale of the Notes.

"**Officers' Certificate**" means a certificate signed by (i) the chief executive officer, the president or a vice president, and (ii) the treasurer, an assistant treasurer, the comptroller, the secretary or an assistant secretary, of the Company, and delivered to the Trustee.

"**Opinion of Counsel**" means a written opinion of counsel, who may be counsel for the Company and who shall be acceptable to the Trustee.

"**Original Notes**" has the meaning set forth in Section 2.06(d).

"**Outstanding**," when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes for the payment or redemption of which money or evidences of indebtedness (if permitted hereby) in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes; *provided*, *however*, that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Notes which have been paid pursuant to Section 2.06 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Company;

provided, *however*, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder and for the purpose of making the calculations required by the Trust Indenture Act Section 313, as of any date, Notes owned by the Company or any other obligor upon the Notes or any affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that

the pledgee is not the Company or any other obligor upon the Notes or any affiliate of the Company or of such other obligor. In case of a dispute as to such right, any decision by the Trustee shall be full protection to the Trustee absent negligence or willful misconduct. Upon request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Notes, if any, known by the Company to be owned or held by or for the account of any of the above-described Persons; and, subject to Section 6.01, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Notes not listed therein are Outstanding for the purposes of any such determination.

"**Parity Securities**" has the meaning set forth in Section 2.02(e)(ii).

"**Paying Agent**" means any Person authorized by the Company (which may include the Company or any of its affiliates) to pay the principal of (and premium, if any) or Interest on any Notes on behalf of the Company, and shall initially be the Trustee.

"**Permitted Remedies**" has the meaning assigned to such term in the Replacement Capital Covenant.

"**Permitted Securities**" has the meaning set forth in the definition of Market Disruption Event.

"**Person**" means any individual, corporation, exempted limited company, limited liability company, partnership, limited liability partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Physical Notes**" has the meaning set forth in Section 2.05(b).

"**Place of Payment**" means the place or places where the principal of (and premium, if any) and Interest on the Notes are payable, and shall initially be the Corporate Trust Office.

"**Predecessor Note**" of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 2.09 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Note.

"**Preferred Stock**" means shares of any class or series of preferred stock of the Company that may be issued and outstanding from time to time.

"**Preferred Stock Cap**" has the meaning set forth in Section 2.02(f)(ii).

"**Publicly Traded**" means that the Common Stock has been listed for trading on a national securities exchange or traded in a public over-the-counter market. For the avoidance of doubt, the Common Stock is not, at the time of the execution of this Indenture, Publicly Traded.

"**QIB**" means any "qualified institutional buyer" (as defined in Rule 144A).

"**Qualifying Replacement Capital Covenant**" has the meaning assigned to such term in the Replacement Capital Covenant.

"**Qualifying Capital Securities**" has the meaning assigned to such term in the Replacement Capital Covenant.

"**Qualifying Non-Cumulative Perpetual Preferred Stock**" means, the Company's non-cumulative perpetual preferred stock that

(a) ranks *pari passu* with or junior to all of the Company's other outstanding preferred stock; and

(b) contains no remedies other than Permitted Remedies; and

(c) either is (1) subject to Intent-Based Replacement Disclosure and has a provision that prohibits the Company from making any distributions thereon upon the Company's failure to satisfy one or more financial tests set forth therein or (2) is subject to a replacement capital covenant substantially similar to the Replacement Covenant or a Qualifying Replacement Capital Covenant.

"**Rating Agency**" has the meaning set forth in the definition of "Rating Agency Event."

"**Rating Agency Event**," means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act that then publishes a rating for the Company (a "**Rating Agency**") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Notes, which amendment, clarification or change results in:

(a) the shortening of the length of time the Notes are assigned a particular level of equity credit by that Rating Agency as compared to the length of time they would have been assigned that level of equity credit by that Rating Agency or its predecessor on the issue date of the Notes; or

(b) the lowering of the equity credit (including up to a lesser amount) assigned to the Notes by that Rating Agency as compared to the equity credit assigned by that Rating Agency or its predecessor on the issue date of the Notes.

"**Redemption Date**," when used with respect to any Note to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"**Redemption Price**" when used with respect to any Note to be redeemed, means the price at which the Notes are to be redeemed, as specified in Section 2.02(g).

"**Regular Record Date**" for the Interest payable on any Interest Payment Date with respect to the Notes means (i) in the case of Notes represented by one or more Global Notes, the Business Day preceding such Interest Payment Date and (ii) in the case of Notes not represented by one or more Global Notes, the date which is fifteen calendar days next preceding such Interest Payment Date (whether or not a Business Day).

"**Regulation S Global Security**" means a Regulation S Temporary Global Security or a Regulation S Permanent Global Security.

"**Regulation S Permanent Global Security**" means a permanent Global Security bearing the applicable legends as are provided for in Exhibit B hereto and deposited with or on behalf of and registered in the name of DTC or its nominee, issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Security upon expiration of the Distribution Compliance Period.

"**Regulation S Temporary Global Security**" means a temporary Global Security bearing the applicable legends as are provided for in Exhibit B hereto and deposited with or on behalf of and registered in the name of DTC or its nominee, issued in a denomination equal to the outstanding principal amount of the Securities initially sold in reliance on Rule 903 of Regulation S.

"**Relevant Period**" has the meaning given to such term in the definition of Three-month LIBOR.

"**Repayment Date**" has the meaning set forth in Section 2.02(a)(ii).

"**Replacement Capital Covenant**" means the Replacement Capital Covenant, dated as of October 10, 2007, of the Company, as amended or supplemented from time to time. An execution copy of the Replacement Capital Covenant in effect on the date hereof is attached hereto as Exhibit E.

"**Responsible Officer**," when used with respect to the Trustee, means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters with respect to this Indenture (which, for the avoidance of doubt, includes without limitation, any supplemental indenture hereto).

"**Reuters LIBOR01 Page**" means the display designated as "LIBOR 01" on the Reuters 3000 Xtra (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying rates or prices comparable to the London Interbank Offered rate for U.S. dollar deposits).

"**Rule 144A**" means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

"**Rule 144A Global Note**" has the meaning set forth in Section 2.03.

"**Rule 144A Information**" means the information as specified pursuant to paragraph (d)(4) of Rule 144A (or any successor provision thereto), as such provision (or successor provision) may be amended from time to time.

"**Scheduled Maturity Date**" has the meaning set forth in Section 2.02(a)(i).

"**Scheduled Maturity Obligations**" means the Company's obligations in connection with the repayment of principal under Section 2.02(a).

"**Securities Act**" means the Securities Act of 1933 (or any successor statute), as it may be amended from time to time.

"**Security Registrar**" has the meaning set forth in Section 2.07(b).

"**Senior Indebtedness**" means:

(i) the principal of, premium, if any, interest and other payment obligations in respect of the Company's debt for money borrowed and debt evidenced by securities, notes, bonds or other similar instruments issued by the Company;

(ii) all of the Company's capital lease obligations;

(iii) all of the Company's obligations issued or assumed as the deferred purchase price of property, all of the Company's conditional sale obligations, hedging agreements and agreements of a similar nature and all agreements relating to any such agreements, and all of the Company's obligations under any title retention agreement;

(iv) all of the Company's obligations for reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction (but excluding trade accounts payable and accrued liabilities arising in the ordinary course of business); and

(v) all obligations of the type referred to in clauses (i) through (iv) above of other Persons for the payment of which the Company is responsible or liable as obligor, guarantor or otherwise, in each case, whether created, assumed or incurred on, prior to or after the date of this Indenture,

unless, in each case, the instrument creating that debt expressly provides that those obligations rank *pari passu* in right of payment with the Notes.

Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions of this Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness and notwithstanding that no express written subordination agreement may have been entered into between the holders of such Senior Indebtedness and the Trustee or any of the Holders.

"**Share Cap**" has the meaning set forth in Section 2.02(f)(v).

"**Special Event**" means a Tax Event or a Rating Agency Event.

"**Special Event Make-Whole Price**" has the meaning set forth in Section 2.02(g)(ii).

"**Special Record Date**" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 2.12(1).

"**Subsidiary**" means, at any time, any Person the shares of stock or other ownership interests of which having ordinary voting power to elect a majority of the board of directors or

other managers of such Person are at the time owned, or the management or policies of which are otherwise at the time controlled, directly or indirectly, through one or more intermediaries (including other Subsidiaries) by another Person.

"**Supplemental Notice**" has the meaning set forth in Section 3.03.

"**Tax Event**" means that the Company has requested and received an Opinion of Counsel experienced in such matters to the effect that, as a result of any:

(a) amendment to or change (including any officially announced proposed change) in the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is enacted or becomes effective after the initial issuance of the Notes;

(b) official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of the Notes; or

(c) threatened challenge asserted in writing in connection with an audit of the Company or its Subsidiaries, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Notes, which challenge becomes publicly known after the initial issuance of the Notes,

there is more than an insubstantial risk that interest payable by the Company on the Notes is not, or within 90 days of the date of such opinion, will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes.

"**Temporary Securities"** has the meaning set forth in Section 2.10.

"**Three-month LIBOR**" means, with respect to any Interest Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that Interest Period and ending on the next Interest Payment Date (the "**Relevant Period**") that appears on Reuters LIBOR01 Page as of 11:00 a.m. (London time) on the LIBOR Determination Date for that Interest Period. If such rate does not appear on the Reuters LIBOR01 Page as of 11:00 a.m. (London time) on the LIBOR Determination Date for that Interest Period, LIBOR shall be determined on the basis of the rates at which deposits in U.S. dollars for the Relevant Period and in a principal amount of not less than $1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market, which may include affiliates of one or more of the Initial Purchasers, selected by the Calculation Agent (after consultation with the Company), at approximately 11:00 a.m., London time on the LIBOR Determination Date for that Interest Period. The Calculation Agent shall request the principal London office of each such bank to provide a quotation of its rate. If at least two such quotations are provided, Three-month LIBOR with respect to that Interest Period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of such quotations. If fewer than two quotations are provided, Three-month LIBOR with respect to that Interest Period will be the arithmetic mean (rounded upward if necessary to the nearest whole multiple of 0.00001%) of the rates quoted by three major banks in New York City, which may include affiliates of one or more of the Initial Purchasers, selected by the Calculation Agent (after consultation with the Company), at approximately 11:00 a.m., New York City time, on the first day of that Interest Period for loans

in U.S. dollars to leading European banks for the Relevant Period and in a principal amount of not less than $1,000,000. However, if fewer than three banks selected by the Calculation Agent to provide quotations are quoting as described above, Three-month LIBOR for that Interest Period shall be the same as Three-month LIBOR as determined for the previous Interest Period or for the Interest Period beginning on October 15, 2017, Three-month LIBOR will be 5.24%. The establishment of Three-month LIBOR by the Calculation Agent shall (in the absence of manifest error) be final and binding.

"**Trading Day**" means a day on which (i) there is no Market Disruption Event and (ii) trading in securities generally occurs on the New York Stock Exchange.

"**Treasury Dealer**" means a nationally recognized firm that is a primary U.S. government securities dealer specified by the Company.

"**Treasury Price**" means the bid-side price for the Treasury Security as of the third Trading Day preceding the Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York on that Trading Day and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities," except that: (i) if that release (or any successor release) is not published or does not contain that price information on that Trading Day or (ii) if the Treasury Dealer determines that the price information is not reasonably reflective of the actual bid-side price of the Treasury Security prevailing at 3:30 p.m., New York City time, on that Trading Day, then Treasury Price will instead mean the bid-side price for the Treasury Security at or around 3:30 p.m., New York City time, on that Trading Day (expressed on a next Trading Day settlement basis) as determined by the Treasury Dealer through such alternative means as the Treasury Dealer considers to be appropriate under the circumstances.

"**Treasury Rate**" means the semi-annual equivalent yield to maturity of the Treasury Security that corresponds to the Treasury Price (calculated in accordance with standard market practice and computed as of the second Trading Day preceding the Redemption Date).

"**Treasury Security**" means the United States Treasury security that the Treasury Dealer determines would be appropriate to use, at the time of determination and in accordance with standard market practice, in pricing the Notes being redeemed in a tender offer based on a spread to United States Treasury yields.

"**Trust Indenture Act**" means the Trust Indenture Act of 1939, as amended, and in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is further amended after such date, "Trust Indenture Act" means, to the extent required by such amendment, the Trust Indenture Act of 1939 as amended.

"**Trustee**" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder.

"**U.S. Government Obligations**" means securities which are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii)

obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as to the timely payment of principal and interest as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company which is a member of the Federal Reserve System and having a combined capital and surplus of at least $50,000,000 as custodian with respect to any such obligation evidenced by such depository receipt or a specific payment of interest on or principal of any such obligation held by such custodian for the account of the holder of a depository receipt; *provided*, *however*, that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the obligation set forth in (i) or (ii) above or the specific payment of interest on or principal of such obligation evidenced by such depository receipt.

"**Vice President**", when used with respect to the Company or the Trustee, means any vice president of such Person, whether or not designated by a number or a word or words added before or after the title "vice president."

"**Warrants**" means the Company's net share settled warrants to purchase Common Stock that:

(a) have an exercise price greater than the Current Price of the Common Stock as of their date of issuance; and

(b) the Company is not entitled to redeem for cash and the holders are not entitled to require the Company to repurchase for cash in any circumstances.

Section 1.02. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate required by Section 10.05) shall include:

(1) a statement that the Person signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and

(4) a statement as to whether, in the opinion of each such Person, such condition or covenant has been complied with.

Section 1.03. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters is erroneous. Any certificate of counsel or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.04. Acts of Holders: (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "**Act**" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 1.04.

(b) The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may be presumed by the Trustee to be true, correct and existing, and the Trustee may reasonably rely upon such instrument or writing without further investigation.

(c) The ownership of Notes shall be proved by the Note Register.

(d) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act or to revoke any of the foregoing, but the Company shall have no obligation to do so. Notwithstanding Section 316(c) of the Trust Indenture Act, such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not earlier than the date 30 days prior to the first solicitation of Holders generally in connection therewith and not later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act or revocation may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of any such Act or revocation for the purpose of determining whether Holders of the requisite proportion of Outstanding Notes have acted.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Note shall bind every future Holder of the same Note and the Holder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Note.

Section 1.05. Notices. All notices or communications hereunder, except as herein otherwise specifically provided, shall be in writing, shall specify this Indenture by name and date and shall identify the Securities, and if sent to the Trustee shall be delivered or transmitted by facsimile to **PO Box 34690,** Seattle, Washington **98124-1690, Attention: General Counsel, fax 425-256-8780, with a copy to Cravath, Swaine & Moore LLP, Worldwide Plaza, 825 Eighth Avenue, New York, New York 10019 Attention William J. Whelan, fax 212-474-3700.** The foregoing addresses for notices or communications may be changed by written notice given by the addressee to each party hereto, and the addressee's address shall be deemed changed for all purposes from and after the giving of such notice.

If the Trustee shall receive any notice or demand addressed to the Company by a Holder, the Trustee shall promptly forward such notice or demand to the Company.

Section 1.06. Notice to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

If the Company mails a notice to Holders, it shall mail a copy of such notice to the Trustee at the same time.

In case by reason of the suspension of regular mail service or by reason of any other case it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 1.07. Headings and Table of Contents. The article and section headings herein and the table of contents are for convenience and reference only and shall not affect the construction hereof.

Section 1.08. Severability. In case any provision in this Indenture or the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.09. Trust Indenture Act Controls.

If any provision hereof limits, qualifies or conflicts with another provision which is required to be included in this Indenture by any of the provisions of the Trust Indenture Act, such required provision shall control. If any provision hereof modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or excluded, as the case may be.

Section 1.10. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.11. No Implied Obligations. The obligations of the Company under this Indenture and the Notes shall be without recourse to any Subsidiary, affiliate, policyholder, director, officer or employee of the Company, and no such person shall have any liability with respect thereto.

Section 1.12. GOVERNING LAW. THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 1.13. Counterparts. This Indenture may be executed in one or more counterparts, and by each party separately on a separate counterpart, and each such counterpart when executed and delivered shall be deemed to be an original. Such counterparts shall together constitute one and the same instrument.

ARTICLE 2

The Notes

Section 2.01. Form and Dating. (a) The form of the Note, including the Trustee's certificate of authentication relating thereto, shall be substantially as set forth as Exhibit A hereto. The Notes may have notations, legends or endorsements required by law or usage, as the Company may determine. The Company shall approve the form of the Note and any notation, legend or endorsement thereon. Each Note shall be dated the date of issuance and shall show the date of its authentication. The Notes shall be in minimum denominations of $1,000 and integral multiples thereof. The Notes will be issued at the closing of the offering only against payment in immediately available funds.

(b) The terms and provisions contained in the Notes annexed hereto shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.

(c) Each Note shall bear the applicable legends set forth in Exhibit B.

Section 2.02. Terms of the Notes. The terms of the Notes shall be as follows:

(a) Scheduled Maturity Date.

(i) The Company is required to repay the Notes on October 15, 2037 (the "**Scheduled Maturity Date**") at their principal amount plus accrued and unpaid Interest only to the extent that during a 180-day period ending on the date a Notice of Repayment is given pursuant to Section 3.03, the Company has raised sufficient net proceeds from the issuance of Qualifying Capital Securities to permit repayment of the Notes in full on the Scheduled Maturity Date in accordance with the Replacement Capital Covenant. If the Company is unable for any reason to raise sufficient net proceeds to repay the Notes in full on the Scheduled Maturity Date, the Company shall (A) repay the Notes on the Scheduled Maturity Date in part to the extent of any net proceeds so raised and (B) continue to comply with this Section 2.02(a). For the avoidance of doubt, a Repayment Date shall not constitute a Maturity for the purposes of Section 5.01(2) hereof, unless the Company has given written notice to the Trustee fixing such date for redemption and stating that the Company has determined to treat that date as a Maturity, in which case such date shall constitute a Maturity for the Notes specified in the applicable Notice of Repayment or Supplemental Notice, as the case may be.

(ii) The Company shall use its Commercially Reasonable Efforts, subject to clause (viii) below, to raise sufficient net proceeds from the issuance of Qualifying Capital Securities during such 180-day period to permit repayment of the Outstanding Notes in full on the Scheduled Maturity Date. If the Company has not raised sufficient net proceeds pursuant to the preceding sentence to permit repayment of all principal and accrued and unpaid Interest on the Notes on the Scheduled Maturity Date, the unpaid amount shall remain outstanding from quarter to quarter and bear interest at Three-month

LIBOR plus 4.177%, payable quarterly in arrears on each quarterly Interest Payment Date until repaid, and the Company shall use its Commercially Reasonable Efforts, subject to clause (viii) below, to raise sufficient net proceeds from the issuance of Qualifying Capital Securities during each 90-day period ending on each date Notice of Repayment is given, on the next Interest Payment Date, and on each Interest Payment Date thereafter, until all Notes Outstanding are repaid in full (the Scheduled Maturity Date and each such subsequent Interest Payment Date, a "**Repayment Date**"). The Scheduled Maturity Obligations shall terminate on the earlier of (A) the Interest Payment Date on which the Company has redeemed the Notes in full in accordance with the Scheduled Maturity Obligations, (B) when the Notes are otherwise paid in full on the Final Maturity Date or (C) upon an Event of Default resulting in acceleration of the Notes pursuant to Section 5.02 hereof. Unless the Scheduled Maturity Obligations shall have terminated as aforesaid and except under the circumstances set forth in Section 2.02(a)(viii), the Company's failure to use Commercially Reasonable Efforts to raise sufficient proceeds from the issuance of Qualifying Capital Securities to repay the Notes in full on a Repayment Date shall constitute a default under clause (2) of the definition of Enforcement Event in Section 5.03, but shall in no event constitute an Event of Default. Notwithstanding anything to the contrary herein, the Trustee shall have no obligation to exercise any remedies with respect to any Enforcement Event arising from such default unless directed to do so in accordance with and subject to the conditions set forth in Section 5.12 and Section 6.02 hereof.

(iii) Under the Replacement Capital Covenant, the Company may also repay the Notes on the Scheduled Maturity Date in an amount determined by reference to the net cash proceeds received from certain issuances by the Company or its Subsidiaries of certain other securities specified in the Replacement Capital Covenant to Persons other than the Company or its Subsidiaries. To the extent the Company so repays Notes pursuant to this Section 2.02(a)(iii), its obligation to use Commercially Reasonable Efforts to sell Qualifying Capital Securities will be reduced by the amount repaid in compliance with the Replacement Capital Covenant. For the avoidance of doubt, the Company's Subsidiaries are not required to issue any securities to enable the repayment of the Notes at the Scheduled Maturity Date, whether pursuant to the Replacement Capital Covenant or otherwise, and the Company is not required to issue securities other than pursuant to Section 2.02(a)(ii) above.

(iv) Notwithstanding anything to the contrary in this Indenture, if the Company repays the Notes pursuant to this Section 2.02(a) or redeems the Notes pursuant to Section 2.02(g) when any Deferred Interest (including Additional Interest thereon) remains unpaid and at a time when the Alternative Payment Mechanism is otherwise applicable, the unpaid Deferred Interest (including Additional Interest thereon) may only be paid pursuant to the Alternative Payment Mechanism.

(v) Any principal amount of Notes, together with accrued and unpaid Interest, shall be due and payable on the Final Maturity Date, regardless of the amount of Qualifying Capital Securities or, if applicable, APM Securities, the Company shall have issued and sold by that time.

(vi) If any date fixed for redemption or repayment pursuant to this Section 2.02(a) is not a Business Day, then payment of the Redemption Price or repayment of the principal amount of the Notes due on that date shall be made on the next day that is a Business Day, without any interest or other payment as a result of such delay.

(vii) "**Commercially Reasonable Efforts**" to issue Qualifying Capital Securities means commercially reasonable efforts by the Company to complete the offer and sale of Qualifying Capital Securities to third parties that are not Subsidiaries of the Company in public offerings or private placements. The Company shall not be considered to have made Commercially Reasonable Efforts to effect a sale of Qualifying Capital Securities if it determines not to pursue or complete the sale of Qualifying Capital Securities solely due to pricing, coupon, dividend rate or dilution considerations.

(viii) The Company shall be excused from its obligation to use (and shall not be required to use) Commercially Reasonable Efforts to sell Qualifying Capital Securities to permit repayment of the Notes on any Repayment Date, and any failure to redeem the Notes shall not constitute a default, an Event of Default (other than on the Final Maturity Date) or an Enforcement Event, if and to the extent the Company was not able to raise proceeds from the issuance of Qualifying Capital Securities as a result of the occurrence of a Market Disruption Event. The Company shall deliver to the Trustee an Officer's Certificate (which the Trustee shall promptly forward upon receipt to each Holder of the Notes) on the date the related Notice of Repayment pursuant to Section 3.03 is given, or prior to the date the related Notice of Repayment required by Section 3.03 would have been given, certifying that:

(A) a Market Disruption Event was existing during the 180-day period preceding the date of such certificate or, in the case of any required Repayment Date after the Scheduled Maturity Date, the 90-day period preceding the date of such certificate; and

(B) either (1) the Market Disruption Event continued for the entire 180-day period or 90-day period, as the case may be, or (2) the Market Disruption Event continued for only part of the period, but the Company was unable after Commercially Reasonable Efforts to raise sufficient net proceeds during the rest of that period to permit repayment of the Notes in full.

(ix) Net proceeds that the Company is permitted to apply to repayment of the Notes on the Repayment Dates pursuant to this Section 2.02(a) shall be applied, first, to pay Deferred Interest (including Additional Interest thereon) in chronological order, based on the date each payment was first deferred, to the extent of Eligible Proceeds under the Alternative Payment Mechanism (the amount thereof to be certified by the Company to the Trustee in an Officers' Certificate), second, to pay current interest that the Company is not paying from other sources and, third, to repay the principal of Notes; *provided* that if the Company is obligated to sell Qualifying Capital Securities and repay principal of or interest on any outstanding Parity Securities in addition to the Notes, then on any date and for any period the amount of net proceeds received by the Company from those sales and available for such payments shall be applied first to Parity Securities

having an earlier scheduled maturity date than the Notes, and then to the Notes and those other Parity Securities having the same scheduled maturity date as the Notes *pro rata* in accordance with their respective outstanding principal amounts and none of such net proceeds shall be applied to any other Parity Securities having a later scheduled maturity date until the principal of and all accrued and unpaid Interest on the Notes has been paid in full; *provided*, *further*, that if the Company raises less than $5 million of net proceeds from the sale of Qualifying Capital Securities during the applicable 180- or 90-day period preceding the date the applicable Notice of Repayment is given pursuant to Section 3.03, the Company shall deliver to the Trustee an Officers' Certificate to such effect and the Company shall not be required to repay the Notes on such Repayment Date, but the Company shall use those net proceeds to repay the Notes on the next Repayment Date as of which the Company has raised at least $5 million of net proceeds; *provided*, *further*, that if the net proceeds allocable to repay the principal of the Notes shall not be divisible by the authorized denominations of the Notes into a whole number, the net proceeds so allocable shall be deemed to be equal to the next lower amount divisible by such authorized denominations into a whole number.

(x) In the event the Company has delivered a notice to the Trustee pursuant to Section 3.01 in connection with any Repayment Date, the principal amount of Notes payable on such Repayment Date, if any, shall be the principal amount set forth in the Notice of Repayment accompanying such notice and such principal amount of Notes shall be repaid on such Repayment Date pursuant to Article 3, subject to this Section 2.02(a).

(xi) The obligation of the Company to repay the Notes pursuant to this Section 2.02(a) on any date prior to the Final Maturity Date shall be subject to its obligations under Article 12 to the holders of Senior Indebtedness.

(b) *Rate of Interest*. The Notes will bear interest on their principal amount from and including October 10, 2007 to but excluding October 15, 2017 at 8.300% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, beginning April 15, 2008. The Notes will bear interest from and including October 15, 2017 at an annual rate equal to Three-month LIBOR plus 4.177% payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, beginning January 15, 2018, subject to Section 2.02(d). Each semi-annual and quarterly date on which interest is payable (including following the Scheduled Maturity Date, if applicable) is referred to herein as an "**Interest Payment Date**."

The amount of Interest payable for any Interest Period ending on or prior to October 15, 2017 will be computed on the basis of a 360-day year of twelve 30-day months. The amount of Interest payable for any Interest Period ending after October 15, 2017 will be computed on the basis of a 360-day year and the actual number of days elapsed. Any installment of Interest (or portion thereof) deferred in accordance with Section 2.02(d) or otherwise unpaid shall bear Interest, to the extent permitted by law, at the rate of interest then in effect, from the relevant Interest Payment Date, compounded on each subsequent Interest Payment Date, until paid in accordance with Section 2.02(d).

If any Interest Payment Date on or prior to October 15, 2017 is not a Business Day, the Interest payment due on that date shall be postponed to the next day that is a Business Day and no interest shall accrue as a result of that postponement. If any Interest Payment Date after October 15, 2017 is not a Business Day, the Interest Payment Date shall be postponed to the next day that is a Business Day and Interest will accrue to but excluding the date Interest is actually paid. However, if any Interest Payment Date falls on a date fixed for early redemption, or other redemption or repayment, and such day is not a Business Day, the Interest payment due on that date shall be postponed to the next day that is a Business Day and no Interest shall accrue as a result of that postponement.

(c) *To Whom Interest is Payable*. Interest shall be payable on each Interest Payment Date to each Person in whose name the Notes are registered at 5:00 p.m., New York City time, on the Regular Record Date, except that Interest payable on any Notes on any Repayment Date, or Redemption Date or the Final Maturity Date shall be paid to the Person to whom principal is paid.

(d) Option to Defer Interest Payments.

(i) The Company shall have the right, on one or more occasions, to elect to defer the payment of Interest on the Notes for one or more consecutive Interest Periods that do not exceed 10 years (which may include a combination of semi-annual and quarterly Interest Periods), without giving rise to a default or an Event of Default or, unless otherwise indicated below, an Enforcement Event. The Company's right to defer Interest payments shall end on the earlier of (A) the Final Maturity Date and (B) any repayment or redemption of the Notes in full prior to the Final Maturity Date.

Interest shall continue to accrue during Deferral Periods at the then-applicable interest rate for the Notes, compounding on each Interest Payment Date, subject to applicable law.

(ii) The Company shall not pay Deferred Interest on the Notes (and Additional Interest thereon) prior to the Final Maturity Date from any source other than Eligible Proceeds, although the Company may pay current interest at all times from any available funds, and the Company is required to pay Deferred Interest on the Notes (and Additional Interest thereon) from all sources (including Eligible Proceeds) following an acceleration of the Notes. To the extent that the Company applies Eligible Proceeds to pay Interest, the Company shall allocate the proceeds first to pay Deferred Interest on the Notes (including Additional Interest thereon) in chronological order based on the date each payment was first deferred.

(iii) At the end of a 10-year Deferral Period, the Company shall pay all Deferred Interest on the Notes (including Additional Interest thereon). After the Company makes all payments of Deferred Interest, including Additional Interest thereon, the Company may again defer Interest payments during new Deferral Periods of up to 10 years each, subject to the requirements therefor set forth herein.

(iv) Each Holder, by such Holder's acceptance of the Notes, agrees that if a Bankruptcy Event shall occur prior to the redemption or repayment of such Holder's Notes, such Holder shall not have a claim for, and shall have no right to receive, unpaid Deferred Interest (including Additional Interest thereon) to the extent that such Deferred Interest (including Additional Interest thereon) exceeds the sum of (x) Interest that relates to the earliest two years of the portion of the Deferral Period for the Notes for which Interest has not been paid and (y) an amount equal to such Holder's *pro rata* share of the excess, if any, of the Preferred Stock Cap over the aggregate amount of net proceeds from the sale of the Company's Qualifying Non-Cumulative Perpetual Preferred Stock and unconverted and outstanding Mandatorily Convertible Preferred Stock that the Company has applied to pay Interest on the Notes pursuant to the Alternative Payment Mechanism. To the extent such claim for unpaid Deferred Interest (including Additional Interest thereon) exceeds the amount set forth in clause (x), the Holders of the Notes shall be deemed to agree that the amount they receive in respect of such excess shall not exceed the amount they would have received had such claim ranked *pari passu* with the claims of the holders, if any, of the Company's Qualifying Non-Cumulative Perpetual Preferred Stock.

(v) The Company shall give the Trustee written notice for each Interest Payment Date on which payment of Interest is going to be deferred not less than 1 Business Day nor more than 60 Business Days prior to the Regular Record Date for such Interest Payment Date. However, the Company's failure to pay Interest on an Interest Payment Date shall constitute the commencement of a Deferral Period with respect to the Notes unless the Company pays such Interest within ten Business Days of the Interest Payment Date, whether or not the Company provides a notice of deferral. For the avoidance of doubt, the non-payment of such Interest for five Business Days does not give rise to a default hereunder.

(e) So long as any Notes remain outstanding, if the Company has given notice of its election to defer Interest payments but the related Deferral Period has not yet commenced, or if a Deferral Period is continuing, then the Company shall not, and the Company shall not permit any of its Subsidiaries to:

(i) declare or pay any Distributions on, or redeem, purchase, acquire or make a liquidation payment regarding, any of the Company's Capital Stock; *provided* that the Company may, at any time:

(A) declare or pay Distributions on the Company's Capital Stock in the form of additional shares of its Capital Stock or warrants, options or other rights exercisable or exchangeable for shares of its Capital Stock; provided that these securities paid as Distributions on the Company's Capital Stock will rank *pari passu* with or junior to the Company's Capital Stock on which the Distributions are being paid;

(B) declare or pay a dividend on its Capital Stock in connection with the implementation of a stockholders' rights plan, or issue its Capital Stock under

such a plan, or redeem or repurchase any rights with respect to its Capital Stock distributed pursuant to such a plan;

(C) purchase, redeem or otherwise acquire shares of its Capital Stock pursuant to any dividend reinvestment or stockholder purchase plan or pursuant to any employment agreement, benefit plan or similar arrangement with or for the benefit of employees, officers, directors or consultants;

(D) purchase, redeem or otherwise acquire fractional interests in shares of its Capital Stock pursuant to the conversion or exchange provisions of such Capital Stock or the security being converted or exchanged;

(E) purchase, redeem or otherwise acquire its securities pursuant to contractually binding agreements existing prior to the commencement of such Deferral Period, including under a contractually binding stock repurchase plan; and

(F) exchange, redeem or convert any class or series of its Capital Stock, or the Capital Stock of one of its Subsidiaries, for any other class or series of its Capital Stock, or of any class or series of its indebtedness for any class or series of its Capital Stock.

(ii) make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any securities that rank *pari passu* with the Notes ("**Parity Securities**") or junior to the Notes; *provided* that the Company may, at any time:

(A) make payments of current or deferred interest in respect of Parity Securities that are made *pro rata* in respect of the amounts due on such Parity Securities and the Notes (*provided* that such payments are made in accordance Section 2.02(f)(viii)); and

(B) make payments of principal in respect of Parity Securities having an earlier scheduled maturity date than the Notes, as required under a provision of such Parity Securities that is substantially the same as the provision described in Section 2.02(a) and make payments in respect of Parity Securities having the same Scheduled Maturity Date as the Notes, as required by such a provision, that are made on a *pro rata* basis among one or more series of Parity Securities having such a provision and the Notes; or

(iii) make any guarantee payments with respect to any guarantee by the Company of debt securities if such guarantee ranks *pari passu* with or junior to the Notes.

(iv) If any Deferral Period lasts longer than one year, the Company may not redeem or purchase nor permit any Subsidiary to purchase, any of the Capital Stock or securities that upon the Company's bankruptcy or liquidation rank *pari passu* with or junior to any of the Company's APM Securities issued, the proceeds of which were used to settle Deferred Interest during such Deferral Period, until the first anniversary of the

date on which all Deferred Interest has been paid, subject to the exceptions listed above in paragraphs (i), (ii) and (iii).

(v) If the Company is involved in a business combination with a third party where immediately after the consummation of such combination more than 50% of the surviving entity's voting securities are owned by the securityholders of the other party to the business combination, then paragraph (iv) above will not apply to any Deferral Period that is terminated on the next Interest Payment Date immediately following the date of consummation of the business combination.

(vi) For the avoidance of doubt, no terms of the Notes will be deemed to restrict in any manner the ability of any Subsidiary of the Company to pay dividends or make any distributions to the Company.

(f) Alternative Payment Mechanism.

(i) Subject to a Market Disruption Event and the conditions described in this Section 2.02(f) and the exception described in Sections 2.02(f)(vi) and (x) below, if the Company defers Interest on the Notes, it shall be required, commencing on the relevant APM Commencement Date, to use Commercially Reasonable Efforts to issue its APM Securities until the Company has raised an amount of Eligible Proceeds at least equal to the aggregate amount of accrued and unpaid Deferred Interest (including Additional Interest thereon) on the Notes. This method of funding the payment of accrued and unpaid Deferred Interest is referred to as the "**Alternative Payment Mechanism**." The Company is required to apply Eligible Proceeds raised during any Deferral Period pursuant to the Alternative Payment Mechanism to pay Deferred Interest (and Additional Interest thereon) on the Notes.

(ii) Except as provided in the last sentence of this paragraph, during the first five years of any Deferral Period, the Company shall not be required to issue a number of shares of its Common Stock or Warrants exercisable for a number of shares of its Common Stock in excess of 2% of the number of shares of the Company's outstanding Common Stock as of the applicable APM Commencement Date (the "**Common Stock Maximum Obligation**"). Once the Company reaches the Common Stock Maximum Obligation for a Deferral Period, the Company will not be required to issue more shares of Common Stock or Warrants under the Alternative Payment Mechanism during the first five years of that Deferral Period (including Additional Interest thereon) even if the amount referred to in the preceding sentence subsequently increases because of a subsequent increase in the number of outstanding shares of such Common Stock. The Common Stock Maximum Obligation for that Deferral Period will cease to apply after the fifth anniversary of the commencement of any Deferral Period, at which point the Company must pay any Deferred Interest (including Additional Interest thereon), regardless of the time at which it was deferred, using the Alternative Payment Mechanism, subject to any Market Disruption Event. If the Common Stock Maximum Obligation for that Deferral Period has been reached during a Deferral Period and the Company subsequently pays all Deferred Interest (including Additional Interest thereon), the Common Stock Maximum Obligation for that Deferral Period will cease to apply at

the termination of that Deferral Period, and will not apply again unless and until the Company starts a new Deferral Period. The Common Stock Maximum Obligation shall apply only if the Company is or becomes Publicly Traded during such five-year period; for the avoidance of doubt, if the Company is not Publicly Traded on the APM Commencement Date but becomes Publicly Traded during such five-year Deferral Period, the calculation of the number of shares of Common Stock or Warrants exercisable for a number of shares of Common Stock in excess of 2% of the number of shares of the Company's outstanding Common Stock shall be based on (i) the number of shares outstanding on the date the Company becomes Publicly Traded rather than the APM Commencement Date and (ii) the number of shares of Common Stock and Warrants exercisable for Common Stock issued as APM Securities on or after the date the Company becomes Publicly Traded.

The Company will not be permitted, pursuant to the Alternative Payment Mechanism for purposes of paying Deferred Interest on the Notes, to issue shares of Qualifying Non-Cumulative Perpetual Preferred Stock or Mandatorily Convertible Preferred Stock if the net proceeds from such issuance, together with the net proceeds of all prior issuances of Qualifying Non-Cumulative Perpetual Preferred Stock and unconverted and outstanding Mandatorily Convertible Preferred Stock by the Company so applied during the current and all prior Deferral Periods, would exceed 25% of the aggregate principal amount of the Notes issued under this Indenture (the "**Preferred Stock Cap**").

(iii) Notwithstanding clauses (i) and (ii) above, under the Alternative Payment Mechanism, so long as the definition of "APM Securities" has not been amended to eliminate Common Stock:

(1) the sale of Warrants to pay Deferred Interest is an option that may be exercised at the Company's sole discretion, subject to the Common Stock Maximum Obligation (if applicable),

(2) the Company will not be obligated to sell Warrants or to apply the proceeds of any such sale to pay Deferred Interest on the Notes, and

(3) no class of investors of the Company, or any other party, may require the Company to sell Warrants.

(iv) If the Company sells Warrants to pay Deferred Interest pursuant to the Alternative Payment Mechanism, the Company will be required to use commercially reasonable efforts, subject to the Common Stock Maximum Obligation and the Share Cap (in each case, if applicable), to set the terms of the Warrants so as to raise sufficient proceeds from their issuance, together with the proceeds from any other APM Securities issued concurrently, to pay all Deferred Interest on the Notes in accordance with the Alternative Payment Mechanism.

(v) Except as provided in the last sentence of this paragraph, the Company may not issue Common Stock, Warrants or Mandatorily Convertible Preferred Stock pursuant to the Alternative Payment Mechanism to the extent that the total number of shares of Common Stock issued or issuable upon exercise of Warrants or issuable upon conversion of Mandatorily Convertible Preferred Stock that has been issued as APM Securities, together with all prior issuances of Common Stock, Warrants or Mandatorily Convertible Preferred Stock as APM Securities, would exceed 115 million shares of the Common Stock (the "**Share Cap**"). If the issued and outstanding shares of the Common Stock are changed into a different number of shares or a different class by reason of any stock split, reverse stock split, stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or other similar transaction, the Share Cap shall be correspondingly adjusted. The Share Cap will apply so long as the Notes remain Outstanding. If the Share Cap has been reached and it is not sufficient to allow the Company to pay all Deferred Interest then accrued in full, the Company shall use commercially reasonable efforts to increase the Share Cap (i) only to the extent that the Company can do so and simultaneously satisfy its future fixed or contingent obligations under other securities and derivative instruments that provide for settlement or payment in the Common Stock or (ii) if the Company cannot increase the Share Cap as contemplated in clause (i), by requesting the Company's Board of Directors to adopt a resolution for stockholder vote at the Company's next occurring annual stockholders' meeting to increase the number of the Company's authorized Common Stock for purposes of satisfying the Company's obligations to pay Deferred Interest. The Share Cap shall apply only if the Company becomes Publicly Traded; for the avoidance of doubt, if the Company becomes Publicly Traded, the calculation of the number of shares of Common Stock issued or issuable upon exercise of Warrants or issuable upon conversion of Mandatorily Convertible Preferred Stock that has been issued as APM Securities, together with all prior issuances of Common Stock, Warrants or Mandatorily Convertible Preferred Stock as APM Securities, shall commence as of the date the Company becomes Publicly Traded and shall not include shares of Common Stock issued or issuable upon exercise of Warrants or conversion of Mandatorily Convertible Preferred Stock issued as APM Securities that were issued, if any, prior to the date the Company became Publicly Traded.

(vi) The Company shall be excused from its obligations under the Alternative Payment Mechanism in respect of any Interest Payment Date if the Company provides written certification to the Trustee (copies of which the Company will promptly forward to each Holder of Notes) no more than 15 and no less than 10 Business Days in advance of that Interest Payment Date certifying that:

(A) a Market Disruption Event was existing after the immediately preceding Interest Payment Date; and

(B) either (x) the Market Disruption Event continued for the entire period from the Business Day immediately following the preceding Interest Payment Date to the Business Day immediately preceding the date on which that certification is provided or (y) the Market Disruption Event continued for only part of this period, but the Company was unable after using its Commercially

Reasonable Efforts to raise sufficient Eligible Proceeds during the rest of that period to pay all accrued and unpaid Interest.

(vii) The Company's failure to pay Interest on the Notes in accordance with the Alternative Payment Mechanism as required by this Indenture shall constitute a default under clause (3) of the definition of Enforcement Event in Section 5.03, but shall constitute an Event of Default only in the circumstances specified under Section 5.01(1). The Company's failure to raise Eligible Proceeds when required pursuant to Section 2.02(f) shall constitute a default under clause (4) of the definition of Enforcement Event, but shall in no event constitute an Event of Default. Notwithstanding anything to the contrary herein, the Trustee shall have no obligation to exercise any remedies with respect to any Enforcement Event arising from such default unless directed to do so in accordance with and subject to the conditions set forth in Section 5.12 and Section 6.02(4).

(viii) If, due to a Market Disruption Event or otherwise, the Company was able to raise some, but not all, Eligible Proceeds necessary to pay all Deferred Interest (including Additional Interest thereon) on any Interest Payment Date, the Company shall apply any available Eligible Proceeds to pay Deferred Interest (including Additional Interest thereon) on the applicable Interest Payment Date in chronological order based on the date each payment was first deferred. If the Company has outstanding securities in addition to, and that rank *pari passu* with, the Notes under which the Company is obligated to sell APM Securities and obligated to apply such proceeds to the payment of deferred interest and distributions, then on any date and for any period the amount of net proceeds received by the Company from those sales and available for payment of the deferred interest and distributions shall be applied to the Notes and those Parity Securities on a *pro rata* basis, subject to the Share Cap (if applicable), the Common Stock Maximum Obligation (if applicable) and the Preferred Stock Cap, in proportion to the total amounts that are due on the Notes and such Parity Securities.

(ix) "**Commercially Reasonable Efforts**" to sell APM Securities in accordance with the Alternative Payment Mechanism means commercially reasonable efforts to complete the offer and sale of APM Securities to third parties that are not Subsidiaries of the Company, which in the event the Company is not Publicly Traded shall include the Company's existing stockholders, in public offerings or private placements. The Company shall not be considered to have made Commercially Reasonable Efforts to effect a sale of the APM Securities if it determines not to pursue or complete the sale of APM Securities solely due to pricing, coupon, dividend rate or dilution considerations.

(x) If the Company is involved in a business combination with a third party where immediately after its consummation more than 50% of the surviving entity's voting securities are owned by the securityholders of the other party to the business combination, then the Alternative Payment Mechanism shall not apply to any outstanding Deferred Interest (including Additional Interest thereon) as of the date of consummation of the business combination if the Deferred Interest (including Additional Interest thereon) is settled prior to or on the Interest Payment Date immediately following such

consummation. The requirements and restrictions of clauses (d), (e) and (f) of this Section 2.02 shall apply, however, to any Interest on the Notes that is deferred after such Interest Payment Date.

(g) Redemption.

(i) The Company may, at its option, redeem the Notes:

(A) in whole or in part on October 15, 2017 and on each Interest Payment Date thereafter at a Redemption Price equal to 100% of the principal amount of the Notes so redeemed plus accrued and unpaid Interest, including Deferred Interest, to the Redemption Date; and

(B) prior to October 15, 2017, (x) in whole or in part, at a Redemption Price equal to 100% of the principal amount of the Notes so redeemed or, if greater, the Make-Whole Price, in either case plus accrued and unpaid Interest to the Redemption Date and (y) in whole but not in part, within 90 days after the occurrence of a Special Event, at a Redemption Price equal to 100% of the principal amount of the Notes so redeemed or, if greater, the Special Event Make-Whole Price, in either case plus accrued and unpaid Interest, including Deferred Interest, to the Redemption Date.

(ii) "**Make-Whole Price" and "Special Event Make-Whole Price**" each mean the present value of scheduled payments of principal and Interest on the Notes being redeemed from the Redemption Date to October 15, 2017, discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate plus the Applicable Rate; *provided* that the "**Applicable Rate**" shall mean, in the case of a redemption in connection with a Special Event, 0.50%, and in all other cases of an early redemption prior to October 15, 2017, 0.50%; *provided further* that for the avoidance of doubt, pursuant to this definition, the Make-Whole Price and the Special Event Make-Whole Price are equal amounts in this Indenture.

(iii) If any date fixed for redemption pursuant to this clause (g) is not a Business Day, then payment of the Redemption Price shall be made on the next day that is a Business Day, without any Interest or other payment for the delay.

(iv) The Make-Whole Price and the Special Event Make-Whole Price shall be determined on the third Business Day prior to the applicable Redemption Date. The Company shall notify the Trustee of the Make-Whole Price or the Special Event Make-Whole Price, as applicable, promptly after the calculation thereof and the Trustee shall have no responsibility for such calculation.

(v) For the avoidance of doubt, if the Company redeems Notes when any Deferred Interest (including Additional Interest thereon) remains unpaid and at a time when the Alternative Payment Mechanism is applicable, the unpaid Deferred Interest (included Additional Interest thereon) may only be paid pursuant to the Alternative Payment Mechanism.

Section 2.03. Rule 144A Global Notes.

(a) The Notes offered and sold to QIBs in reliance on Rule 144A shall each be issued in the form of one or more Global Notes (each, a "**Rule 144A Global Note**") in registered, global form without interest coupons, with such applicable legends as are provided for in Exhibit B hereto, except as otherwise permitted herein.

(b) Each Rule 144A Global Note (A) shall represent such portion of the outstanding Notes as shall be specified therein, (B) shall provide that it shall represent the aggregate amount, as applicable, of outstanding Notes from time to time endorsed thereon and (C) shall be registered in the name of DTC or its nominee and deposited upon issuance with the Trustee, at its Corporate Trust Office, as custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit to the respective accounts at DTC of the depositaries. The aggregate principal amount of a Rule 144A Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC, as provided herein.

Section 2.04. Regulation S Temporary Global Notes.

(a) The Notes offered and sold outside the United States in reliance on Regulation S shall each be initially issued in the form of the Regulation S Temporary Global Note, which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, as custodian for DTC, and registered in the name of DTC or the nominee of DTC for the accounts of designated agents holding on behalf of Euroclear or Clearstream, duly executed by the Company and authenticated by the Authenticating Agent as hereinafter provided and shall bear such applicable legends as are provided for in Exhibit B.

(b) An owner of a beneficial interest in a Regulation S Temporary Global Note (or a Person acting on behalf of such an owner) may provide to Euroclear or Clearstream, as applicable, (and Euroclear or Clearstream will accept) a duly completed Certificate of Beneficial Ownership at any time after the termination of the Distribution Compliance Period (it being understood that Euroclear or Clearstream, as applicable, will not accept any such certificate during the Distribution Compliance Period). Promptly after receipt by the Trustee of a Certificate of Beneficial Ownership from DTC on behalf of Euroclear or Clearstream, as applicable (or other appropriate confirmation to such effect in accordance with the Applicable Procedures), with respect to such a beneficial interest, the Trustee will cause such beneficial interest to be exchanged for an equivalent beneficial interest in a Regulation S Permanent Global Note, and will (x) permanently reduce the principal amount of such Regulation S Temporary Global Note

by the amount of such beneficial interest and (y) increase the principal amount of such Regulation S Permanent Global Note by the amount of such beneficial interest, in each case subject to the Applicable Procedures. Notwithstanding the previous two sentences, if after the Distribution Compliance Period any Initial Purchaser owns a beneficial interest in a Regulation S Temporary Global Note, such Initial Purchaser may, upon written request to the Trustee accompanied by a certification as to its status as an Initial Purchaser and as the owner of such beneficial interest (but without any requirement to deliver a Certificate of Beneficial Ownership), exchange such beneficial interest for an equivalent beneficial interest in a Regulation S Permanent Global Note, and the Trustee will comply with such request and will (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Regulation S Permanent Global Note by the amount of such beneficial interest, in each case subject to the Applicable Procedures.

(c) Upon the receipt by the Trustee of a written certificate from DTC, together with copies of certificates from Euroclear and Clearstream certifying that they have received Certificates of Beneficial Ownership representing 100% of the aggregate principal amount of the Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Distribution Compliance Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a Rule 144A Global Note) (or, in any such case, provide other appropriate confirmation to such effect in accordance with the Applicable Procedures), the Trustee shall cancel the Regulation S Temporary Global Note.

(d) Each Regulation S Temporary Global Note and Regulation S Permanent Global Note (A) shall represent such portion of the outstanding Notes as shall be specified therein, (B) shall provide that it shall represent the aggregate amount, as applicable, of outstanding Notes from time to time endorsed thereon and (C) shall be registered in the name of DTC or its nominee and deposited upon issuance with the Trustee, at its Corporate Trust Office, as custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided, for credit to the respective accounts at DTC of the depositaries. The aggregate principal amount of each Regulation S Temporary Global Note (or Regulation S Permanent Global Note) may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC, as provided herein.

(e) The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Clearstream" and "Customer Handbook" of Clearstream shall be applicable to transfers of beneficial interests in the Regulation S Temporary Global Note and the Regulation S Permanent Global Notes that are held by participants through Euroclear or Clearstream.

Section 2.05. General — Form of Securities.

(a) Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of Outstanding Notes represented thereby shall be made by the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.18 hereof.

(b) Notes issued in exchange for interests in a Global Note pursuant to Section 2.18 may be issued in the form of permanent Certificated Notes in registered forms in substantially the forms set forth in Exhibit A (the "**Physical Notes**"), subject to such changes, deletions or additions as the Company may approve (the approval of which shall be deemed evidenced by the signature of the officer or officers of the Company executing such Notes).

(c) Subject to the provisions of Section 2.18 hereof, Physical Notes may be produced in any manner determined by the Officers of the Company executing such securities, as evidenced by their execution of such securities. The Trustee shall register Physical Notes so issued in the name of, and cause the same to be delivered to, such Person (or its nominee) as may be instructed by the Company.

(d) The Notes may also have such additional provisions, omissions, variations or substitutions as are not inconsistent with the provisions of this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with this Indenture, any applicable law or with any rules made pursuant thereto or with the rules of any securities exchange or governmental agency, all as may be determined by the Officer of the Company executing such securities, as conclusively evidenced by their execution of such securities. All Notes shall be substantially identical except as provided herein.

(e) Subject to the provisions of this Article 2, a registered Holder in a Global Note may grant proxies and otherwise authorize any Person to take any action that a Holder is entitled to take under this Indenture or the Notes.

Section 2.06. Execution and Authentication; Issue Price; Aggregate Principal Amount.

(a) An Officer of the Company who shall have been duly authorized by all requisite corporate actions shall execute the Notes for the Company by manual or facsimile signature.

(b) If an Officer whose signature is on a Note was an Officer at the time of such execution but no longer holds that office or position at the time the Trustee authenticates the Note, the Note shall nevertheless be valid.

(c) A Note shall not be valid or obligatory for any purpose or be entitled to the benefits of this Indenture until an authorized signatory of the Trustee manually signs the certificate of authentication on the Note. The signature of such representative of the Trustee shall be conclusive evidence that the Note has been authenticated under this Indenture.

(d) On the Issue Date, upon Company Order the Trustee shall authenticate and deliver up to an initial maximum of $150,000,000 principal amount of Notes (the "**Original Notes**"). In addition, at any time, from time to time, without notice to, or the consent of, the Holders, the Trustee shall authenticate and deliver additional Notes of up to a maximum of $75,000,000 principal amount ("**Additional Notes**") upon receipt of a Company Order specifying the amount of Notes to be authenticated and the date on which such securities are to be authenticated and an Officers' Certificate of the Company certifying that all conditions precedent to the issuance, of the Additional Notes contained herein have been complied with and that no Default or Event of Default would occur as a result of the issuance of such Additional

Notes and that such Additional Notes will be treated as fungible with the Original Notes and any Additional Notes issued for U.S. federal income tax purposes. The Additional Notes and the Trustee's certificate of authentication relating thereto shall be substantially in the forms of Exhibit A with all such necessary additions and deletions and shall have the same respective CUSIP number as the Original Securities. The Notes issued as Original Notes and the Notes issued as Additional Notes, if any, shall constitute one series for all purposes under this Indenture, including, without limitation, amendments, waivers and redemptions.

(e) The Notes shall be known and designated as the "Capital Efficient Notes due 2067" of the Company and shall have the terms described in Section 2.02 above.

(f) Interest and principal will be payable in Dollars at the agency of the Trustee's New York corporate trust office, which is located at 100 Wall Street, Suite 1600, New York, New York 10005 or, at the Company's option, in the case of payments of Interest, by check mailed to the respective addresses of the registered holders or by wire transfer.

(g) The Notes shall not have the benefit of any sinking fund obligations.

(h) The Trustee may appoint an Authenticating Agent reasonably acceptable to the Company to authenticate the Notes. Unless otherwise provided in the appointment, an Authenticating Agent may authenticate the Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An Authenticating Agent has the same rights as an agent to deal with the Company.

Section 2.07. Trustee, Security Registrar and Paying Agent.

(a) The Company hereby appoints U.S. Bank National Association, as the Trustee hereunder and U.S. Bank National Association hereby accepts such appointment. The Trustee shall have the powers and authority granted to and conferred upon it in the Notes and hereby and such further powers and authority to act on behalf of the Company as may be mutually agreed upon by the Company and the Trustee, and the Trustee shall keep a copy of this Indenture available for inspection during normal business hours at its Corporate Trust Office.

(b) The Company shall maintain an office or agency (which shall be located in New York) where (a) Notes may be presented or surrendered for registration of transfer or for exchange ("**Security Registrar**"), (b) Notes may be presented or surrendered for payment and (c) notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Registrar shall keep a register of the Notes and of their transfers and exchanges. The Company, upon notice to the Trustee, may have one or more co-Security Registrars and one or more additional Paying Agents reasonably acceptable to the Trustee. The Company may change the Paying Agent or Security Registrar upon notice to all Holders.

(c) The Company shall enter into an appropriate agency agreement with any agent not a party to this Indenture. The Company shall notify the Trustee, in advance and in writing, of the name and address of any such agent. If the Company fails to maintain a Security Registrar or Paying Agent, or fails to give the foregoing notice, the Trustee shall act as such.

(d) The Company initially appoints the Trustee as Security Registrar and Paying Agent until such time as the Trustee has resigned or a successor has been appointed. Any of the Security Registrar, the Paying Agent or any other agent may resign upon 60 days' written notice to the Company.

(e) The Company or any of its Subsidiaries may act as Security Registrar or Paying Agent; *provided*, *however*, that none of the Company, its Subsidiaries or the affiliates of the foregoing shall act as Security Registrar or Paying Agent if a Default or Event of Default has occurred and is continuing. In addition, upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

(f) All of the terms and provisions with respect to such powers and authority contained in the Notes are subject to and governed by the terms and provisions hereof.

Section 2.08. Paying Agent to Hold Assets in Trust.

(a) The Company shall require each Paying Agent other than the Trustee to agree in writing that each Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all assets held by the Paying Agent for the payment of principal of, premium, if any, or Interest on, the Notes (whether such assets have been distributed to it by the Company or any other obligor on such securities), and shall notify the Trustee of any default by the Company (or any other obligor on such securities) in making any such payment. The Company at any time may require a Paying Agent to distribute all assets held by it to the Trustee and account for any assets disbursed and the Trustee may at any time during the continuance of any payment Default, upon written request to a Paying Agent, require such Paying Agent to distribute all assets held by it to the Trustee and to account for any assets distributed. Upon distribution to the Trustee of all assets that shall have been delivered by the Company to the Paying Agent and the completion of any accounting required to be made hereunder, the Paying Agent shall have no further liability for such assets.

(b) If the Company or any of its Subsidiaries acts as Paying Agent, it shall segregate and hold in separate trust funds for the benefit of the Holders of the Notes all the money held by it as Paying Agent.

Section 2.09. Replacement Notes.

(a) If a mutilated Note is surrendered to the Trustee or if the Holder of a Note claims that such Note has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement security if the Trustee's requirements are met. If required by the Trustee or the Company, such Holder must provide an indemnity bond or other indemnity, sufficient in the reasonable judgment of the Company and the Trustee, to protect the Company, the Trustee or any agent from any loss which any of them may suffer if a Note is replaced. The Company and the Trustee may charge such Holder for its reasonable out-of- pocket expenses in replacing a Note. Every replacement Note shall constitute an additional obligation of the Company.

(b) The provisions of this Section 2.09 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement of mutilated, destroyed, lost or stolen Notes.

Section 2.10. Temporary Securities.

In lieu of formal printed Physical Notes, or until such Physical Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary securities upon a written order of the Company signed by two Officers of the Company ("Temporary Securities"). Temporary Securities shall be substantially in the form of Physical Notes but may have variations that the Company considers appropriate for such Temporary Securities and as shall be reasonably acceptable to the Trustee. At the Company's election, the Company may prepare and the Trustee shall authenticate Physical Notes in exchange for Temporary Securities. Unless and until any such exchange, Holders of Temporary Securities shall be entitled to all of the benefits of this Indenture.

Section 2.11. Cancellation. The Company at any time may deliver Notes to the Trustee for cancellation. The Security Registrar and the Paying Agent shall forward to the Trustee any Note surrendered to them for transfer, exchange or payment. The Trustee, or at the direction of the Trustee, the Security Registrar or the Paying Agent, and no one else, shall cancel and, at the written direction of the Company, shall dispose of all cancelled Securities in accordance with its customary procedures. Certification of the destruction of all cancelled Notes shall be delivered to the Company, upon written request, from time to time. The Company may not issue new Notes to replace Notes that the Company has paid or delivered to the Trustee for cancellation. If the Company shall acquire any of the Notes, such acquisition shall not operate as a redemption or satisfaction of the Indebtedness represented by such Note unless and until the same are surrendered to the Trustee for cancellation pursuant to this Section 2.11.

Section 2.12. Defaulted Interest. Any Interest on any Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "**Defaulted Interest**") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date (a "**Special Record Date**") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall not be less than 10 days prior to the date of the proposed payment. The Trustee shall promptly

notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Notes at his address as it appears in the Note Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest on the Notes in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

For avoidance of doubt, Defaulted Interest shall not include Deferred Interest (including Additional Interest thereon) during any Deferral Period, but shall include Deferred Interest (including Additional Interest thereon) to the extent such Deferred Interest (including Additional Interest thereon) is not paid when due under the terms of this Indenture.

Subject to the foregoing provisions of this section, each Note lawfully delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to Interest accrued and unpaid, and to accrue, which were carried by such other Note.

Section 2.13. Persons Deemed Owners.

Prior to due presentment for the registration of a transfer of any Note, the Trustee, the Company and any agent of the foregoing shall deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for all purposes (including the purpose of receiving payment of principal of and Interest on such Note; *provided* that Defaulted Interest shall be paid as set forth in Section 2.12), and none of the Trustee, the Company or any agent of the foregoing shall be affected by notice to the contrary.

Section 2.14. CUSIP Numbers.

The Company in issuing the Notes may use one or more “CUSIP” and/or “ISIN” numbers and, if so, the Trustee shall use the CUSIP and/or ISIN numbers in notices of redemption or exchange as a convenience to Holders; *provided*, *however*, that no representation is hereby deemed to be made by the Trustee as to the correctness or accuracy of the CUSIP or ISIN numbers printed in the notice or on the Notes, and that reliance may be placed only on the other identification numbers printed on the Notes. The Company shall promptly notify the Trustee of any change in the CUSIP or ISIN number.

Section 2.15. Deposit of Moneys.

(a) Prior to 10:00 a.m. New York time on each Interest Payment Date, Redemption Date, Repayment Date or Final Maturity Date or any other day on which payment is due on the Notes, the Company shall have deposited with the Paying Agent in immediately available funds money sufficient to make cash payments, if any, due on such Interest Payment Date, Redemption Date, Repayment Date or Final Maturity Date or such other day, as the case may be, in a timely manner which permits the Paying Agent to remit payment to the Holders on such Interest Payment Date, Redemption Date, Repayment Date or Final Maturity Date or such other day, as the case may be.

(b) The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Trustee is not the Security Registrar, the Company shall furnish to the Trustee at least seven Business Days before each Interest Payment Date, and at such other times as the Trustee may request in writing, a list in such form and as of such record date as the Trustee may reasonably require of the names and addresses of the Holders.

Section 2.16. Transfer and Exchange.

(a) Subject to Section 2.17 and Section 2.18, when Notes are presented to the Security Registrar or a co-Security Registrar with a request to register the transfer of such securities or to exchange such securities for an equal principal amount of Notes of other authorized denominations, the Security Registrar or co-Security Registrar shall register the transfer or make the exchange as requested if its requirements for such transaction are met; *provided*, *however*, that the Notes presented or surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar or co-Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Notes at the Security Registrar's or co-Security Registrar's written request. No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

(b) The Security Registrar or co-Security Registrar shall not be required to issue, or to register the transfer or exchange of, any Note (i) during a period beginning at the opening of business 15 days before the mailing of a Notice of Redemption pursuant to Section 11.04 and ending at the close of business on the day of such mailing and (ii) selected for redemption in whole or in part pursuant to Article 11, except the unredeemed portion of any Note being redeemed in part.

(c) All Notes issued upon any registration of transfer or exchange pursuant to the terms of this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

(d) The Trustee shall authenticate Notes in accordance with the provisions of Section 2.06 hereof.

(e) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary Participants or beneficial owners of interests in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by the terms of, this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

(f) Any Holder of a beneficial interest in a Global Note shall, by acceptance of such beneficial interest, agree that transfers of beneficial interests in such Global Note may be effected only through a book entry system maintained by the Depository, and that ownership of a beneficial interest in the Note shall be required to be reflected in a book entry system.

Section 2.17. Book-Entry Provisions for Global Notes.

(a) Except as indicated below in this Section 2.17, the Notes shall be represented only by Global Notes. The Global Notes shall be deposited with a Depositary or its custodian for such securities (and shall be registered in the name of such Depositary or its nominee). The Depositary for the Notes shall be DTC unless the Company appoints a successor Depositary by delivery of a Company Order to the Trustee specifying such successor Depositary for the Notes.

(b) All payments on a Global Note will be made by the Trustee to DTC or its nominee, as the case may be, as the registered owner and Holder of such Global Note. In each case, the Company will be fully discharged by payment to or to the order of such Depositary from any responsibility or liability in respect of each amount so paid. Upon receipt of any such payment in respect of a Global Note, DTC will credit Depositary Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC.

(c) Unless and until it is exchanged in whole or in part for Physical Notes, a Global Note may not be transferred except as a whole by the relevant Depositary or nominee thereof to another nominee of the Depositary or to a successor of the Depositary or a nominee of such successor.

(d) Owners of beneficial interests in Global Notes shall be entitled or required, as the case may be, but only under the circumstances described in Section 2.18(b), to receive physical delivery of Physical Notes.

Section 2.18. Restrictions on Transfer and Exchange of Notes.

(a) *Transfer and Exchange of Global Notes*. Notwithstanding any provisions of this Indenture or the Notes, transfers of a Global Note, in whole or in part, transfers and exchanges of interests therein of the kinds described in clauses (iii), (iv) through (vi) below and exchange of interests in Global Notes or of other Notes as described in clause (vii) below, shall be made only

in accordance with this Section 2.18(a). Transfers and exchanges subject to this Section 2.18 shall also be subject to the other provisions of the Indenture that are not inconsistent with this Section 2.18.

(i) *General*. A Global Note may not be transferred, in whole or in part, to any Person other than DTC or a nominee thereof or a successor to DTC or its nominee, and no such transfer to any such other Person may be registered; *provided* that this clause (i) shall not prohibit any transfer of a Note that is issued in exchange for a Global Note but is not itself a Global Note. No transfer of a Note to any Person shall be effective under this Indenture or the Note unless and until such Note has been registered in the name of such Person. Nothing in this Section 2.18(a)(i) shall prohibit or render ineffective any transfer of a beneficial interest in a Global Note effected in accordance with the other provisions of this Section 2.18(a).

(ii) *Transfer of Beneficial Interests in the Same Global Note*. Beneficial interests in any Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Note in accordance with the transfer restrictions set forth in the legend; *provided*, *however*, that prior to the expiration of the Distribution Compliance Period, transfers of beneficial interests in the Regulation S Temporary Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). No written orders or instructions shall be required to be delivered to the Security Registrar to effect the transfers described in this Section 2.18(a)(ii).

(iii) *Rule 144A Global Note to Regulation S Temporary Global Note or Regulation S Permanent Global Note*. If a Holder of a beneficial interest in a Rule 144A Global Note deposited with DTC wishes at any time to exchange its interest in such Rule 144A Global Note for an interest in the corresponding Regulation S Temporary Global Note or Regulation S Permanent Global Note, as applicable, or to transfer its interest in such Rule 144A Global Note to a Person who wishes to take delivery thereof in the form of an interest in the corresponding Regulation S Temporary Global Note or Regulation S Permanent Global Note, as applicable, such Holder, provided such Holder or, in the case of a transfer, the transferee is not a U.S. person, may, subject to the immediately succeeding sentence and the Applicable Procedures, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the corresponding Regulation S Temporary Global Note or Regulation S Permanent Global Note, as applicable. Upon receipt by the Security Registrar of (A) written instructions (or notice from DTC of its receipt of such instruction) given in accordance with the Applicable Procedures from a Depositary Participant directing the Security Registrar to credit or cause to be credited to a specified Depositary Participant's account a beneficial interest in the corresponding Regulation S Temporary Global Note or Regulation S Permanent Global Note, as applicable, but not less than the minimum denomination applicable to such Holder's Notes, in an amount equal to the beneficial interest in the Rule 144A Global Note to be exchanged or transferred, (B) a written order (or notice from DTC of its receipt of such order) given in accordance with the Applicable Procedures containing information regarding the account of the Depositary Participant and the Euroclear or Clearstream account to be credited with, and the account of the

Depositary Participant and the Euroclear or Clearstream account, to be debited for, such beneficial interest and (C) a certificate in substantially the form of Exhibit C-1 attached hereto given by the transferor of such beneficial interest stating that the exchange or transfer of such interest has been made in compliance with the transfer restrictions applicable to the Global Notes, including that the transferor or the transferee, as applicable, is not a U.S. person, and pursuant to and in accordance with Regulation S, then the principal amount of the Rule 144A Global Note shall be reduced, and the principal amount of the Regulation S Temporary Global Note or the Regulation S Permanent Global Note, as applicable, shall be increased, by the principal amount of the beneficial interest in the Rule 144A Global Note to be so transferred, in each case by means of an appropriate adjustment on the records of the Security Registrar, and the Security Registrar shall instruct DTC or its authorized representative to make a corresponding adjustment to its records and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Regulation S Temporary Global Note or Regulation S Permanent Global Note, as applicable, having a principal amount equal to the amount so transferred.

(iv) *Rule 144A Global Note to Rule 144A Global Note*. If the Holder of a beneficial interest in a Rule 144A Global Note wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with the provisions of this Section 2.18(a)(iv). Upon receipt by the Security Registrar of (A) written instructions (or notice from DTC of its receipt of such instruction) given in accordance with the Applicable Procedures from a Depositary Participant directing the Security Registrar, to credit or cause to be credited to a specified Depositary Participant's account a beneficial interest in a Rule 144A Global Note in a principal amount equal to that of the beneficial interest in a Rule 144A Global Note to be so transferred; (B) a written order (or notice from DTC of its receipt of such order) given in accordance with the Applicable Procedures containing information regarding the account of the Depositary Participant to be credited with, and the account of the Depositary Participant to be debited for, such beneficial interest and (C) a certificate in substantially the form set forth in Exhibit C-2 given by the transferor of such beneficial interest, the principal amount of a Rule 144A Global Note shall be reduced, and the principal amount of a Rule 144A Global Note shall be increased, by the principal amount of the beneficial interest in a Rule 144A Global Note to be so transferred, in each case by means of an appropriate adjustment on the records of the Security Registrar, and the Security Registrar shall instruct DTC or its authorized representative to make a corresponding adjustment to its records and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in a Rule 144A Global Note having a principal amount equal to the amount so transferred.

(v) *Regulation S Temporary Global Note or Regulation S Permanent Global Note to Rule 144A Global Note*. If the Holder of a beneficial interest in a Regulation S Temporary Global Note or a Regulation S Permanent Global Note, as applicable, wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, such transfer may be effected

after the Distribution Compliance Period, subject to the Applicable Procedures, only in accordance with this Section 2.18(a)(v). Upon receipt by the Security Registrar of (A) written instructions (or notice from DTC of its receipt of such instruction) given in accordance with the Applicable Procedures from an Depositary Participant directing the Security Registrar to credit or cause to be credited to a specified Depositary Participant's account a beneficial interest in a Rule 144A Global Note in a principal amount equal to that of the beneficial interest in a Regulation S Temporary Global Note or a Regulation S Permanent Global Note, as applicable, to be so transferred, (B) a written order (or notice from DTC of its receipt of such order) given in accordance with the Applicable Procedures containing information regarding the account of the Depositary Participant to be credited with, and the account of the Depositary Participant to be debited for, such beneficial interest and (C) with respect to a transfer of a beneficial interest in a Regulation S Global Note to a Person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, a certificate in substantially the form set forth in Exhibit C-2 given by the transferor of such beneficial interest, the principal amount of a Rule 144A Global Note shall be increased, and the principal amount of a Regulation S Temporary Global Note or a Regulation S Permanent Global Note, as applicable, shall be reduced, by the principal amount of the beneficial interest in a Rule 144A Global Note to be so transferred, in each case by means of an appropriate adjustment on the records of the Security Registrar and the Security Registrar shall instruct DTC or its authorized representative to make a corresponding adjustment to its records and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in the Rule 144A Global Note having a principal amount equal to the amount so transferred.

(vi) *Regulation S Permanent Global Note to Regulation S Permanent Global Note.* Any exchange of a beneficial interest in a Regulation S Temporary Global Note for a Regulation S Permanent Global Note shall be permitted only as set forth in Section 2.04. If the Holder of a beneficial interest in Regulation S Permanent Global Note wishes at any time to transfer such interest to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Regulation S Permanent Global Note, such transfer may be effected, subject to the Applicable Procedures, only in accordance with the provisions of this Section 2.18(a)(vi). Upon receipt by the Security Registrar of (A) written instructions (or notice from DTC of its receipt of instruction) given in accordance with the Applicable Procedures from a Depositary Participant directing the Security Registrar, to credit or cause to be credited to a specified Depositary Participant's account a beneficial interest in a Regulation S Permanent Global Note in a principal amount equal to that of the beneficial interest in a Regulation S Permanent Global Note to be so transferred; (B) a written order (or notice from DTC of its receipt of instruction) given in accordance with the Applicable Procedures containing information regarding the account of the Depositary Participant to be credited with, and the account of the Depositary Participant to be debited for, such beneficial interest and (C) a certificate in substantially the form set forth in Exhibit D; the principal amount of a Regulation S Permanent Global Note shall be reduced, and the principal amount of a Regulation S Permanent Global Note shall be increased, by the principal amount of the beneficial interest in a Regulation S Permanent Global Note to be so transferred, in each case by means of an appropriate adjustment on the records of the Security Registrar, and the Security Registrar shall

instruct DTC or its authorized representative to make a corresponding adjustment to its records and to credit or cause to be credited to the account of the Person specified in such instructions a beneficial interest in a Regulation S Permanent Global Note having a principal amount equal to the amount so transferred.

(vii) *Exchanges of Global Note for Non-Global Note*. In the event that a Global Note or any portion thereof is exchanged for Notes other than Global Notes, such other Notes may in turn be exchanged (on transfer or otherwise) for Notes that are not Global Notes or for beneficial interests in a Global Note (if any is then outstanding) only in accordance with procedures which shall be substantially consistent with the provisions of clauses (i) and (iii) through (vi) above (including the certification requirements intended to insure that transfers and exchanges of beneficial interests in a Global Note comply with Rule 144A, Rule 144 or Regulation S, as the case may be) and any Applicable Procedures, as may be from time to time adopted by the Company and the Trustee. Notwithstanding anything to the contrary in this Indenture, definitive Notes shall not be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note except in accordance with Section 2.04.

(b) Global Notes. The provisions of clauses (i), (ii), (iii), and (iv) below shall apply only to Global Notes:

(i) *General*. Each Global Note authenticated under the Indenture shall be registered in the name of the appropriate Depositary or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor.

(ii) *Transfer to Persons Other than Depositary*. Notwithstanding any other provision in the Indenture or the Notes, no Global Note may be exchanged in whole or in part for Notes registered, and no transfer of a Global Note in whole or in part may be registered, in the name of any person other than the appropriate Depositary or a nominee thereof, unless, (A) in the case of a Global Note, DTC notifies the Company that it is unwilling or unable to continue as Depositary for such Global Note, or DTC ceases to be a "clearing agency" (as such term is defined in Section 17A of the Exchange Act) registered under the Exchange Act, and a successor to DTC is not appointed by the Company within ninety (90) days, (B) the Company executes and delivers to the Trustee and Security Registrar an Officers' Certificate stating that such Global Note shall be so exchangeable, or (C) an Event of Default has occurred and is continuing with respect thereto and the owner of a beneficial interest therein requests such exchange or transfer. Any Global Note exchanged pursuant to Section 2.18(a)(i) above shall be so exchanged in whole and not in part and any Global Note exchanged pursuant to Section 2.18(a)(vii) above may be exchanged in whole or from time to time in part as directed by DTC. Any Note issued in exchange for a Global Note or any portion thereof shall be a Global Note, *provided* that any such Note so issued that is registered in the name of a Person other than the appropriate Depositary or a nominee thereof shall not be a Global Note.

(iii) *Global Note to Physical Note*. Subject to Section 2.18(a)(vii), Physical Notes in exchange for a Global Note or any portion thereof pursuant to clause (ii) above shall be issued in definitive, fully registered form without interest coupons, shall have an

aggregate principal amount equal to that of such Global Note or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate and shall bear any legends required hereunder. Any Global Note to be exchanged in whole shall be surrendered by the Depositary to the appropriate Security Registrar. With regard to any Global Note to be exchanged in part, either such Global Note shall be so surrendered for exchange or, in the case of a Global Note, if the Trustee is acting as custodian for DTC or its nominee with respect to such Global Note, the principal amount thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment made on the records of the Trustee, as Authenticating Agent, or of the Depositary. Upon any such surrender or adjustment, the Trustee shall authenticate and deliver the Note issuable on such exchange to or upon the order of the Depositary or an authorized representative thereof.

(iv) *Certificates*. In the event of the occurrence of any of the events specified in clause (ii) above, the Company will promptly make available to the Trustee a reasonable supply of Physical Notes in definitive, fully registered form, without interest coupons.

(v) *No Rights of Depositary Participants in Global Note*. No Depositary Participant, nor any other Persons on whose behalf Depositary Participants may act, shall have any rights under the Indenture with respect to any Global Note or under any Global Note, and the Depositary or its nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between DTC, their respective Depositary Participants and any other person on whose behalf a Depositary Participant may act, the operation of customary practices of such Persons governing the exercise of the rights of a Holder.

Section 2.19. Special Transfer Provisions.

(a) If a Holder proposes to transfer a Note pursuant to any exemption from the registration requirements of the Securities Act other than as provided for above, the Security Registrar shall only register such transfer or exchange if such transferor delivers to the Security Registrar and the Trustee an Opinion of Counsel satisfactory to the Company and the Security Registrar that such transfer is in compliance with the Securities Act and the terms of this Indenture; *provided* that the Company may, based upon the opinion of its counsel, instruct the Security Registrar by a Company Order not to register such transfer in any case where the proposed transferee is not a QIB or a Non-U.S. Person.

(b) By its acceptance of any Note bearing legends, each Holder of such Note acknowledges the restrictions on transfer of such Note set forth in this Indenture and in the legends and agrees that it will transfer such Note only as provided in this Indenture.

(c) The Security Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 2.17, 2.18 or this Section 2.19 for a period of two years, after which time such letters, notices and other written communications shall at the written request of the Company be delivered to the Company. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable prior written notice to the Security Registrar.

ARTICLE 3

Repayment of the Notes

Section 3.01. Repayment. The Company shall, not more than 30 and not less than 15 days prior to each Repayment Date, notify the Trustee in writing of the principal amount of Notes to be repaid on such date pursuant to Section 2.02(a), which notice shall have attached thereto the Notice of Repayment, which shall be given by the Trustee to the Holders as soon as practicable thereafter. If the Company anticipates that it will repay the Notes in part, and not in full, on any Repayment Date, the Company shall use its commercially reasonable efforts to deliver notice pursuant to this Section 3.01 to the Trustee 30 days prior to such Repayment Date.

Section 3.02. Selection of Securities to be Repaid. If less than all the Notes are to be repaid on any Repayment Date (unless such repayment affects only a single Note), the particular Notes to be repaid shall be selected not more than 30 days prior to such Repayment Date by the Trustee in accordance with Section 11.03.

The Trustee shall promptly notify the Company in writing of the Notes selected for partial repayment and the principal amount thereof to be repaid. For all purposes hereof, unless the context otherwise requires, all provisions relating to the repayment of Notes shall relate, in the case of any Note repaid or to be repaid only in part, to the portion of the principal amount of such Note which has been or is to be repaid. If the Company shall so direct, Notes registered in the name of the Company or any Subsidiary thereof shall not be included in the Notes selected for repayment.

Section 3.03. Notice of Repayment. Notice of repayment (each a "**Notice of Repayment**") shall be given by first-class mail, postage prepaid, mailed not earlier than the 15th Business Day, and not later than the 10th Business Day, prior to the Repayment Date, to each Holder of the Notes to be repaid, at the address of such Holder as it appears in the Security Register; *provided* that additional notices (each a "**Supplemental Notice**") may be given to the Holders specifying additional details relating to such repayment no later than the 5th Business Day prior to the Repayment Date.

Each Notice of Repayment, to the extent not specified thereafter by any applicable Supplemental Notice, shall identify the Notes to be repaid (including CUSIP number) and shall state:

(a) the Repayment Date, the price at which the Notes are to be repaid, and the amount of any accrued Interest (including Additional Interest) thereon as of the Repayment Date;

(b) if less than all Outstanding Notes are to be repaid, the identification (and, in the case of partial repayment, the respective principal amounts) of the particular Notes to be repaid;

(c) that on the Repayment Date, the principal amount of the Notes to be repaid shall become due and payable upon each such Note or portion thereof, and that Interest thereon shall cease to accrue on and after said date; and

(d) the place or places where such Notes are to be surrendered for payment of the principal amount thereof.

Notice of Repayment shall be given by the Trustee in the name and at the expense of the Company and shall be irrevocable. The notice if mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, a failure to give such notice by mail or any defect in the notice to the Holder of any Notes designated for repayment as a whole or in part shall not affect the validity of the proceedings for the repayment of any other Notes.

Section 3.04. Deposit of Repayment Amount. Prior to 10:00 a.m. New York City time on the Repayment Date specified in the Notice of Repayment, the Company shall deposit with the Trustee or with one or more Paying Agents (or if the Company is acting as its own Paying Agent, the Company shall segregate and hold in trust as provided in Section 10.03) an amount of money, in immediately available funds, sufficient to pay the principal amount of, and any accrued Interest (including Additional Interest thereon) on, all the Notes which are to be repaid on that date.

Section 3.05. Payment of Notes Subject to Repayment. If any Notice of Repayment has been given, the Notes or portion of the Notes with respect to which such notice has been given, or if any Supplemental Notice is given which identifies the particular Notes to be repaid, the Notes or portion thereof so identified, shall become due and payable on the date and at the place or places stated in such notice. On presentation and surrender of such Notes at a Place of Payment in said notice specified, the Notes or the specified portion thereof shall be paid by the Company at their principal amount, together with accrued Interest (including any Additional Interest thereon) to the Repayment Date.

If any date fixed for repayment is not a Business Day, then repayment of the principal amount of the Notes and accrued and unpaid interest shall be made on the next day that is a Business Day, without any Interest or other payment for delay.

Upon presentation of any Note repaid in part only, the Company shall execute and the Trustee, upon receipt of a Company Order to do so, shall authenticate and make available for delivery to the Holder thereof, at the expense of the Company, a new Note or Notes, of authorized denominations, in aggregate principal amount equal to the portion of the Note not repaid and so presented and having the same date of original issuance, Scheduled Maturity Date, Final Maturity Date and terms.

If any Note called for repayment shall not be so paid upon surrender thereof, the principal of such Note shall, until paid, bear Interest from the Repayment Date at the rate prescribed therefor in the Note.

ARTICLE 4

Satisfaction and Discharge

Section 4.01. Satisfaction and Discharge of Indenture. This Indenture shall upon Company Request cease to be of further effect with respect to the Notes (except as to (i) any surviving rights of registration of transfer or exchange of Notes herein expressly provided for, (ii) any rights under Sections 2.07, 2.09, 10.02 and 10.03, (iii) rights hereunder of Holders to receive payments of principal of, and premium, if any, and Interest on, Notes, and other rights, duties and obligations of the Holders as beneficiaries hereof with respect to the amounts, if any, so deposited with the Trustee and (iv) the rights and immunities of the Trustee hereunder, and the obligations of the Trustee under or as described in this Article 4), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Notes, when:

(1) either:

(A) all Notes theretofore authenticated and delivered (other than (i) Notes which have been mutilated, destroyed, lost or stolen and which have been replaced as provided in Section 2.09 and (ii) Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.03) have been delivered to the Trustee for cancellation; or

(B) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee and the Company has deposited or caused to be deposited with the Trustee as trust funds in trust

(i) money in U.S. dollars in an amount sufficient, or

(ii) (a) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide not later than one day before the due date of any payment referred to in clause (B) of this subparagraph money in an amount, or (b) a combination of such money and such U.S. Government Obligations, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee,

to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and Interest to the date of such deposit (in the case of Notes which have become due and payable) or to the Scheduled Maturity Date, the Final Maturity Date or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with and no deposit made under this Section 4.01 was made in violation of Section 12.02; *provided*, that, such Opinion of Counsel need not include an opinion as to the sufficiency of the funds deposited in trust and delivered to the Trustee pursuant to this Section 4.01.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.06, and, if money or U.S. Government Obligations shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section 4.01, the obligations of the Trustee under Section 4.02 and the next to last paragraph of Section 10.03, shall survive.

Section 4.02. Application of Trust Funds; Indemnification. Subject to the provisions of the next to last paragraph of Section 10.03, all money or U.S. Government Obligations deposited with the Trustee pursuant to Section 4.01 and all money received by the Trustee in respect of U.S. Government Obligations deposited with the Trustee pursuant to Section 4.01 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and Interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law.

(a) The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against U.S. Government Obligations deposited pursuant to Section 4.01, or the Interest and principal received in respect of such obligations other than any amount payable by or on behalf of Holders.

(b) The Trustee shall deliver or pay to the Company from time to time upon Company Request any U.S. Government Obligations or money held by it as provided in Section 4.01 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the same opinions given to the Trustee pursuant to Section 4.01), is then in excess of the amount thereof which then would have been required to be deposited for the purpose for which such obligations or money was deposited or received. Such accounting opinion shall not be required once all amounts outstanding under the Notes and due under this Indenture have been paid in full.

Section 4.03. Legal Defeasance and Discharge of Indenture. The Company shall be deemed to have paid and discharged the entire indebtedness on all the Outstanding Notes on the first date that all of the conditions set forth in the proviso below are satisfied, and the provisions of this Indenture, as it relates to such Outstanding Notes, shall no longer be in effect (and the Trustee, at the expense of the Company, shall at Company Request, execute proper instruments acknowledging the same), except as to:

(a) the rights of Holders of Notes to receive, from the trust funds described in Section 4.03(c) hereof, (x) payment of the principal of (and premium, if any) and each installment of principal of (and premium, if any) or Interest on the Notes when such principal or installment of principal or Interest is due and payable in accordance with the terms of this Indenture and the Notes and (y) the benefit of any mandatory sinking fund payments applicable to the Notes on the day on which such payments are due and payable in accordance with the terms of this Indenture and the Notes;

(b) the Company's obligations with respect to such Notes under Sections 2.07, 2.09, Section 3.05, 10.02 and 10.03; and

(c) the obligations of the Company to the Trustee under Section 6.06;

provided, *however*, that the following conditions shall have been satisfied:

(i) the Company has or caused to be irrevocably deposited (except as provided in Section 4.02) with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Notes,

(A) money in U.S. Dollars in an amount sufficient, or

(B) (1) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide not later than one day before the due date of any payment referred to in this Section 4.03(c) money in an amount or (2) a combination of such money and such U.S. Government Obligations, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee,

to pay and discharge the principal of (and premium, if any) and each installment of principal of (and premium, if any) and Interest on the Outstanding Notes on the dates on which such payments are due and payable in accordance with the terms of this Indenture and the Notes of such principal or installment of principal or Interest or on the applicable Redemption Date;

(ii) such deposit shall not cause the Trustee with respect to the Notes to have a conflicting interest for purposes of the Trust Indenture Act with respect to the Notes;

(iii) such deposit will not result in a breach or violation of, or constitute a default under this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound;

(iv) no Event of Default or event which with notice or lapse of time would become an Event of Default with respect to the Notes shall have occurred and be continuing on the date of such deposit; and

(v) if the deposit referred to in subparagraph (i) of this Section 4.03 is to be made on or prior to one year from the Scheduled Maturity Date for payment of principal of the Outstanding Notes, the Company has delivered to the Trustee an Opinion of

Counsel with no material qualifications or a favorable ruling of the United States Internal Revenue Service, in either case to the effect that Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred, and such Opinion of Counsel, in the case of defeasance, must refer to and be based upon a letter ruling of the United States Internal Revenue Service received by the Company, a Revenue Ruling published by the United States Internal Revenue Service or a change in applicable federal income tax law occurring after the date of this Indenture.

Section 4.04. Defeasance of Certain Obligations. The Company shall be released from its obligations under Section 8.01, and the occurrence of an event specified in Section 5.03(1) shall not be deemed to be an Enforcement Event on and after the date the conditions set forth below are satisfied, ("**Covenant Defeasance**") if:

(i) the Company has deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Notes,

(A) money in U.S. dollars in an amount sufficient, or

(B) (1) U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide not later than one day before the due date of any payment referred to in this Section 4.04 money in an amount, or (2) a combination of such money and such U.S. Government Obligation, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee,

to pay and discharge the principal of (and premium, if any) and each installment of principal (and premium, if any) and Interest on the Outstanding Notes on the dates on which such payments are due and payable in accordance with the terms of this Indenture and the Notes;

(ii) such deposit shall not cause the Trustee with respect to the Notes to have a conflicting interest for purposes of the Trust Indenture Act with respect to the Notes;

(iii) such deposit will not result in a breach or violation of, or constitute a default under this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound;

(iv) if the deposit referred to in subparagraph (i) of this Section, 4.04 is to be made on or prior to one year from the Scheduled Maturity Date or Final Maturity Date for payment of principal of the Outstanding Notes, the Company has delivered to the Trustee an Opinion of Counsel with no material qualifications or a favorable ruling of the United States Internal Revenue Service, in either case to the effect that Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal

income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit and defeasance had not occurred; and

(v) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the Covenant Defeasance contemplated by this Section 4.04 have been complied with.

ARTICLE 5

Remedies

Section 5.01. Events of Default. "**Event of Default**" with respect to the Notes whenever used herein means any one of the following events that has occurred and is continuing:

(1) default in the payment of Interest (including Additional Interest thereon) in full on any Note for a period of 30 days after the conclusion of a ten-year period following the commencement of any Deferral Period; or

(2) the failure to pay the principal of any Note when due and payable, whether on the Final Maturity Date, upon redemption or upon a declaration of acceleration; or

(3) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(4) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property, or make any general assignment for the benefit of creditors.

Section 5.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default (other than an Event of Default under Section 5.01(3) or (4)) occurs and is continuing, then in every such case the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Notes may declare the principal amount of, and accrued Interest (including Additional Interest thereon) on, all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

In case of an Event of Default under Section 5.01(3) or (4) which occurs and is continuing with respect to the Notes, then all unpaid principal of, and accrued Interest (including

Additional Interest thereon) on, all such Outstanding Notes shall become immediately due and payable without any notice or other action on the part of the Trustee or the Holders of any Notes. For the avoidance of doubt, no other default or circumstances other than the ones specifically set forth in Section 5.01(1), (2), (3) or (4) under the Indenture shall give the Holders or the Trustee the right to declare the principal amount of, and accrued Interest (including Additional Interest thereon) or any other amounts on the Notes immediately due and payable.

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Outstanding Notes, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue Interest on the Notes,

(B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and Interest thereon at the rate or rates prescribed therefor in the Notes,

(C) to the extent that payment of such Interest is lawful, Interest on overdue Interest at the rate or rates prescribed therefor in the Notes, and

(D) all sums paid or advanced by the Trustee and any predecessor Trustee hereunder and all sums due the Trustee and any predecessor Trustee under Section 6.06; and

(2) all Events of Default with respect to the Notes, other than the non-payment of the principal of the Notes that have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.03. Enforcement Events. The term "**Enforcement Event**" whenever used herein means any one of the following events:

(1) default by the Company in the observance, satisfaction or performance of any of the covenants or agreements contained in this Indenture (other than a covenant or agreement in respect of the Notes a default in whose observance, satisfaction or performance is elsewhere in this Section or in Section 5.01 specifically dealt with) on the part of the Company in respect of the Notes that continues following a period of 60 days after the date on which written notice of such failure, requiring the Company to remedy the same and stating that it is a "**Notice of Enforcement Event**" hereunder, shall have been given to the Company by the Trustee by registered mail, or to the Company and the

Trustee by the Holders of at least a majority in the aggregate principal amount of the Notes at the time Outstanding; or

(2) unless the Scheduled Maturity Obligations shall have terminated in accordance with Section 2.02(a) and except under the circumstances set forth in Section 2.02(a)(viii), the Company's failure to use Commercially Reasonable Efforts to raise sufficient proceeds from the issuance of Qualifying Capital Securities to repay the Notes in full on a Repayment Date;

(3) the Company's failure to pay Interest on the Notes in accordance with the Alternative Payment Mechanism as required herein; or

(4) the Company's failure to raise Eligible Proceeds.

Except as provided in the last sentence of this paragraph, if any Enforcement Event with respect to the Notes occurs and is continuing, the Trustee may in its discretion, or at the written request of the Holders of at least a majority in principal amount of the Outstanding Notes after such Holders have provided the Trustee with reasonable indemnity or security as contemplated by Article 6 shall, subject to Article 6, proceed to protect and enforce its rights and the rights of the Holders of Notes by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific performance of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy. The Company acknowledges that any failure by the Company to comply with its obligations under Section 5.03(2) through (4) hereof may result in material irreparable injury to Holders, for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, any Holder may obtain such relief as may be required to specifically enforce the Company's obligations under Section 5.03(2) through (4) hereof.

For the avoidance of doubt, an Enforcement Event shall not constitute an Event of Default under the Indenture (other than as specifically set forth under Section 5.01(1)) and shall not give the Holders or the Trustee the right to declare the principal amount of, and accrued Interest (including Additional Interest thereon) or any other amounts on the Notes immediately due and payable under any circumstances.

Notwithstanding anything herein to the contrary, the Trustee shall have no responsibility, including any right or obligation to exercise remedies, with respect to a default by the Company with respect to any covenant contained herein, other than a covenant the violation of which constitutes, or with the giving of notice or the passage of time or both, would constitute, an Event of Default or an Enforcement Event; *provided*, that nothing in this paragraph shall impair the right of the Trustee to enforce the Company's obligations hereunder with respect to the Trustee's compensation, reimbursement of expenses and advances and indemnities.

Section 5.04. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or the property of the Company or its creditors, the Trustee (irrespective of whether the principal of the Notes shall

then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium or Interest) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and Interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.06.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.05. Trustee May Enforce Claims Without Possession of Notes. All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

Section 5.06. Application of Money Collected. Any money collected by the Trustee pursuant to this article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or Interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and each predecessor Trustee under Section 6.06;

SECOND: Subject to Article 12, to the payment of the amounts then due and unpaid for principal of (and premium, if any) and Interest on the Notes in respect of which or for the benefit of which such money has been collected ratably, without preference or priority of any kind,

according to the amounts due and payable on such Notes for principal (and premium, if any) and Interest, respectively; and

THIRD: To the Company.

Section 5.07. Limitation on Suits. No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) an Event of Default or Enforcement Event shall have occurred and be continuing, and such Holder has previously given written notice to the Trustee of such continuing Event of Default or Enforcement Event, as the case may be;

(2) the Holders of not less than 25% in principal amount of the Outstanding Notes in the case of an Event of Default, or a majority in principal amount of the Outstanding Notes in the case of an Enforcement Event, shall have made written request to the Trustee to institute proceedings in respect of such Event of Default or Enforcement Event, as the case may be, in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) in the case of an Event of Default, no direction inconsistent with such request shall have been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Notes;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Section 5.08. Unconditional Right of Holders to Receive Principal, and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 2.12 and to the limitation as to Interest specified in Section 2.02(d)(iv)) Interest on such Note at the times herein prescribed and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 5.09. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored

severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 5.10. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.09, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.11. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Notes to exercise any right or remedy accruing upon any Event of Default or Enforcement Event shall impair any such right or remedy or constitute a waiver of any such Event of Default or Enforcement Event or any acquiescence therein. Every right and remedy given by this article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 5.12. Control by Holders. The Holders of a majority in principal amount of the Outstanding Notes shall have the right (subject to the Trustee's right first to be indemnified for associated costs and liabilities as provided in Article 6) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes, provided, *however*, that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, expose the Trustee to personal liability or be unduly prejudicial to Holders not joining therein; and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Nothing in this Indenture shall impair the right of the Trustee to take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.13. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Notes may on behalf of the Holders of all the Notes waive any past default hereunder and its consequences, except that the consent of each Holder of Notes affected thereby is required to waive a default:

(1) in the payment of the principal of (or premium, if any) or Interest on any Note; or

(2) in respect of any provision hereof which under this Indenture cannot be modified or amended without the consent of the Holder of each Outstanding Note affected thereby.

Upon any such waiver, such default shall cease to exist, and any Event of Default or Enforcement Event arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 5.14. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.14 shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Notes, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or Interest on any Notes on or after the Final Maturity Date expressed in such Note (or, in the case of redemption, on or after the Redemption Date).

Section 5.15. Waiver of Stay or Extension Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.16. Notice of Defaults. Within 90 days after the occurrence of a default or Event of Default or Enforcement Event hereunder is known to the Responsible Officer of the Trustee, the Trustee shall transmit by mail to all Holders of Notes, as their names and addresses appear in the Note Register, notice of such default hereunder, unless such default shall have been cured or waived; *provided*, *however*, that, except in the case of a default in the payment of the principal of (or premium, if any), or Interest (including Additional Interest) on, any Note, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Notes. For the purpose of this Section 5.16, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default or Enforcement Event.

ARTICLE 6

The Trustee

Section 6.01. Duties and Responsibilities of Trustee. With respect to the Holders of the Notes issued hereunder, the Trustee, prior to the occurrence of an Event of Default or an Enforcement Event with respect to the Notes known to the Trustee and after the curing or waiving of all Events of Default or Enforcement Events which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default or an Enforcement Event with respect to the Notes known to the Trustee has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:

(1) prior to the occurrence of an Event of Default or an Enforcement Event with respect to the Notes known to the Trustee and after the curing or waiving of all Events of Default or Enforcement Events which may have occurred: (a) the duties and obligations of the Trustee with respect to the Notes shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and (b) in the absence of bad faith, gross negligence or willful misconduct on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or Officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken, omitted or suffered to be taken by it in good faith in accordance with the direction of the holders of Notes pursuant to Section 5.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to Notes; and

(4) none of the provisions of this Indenture shall be construed as requiring the Trustee to expend or risk its own funds or otherwise to incur any personal financial liability in the performance of any of its duties hereunder, or in the exercise of any of its

rights or powers, if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 6.02. Reliance on Documents, Opinions, etc. Subject to the provisions of Section 6.01:

(1) the Trustee may rely and shall be protected in acting or refraining from acting upon any Board Resolution, Officers' Certificate, statement, instrument, Opinion of Counsel, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Company by the chief executive officer, its president or one of its vice presidents or its secretary, assistant secretary, treasurer or assistant treasurer (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Trustee by a copy thereof certified by the Secretary, an Assistant Secretary or an attesting secretary of the Company (unless other evidence in respect thereof be herein specifically prescribed);

(3) the Trustee may consult with counsel and any advice of counsel or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, omitted or suffered to be taken by it hereunder in good faith and in accordance with such advice of counsel or Opinion of Counsel;

(4) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(5) the Trustee shall not be liable for any action taken, omitted or suffered by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture;

(6) the Trustee shall not be bound to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document unless requested in writing so to do by the Holders of a majority in aggregate principal amount of the Outstanding Notes; *provided*, *however*, that if the payment within a reasonable time to the Trustee of the costs and expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security conferred upon it by the terms of this Indenture, the Trustee may require reasonable indemnity against such costs, expenses or liabilities as a condition to so proceeding; and the reasonable expense of such investigation shall be paid

by the Company, or, if paid by the Trustee, shall be repaid by the Company upon demand;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(8) the Trustee shall not be charged with knowledge of any default, Event of Default or Enforcement Event unless and except to the extent either (1) a Responsible Officer of the Trustee shall have actual knowledge of such default, Event of Default or Enforcement Event, or (2) written notice of such default, Event of Default or Enforcement Event shall have been given to the Trustee at the Corporate Trust Office, which notice makes reference to the Notes or this Indenture.

Section 6.03. No Responsibility for Recitals, etc. The recitals contained herein and in the Notes shall be taken as the statements of the Company (except in the Trustee's certificates of authentication), and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or the Notes, *provided* that the Trustee shall not be relieved of its duty to authenticate Notes only as authorized by this Indenture. The Trustee shall not be accountable for the use or application by the Company of any of the Notes or of the proceeds thereof.

Section 6.04. Ownership of Notes. The Trustee and any agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not Trustee or such agent.

Section 6.05. Reports by Trustee to Holders. As promptly as practicable after each May 15 beginning with the May 15 following the date of this Indenture, the Trustee shall mail to each Holder a brief report dated as of such May 15 that complies with 313(a) of the Trust Indenture Act, if required by such 313(a) of the Trust Indenture Act. The Trustee also shall comply with Section 313(b) of the Trust Indenture Act. The Trustee shall also transmit by mail all reports required by Section 313(c) of the Trust Indenture Act.

Section 6.06. Compensation and Indemnity. The Trustee shall be entitled to such compensation as shall be agreed with the Company for all services rendered by them hereunder, and the Company agrees promptly to pay such compensation and to reimburse the Trustee for the reasonable out-of-pocket expenses (including reasonable counsel fees and expenses) incurred by them in connection with or arising out of their services hereunder or the issuance of the Notes. The Company also agrees to indemnify the Trustee for, and to hold them harmless against, any loss, damages, claim, liability or expense (including reasonable counsel fees and expenses), incurred without negligence or bad faith, arising out of or in connection with their acting as Trustee hereunder, as well as the reasonable costs and expenses of defending against any claim of liability in the premises. The obligations of the Company under this Section 6.06 shall survive the termination of this Agreement, payment of all the Notes or the resignation or removal of the Trustee. The Trustee shall promptly notify the Company of any claim for which the Trustee may seek indemnity, including costs and expenses of defending the relevant party against any claim

for liability arising from the exercise or performance of any of its powers or duties hereunder. The Company shall not be obligated to pay for any settlement of any such claim made without its consent. To secure the Company's payment obligations in this Section 6.06, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, premium, if any, and interest on particular Notes.

Section 6.07. Officers' Certificate as Evidence. Subject to the provisions of Sections 6.01 and 6.02, whenever in the administration of the provisions of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, omitting or suffering any action to be taken hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of gross negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Trustee, and such certificate, in the absence of gross negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, omitted or suffered by it under the provisions of this Indenture upon the faith thereof.

Section 6.08. Eligibility of Trustee. The Trustee hereunder shall at all times be a corporation organized and doing business under the laws of the United States or any state thereof or the District of Columbia, which (a) is authorized under such laws to exercise corporate trust powers and (b) is subject to supervision or examination by Federal or State authority and (c) shall have at all times a combined capital and surplus of not less than $50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law, or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.07, the combined capital and surplus of such corporation at any time shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.07, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.08.

Section 6.09. Resignation or Removal of Trustee. The Trustee may at any time resign by giving written notice to the Company of such intention on its part, specifying the date on which its desired resignation shall become effective, *provided* that such date shall not be less than 60 days from the date on which such notice is given, unless the Company agrees to accept shorter notice. The Trustee hereunder may be removed at any time by the filing with it of an instrument in writing signed on behalf of the Company and specifying such removal and the date when it shall become effective. The Holders of a majority in aggregate principal amount of the Outstanding Notes may remove the Trustee as Trustee by notifying the removed Trustee and the Company. Notwithstanding the dates of effectiveness of resignation or removal, as the case may be, to be specified in accordance with the preceding sentences, such resignation or removal shall take effect only upon the appointment by the Company, as hereinafter provided, of a successor Trustee (which, to qualify as such, shall for all purposes hereunder be a corporation organized and doing business under the laws of the United States of America or any state thereof or the District of Columbia, in good standing and having and acting, either itself or through an affiliate, through an established place of business in the Borough of Manhattan, The City of New York, authorized under such laws to exercise corporate trust powers and having a combined capital and

surplus in excess of $50,000,000) and the acceptance of such appointment by such successor Trustee. Upon its resignation or removal, the Trustee shall be entitled to payment by the Company pursuant to Section 6.06 hereof of compensation for services rendered and to reimbursement of reasonable out-of-pocket expenses incurred hereunder.

Section 6.10. Successors. In case at any time the Trustee (or any Paying Agent if such Paying Agent is the only Paying Agent located in a place where, by the terms of the Notes or this Indenture, the Company is required to maintain a Paying Agent) shall resign, or shall be removed, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or shall file a voluntary petition in bankruptcy or make an assignment for the benefit of its creditors or consent to the appointment of a receiver of all or any substantial part of its property, or shall admit in writing its inability to pay or meet its debts as they severally mature, or if a receiver of it or of all or any substantial part of its property shall be appointed, or if an order of any court shall be entered approving any petition filed by or against it under the provisions of applicable receivership, bankruptcy, insolvency or other similar legislation, or if any public officer shall take charge or control of it or of its property or affairs, for the purpose of rehabilitation, conservation or liquidation, a successor Trustee or Paying Agent, as the case may be, qualified as aforesaid, shall be appointed by the Company by an instrument in writing, filed with the successor Trustee or Paying Agent, as the case may be, and the predecessor Trustee or Paying Agent, as the case may be. Upon the appointment as aforesaid of a successor Trustee or Paying Agent, as the case may be, and acceptance by such successor of such appointment, the Trustee or Paying Agent, as the case may be, so succeeded shall cease to be Trustee or Paying Agent, as the case may be, hereunder. Within one year after the successor Trustee or Paying Agent, as the case may be, takes office, the Holders of a majority in aggregate principal amount of the Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company. If no successor Trustee or other Paying Agent, as the case may be, shall have been so appointed by the Company and shall have accepted appointment as hereinafter provided within 60 days after such resignation, removal or disqualification, and, in the case of such other Paying Agent, if such other Paying Agent is the only Paying Agent located in a place where, by the terms of the Notes or this Indenture, the Company is required to maintain a Paying Agent, then any Holder of a Note who has been a bona fide Holder of a Note for at least six months (which Note, in the case of such other Paying Agent, is referred to in this sentence), on behalf of himself and all others similarly situated, or the Trustee, may petition any court of competent jurisdiction for the appointment of a successor trustee or paying agent, as the case may be. The Company shall give prompt written notice to each other Paying Agent of the appointment of a successor Trustee.

Section 6.11. Acknowledgement. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Company an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as Trustee hereunder and all provisions hereof shall be binding on such successor Trustee, and such predecessor, upon payment of its compensation and reimbursement of its disbursements then unpaid, shall thereupon become obligated to transfer, deliver and pay over, and such successor Trustee shall be entitled to receive, all monies, securities, books, records or other property on deposit with or held by such predecessor as Trustee hereunder.

Section 6.12. Merger, Consolidation, etc. Any bank or trust company into which the Trustee hereunder may be merged, or resulting from any merger or consolidation to which the Trustee shall be a party, or to which the Trustee shall sell or otherwise transfer all or substantially all of its corporate trust business, *provided* that it shall be qualified as aforesaid, shall be the successor Trustee under this Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 6.13. Appointment of Authenticating Agent. The Trustee may appoint an Authenticating Agent or Agents which shall be authorized to act on behalf of the Trustee to authenticate Notes issued upon original issue and upon exchange, registration of transfer, partial conversion or partial redemption or repayment or pursuant to Section 2.06, and Notes so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section. Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Note Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment is made pursuant to this Section, the Notes may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

"This is one of the Notes referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
As Authenticating Agent

By: _____
Authorized Signatory"

ARTICLE 7

Delivery of Certain Information

Section 7.01. Delivery of Rule 144A Information and Annual Conference Call.

At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act and for so long there be any Outstanding Notes, the Company shall, (i) upon the request of a Holder, promptly furnish or cause to be furnished Rule 144A Information to such Holder or to a prospective purchaser of such a Note who is designated by such Holder in order to permit compliance by such Holder with Rule 144A under the Act in connection with the resale of such Note by such Holder and (ii) no later than 90 days after the end of each fiscal year of the Company, conduct a conference call for Holders with respect to the Company's financial condition and results of operations for such fiscal year. The Company shall send notice to Holders in accordance with Section 1.06 regarding the time, date and access information for such conference call no fewer than 15 Business Days prior to such conference call.

Section 7.02. Reports.

(a) At any time when the Company is subject to Section 13 or 15(d) of the Exchange Act, the Company covenants and agrees to provide to the Trustee such reports, information and documents, if any, filed with the Commission.

(b) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein,

including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

ARTICLE 8

Successors

Section 8.01. Merger, Consolidation, or Sale of Assets. As long as any Notes are outstanding, the Company shall not consolidate or merge with or into any other Person or convey, transfer, lease, sell or assign all or substantially all of its properties and assets to another Person, unless:

(i) either (A) the Company is the continuing Person or (B) both (x) the successor Person expressly assumes by an indenture supplemental hereto executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, and premium, if any, and Interest on the Notes, and the performance of every other covenant of this Indenture on the part of the Company to be performed or observed; and (y) the Person formed by the consolidation or into which the Company is merged or the Person that acquires all or substantially all of the properties and assets of the Company is a corporation or limited liability company organized and validly existing under the laws of the United States, any State or the District of Columbia;

(ii) immediately after giving effect to such transaction, no Event of Default and no event that, after notice or lapse of time or both, would become an Event of Default shall have happened and be continuing; and

(iii) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such transaction and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 8.02. Successor Corporation Substituted. Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer, lease, sale or assignment of all or substantially all of the properties and assets of the Company in accordance with Section 8.01, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease or sale or assignment is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Notes.

ARTICLE 9

Amendments and Supplemental Indentures

Section 9.01. Supplemental Indentures Without Consent of Holders. Subject to Section 9.06, the Company, when authorized by a Board Resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(a) to evidence the succession of another Person to the Company, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Company under the Indenture and the Notes pursuant to Article 8 hereof; *provided* that the event giving rise to such succession was otherwise in accordance with the provisions set forth in this Indenture;

(b) to add to the covenants of the Company such further covenants, restrictions, conditions or provisions for the benefit of the Holders of the Notes or to surrender any right or power herein conferred upon the Company;

(c) to amend the definition of "APM Securities" to eliminate Common Stock and/or Mandatorily Convertible Preferred Stock from such definition, subject to the conditions specified under the proviso of the definition of "APM Securities";

(d) to make any changes that would provide any additional rights or benefits to the Holders;

(e) to increase the Share Cap;

(f) to provide for the issuance of Additional Notes in accordance with the provisions of this Indenture;

(g) to evidence and provide for the acceptance of appointment by a successor trustee with respect to the Notes;

(h) to provide any guarantee of the Notes;

(i) to cure any ambiguity or omission, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein; or

(j) to make any other provisions with respect to matters or questions arising under this Indenture, in each case, which shall not be inconsistent with the provisions herein, *provided* such action shall not adversely affect the interests of the Holders in any material respect.

No amendment to this Indenture or the Notes made solely to conform this Indenture to the description of the Notes contained in the Offering Memorandum will be deemed to adversely affect the interests of the Holders.

The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to, but may in its discretion, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Any supplemental indenture authorized by the provisions of this Section 9.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes at the time Outstanding, notwithstanding any of the provisions of Section 9.02.

After an amendment under this Section 9.01 becomes effective, the Company shall mail to Holders of the Notes a notice briefly describing such amendment. The failure to give such notice to all Holders of Notes, or any defect therein, shall not impair or affect the validity of an amendment under this Section 9.01.

Section 9.02. Supplemental Indentures With Consent of Holders. Subject to Section 9.06, with the consent (evidenced as provided in Section 1.04) of the Holders of not less than a majority in the aggregate principal amount of the Notes at the time Outstanding, the Company and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes, and the Company shall not modify or supplement the Replacement Capital Covenant in a manner to impose additional restrictions on the type or amount of Qualifying Capital Securities that the Company may include for purposes of determining when repayment, redemption or purchase of the Notes is permitted without obtaining the consent of at least a majority of the Holders of the Notes. However, no such supplemental indenture shall, with respect to each Note held by a non-consenting Holder:

(a) change the Scheduled Maturity Date or the Final Maturity Date of the principal of, or any installment of Interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon, alter the manner of calculation of Interest payable or extend the time for payment of Interest on any Note;

(b) reduce the percentage in principal amount of the Notes the consent of whose Holders of Outstanding Notes is required for any supplement or amendment to this Indenture, or the consent of whose Holders of Outstanding Notes is required for any waiver provided for in this Indenture;

(c) modify the interest rate reset provisions of any Note;

(d) reduce the Redemption Price of the Notes, or change the time at which the Notes may or must be redeemed or purchased, or change any place of payment where any Note or Interest thereon is payable;

(e) make any change to the abilities of Holders to enforce their rights under this Indenture or the Notes; or

(f) make any change in the provisions of the Indenture relating to waivers of past defaults or the rights of holders of Notes to receive payments of principal of, premium, if any, or Interest, or Additional Interest, if any, on the Notes,

without, in the case of each of the foregoing clauses (a) through (f), the consent of the Holder of each Note so affected.

Upon the request of the Company, accompanied by a Board Resolution authorizing the execution and delivery of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Holders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

After an amendment under this Section 9.02 becomes effective, the Company shall mail to Holders of the Notes a notice briefly describing such amendments. The failure to give such notice to all Holders of Notes, or any affect therein, shall not impair or affect the validity of any amendment under this Section 9.02.

Section 9.03. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture pursuant to the provisions of this Article 9, this Indenture shall be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.04. Notation on Notes. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article 9 may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the Company, authenticated by the Trustee and delivered in exchange for the Notes then Outstanding.

Section 9.05. Evidence of Compliance of Supplemental Indenture to Be Furnished Trustee. The Trustee, subject to the provisions of Sections 6.01 and 6.02, may require delivery to it, and shall be protected from liability in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article 9.

Section 9.06. Prohibition on Certain Amendments and Supplements. Notwithstanding any provision contained in this Article 9, neither the Company nor the Trustee may amend or supplement the Indenture or the Notes to add Events of Default or other acceleration events.

ARTICLE 10

Covenants

Section 10.01. Payment of Principal and Interest. Subject to Section 2.02(d), the Company covenants and agrees for the benefit of the Notes that it will duly and punctually pay the principal of (and premium, if any) and Interest on the Notes in accordance with the terms of the Notes and this Indenture. At the option of the Company, payment of principal (and premium, if any) and Interest on the Notes may be made either by wire transfer or (subject to collection) by check mailed to the address of the Person entitled thereto at such address as shall appear in the Note Register; *provided* that, in connection with payment by wire transfer, the Paying Agent shall have received appropriate wire transfer instructions at least five Business Days prior to the applicable payment date.

Section 10.02. Maintenance of Office or Agency. The Company will maintain in each Place of Payment an office or agency where the Notes may be presented or surrendered for payment, registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company hereby initially appoints the Trustee its office or agency for each of said purposes. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided*, *however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 10.03. Money for Notes; Payments to Be Held in Trust. If the Company shall at any time act as its own Paying Agent with respect to the Notes, it will, on or before each due date of the principal of (and premium, if any) or Interest on the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or Interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for the Notes, it will, on or prior to each due date of the principal of (and premium, if any) or Interest on the Notes, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or Interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal (and premium, if any) or Interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee a written instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or Interest on the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Notes) in the making of any payment of principal (and premium, if any) or Interest on the Notes; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or Interest on any Note and remaining unclaimed for two years after such principal (and premium, if any) or Interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look, only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided*, *however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the City, County and State of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 10.04. Maintain Existence. Subject to Article 8, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights (charter and statutory) and franchises; *provided*, *however*, that the Company shall not be required to preserve any such right or franchise if the Board of Directors or senior management of the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 10.05. Statement by Officers as to Default. The Company will deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, a certificate of the principal executive officer, principal financial officer or principal accounting officer of the Company stating whether or not to the best knowledge of the signer thereof the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

ARTICLE 11

Redemption of Notes

Section 11.01. General. The Notes shall be redeemable in accordance with Section 2.02(g) and this Article 11. Repayment of the Notes under Section 2.02(a) shall be in accordance with Article 3 of this Indenture. In addition, the Company may purchase, acquire or otherwise hold Notes.

Section 11.02. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Notes shall be evidenced by a Board Resolution. In case of any redemption of the Notes in whole or in part under Section 2.02(g) of this Indenture, the Company shall, at least 2 Business Days prior to the date that Notice of Redemption is required to be given to Holders under Section 11.04 (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of Notes to be redeemed, such notice to be accompanied by an Officers' Certificate stating that no defaults in the payment of Interest or Events of Default with respect to the Notes have occurred (which have not been waived or cured). In the case of any redemption of Notes (x) prior to the expiration of any restriction on such redemption provided in the terms of such Notes or elsewhere in this Indenture or (y) pursuant to an election of the Company which is subject to a condition specified in the terms of such Notes or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

Section 11.03. Selection by Trustee of Notes to Be Redeemed. If less than all the Notes are to be redeemed, the particular Notes to be redeemed shall be selected not more than 30 days prior to the Redemption Date by the Trustee, from the Outstanding Notes not previously called for redemption, by such method as the Trustee in its sole discretion shall deem fair and appropriate and which may provide for the selection or redemption of portions (equal to authorized denominations for Notes) of the principal amount of Notes of a denomination larger than the minimum authorized denomination for Notes.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Notes shall relate, in the case of any Notes redeemed or to be redeemed only in part, to the portion of the principal amount of such Notes which has been or is to be redeemed.

Section 11.04. Notice of Redemption. Notice of Redemption shall be given by first-class mail, postage prepaid, or by facsimile electronic transmission, mailed or transmitted not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Notes to be redeemed, at the Holder's address appearing in the Note Register ("**Notice of Redemption**"). Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not such Holder receives the notice. Failure to give notice by mail, or any defect in the notice to any such Holder in respect of any Note, shall not affect the validity of the proceedings for the redemption of any other Note.

All notices of redemption shall state:

(1) the Redemption Date;

(2) the Redemption Price and any accrued Interest, or if the Redemption Price is not then ascertainable, the manner of calculation thereof;

(3) if less than all the Outstanding Notes are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Notes to be redeemed;

(4) that on the Redemption Date, the Redemption Price and any accrued Interest will become due and payable upon each such Note to be redeemed;

(5) the place or places where such Notes are to be surrendered for payment of the Redemption Price; and

(6) the CUSIP number and, if applicable, the ISIN number, of the Notes being redeemed.

Notice of Redemption of Notes to be redeemed at the election of the Company shall be given by the Company or, upon Company Request, by the Trustee to each Holder of the Notes to be redeemed in the name and at the expense of the Company, *provided* that the Company makes such request to the Trustee in writing at least 2 Business Days prior (unless the Trustee agrees to a shorter period) to the date by which such Notice of Redemption must be given to Holders in accordance with this Section 11.04.

Section 11.05. Deposit of Redemption Price. Prior to 10:00 a.m. New York City time, on any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in

Section 10.03) an amount of money, in funds immediately available on the due date, sufficient to pay the Redemption Price. Promptly after the calculation of the Redemption Price, the Company will give the Trustee and any Paying Agent written notice thereof.

Section 11.06. Notes Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price) such Notes shall cease to bear Interest. Upon surrender of any such Note for redemption in accordance with said notice, such Note shall be paid by the Company at the Redemption Price and in accordance with Section 2.02(c).

If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear Interest from the Redemption Date at the rate prescribed therefor in the Note.

The Trustee shall not redeem any Notes pursuant to this Article (unless all Outstanding Notes are to be redeemed) or mail or give any notice of redemption of Notes during the continuance of an Event of Default hereunder known to the Trustee, except that, where the mailing of notice of redemption of any Notes shall theretofore have been made, the Trustee shall redeem or cause to be redeemed such Notes, *provided*, *however*, that it shall have received from the Company a sum sufficient for such redemption. Except as aforesaid, any moneys theretofore or thereafter received by the Trustee shall, during the continuance of such Event of Default, be deemed to have been collected under Article 5 and held for the payment of all Notes. In case such Event of Default shall have been waived as provided in Section 5.13 or the default cured on or before the 60th day preceding the Redemption Date, such moneys shall thereafter be applied in accordance with the provisions of this Article.

Section 11.07. Notes Redeemed in Part. Any Note which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Note without service charge, a new Note or Notes, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

ARTICLE 12

Subordination

Section 12.01. Agreement to Subordinate.

(a) The Company covenants and agrees, and each Holder of Notes issued hereunder by such Holder’s acceptance thereof likewise covenants and agrees, that all Notes shall be issued

subject to the provisions of this Article 12; and each Holder of a Note, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions.

(b) The payment by the Company of the principal of (and premium, if any), and Interest (including Deferred Interest) on, and all other amounts owing in respect of the Notes issued hereunder, which amounts shall not include certain amounts of Interest upon a Bankruptcy Event as set forth in Section 2.02(d)(iv), shall, to the extent and in the manner hereinafter set forth, be subordinated and junior in right of payment to the prior payment in full in cash of the principal of, Interest on and all other amounts owing in respect of all Senior Indebtedness of the Company, whether outstanding at the date of this Indenture or thereafter incurred, and shall rank *pari passu* with the Company's trade accounts payable, accrued liabilities arising in the ordinary course of business and any debt that by its terms ranks *pari passu* with the Notes.

(c) No provision of this article shall prevent the occurrence of any default or Event of Default or Enforcement Event hereunder.

Section 12.02. Default on Senior Indebtedness.

(a) No payment of any kind or character by or on behalf of the Company with respect to principal of (and premium, if any), Interest on or other amounts owing in respect of the Notes or to acquire any of the Notes for cash, property or otherwise, whether pursuant to the terms of the Notes on the Final Maturity Date or upon acceleration, by way of repurchase, redemption, defeasance or otherwise, will be made if, at the time of such payment, any default occurs and is continuing in the payment when due, whether at maturity, upon any redemption, by declaration or otherwise, of principal of, interest on, unpaid drawings for letters of credit issued in respect of, or regularly accruing fees with respect to, any Senior Indebtedness, and such default shall not have been cured or waived or the benefits of this Section 12.02(a) waived by or on behalf of the holders of such Senior Indebtedness.

(b) In the event that, notwithstanding the foregoing, any payment shall be received by the Trustee when such payment is prohibited by Section 12.02(a), such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of such Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, to the extent necessary to pay such Senior Indebtedness in full, in cash, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders or to the Trustee.

Section 12.03. Liquidation; Dissolution; Bankruptcy.

(a) Upon any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any total or partial dissolution, winding-up, liquidation or reorganization of the Company, whether voluntary or involuntary, assignment for the benefit of creditors or marshalling of the Company's assets, or in bankruptcy, insolvency, receivership or other similar proceedings relating to the Company or its assets, whether voluntary or involuntary, all principal, premium, if any, and interest and all other

amounts due or to become due regarding all Senior Indebtedness of the Company shall first be paid in full in cash, or such payment duly provided for to the satisfaction of the holders of the Senior Indebtedness, before any payment or distribution of any kind or character is made on account of any principal of (premium, if any), Interest on or other amounts owing in respect of the Notes, or for the acquisition of any of the Notes for cash, property or otherwise; and upon any such dissolution, winding-up, liquidation or reorganization, any payment by the Company, or distribution of assets of the Company of any kind or character whether in cash, property or securities, which the Holders or the Trustee would be entitled to receive from the Company, except for the provisions of this Article, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders or by the Trustee under this Indenture if received by them or it, directly to the holders of Senior Indebtedness of the Company or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, to the extent necessary to pay such Senior Indebtedness in full in cash, or to cause such payment to be duly provided for to the satisfaction of the holders of the Senior Indebtedness, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders or to the Trustee;

(b) In the event that, notwithstanding Section 12.03(a), any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, prohibited by Section 12.03(a), shall be received by the Trustee before all Senior Indebtedness of the Company is paid in full, or provision is made for such payment in money in accordance with its terms, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of such Senior Indebtedness or their respective representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing such Senior Indebtedness may have been issued, as their respective interests may appear, as calculated by the Company, to the extent necessary to pay such Senior Indebtedness in full, in cash, after giving effect to any concurrent payment or distribution to or for the benefit of the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders or to the Trustee.

(c) For purposes of this Article 12, the words “cash, property or securities” shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan of reorganization or readjustment, the payment of which is subordinated at least to the extent provided in this Article with respect to the Notes to the payment of all Senior Indebtedness of the Company that may at the time be outstanding; *provided, however*, that (i) such Senior Indebtedness is assumed by the new corporation, if any, resulting from any such reorganization or readjustment, and (ii) the rights of the holders of such Senior Indebtedness are not, without the consent of such holders, altered by such reorganization or readjustment. The consolidation of the Company with, or the merger of the Company into, another corporation or limited liability company or the liquidation or dissolution of the Company following the conveyance, transfer, sale or assignment of all or substantially all of the properties and assets of the Company, to another corporation or limited liability company upon the terms and conditions provided for in Article 8 of this Indenture shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this

Section 12.03 if such other corporation or limited liability company shall, as part of such consolidation, merger, conveyance, transfer, sale or assignment, comply with the conditions stated in Article 8 of this Indenture. Nothing in Section 12.02 or in this Section 12.03 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.06 of this Indenture.

Section 12.04. Subrogation.

(a) Subject to the payment in full of all Senior Indebtedness of the Company then outstanding, the rights of the Holders shall be subrogated to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property or securities of the Company applicable to such Senior Indebtedness until the principal of and premium, if any, and Interest on the Notes shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of such Senior Indebtedness of any cash, property or securities to which the Holders or the Trustee would be entitled except for the provisions of this Article 12, and no payment over pursuant to the provisions of this Article 12 to or for the benefit of the holders of such Senior Indebtedness by Holders or the Trustee, shall, as between the Company, its creditors other than holders of Senior Indebtedness, and the Holders, be deemed to be a payment by the Company to or on account of such Senior Indebtedness. It is understood that the provisions of this Article 12 are and are intended solely for the purposes of defining the relative rights of the Holders, on the one hand, and the holders of such Senior Indebtedness, on the other hand.

(b) Nothing contained in this Article 12 or elsewhere in this Indenture or in the Notes is intended to or shall impair, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders, the obligation of the Company, which is absolute and unconditional, to pay to the Holders the principal of (premium, if any) and Interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and the creditors of the Company other than the holders of Senior Indebtedness nor shall anything herein or therein prevent the Trustee or any Holder of Notes from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of such Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

(c) Upon any payment or distribution of assets of the Company referred to in this Article 12, the Trustee, subject to the provisions of Section 6.01 of this Indenture, and the Holders shall be entitled to rely conclusively upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending, or a certificate of the receiver, trustee in bankruptcy, liquidation trustee, agent or other Person making such payment or distribution, delivered to the Trustee or the Holders, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Company the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this article.

Section 12.05. Trustee to Effectuate Subordination. Each Holder of Notes by such Holder's acceptance thereof authorizes the Trustee on such Holder's behalf, if so directed by the

Company, to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 12 and appoints the Trustee such Holder's attorney-in-fact for any and all such purposes.

Section 12.06. Notice by the Company.

(a) The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to the provisions of this Article 12. Notwithstanding the provisions of this Article 12 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment of monies to or by the Trustee in respect of the Notes pursuant to the provisions of this Article 12, unless and until a Responsible Officer of the Trustee shall have received written notice thereof from the Company or a Holder or holders of Senior Indebtedness or from any representative or trustee therefor; and before the receipt of any such written notice, the Trustee, subject to the provisions of Section 6.01 of this Indenture, shall be entitled in all respects to assume that no such facts exist; *provided*, *however*, that if the Trustee shall not have received the notice provided for in this Section 12.06(a) at least two Business Days prior to the date upon which by the terms hereof any money may become payable for any purpose (including, without limitation, the payment of the principal of or Interest on any Note), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such money and to apply the same to the purposes for which such money was received, and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

(b) The Trustee, subject to the provisions of Section 6.01 of this Indenture, shall be entitled to conclusively rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee or representative on behalf of such holder), to establish that such notice has been given by a holder of such Senior Indebtedness or a trustee or representative on behalf of any such holder or holders. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of such Senior Indebtedness to participate in any payment or distribution pursuant to this Article 12, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of such Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 12.07. Rights of the Trustee; Holders of Senior Indebtedness.

(a) The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article 12 in respect of any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

(b) With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 12 and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Section 6.01 of this Indenture, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Holders, the Company or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article 12 or otherwise.

(c) Nothing in this Article 12 shall be applicable to any payments made or owing to the Trustee pursuant to or as described in Section 6.06.

Section 12.08. Subordination May Not Be Impaired.

(a) No right of any present or future holder of any Senior Indebtedness of the Company to enforce subordination provided in this Article 12 shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or otherwise be charged with.

(b) Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Company may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders, without incurring responsibility to the Holders and without impairing or releasing the subordination provided in this Article 12 or the obligations hereunder of the Holders to the holders of such Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (iii) release any Person liable in any manner for the collection of such Senior Indebtedness; and (iv) exercise or refrain from exercising or waive any rights against the Company and any other Person.

(c) Each present and future holder of Senior Indebtedness shall be entitled to the benefit of the provisions of this Article notwithstanding that such holder is not a party to this Indenture.

Section 12.09. Article Applicable to Paying Agents. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term **"Trustee"** as used in this Article 12 shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article 12 in addition to or in place of the Trustee; *provided*, *however*, that this Section 12.09 shall not apply to the Company or any affiliate of the Company if it or such affiliate acts as Paying Agent.

Section 12.10. Defeasance of this Article. Notwithstanding anything contained herein to the contrary, payments from cash or the proceeds of U.S. Government Obligations held in trust under Article 4 hereof by the Trustee and which were deposited in accordance with the terms of Article 4 hereof and not in violation of Section 12.02 hereof for the payment of principal of and premium, if any, and Interest on the Notes shall not be subordinated to the prior payment of any Senior Indebtedness or subject to the restrictions set forth in this Article, and none of the Holders or the Trustee shall be obligated to pay over any such amount to the Company or any holder of Senior Indebtedness or any representative or trustee therefor or any other creditor of the Company.

Section 12.11. Subordination Language to Be Included in Notes. Each Note shall contain a subordination provision which will be substantially in the following form:

> "The Notes are subordinated in right of payment, in the manner and to the extent set forth in the Indenture, to the prior payment in full in cash of all Senior Indebtedness (as defined in the Indenture). Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes the Trustee on his behalf, if so directed by the Company, to take such actions as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions."

ARTICLE 13

Calculation Agency

Section 13.01. Appointment of Calculation Agent. Upon the terms and subject to the conditions set forth herein, the Company hereby appoints the Trustee as the Calculation Agent hereunder and the Trustee hereby accepts such appointment. The Calculation Agent hereby agrees to calculate the interest rates (the "Interest Rates") on the Notes in the manner and at the times provided in this Indenture. The Calculation Agent shall exercise due care to determine the Interest Rates on the Notes and shall communicate the same to the Company, the Depositary or other applicable depositary and any paying agent identified to it in writing promptly after each such determination. The Calculation Agent will, upon the written request of a Holder of a Note, provide (i) the Interest Rate then in effect with respect to such Note and (ii) if determined, the Interest Rate with respect to such Note which will become effective for the next Interest Period.

Section 13.02. Status of the Calculation Agent. Any acts taken by the Calculation Agent under this Article 13, including specifically, but without limitation, the calculation of any Interest Rate for the Notes, shall be deemed to have been taken by the Calculation Agent solely in its

capacity as an agent acting on behalf of the Company and shall not create or imply any obligation to, or any agency or trust relationship with, any of the Holders of the Notes.

Section 13.03. Fees and Expenses. The Calculation Agent shall be entitled to such compensation for all services as Calculation Agent rendered under this Agreement in accordance with its schedule of fees and charges provided to the Company on or before the date hereof. The Company agrees to pay such fees and charges and shall reimburse the Calculation Agent for all reasonable out-of-pocket expenses, disbursements and advances (including reasonable legal fees and expenses) incurred or made by the Calculation Agent in connection with the services rendered by it under this Article 13.

Section 13.04. Rights and Liabilities of the Calculation Agent. In the absence of gross negligence or willful misconduct, the Calculation Agent, its directors, officers, employees and agents shall be protected and shall incur no liability for or in respect of, any action taken, omitted to be taken or suffered by it in reliance upon the terms of the Notes or any order, written instruction, notice, request, direction, statement, certificate, consent, report, affidavit or other instrument, paper, document or communication (each a "**Communication**") reasonably believed by it in good faith to be genuine. Any Communication from the Company or given by it and sent, delivered or directed to the Calculation Agent under, pursuant to or as permitted by any provision of this Article 13 shall be sufficient for purposes of this Article 13 if such Communication is in writing and signed by any officer of the Company. The Calculation Agent may consult with counsel satisfactory to it and the written advice of such counsel shall constitute full and complete authorization and protection of the Calculation Agent with respect to any action taken, omitted to be taken or suffered by it hereunder in good faith and in accordance with and in reliance upon the written advice of such counsel. The Calculation Agent shall not be liable for any error resulting from use of or reliance on a source or publication required to be used by the Calculation Agent in determining an Interest Rate as provided in this Indenture. Neither the Calculation Agent nor its directors, officers, employees or agents shall be liable to the Company for any action taken, omitted to be taken or suffered by it hereunder, except in the case of gross negligence or willful misconduct.

Section 13.05. Duties of the Calculation Agent. The duties and obligations of the Calculation Agent shall be determined solely by the express provisions of this Article 13 and no implied covenants or obligations shall be read into this Article 13 against the Calculation Agent. The Calculation Agent may perform any duties hereunder directly or by or through agents or attorneys and the Calculation Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 13.06. Termination, Resignation or Removal of the Calculation Agent. The Calculation Agent may at any time terminate its appointment as Calculation Agent by giving written notice to the Company specifying the date on which its desired resignation shall become effective; *provided*, *however*, that such notice shall be given no less than sixty (60) days prior to said effective date unless the Calculation Agent and the Company otherwise agree in writing. The Company may terminate the appointment of the Calculation Agent at any time by giving written notice to the Calculation Agent and specifying the effective date of such termination which shall be at least thirty (30) days after the date of notice and shall not be less than fifteen (15) days prior to the next Interest Payment Date. No termination by either the Calculation Agent

or the Company shall become effective prior to the date of the appointment by the Company of a successor Calculation Agent and the acceptance of such appointment by such successor Calculation Agent as provided in Section 13.07 hereof. Upon termination by either party pursuant to the provisions of this Section, the Calculation Agent shall be entitled to the payment of any compensation owed to it by the Company hereunder and to the reimbursement of all reasonable out-of-pocket expenses incurred in connection with the services rendered by it hereunder, as provided by Section 13.03 hereof. The provisions of Section 13.04 and Section 13.08 hereof shall remain in effect following termination by either party.

Section 13.07. Appointment of Successor Calculation Agent. In the event of the termination of the appointment of the Calculation Agent pursuant to Section 13.06 hereof, the Company shall promptly appoint a successor Calculation Agent. Any successor Calculation Agent appointed by the Company shall execute and deliver to the original Calculation Agent and the Company an instrument accepting such appointment. Thereupon, such successor Calculation Agent shall, without any further act, deed or conveyance, become vested with all the authority, rights, powers, immunities, duties and obligations of the Calculation Agent with like effect as if originally named as Calculation Agent hereunder. Upon the acceptance of such appointment, the original Calculation Agent shall be obligated to transfer and deliver to the successor Calculation Agent such relevant records or copies thereof maintained by the Calculation Agent in connection with the performance of its obligations hereunder. In the event of a change in the Calculation Agent, holders of the Notes will be informed of such change in the manner provided for in this Indenture.

Section 13.08. Indemnification. The Corporation shall indemnify and hold harmless the Calculation Agent and its officers, directors, employees, representatives and agents to the same extent provided in Section 6.05 hereof.

Section 13.09. Merger, Consolidation or Sale of Business by the Calculation Agent. Any Person into which the Calculation Agent may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which Calculation Agent shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Calculation Agent, shall be successor to the Calculation Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

[Signature pages follow]

IN WITNESS WHEREOF, the undersigned have caused this Indenture to be duly executed as of the day and year first before written.

SYMETRA FINANCIAL CORPORATION

By: _____
Name: Margaret A. Meister
Title: Executive Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Name: Carolyn Whalen
Title: Vice President

EXHIBIT A-1

FORM OF RULE 144A GLOBAL NOTE OR REGULATION S PERMANENT NOTE

(FACE OF NOTE)

[Restricted Securities Legend][1]
[Global Securities Legend]

[CUSIP No. 87151QAB2
ISIN No. US87151QAB23] [2]

[CUSIP No. U79664AB1
ISIN No. USU79664AB19][3]

SYMETRA FINANCIAL CORPORATION

CAPITAL EFFICIENT NOTES DUE 2067

No. _____

SYMETRA FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware (hereinafter called the "**Company**," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay [Cede & Co.] or its registered assigns, the principal amount of $, which amount may be increased or decreased from time to time on Schedule I hereto on October 15, 2067 (the "**Final Maturity Date**"); *provided* that the principal amount of, and all accrued and unpaid Interest on, this Security shall be payable in full on October 15, 2037 (the "**Scheduled Maturity Date**") or any subsequent Interest Payment Date to the extent, and subject to the conditions, set forth in the Indenture; *provided* further that, if any date fixed for redemption or repayment is not a Business Day, redemption or repayment of the principal amount will be made on the next day that is a Business Day, without any Interest or other payment as a result of such delay.

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1 To be inserted in any Regulation S Global Security or Rule 144A Global Note unless pursuant to its terms, the legend may be removed.

2 To be inserted in any Rule 144A Global Note.

3 To be inserted in any Regulation S Global Note.

The Company further promises to pay Interest on said principal amount from October 10, 2007 or from the most recent Interest Payment Date for which Interest has been paid or duly provided for. This Security shall bear Interest (i) from and including October 10, 2007 to but excluding October 15, 2017 (or if earlier, until the principal hereof is paid in full), at the annual rate of 8.300%, payable, and subject to deferral, in each case as set forth in the Indenture, and (ii) from and including October 15, 2017 to but excluding the Final Maturity Date (or if earlier, until the principal hereof is paid in full), at an annual rate equal to Three-month LIBOR plus 4.177%, payable, and subject to deferral, in each case as set forth in the Indenture.

The Company shall have the right, at any time and from time to time prior to the Final Maturity Date to defer the payment of Interest on this Security as set forth in, and subject to the conditions specified in, the Indenture.

Each Holder, by such Holder's acceptance hereof, agrees that if a Bankruptcy Event shall occur prior to the redemption or repayment of this Security, such Holder shall not have a claim for, and shall have no right to receive, unpaid Deferred Interest (including Additional Interest thereon) to the extent that such Deferred Interest (including Additional Interest thereon) exceeds the sum of (x) Interest that relates to the earliest two years of the portion of the Deferral Period for the Notes for which Interest has not been paid (including Additional Interest thereon) and (y) an amount equal to such Holder's *pro rata* share of the excess, if any, of the Preferred Stock Cap over the aggregate amount of net proceeds from the sale of the Company's Qualifying Non-Cumulative Perpetual Preferred Stock and unconverted and outstanding Mandatorily Convertible Preferred Stock that the Company has applied to pay Interest on the Notes pursuant to the Alternative Payment Mechanism. To the extent that such claim for unpaid Deferred Interest (including Additional Interest thereon) exceeds the amount set forth in clause (x), the Holders shall be deemed to agree that the amount they receive in respect of such excess shall not exceed the amount they would have received had such claim ranked *pari passu* with the claims of the holders, if any, of the Company's Qualifying Non-Cumulative Perpetual Preferred Stock.

The Company may, at its option and subject to the terms and conditions of the Indenture and Article 11 of the Indenture, redeem this Security (A) in whole or in part on October 15, 2017 and on each Interest Payment Date thereafter at a Redemption Price equal to 100% of the principal amount of this Security plus accrued and unpaid Interest to the Redemption Date, and (B) prior to October 15, 2017, (i) in whole or in part, at a Redemption Price equal to 100% of the principal amount of this Security or, if greater, a Make-Whole Price specified in the Indenture, in either case plus accrued and unpaid Interest to the Redemption Date, and (ii) in whole but not in part, within 90 days after the occurrence of a Special Event, at a Redemption Price equal to 100% of the principal amount of this Security or, if greater, a Special Event Make-Whole Price specified in the Indenture, in either case plus accrued and unpaid Interest to the Redemption Date.

The Securities are subordinated in right of payment, in the manner and to the extent set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (as defined in the Indenture). Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes the Trustee on his behalf, if so directed by the Company, to take such actions as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder

hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Security is a duly authorized security of the Company (herein called the "**Security**"), issued under an Indenture, dated as of October 10, 2007 (herein called the "**Indenture**"), between the Company and U.S. Bank National Association, as Trustee (herein called the "**Trustee**," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture, as the case may be.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

SYMETRA FINANCIAL CORPORATION

By: _____
Name:
Title:

Dated: October 10, 2007

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

Dated: October 10, 2007

REVERSE OF SECURITY

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer or exchange at the office or agency of the Company maintained under Section 10.02 of the Indenture duly endorsed by, or accompanied by written instrument of transfer in form satisfactory to the Company and the Security Registrar or co-Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Security is issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

The Company and, by its acceptance of this Security or a beneficial interest therein, the Holder of, and any Person that acquires beneficial interest in, this Security agree that, for United States federal, state and local tax purposes, it is intended that this Security constitute indebtedness.

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SCHEDULE I

SCHEDULE OF INCREASES OR DECREASES

Principal amount of Note outstanding represented by this Security as of October 10, 2007: $[ ]

Thereafter, the following increases or decreases have been made:

Date of Redemption or Repurchase	Increase in Principal Amount	Decrease in Principal Amount	Principal Amount Remaining	Notation Made by or on Behalf of the Trustee

FORM OF REGULATION S TEMPORARY GLOBAL NOTE

(FACE OF NOTE)

[Temporary Global Security Legend]
[Global Securities Legend]

CUSIP No.
ISIN No.

SYMETRA FINANCIAL CORPORATION

CAPITAL EFFICIENT NOTES DUE 2067

No. _____

SYMETRA FINANCIAL CORPORATION, a corporation organized under the laws of the State of Delaware (hereinafter called the "**Company**," which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay [Cede & Co.] or its registered assigns, the principal amount of $, which amount may be increased or decreased from time to time on Schedule I hereto on October 15, 2067 (the "**Final Maturity Date**"); *provided* that the principal amount of, and all accrued and unpaid Interest on, this Security shall be payable in full on October 15, 2037 (the "**Scheduled Maturity Date**") or any subsequent Interest Payment Date to the extent, and subject to the conditions, set forth in the Indenture; *provided further* that, if any date fixed for redemption or repayment is not a Business Day; redemption or repayment of the principal amount will be made on the next day that is a Business Day, without any Interest or other payment as a result of such delay.

The Company further promises to pay Interest on said principal amount from October 10, 2007 or from the most recent Interest Payment Date for which Interest has been paid or duly provided for. This Security shall bear Interest (i) from and including October 10, 2007 to but excluding October 15, 2017 (or if earlier, until the principal hereof is paid in full), at the annual rate of 8.300%, payable, and subject to deferral, in each case as set forth in the Indenture, and (ii) from and including October 15, 2017 to but excluding the Final Maturity Date (or if earlier, until the principal hereof is paid in full), at an annual rate equal to Three-month LIBOR plus 4.177%, payable, and subject to deferral, in each case as set forth in the Indenture.

The Company shall have the right, at any time and from time to time prior to the Final Maturity Date to defer the payment of Interest on this Security as set forth in, and subject to the conditions specified in, the Indenture.

Each Holder, by such Holder's acceptance hereof, agrees that if a Bankruptcy Event shall occur prior to the redemption or repayment of this Security, such Holder shall not have a claim for, and shall have no right to receive, unpaid Deferred Interest (including Additional Interest thereon) to the extent that such Deferred Interest (including Additional Interest thereon) exceeds the sum of (x) Interest that relates to the earliest two years of the portion of the Deferral Period for the Notes for which Interest has not been paid (including Additional Interest thereon) and (y) an amount equal to such Holder's *pro rata* share of the excess, if any, of the Preferred Stock Cap over the aggregate amount of net proceeds from the sale of the Company's Qualifying Non-Cumulative Perpetual Preferred Stock and unconverted and outstanding Mandatorily Convertible Preferred Stock that the Company has applied to pay Interest on the Notes pursuant to the Alternative Payment Mechanism. To the extent that such claim for unpaid Deferred Interest (including Additional Interest thereon) exceeds the amount set forth in clause (x), the Holders shall be deemed to agree that the amount they receive in respect of such excess shall not exceed the amount they would have received had such claim ranked *pari passu* with the claims of the holders, if any, of the Company's Qualifying Non-Cumulative Perpetual Preferred Stock.

The Company may, at its option and subject to the terms and conditions of the Indenture and Article 11 of the Indenture, redeem this Security (A) in whole or in part on October 15, 2017 and on each Interest Payment Date thereafter at a Redemption Price equal to 100% of the principal amount of this Security plus accrued and unpaid Interest to the Redemption Date, and (B) prior to October 15, 2017, (i) in whole or in part, at a Redemption Price equal to 100% of the principal amount of this Security or, if greater, a Make-Whole Price specified in the Indenture, in either case plus accrued and unpaid Interest to the Redemption Date, and (ii) in whole but not in part, within 90 days after the occurrence of a Special Event, at a Redemption Price equal to 100% of the principal amount of this Security or, if greater, a Special Event Make-Whole Price specified in the Indenture, in either case plus accrued and unpaid Interest to the Redemption Date.

The Securities are subordinated in right of payment, in the manner and to the extent set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (as defined in the Indenture). Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes the Trustee on his behalf, if so directed by the Company, to take such actions as may be necessary or appropriate to effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

On any exchange or purchase, as applicable, and cancellation of any of the Securities represented by this Temporary Global Note, details of such purchase and cancellation shall be entered by or on behalf of the Company in the records of the Trustee and the Depositary, and cancellation shall be signed by or on behalf of the Company. Upon any such exchange or

purchase, as applicable, and cancellation, the principal amount of this Temporary Global Note and the Securities represented by this Temporary Global Note shall be reduced by the principal amount so exchanged or purchased and cancelled.

An owner of a beneficial interest in this Regulation S Temporary Global Note (or a Person acting on behalf of such an owner) may provide to Euroclear or Clearstream, as applicable, (and Euroclear or Clearstream will accept) a duly completed Certificate of Beneficial Ownership at any time after the termination of the Distribution Compliance Period (it being understood that Euroclear or Clearstream, as applicable, will not accept any such certificate during the Distribution Compliance Period). Promptly after receipt by the Trustee of a Certificate of Beneficial Ownership from DTC on behalf of Euroclear or Clearstream, as applicable (or other appropriate confirmation to such effect in accordance with the Applicable Procedures), with respect to such a beneficial interest, the Trustee will cause such beneficial interest to be exchanged for an equivalent beneficial interest in a Regulation S Permanent Global Note, and will (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of this beneficial interest and (y) increase the principal amount of such Regulation S Permanent Global Note by the amount of such beneficial interest, in each case subject to the Applicable Procedures. Notwithstanding the previous two sentences, if after the Distribution Compliance Period any Initial Purchaser owns a beneficial interest in this Regulation S Temporary Global Note, such Initial Purchaser may, upon written request to the Trustee accompanied by a certification as to its status as an Initial Purchaser and as the owner of such beneficial interest (but without any requirement to deliver a Certificate of Beneficial Ownership), exchange such beneficial interest for an equivalent beneficial interest in a Regulation S Permanent Global Note, and the Trustee will comply with such request and will (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Regulation S Permanent Global Note by the amount of such beneficial interest, in each case subject to the Applicable Procedures.

Upon the receipt by the Trustee of a written certificate from DTC, together with copies of certificates from Euroclear and Clearstream certifying that they have received Certificates of Beneficial Ownership representing 100% of the aggregate principal amount of this Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Distribution Compliance Period pursuant to another exemption from registration under the Securities Act and who shall take delivery of a beneficial ownership interest in a Rule 144A Global Note) (or, in any such case, offer appropriate confirmation to such effect in accordance with the Applicable Procedures), the Trustee shall cancel this Regulation S Temporary Global Note.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

This Security is a duly authorized security of the Company (herein called the "**Security**"), issued under an Indenture, dated as of October 10, 2007 (herein called the "**Indenture**"), between the Company and U.S. Bank National Association, as Trustee (herein called the "**Trustee**," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the

respective rights, limitations of rights, duties and immunities thereunder of the Trustee, the Company and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture, as the case may be.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

SYMETRA FINANCIAL CORPORATION

By: _____
Name:
Title:

Dated: October 10, 2007

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

Dated: October 10, 2007

REVERSE OF SECURITY

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer or exchange at the office or agency of the Company maintained under Section 10.02 of the Indenture duly endorsed by, or accompanied by written instrument of transfer in form satisfactory to the Company and the Security Registrar or co-Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

The Company, the Trustee and any agent of the Company or the Trustee may deem and treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Security is issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for like aggregate principal amount of Securities of a different authorized denomination, as requested by the Holder surrendering the same.

The Company and, by its acceptance of this Security or a beneficial interest therein, the Holder of, and any Person that acquires beneficial interest in, this Security agree that, for United States federal, state and local tax purposes, it is intended that this Security constitute indebtedness.

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SCHEDULE I

SCHEDULE OF INCREASES OR DECREASES

Principal amount of Note outstanding represented by this Security as of October 10, 2007: $[ ]

Thereafter, the following increases or decreases have been made:

Date of Redemption or Repurchase	Increase in Principal Amount	Decrease in Principal Amount	Principal Amount Remaining	Notation Made by or on Behalf of the Trustee

EXHIBIT B

FORM OF LEGENDS FOR NOTES

[Global Securities Legend]

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES. DESCRIBED IN THE INDENTURE.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF THE DEPOSITORY OR A NOMINEE OF THE DEPOSITORY OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO ITS NOMINEE OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, A NOMINEE OF THE DEPOSITORY, HAS AN INTEREST HEREIN.

[Restricted Securities Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER: (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT; (2) AGREES THAT IT WILL NOT, PRIOR TO EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS SECURITY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO SYMETRA FINANCIAL CORPORATION OR ANY SUBSIDIARY THEREOF, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE

SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (D) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (AND WHICH CONTINUES TO BE EFFECTIVE AT THE TIME OF SUCH TRANSFER), OR (E) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT; AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IF THE PROPOSED TRANSFEREE IS A PURCHASER WHO IS NOT A QUALIFIED INSTITUTIONAL BUYER OR A U.S. PERSON, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO U.S. BANK NATIONAL ASSOCIATION AS TRUSTEE (OR A SUCCESSOR TRUSTEE, AS APPLICABLE), SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED UPON THE EARLIER OF THE TRANSFER OF THIS SECURITY PURSUANT TO CLAUSE 2(D) ABOVE OR UPON ANY TRANSFER OF THIS SECURITY UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). AS USED IN THIS SECURITY, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

[Temporary Global Security Legend]

THIS SECURITY IS A TEMPORARY GLOBAL SECURITY. PRIOR TO THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON WHO PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT PURSUANT TO RULE 144A THEREUNDER. BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR PHYSICAL SECURITIES OTHER THAN A PERMANENT GLOBAL SECURITY IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNTIL SUCH BENEFICIAL INTEREST IS EXCHANGED OR TRANSFERRED FOR AN INTEREST IN ANOTHER NOTE.

EXHIBIT C-1

FORM OF TRANSFER CERTIFICATE
TRANSFER TO
REGULATION S TEMPORARY GLOBAL SECURITY
OR
REGULATION S PERMANENT GLOBAL SECURITY
(Transfers pursuant to Sections 2.18(a)(iii) and (iv)
of the Indenture)

U.S. Bank National Association
Corporate Trust Services
1420 5th Avenue, 7th Floor
Seattle, WA 98101
Attention: Symetra Financial Corporation, Capital Efficient Notes due 2067

Attn: Symetra Financial Corporation Administrator

Re: SYMETRA FINANCIAL CORPORATION
Capital Efficient Notes due 2067 (the "Securities")

Reference is hereby made to the Indenture dated as of October 10, 2007 (the "Indenture") between Symetra Financial Corporation, as Company, and U.S. Bank National Association, as Trustee. Terms used but not defined herein and defined in Regulation S under the U.S. Securities Act of 1933 (the "Securities Act") or in the Indenture shall have the meanings given to them in Regulation S or the Indenture, as the case may be.

This certificate relates to U.S.$ _____ principal amount of Securities, which are evidenced by the following certificate(s) (the "Specified Securities"):

CUSIP No(s). U79664AB1

ISIN No(s). USU79664AB19

CERTIFICATE No(s). _____

The person in whose name this certificate is executed below (the "Undersigned") hereby certifies that either (i) it is the sole beneficial owner of the Specified Securities or (ii) it is acting on behalf of all the beneficial owners of the Specified Securities and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the "Owner." If the Specified Securities are represented by a Global Security, they are held through the appropriate Depositary or a Depositary Participant in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Securities be transferred to a person (the "Transferee") who will take delivery in the form of an interest in a Regulation S Global Security. In connection with such transfer, the Owner hereby certifies that such transfer is being effected in accordance with Regulation S under the Securities Act and with all applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies as follows:

1. the offer of the Specified Securities was not made to a person in the United States;

2. either: (a) at the time the buy order was originated, the Transferee was outside the United States or the Owner and any person acting on its behalf reasonably believed that the Transferee was outside the United States; or (b) the transaction is being executed in, on or through the facilities of the Eurobond market, as regulated by the Association of International Bond Dealers, or another designated offshore securities market and neither the Owner nor any person acting on its behalf knows that the transactions have been prearranged with a buyer in the United States;

3. no directed selling efforts have been made in the United States by or on behalf of the Owner or any affiliate thereof;

4. the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

In addition, if the sale is made during a restricted period and the provisions of Rule 903(b)(3) or Rule 904(b)(l) of Regulation S are applicable thereto, the Owner confirms that such sale has been made in accordance with the applicable provisions of Rule 903(b)(3) or Rule 904(b)(1), as the case may be.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the Initial Purchasers under the Purchase Agreement.

Dated:

_____

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By: _____

Name:
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

EXHIBIT C-2

FORM OF TRANSFER CERTIFICATE
TRANSFER TO
RULE 144A GLOBAL SECURITY
(Transfers to QIBs Pursuant to Sections 2.18(a)(v) and (vi)
of the Indenture)

U.S. Bank National Association
Corporate Trust Services
1420 5th Avenue, 7th Floor
Seattle, WA 98101
Attention: Symetra Financial Corporation, Capital Efficient Notes due 2067

Attn: Symetra Financial Corporation Administrator

Re: SYMETRA FINANCIAL CORPORATION
Capital Efficient Notes due 2067 (the "Securities")

Reference is hereby made to the Indenture dated as of October 10, 2007 (the "Indenture") between Symetra Financial Corporation, as Company, and U.S. Bank National Association , as Trustee. Terms used but not defined herein and defined in Regulation S under the U.S. Securities Act of 1933 (the "Securities Act") or in the Indenture shall have the meanings given to them in Regulation S or the Indenture, as the case may be.

This certificate relates to U.S.$ _____ principal amount of Securities, which are evidenced by the following certificate(s) (the "Specified Securities"):

CUSIP No(s). 87151QAB2

ISIN No(s). US87151QAB23

CERTIFICATE No(s). _____

The person in whose name this certificate is executed below (the "Undersigned") hereby certifies that either (i) it is the sole beneficial owner of the Specified Securities or (ii) it is acting on behalf of all the beneficial owners of the Specified Securities and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the "Owner." If the Specified Securities are represented by a Global Security, they are held through the appropriate Depositary or a Depositary Participant in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Securities be transferred to a person (the "Transferee") who will take delivery in the form of an interest in a Rule 144A Global Security. In connection with such transfer, the Owner hereby certifies that such transfer is being effected in accordance with Rule 144A under the Securities Act and with all applicable securities laws of

the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies as follows:

(1) the Specified Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is a "qualified institutional buyer" within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer; and

(2) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Rule 144A in connection with the transfer.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the Initial Purchasers under the Purchase Agreement.

Dated:

_____

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate.)

By: _____

Name:
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

EXHIBIT D

Certificate of Beneficial Ownership

To: [Euroclear Bank S.A./N.V., as operator of the Euroclear System] OR

[Clearstream Banking, *société anonyme*]

Re: Symetra Financial Corporation
Capital Efficient Notes due 2067 (the "Notes")
Issued under the Indenture dated as of
October 10, 2007 relating to the Notes

Ladies and Gentlemen:

We are the beneficial owner of $ _____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

We hereby certify as follows:

[CHECK A OR B AS APPLICABLE.]

o A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).

o B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF BENEFICIAL OWNER]

By: _____
Name:
Title:
Address:

Date: _____

EXHIBIT E

REPLACEMENT CAPITAL COVENANT

REPLACEMENT CAPITAL COVENANT, dated as of October 10, 2007 (this ***"Replacement Capital Covenant"),*** by Symetra Financial Corporation, a Delaware corporation (together with its successors and assigns, the ***"Corporation"),*** in favor of and for the benefit of each Covered Debtholder (as defined below).

RECITALS

A. On the date hereof, the Corporation is issuing $150,000,000 aggregate principal amount of its Capital Efficient Notes due 2067 (the ***"CENts").***

B. This Replacement Capital Covenant is the ***"Replacement Capital Covenant"*** referred to in the Corporation's Offering Memorandum dated October 10, 2007 relating to the CENts.

C. The Corporation is entering into and disclosing the content of this Replacement Capital Covenant in the manner provided below with the intent that the covenants provided for in this Replacement Capital Covenant be enforceable by each Covered Debtholder and that the Corporation be estopped from disregarding the covenants in this Replacement Capital Covenant, in each case to the fullest extent permitted by applicable law.

D. The Corporation acknowledges that reliance by each Covered Debtholder upon the covenants in this Replacement Capital Covenant is reasonable and foreseeable by the Corporation and that, were the Corporation to disregard its covenants in this Replacement Capital Covenant, each Covered Debtholder would have sustained an injury as a result of its reliance on such covenants.

NOW, THEREFORE, the Corporation hereby covenants and agrees as follows in favor of and for the benefit of each Covered Debtholder.

SECTION 1. Definitions

Capitalized terms used in this Replacement Capital Covenant (including the Recitals) have the meanings set forth in **Schedule I** hereto.

SECTION 2. Limitations on Repayment, Redemption and Purchase of CENts

The Corporation hereby promises and covenants to and for the benefit of each Covered Debtholder that the Corporation shall not repay, redeem or purchase, nor shall any Subsidiary of the Corporation purchase, any of the CENts prior to the Termination Date except to the extent that the principal amount repaid or the applicable redemption or purchase price does not exceed the sum of the Applicable Percentages of the following amounts:

(i) the aggregate amount of net cash proceeds received by the Corporation and its Subsidiaries since the most recent Measurement Date (without double counting proceeds received in any prior Measurement Period) from the sale of Replacement Capital Securities to Persons other than the Company and its Subsidiaries, plus

(ii) the product of the Current Stock Market Price of any Common Stock that the Corporation and its Subsidiaries have issued (determined as of the date of issuance) to Persons other than the Company and its Subsidiaries in connection with the conversion of any convertible or exchangeable securities, other than securities for which the Corporation or any of its Subsidiaries has received equity credit from any NRSRO, multiplied by the number of shares of Common Stock so issued, since the most recent Measurement Date (without double counting proceeds received in any prior Measurement Period).

For purposes of this Replacement Capital Covenant, the terms “repay” and “repayment” include the defeasance by the Corporation of the CENts as well as the satisfaction and discharge of its obligations under the Indenture with respect to the CENts.

SECTION 3. Covered Debt

(a) The Corporation represents and warrants that the Initial Covered Debt is Eligible Debt.

(b) On or during the 30-day period immediately preceding any Redesignation Date with respect to the Covered Debt then in effect, the Corporation shall identify the series of Eligible Debt that will become the Covered Debt on and after such Redesignation Date in accordance with the following procedures:

(i) the Corporation shall identify each series of its then-outstanding long-term indebtedness for money borrowed that is Eligible Debt;

(ii) if only one series of the Corporation’s then outstanding long-term indebtedness for money borrowed is Eligible Debt, such series shall become the Covered Debt commencing on the related Redesignation Date;

(iii) if the Corporation has more than one outstanding series of long-term indebtedness for money borrowed that is Eligible Debt, then the Corporation shall identify the series that has the latest occurring final maturity date as of the date the Corporation is applying the procedures in this Section 3(b) and such series shall become the Covered Debt on the related Redesignation Date;

(iv) the series of outstanding long-term indebtedness for money borrowed that is determined to be Covered Debt pursuant to clause (ii) or (iii) above shall be the Covered Debt for purposes of this Replacement Capital Covenant for the period commencing on the related Redesignation Date and continuing to but excluding the Redesignation Date as of which a new series of outstanding long-term indebtedness for money borrowed is next determined to be the Covered Debt pursuant to the procedures set forth in this Section 3(b); and

(v) in connection with such identification of a new series of Covered Debt, the Corporation shall, as provided for in Section 3(c), (i) if the Corporation is a reporting company under the Securities Exchange Act (a ***“Reporting Company”***), give a notice and file with the Commission a current report on Form 8-K (or any successor form) including or incorporating by reference this Replacement Capital Covenant as an exhibit, and (ii) if the Corporation is not a Reporting Company, follow the procedures provided in Section 3(c)(iv) , each within the time frame *provided* for in Section 3(c).

(c) *Notice*. In order to give effect to the intent of the Corporation described in Recital C, the Corporation covenants that:

(i) simultaneously with the execution of this Replacement Capital Covenant or as soon as practicable after the date hereof, it shall (x) give notice to the Holders of the Initial Covered Debt, in the manner provided in the indenture relating to the Initial Covered Debt, of this Replacement

Capital Covenant and the rights granted to such Holders hereunder and (y) cause a notice of the execution of this Replacement Capital Covenant to be posted on the Bloomberg screen for the Initial Covered Debt and each similar third-party vendor's screen the Corporation reasonably believes is appropriate (each an ***"Investor Screen"***) and cause a hyperlink to a definitive copy of this Replacement Capital Covenant to be included on the Investor Screen for the Initial Covered Debt, in each case to the extent permitted by Bloomberg or such similar third-party vendor, as the case may be;

(ii) if the Corporation is a Reporting Company, the Corporation shall include in each annual report filed with the Commission on Form 10-K (or any successor form) under the Securities Exchange Act a description of the covenant set forth in Section 2 and identify the series of long-term indebtedness for borrowed money that is Covered Debt as of the date such Form 10-K (or such successor form) is filed with the Commission;

(iii) if a series of the Corporation's long-term indebtedness for money borrowed (1) becomes Covered Debt or (2) ceases to be Covered Debt, the Corporation shall give notice of such occurrence within 30 days to the holders of such long-term indebtedness for money borrowed in the manner provided for in the indenture, fiscal agency agreement or other instrument under which such long-term indebtedness for money borrowed was issued and, if the Corporation is a Reporting Company, report such change in a current report on Form 8-K (or any successor form) including or incorporating by reference this Replacement Capital Covenant, and in the Corporation's next annual report on Form 10-K (or any successor form) , as applicable;

(iv) if, and only if, the Corporation is not a Reporting Company, the Corporation shall (x) post on its website the information otherwise required to be included in Securities Exchange Act filings pursuant to clauses (ii) and (iii) of this Section 3(c) and (y) cause a notice of the execution of this Replacement Capital Covenant to be posted on the applicable Investor Screen and cause a hyperlink to a definitive copy of this Replacement Capital Covenant to be included on the Investor Screen for each series of Covered Debt, in each case to the extent permitted by Bloomberg or such similar third-party vendor, as the case may be; and

(v) promptly upon request by any Holder of Covered Debt, the Corporation shall provide such Holder with a copy of this Replacement Capital Covenant as executed.

(d) The Corporation agrees that, if at any time the Covered Debt is held by a trust (for example, where the Covered Debt is part of an issuance of trust preferred securities), a holder of the securities issued by such trust may enforce (including by instituting legal proceedings) this Replacement Capital Covenant directly against the Corporation as though such holder owned Covered Debt directly, and such holder shall be deemed to be a holder of ***"Covered Debt"*** for purposes of this Replacement Capital Covenant for so long as the indebtedness held by such trust remains Covered Debt hereunder.

SECTION 4. Termination, Amendment and Waiver

(a) The obligations of the Corporation pursuant to this Replacement Capital Covenant shall remain in full force and effect until the earliest date (the ***"Termination Date")*** to occur of:

(i) the date, if any, on which the Holders of a majority in principal amount of the then-effective series of Covered Debt consent or agree in writing to the termination of this Replacement Capital Covenant and the obligations of the Corporation hereunder;

(ii) the date on which the Corporation ceases to have any series of outstanding Eligible Senior Debt or Eligible Subordinated Debt (in each case without giving effect to the rating requirement in clause (b) of the definition of each such term);

(iii) October 15, 2047 or, if earlier, the date on which the CENts are otherwise repaid, redeemed or purchased in full in accordance with this Replacement Capital Covenant; and

(iv) the date on which the CENts become accelerated due to the occurrence of an event of default.

From and after the Termination Date, the obligations of the Corporation pursuant to this Replacement Capital Covenant shall be of no further force and effect.

(b) This Replacement Capital Covenant may be amended or supplemented from time to time by a written instrument signed by the Corporation with the consent of the Holders of at least a majority in principal amount of the then-effective series of Covered Debt, *provided* that this Replacement Capital Covenant may be amended or supplemented from time to time by a written instrument signed only by the Corporation (and without the consent of any Covered Debtholder) if:

(i) such amendment or supplement eliminates Common Stock, Warrants, Mandatorily Convertible Preferred Stock and/or Debt Exchangeable for Common Equity as a Replacement Capital Security and, in the case of this clause (i), after the date of this Replacement Capital Covenant, an accounting standard or interpretive guidance of an existing accounting standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that failure to eliminate Common Stock, Warrants, Mandatorily Convertible Preferred Stock and/or Debt Exchangeable for Common Equity as a Replacement Capital Security would result in a reduction in the Corporation's earnings per share as calculated in accordance with generally accepted accounting principles in the United States;

(ii) such amendment or supplement is not adverse to the Holders of the then-effective series of Covered Debt and an officer of the Corporation has delivered to the Holders of the then-effective series of Covered Debt in the manner provided for in the indenture, fiscal agency agreement or other instrument with respect to such Covered Debt a written certificate stating that, in his or her determination, such amendment or supplement is not adverse to the Holders of the then-effective series of Covered Debt; or

(iii) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate (subject to clause (i) in the circumstances where it applies) certain of, the types of securities qualifying as Replacement Capital Securities, and an officer of the Corporation has delivered to the Holders of the then-effective series of Covered Debt in the manner provided for in the

indenture, fiscal agency agreement or other instrument with respect to such Covered Debt a written certificate to that effect.

For the avoidance of doubt, an amendment or supplement that adds new types of Qualifying Capital Securities or modifies the requirements of the Qualifying Capital Securities described herein would not be adverse to the rights of the Covered Debtholders if, following such amendment or supplement, this Replacement Capital Covenant would satisfy clause (ii) of the definition of Qualifying Replacement Capital Covenant.

(c) For purposes of Sections 4(a) and 4(b), the Holders whose consent or agreement is required to terminate, amend or supplement the obligations of the Corporation under this Replacement Capital Covenant shall be the Holders of the then-effective Covered Debt as of a record date established by the Corporation that is not more than 30 days prior to the date on which the Corporation proposes that such termination, amendment or supplement becomes effective.

SECTION 5. Miscellaneous

(a) This Replacement Capital Covenant shall be governed by and construed in accordance with the laws of the State of New York.

(b) This Replacement Capital Covenant shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of the Covered Debtholders as they exist from time-to-time (it being understood and agreed by the Corporation that any Person who is a Covered Debtholder shall retain its status as a Covered Debtholder for so long as the series of long-term indebtedness for borrowed money owned by such Person is Covered Debt and if such Person initiates an action, claim or proceeding to enforce its rights under this Replacement Capital Covenant after the Corporation has violated its covenants in Section 2 and before the series of long-term indebtedness for money borrowed held by such Person is no longer Covered Debt, such Person's rights under this Replacement Capital Covenant shall not terminate by reason of such series of long-term indebtedness for money borrowed no longer being Covered Debt).

(c) All demands, notices, requests and other communications to the Corporation under this Replacement Capital Covenant shall be deemed to have been duly given and made if in writing and (i) if served by personal delivery upon the Corporation, on the day so delivered (or, if such day is not a Business Day, the next succeeding Business Day), or (ii) if delivered by registered post or certified mail, return receipt requested, or sent to the Corporation by a national or international courier service, on the date of receipt by the Corporation (or, if such date of receipt is not a Business Day, the next succeeding Business Day), and in each case to the Corporation at the address set forth below, or at such other address as the Corporation may thereafter notify to Covered Debtholders or post on its website as the address for notices under this Replacement Capital Covenant:

Symetra Financial Corporation
PO Box 34690
Seattle, Washington 98124-1690
Attention: [ ]

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IN WITNESS WHEREOF, the Corporation has caused this Replacement Capital Covenant to be executed by its duly authorized officer, as of the day and year first above written.

SYMETRA FINANCIAL CORPORATION

By: _____

Name: Margaret A. Meister
Title: Executive Vice President and Chief Financial Officer

SCHEDULE I

DEFINITIONS

"Alternative Payment Mechanism" means, with respect to any Qualifying Capital Securities, provisions in the related transaction documents permitting the Corporation, in its sole discretion, to defer or skip in whole or in part payment of Distributions on such Qualifying Capital Securities for one or more consecutive Distribution Periods not to exceed ten years and requiring the Corporation to issue (or use Commercially Reasonable Efforts to issue) one or more types of APM Qualifying Securities raising eligible proceeds at least equal to the deferred Distributions on such Qualifying Capital Securities and apply the proceeds to pay unpaid Distributions on such Qualifying Capital Securities, commencing on the earlier of (x) the first Distribution Date after commencement of a deferral period on which the Corporation pays current Distributions on such Qualifying Capital Securities and (y) the fifth anniversary of the commencement of such deferral period, and that:

(i) define ***"eligible proceeds"*** to mean, for purposes of such Alternative Payment Mechanism, the net proceeds (after underwriters' or placement agents' fees, commissions or discounts and other expenses relating to the issuance or sale of the relevant securities, where applicable, and including the fair market value of property received by the Corporation or any of its Subsidiaries as consideration for such APM Qualifying Securities) that the Corporation has received during the 180 days prior to the related Distribution Date from the issuance of APM Qualifying Securities, up to the Preferred Cap in the case of APM Qualifying Securities that are Qualifying Non-Cumulative Preferred Stock or Mandatorily Convertible Preferred Stock;

(ii) permit the Corporation to pay current Distributions on any Distribution Date out of any source of funds but (x) require the Corporation to pay deferred Distributions only out of eligible proceeds and (y) prohibit the Corporation from paying deferred Distributions out of any source of funds other than eligible proceeds;

(iii) if deferral of Distributions continues for more than one year (or such shorter period as provided for in the terms of such securities), require the Corporation and its Subsidiaries not to repay, redeem or purchase any of its securities that rank junior to or *pari passu* with any APM Qualifying Securities on a bankruptcy or liquidation of the Corporation the proceeds of which were used to settle deferred interest during the relevant deferral period until at least one year after all deferred Distributions have been paid *(a* ***"Repurchase Restriction"***), other than the following (none of which shall be restricted or prohibited by a Repurchase Restriction):

(A) purchases of such securities by the Corporation's Subsidiaries in connection with the distribution thereof or market-making or other secondary-market activities;

(B) purchases, redemptions or other acquisitions of Common Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants; or

(C) purchases of Common Stock pursuant to a contractually binding requirement to buy Common Stock entered into prior to the beginning of the related deferral period, including under a contractually binding stock repurchase plan;

(iv) may include a provision that, notwithstanding the Common Cap and the Preferred Cap, for purposes of paying deferred Distributions, limits the Corporation's ability to sell Common Stock, Warrants or Mandatorily Convertible Preferred Stock above the Share Cap;

(v) in the case of Qualifying Capital Securities other than Qualifying Non-Cumulative Preferred Stock, include a Bankruptcy Claim Limitation Provision;

(vi) permit the Corporation, at its option, to provide that if it is involved in a merger, consolidation, amalgamation, binding stock exchange or conveyance, transfer or lease of assets substantially as an entirety to any other person or a similar transaction *(a **"Business Combination"**)* where immediately after the consummation of the Business Combination more than 50% of the voting stock of the surviving entity of the Business Combination or the Person to whom all or substantially all of the Corporation's assets have been transferred, conveyed or leased is owned, directly or indirectly, by the stockholders of the other party to the Business Combination, then clauses (i) through (iii) of this definition will not apply to any deferral period that is terminated on the next Distribution Date following the date of the Business Combination;

(vii) limit the obligation of the Corporation to issue (or use Commercially Reasonable Efforts to issue) APM Qualifying Securities that are Common Stock and Warrants to settle deferred Distributions pursuant to the Alternative Payment Mechanism either (A) during the first five years of any deferral period or (B) before an anniversary of the commencement of any deferral period that is not earlier than the fifth such anniversary and not later than the ninth such anniversary (as designated in the terms of such Qualifying Capital Securities) with respect to deferred Distributions attributable to the first five years of such deferral period, either:

(X) to an aggregate amount of such securities, the net proceeds from the issuance of which is equal to 2% of the product of the average of the Current Stock Market Price of the Common Stock on the ten consecutive trading days ending on the fourth trading day immediately preceding the date of issuance multiplied by the total number of issued and outstanding shares of Common Stock as of the date of the Corporation's most recent publicly available consolidated financial statements; or

(Y) to a number of shares of Common Stock and Warrants, in the aggregate, not in excess of 2% of the outstanding number of shares of Common Stock (such limitation set forth in (X) or (Y), the ***"Common Cap"***); and

(viii) limit the right of the Corporation to issue APM Qualifying Securities that are Qualifying Non-Cumulative Preferred Stock and Mandatorily Convertible Preferred Stock to settle deferred Distributions pursuant to the Alternative Payment Mechanism to an aggregate amount of Qualifying Non-Cumulative Preferred Stock and still-outstanding Mandatorily Convertible Preferred Stock, the net

proceeds from the issuance of which with respect to all deferral periods is equal to 25% of the liquidation or principal amount of such Qualifying Capital Securities (the ***"Preferred Cap"***);

provided (and it being understood) that:

(A) the Corporation shall not be obligated to issue (or use Commercially Reasonable Efforts to issue) APM Qualifying Securities for so long as a Market Disruption Event has occurred and is continuing;

(B) if, due to a Market Disruption Event or otherwise, the Corporation is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred Distributions on any Distribution Date, the Corporation will apply any available eligible proceeds to pay accrued and unpaid Distributions on the applicable Distribution Date in chronological order subject to the Common Cap, Preferred Cap and Share Cap, as applicable; and

(C) if the Corporation has outstanding more than one class or series of securities under which it is obligated to sell a type of APM Qualifying Securities and apply some part of the proceeds to the payment of deferred Distributions, then on any date and for any period the amount of net proceeds received by the Corporation from those sales and available for payment of deferred Distributions on such securities shall be applied to such securities on a *pro rata* basis up to the Common Cap, the Preferred Cap and the Share Cap, as applicable, in proportion to the total amounts that are due on such securities.

"APM Qualifying Securities" means, with respect to an Alternative Payment Mechanism, or any Mandatory Trigger Provision, one or more of the following (as designated in the transaction documents for any Qualifying Capital Securities that include an Alternative Payment Mechanism or a Mandatory Trigger Provision, as applicable):

(i) Common Stock;

(ii) Warrants;

(iii) Qualifying Non-Cumulative Preferred Stock; or

(iii) Mandatorily Convertible Preferred Stock;

provided (and it being understood) that (i) if the APM Qualifying Securities for any Alternative Payment Mechanism or Mandatory Trigger Provision include both Common Stock and Warrants, such Alternative Payment Mechanism or Mandatory Trigger Provision may permit, but need not require, the Corporation to issue Warrants and (ii) such Alternative Payment Mechanism or Mandatory Trigger Provision may permit, but need not require, the Corporation to issue Mandatorily Convertible Preferred Stock.

"Applicable Percentage" means:

(i) in the case of any Common Stock or Warrants, (a) 133.33% with respect to any repayment, redemption or purchase prior to October 15, 2017, (b) 200% with respect to any repayment, redemption or purchase on or after October 15, 2017 and prior to October 15, 2037 and (c) 400% with respect to any repayment, redemption or purchase on or after October 15, 2037;

(ii) in the case of any Mandatorily Convertible Preferred Stock, Debt Exchangeable for Common Equity, Debt Exchangeable for Preferred Equity or any Qualifying Capital Securities described in clause (i) of the definition of such term, (a) 100% with respect to any repayment, redemption or purchase prior to October 15, 2037 and (b) 300% with respect to any repayment, redemption or purchase on or after October 15, 2037;

(iii) in the case of any Qualifying Capital Securities described in clause (ii) of the definition of such term, (a) 100% with respect to any repayment, redemption or purchase prior to October 15, 2037 and (b) 200% with respect to any repayment, redemption or purchase on or after October 15, 2037; and

(iv) in the case of any Qualifying Capital Securities described in clause (iii) of the definition of such term, 100%.

"Bankruptcy Claim Limitation Provision" means, with respect to any Qualifying Capital Securities that have an Alternative Payment Mechanism or a Mandatory Trigger Provision, provisions that, upon any liquidation, dissolution, winding up or reorganization or in connection with any insolvency, receivership or proceeding under any bankruptcy law with respect to the issuer, limit the claim of the holders of such securities to Distributions that accumulate during (A) any deferral period, in the case of securities that have an Alternative Payment Mechanism or (B) any period in which the issuer fails to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, in the case of securities that have a Mandatory Trigger Provision, to:

(i) in the case of Qualifying Capital Securities that have an Alternative Payment Mechanism or Mandatory Trigger Provision with respect to which the APM Qualifying Securities do not include Qualifying Non-Cumulative Preferred Stock or Mandatorily Convertible Preferred Stock, 25% of the stated or principal amount of such Qualifying Capital Securities then outstanding; and

(ii) in the case of any other Qualifying Capital Securities, an amount not in excess of the sum of (x) the first two years of accumulated and unpaid Distributions and (y) an amount equal to the excess, if any, of the Preferred Cap over the aggregate amount of net proceeds from the sale of Qualifying Non-Cumulative Preferred Stock and Mandatorily Convertible Preferred Stock that is still outstanding that the issuer has applied to pay such Distributions pursuant to the Alternative Payment Mechanism or the Mandatory Trigger Provision; *provided* that the holders of such Qualifying Capital Securities are deemed to agree that, to the extent the remaining claim exceeds the amount set forth in clause (x), the amount they receive in respect of such excess shall not exceed the amount they would have received the claim for such excess ranked *pari passu* with the interests of the holders, if any, of Qualifying Non-Cumulative Preferred Stock.

"Business Combination" has the meaning specified in clause (vi) of the definition of Alternative Payment Mechanism.

"Business Day" means each day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in The City of New York are authorized or required by law or executive order to remain closed.

"CENts" has the meaning specified in Recital A.

"Commercially Reasonable Efforts" means, for purposes of selling APM Qualifying Securities, commercially reasonable efforts to complete the offer and sale of APM Qualifying Securities to third parties that are not Subsidiaries of the Corporation, which in the event the Corporation is not publicly traded shall include the Corporation's existing stockholders, in public offerings or private placements. The Corporation shall not be considered to have made Commercially Reasonable Efforts to effect a sale of APM Qualifying Securities if it determines not to pursue or complete such sale solely due to pricing, coupon, dividend rate or dilution considerations.

"Commission" means the United States Securities and Exchange Commission.

"Common Cap" has the meaning specified in clause (vii) of the definition of Alternative Payment Mechanism.

"Common Stock" means (i) common stock of the Corporation, including common stock issued pursuant to any dividend reinvestment plan or employee benefit plan of the Corporation, (ii) a security of the Corporation, ranking upon the Corporation's liquidation, dissolution or winding up junior to its Qualifying Non-Cumulative Preferred Stock and *pari passu* with its Common Stock, that tracks the performance of, or relates to the results of, a business, unit or division of the Corporation, and (iii) any securities issued in exchange for the securities described in clause (i) or (ii) above in connection with a Business Combination.

"Corporation" has the meaning specified in the introduction to this instrument.

"Covered Debt" means (a) at the date of this Replacement Capital Covenant and continuing to but excluding the first Redesignation Date, the Initial Covered Debt and (b) thereafter, commencing with each Redesignation Date and continuing to but excluding the next succeeding Redesignation Date, the Eligible Debt identified pursuant to Section 3(b) as the Covered Debt for such period.

"Covered Debtholder" means each Person to the extent that that Person holds (whether as a Holder or a beneficial owner holding through a participant in a clearing agency) long-term indebtedness for money borrowed of the Corporation during the period that such long-term indebtedness for money borrowed is Covered Debt.

"Current Stock Market Price" means, with respect to the Common Stock on any date:

(i) the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions by the New York Stock Exchange;

(ii) if the Common Stock is not then listed on the New York Stock Exchange, as reported by the principal U.S. securities exchange on which the Common Stock is traded or quoted on the relevant date;

(iii) if the Common Stock is not listed on any U.S. securities exchange on the relevant date, the last quoted bid price for the Common Stock in the over-the-counter market on the relevant date as reported by Pink Sheets LLC or similar organization;

(iv) if the Common Stock is not so quoted, the average of the mid-point of the last bid and ask prices for the Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Corporation for this purpose; or

(v) if the Common Stock has no bid and ask price, the price per share determined by a nationally recognized independent investment banking firm selected by the Corporation for this purpose.

"Debt Exchangeable for Common Equity" means a security or combination of securities that:

(i) gives the holder a beneficial interest in (a) subordinated debt securities of the Corporation that are not redeemable prior to the settlement date of a related stock purchase contract and (b) a fractional interest in the related stock purchase contract for a share of Common Stock that will be settled in three years or less, with the number of shares of Common Stock purchasable pursuant to such stock purchase contract to be within a range established at the time of issuance of such subordinated debt securities, subject to customary anti-dilution adjustments;

(ii) provides that the holders directly or indirectly grant the Corporation a security interest in such subordinated debt securities and their proceeds (including any substitute collateral permitted under the transaction documents) to secure the holders' direct or indirect obligation to purchase Common Stock pursuant to such stock purchase contracts;

(iii) includes a remarketing feature pursuant to which such subordinated debt securities are remarketed to new investors commencing not later than the last Distribution Date that is at least one month prior to the settlement date of the stock purchase contract; and

(iv) provides for the proceeds raised in the remarketing to be used to purchase Common Stock under the stock purchase contracts and, if there has not been a successful remarketing by the settlement date of the stock purchase contract, provides that the stock purchase contracts will be settled by the Corporation exercising its remedies as a secured party with respect to the subordinated debt securities or other collateral directly or indirectly pledged by holders in the Debt Exchangeable for Common Equity.

"Debt Exchangeable for Preferred Equity" means a security or combination of securities (together in this definition, ***"such securities")*** that:

(i) gives the holder a beneficial interest in (a) subordinated debt securities of the Corporation or one of its Subsidiaries (in this definition, the "**issuer**") that include a provision permitting the issuer to defer Distributions in whole or in part on such securities for one or more Distribution Periods of up to at least seven years without any remedies other than Permitted Remedies and that are the most junior subordinated debt of the issuer (or rank *pari passu* with the most junior subordinated debt of the issuer) and (b) an interest in a stock purchase contract that obligates the holder to acquire a beneficial interest in the Company's Qualifying Non-Cumulative Preferred Stock;

(ii) provides that the holders directly or indirectly grant to the Corporation a security interest in such subordinated debt securities and their proceeds (including any substitute collateral permitted under the transaction documents) to secure the investors' direct or indirect obligation to purchase Qualifying Non-Cumulative Preferred Stock pursuant to such stock purchase contracts;

(iii) includes a remarketing feature pursuant to which such subordinated debt securities are remarketed to new investors commencing not later than the first Distribution Date that is at least five years after the date of issuance of such securities or earlier in the event of an early settlement event based on (a) the dissolution of the issuer of such Debt Exchangeable for Preferred Equity or (b) one or more financial tests set forth in the terms of the instrument governing such Debt Exchangeable for Preferred Equity;

(iv) provides for the proceeds raised in the remarketing to be used to purchase Qualifying Non-Cumulative Preferred Stock under the stock purchase contracts and, if there has not been a successful remarketing by the first Distribution Date that is six years after the date of issuance of such securities, provides that the stock purchase contracts will be settled by the Corporation exercising its rights as a secured creditor with respect to the subordinated debt securities or other collateral directly or indirectly pledged by investors in the Debt Exchangeable for Preferred Equity;

(v) includes a Qualifying Replacement Capital Covenant that will apply to such securities and to any Qualifying Non-Cumulative Preferred Stock issued pursuant to the stock purchase contracts; *provided* that such Qualifying Replacement Capital Covenant will not include Debt Exchangeable for Common Equity or Debt Exchangeable for Preferred Equity as ***"Replacement Capital Securities";*** and

(vi) if applicable, after the issuance of such Qualifying Non-Cumulative Preferred Stock, provides the holders with a beneficial interest in such Qualifying Non-Cumulative Preferred Stock.

"Distribution Date" means, as to any Qualifying Capital Securities, Debt Exchangeable for Common Equity or Debt Exchangeable for Preferred Equity, the dates on which Distributions on such securities are scheduled to be made.

"Distribution Period" means, as to any Qualifying Capital Securities, Debt Exchangeable for Common Equity or Debt Exchangeable for Preferred Equity, each period from and including a Distribution Date for such securities to but excluding the next succeeding Distribution Date for such securities.

"Distribution Rate Step-Up" means, as to any Qualifying Capital Securities, Debt Exchangeable for Common Equity or Debt Exchangeable for Preferred Equity, that the rate at which Distributions accrue or are paid on such securities increases over time (including by an increase in the fixed rate of Distributions in the case of securities that accrue and pay Distributions at a fixed rate or by an increase in the margin above the applicable index in the case of securities that accrue and pay Distributions based upon a margin above an index, but not including an increase in the rate of Distributions merely because the index used in calculating such rate increases).

"Distributions" means, as to any Qualifying Capital Securities, Debt Exchangeable for Common Equity or Debt Exchangeable for Preferred Equity, dividends, interest or other income distributions to the holders thereof that are not Subsidiaries of the Corporation.

"Eligible Debt" means, at any time, Eligible Subordinated Debt or, if no Eligible Subordinated Debt is then outstanding, Eligible Senior Debt.

"Eligible Senior Debt" means, at any time in respect of any issuer, each series of outstanding unsecured long-term indebtedness for money borrowed of such issuer that:

(a) upon a bankruptcy, liquidation, dissolution or winding up of the issuer, ranks most senior among the issuer's then outstanding classes of unsecured indebtedness for money borrowed;

(b) is then assigned a rating by at least one NRSRO (provided that this clause (b) shall apply on a Redesignation Date only if on such date the issuer has outstanding senior long-term indebtedness for money borrowed that satisfies the requirements of clauses (a), (c) and (d) that is then assigned a rating by at least one NRSRO);

(c) has an outstanding principal amount of not less than $100,000,000; and

(d) was issued through or with the assistance of a commercial or investment banking firm or firms acting as underwriters, initial purchasers or placement or distribution agents.

For purposes of this definition as applied to securities with a CUSIP number, each issuance of long-term indebtedness for money borrowed that has (or, if such indebtedness is held by a trust or other intermediate entity established directly or indirectly by the issuer, the securities of such intermediate entity that have) a separate CUSIP number shall be deemed to be a series of the issuer's long-term indebtedness for money borrowed that is separate from each other series of such indebtedness.

"Eligible Subordinated Debt" means, at any time in respect of any issuer, each series of the issuer's then-outstanding unsecured long-term indebtedness for money borrowed that:

(a) upon a bankruptcy, liquidation, dissolution or winding up of the issuer, ranks subordinate to the issuer's then outstanding series of unsecured indebtedness for money borrowed that ranks most senior and ranks senior to the CENts;

(b) is then assigned a rating by at least one NRSRO (provided that this clause (b) shall apply on a Redesignation Date only if on such date the issuer has outstanding subordinated long-term indebtedness for money borrowed that satisfies the requirements in clauses (a), (c) and (d) that is then assigned a rating by at least one NRSRO);

(c) has an outstanding principal amount of not less than $100,000,000; and

(d) was issued through or with the assistance of a commercial or investment banking firm or firms acting as underwriters, initial purchasers or placement or distribution agents.

For purposes of this definition as applied to securities with a CUSIP number, each issuance of long-term indebtedness for money borrowed that has (or, if such indebtedness is held by a trust or other intermediate entity established directly or indirectly by the issuer, the securities of such intermediate entity that have) a separate CUSIP number shall be deemed to be a series of the issuer's long-term indebtedness for money borrowed that is separate from each other series of such indebtedness.

"Holder" means, as to the Covered Debt then in effect, each holder of such Covered Debt as reflected on the securities register maintained by or on behalf of the Corporation with respect to such Covered Debt and each beneficial owner holding through a participant in a clearing agency.

"Indenture" means the Indenture, dated October 10, 2007, between the Corporation and U.S. Bank National Association, as Trustee.

"Initial Covered Debt" means the Corporation's 6.125% Senior Notes due April 1, 2016, which have CUSIP No. 87151QAA4.

"Intent-Based Replacement Disclosure" means, as to any Qualifying Non-Cumulative Preferred Stock or Qualifying Capital Securities, that the issuer has publicly stated its intention, either in the prospectus or other offering document under which such securities were initially offered for sale or in filings with the Commission made by the issuer under the Securities Exchange Act prior to or contemporaneously with the issuance of such securities, that the issuer and its subsidiaries, to the extent such securities provide the issuer with equity credit for purposes of rating by an NRSRO, will repay, redeem or purchase such securities only with the proceeds of replacement capital securities that have terms and provisions at the time of repayment, redemption or purchase that are as or more equity-like than the securities then being repaid, redeemed or purchased, raised within 180 days prior to the applicable repayment, redemption or purchase date.

"Investor Screen" has the meaning specified in Section 3(c)(i).

"Mandatorily Convertible Preferred Stock" means cumulative preferred stock with (a) no prepayment obligation on the part of the issuer thereof, whether at the election of the holders or otherwise, and (b) a requirement that such preferred stock convert into common stock of the issuer within three years from the date of its issuance at a conversion ratio within a range established at the time of issuance of such preferred stock, subject to customary anti-dilution adjustments.

"Mandatory Trigger Provision" means, as to any Qualifying Capital Securities, provisions in the terms thereof or of the related transaction agreements that:

(i) require the issuer of such securities to make payment of Distributions on such securities within two years of a failure of the issuer to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, provided that such payment shall be made only with the net proceeds from the issue and sale of APM Qualifying Securities, such that the net proceeds of such issue and sale are at least equal to the amount of unpaid Distributions on such securities (including all deferred and accumulated amounts) and the terms of such securities or related transaction agreements require the application of the net proceeds of such issue and sale to pay such unpaid Distributions, provided further that (a) if the Mandatory Trigger Provision does not require the issuance and sale within one year of such failure, the amount of Common Stock and/or Warrants the net proceeds of which the issuer must apply to pay such Distributions pursuant to such provision may not exceed the Common Cap and (b) the amount of Qualifying Non-Cumulative Preferred Stock and still outstanding Mandatorily Convertible Preferred Stock the net proceeds of which the issuer may apply to pay such Distributions pursuant to such provision may not exceed the Preferred Cap;

(ii) if the provisions described in clause (i) above do not require such issuance and sale within one year of such failure, include a Repurchase Restriction;

(iii) prohibit the issuer of such securities from redeeming or purchasing any of its securities ranking upon the Corporation's liquidation, dissolution or winding up junior to or *pari passu* with any APM Qualifying Securities the proceeds of which were used to settle deferred interest during the relevant

Deferral Period prior to the date six months after the issuer applies the net proceeds of the sales described in (i) to pay such deferred Distributions in full; and

(iv) include a Bankruptcy Claim Limitation Provision;

provided (and it being understood) that:

(A) the issuer will not be obligated to issue (or use Commercially Reasonable Efforts to issue) APM Qualifying Securities for so long as a Market Disruption Event has occurred and is continuing;

(B) if, due to a Market Disruption Event or otherwise, the issuer is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred Distributions on any Distribution Date, the issuer will apply any available eligible proceeds to pay accrued and unpaid Distributions on the applicable Distribution Date in chronological order subject to the Common Cap, Preferred Cap and Share Cap, as applicable; and

(C) if the issuer has outstanding more than one class or series of securities under which it is obligated to sell a type of APM Qualifying Securities and applies some part of the proceeds to the payment of deferred Distributions, then on any date and for any period the amount of net proceeds received by the issuer from those sales and available for payment of deferred Distributions on such securities shall be applied to such securities on a *pro rata* basis up to the Common Cap and the Preferred Cap, as applicable, in proportion to the total amounts that are due on such securities.

No remedy other than Permitted Remedies will arise by the terms of such securities or related transaction agreements in favor of the holders of such Qualifying Capital Securities as a result of the issuer's failure to pay Distributions because of the Mandatory Trigger Provision until Distributions have been deferred for one or more Distribution Periods that total together at least ten years.

"Market Disruption Event" means the occurrence or existence of any of the following events or sets of circumstances:

(i) trading in securities generally, or shares of the Corporation's securities specifically, on the New York Stock Exchange or any other national securities exchange, or in the over-the-counter market on which APM Qualifying Securities are then listed or traded shall have been suspended or the settlement of such trading generally shall have been materially disrupted or minimum prices shall have been established on any such exchange or market by the Commission, the relevant exchange or by any other regulatory body or governmental agency having jurisdiction such that trading shall have been materially disrupted;

(ii) the Corporation would be required to obtain the consent or approval of the Corporation's shareholders or a regulatory body (including, without limitation, any securities exchange) or governmental authority to issue or sell APM Qualifying Securities pursuant to the Alternative Payment

Mechanism and that consent or approval has not yet been obtained notwithstanding the Corporation's Commercially Reasonable Efforts to obtain that consent or approval;

(iii) a banking moratorium shall have been declared by the federal or state authorities of the United States such that the issuance of, or market trading in, the APM Qualifying Securities has been disrupted or ceased;

(iv) a material disruption shall have occurred in commercial banking or securities settlement or clearance services in the United States such that the issuance of, or market trading in, the APM Qualifying Securities has been disrupted or ceased;

(v) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States, there shall have been a declaration of a national emergency or war by the United States or there shall have occurred any other national or international calamity or crisis such that the issuance of, or market trading in, the APM Qualifying Securities has been disrupted or ceased;

(vi) there shall have occurred such a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities, or the effect of international conditions on the financial markets in the United States shall be such that the issuance of, or market trading in, the APM Qualifying Securities has been materially disrupted;

(vii) an event occurs and is continuing as a result of which the offering document for the offer and sale of APM Qualifying Securities would, in the reasonable judgment of the Corporation, contain an untrue statement of a material fact or omit to state a material fact required to be stated in that offering document or necessary to make the statements in that offering document not misleading and either (a) the disclosure of that event at such time, in the reasonable judgment of the Corporation, is not otherwise required by law and would have a material adverse effect on the Corporation or (b) the disclosure relates to a previously undisclosed proposed or pending material business transaction, provided that no single suspension period described in this clause (vii) shall exceed 90 consecutive days and multiple suspension periods described in this clause (vii) shall not exceed an aggregate of 180 days in any 360-day period; or

(viii) the Corporation reasonably believes that the offering document for the offer and the sale of APM Qualifying Securities would not be in compliance with a rule or regulation of the Commission (for reasons other than those described in clause (vii) above) and the Corporation determines that it is unable to comply with such rule or regulation or such compliance is unduly burdensome, *provided* that no single suspension period described in this clause (viii) shall exceed 90 consecutive days and multiple suspension periods described in this clause (viii) shall not exceed an aggregate of 180 days in any 360-day period.

The definition of ***"Market Disruption Event"*** as used in any Replacement Capital Securities may include less than all of the paragraphs outlined above, as determined by the Corporation at the time of issuance of such securities, and in the case of clauses (i), (ii) and (iii) above, as applicable to a circumstance where the Corporation would otherwise endeavor to issue preferred stock, shall be limited

to circumstances affecting markets where the Corporation's preferred stock traded or where a listing for their trading is being sought.

"Measurement Date" means (a) with respect to any repayment, redemption or purchase of the CENts on or prior to the Scheduled Maturity Date, the date that is 180 days prior to delivery of notice of such repayment or redemption or the date of such purchase; and (b) with respect to any repayment, redemption or purchase of the CENts after the Scheduled Maturity Date, the date that is 90 days prior to the date of such repayment, redemption or purchase, except that, if during the 90-day (or any shorter) period preceding the date that is 90 days prior to the date of such repayment, redemption or purchase, the Corporation or its Subsidiaries issued Replacement Capital Securities to Persons other than the Corporation and its Subsidiaries but no repayment, redemption or purchase was made pursuant to Section 2 in connection therewith, the date upon which such 90-day (or shorter) period began.

"Measurement Period" means, with respect to any date on which notice of repayment or redemption is delivered with respect to the CENts or on which the Corporation purchases, or any Subsidiary of the Corporation purchases, any CENts, the period beginning on the Measurement Date with respect to such notice or purchase date and ending on such notice or purchase date, as the case may be. Measurement Periods cannot run concurrently.

"No Payment Provision" means a provision or provisions in the transaction documents for securities (referred to in this definition as ***"such securities")*** that include the following:

(i) an Alternative Payment Mechanism; and

(ii) an Optional Deferral Provision modified and supplemented from the general definition of that term to provide that the issuer of such securities may, in its sole discretion, defer in whole or in part payment of Distributions on such securities for one or more consecutive Distribution Periods of up to five years or, if a Market Disruption Event has occurred and is continuing, ten years, without any remedy other than Permitted Remedies and the obligations (and limitations on obligations) described in the definition of "Alternative Payment Mechanism" applying.

"Non-Cumulative" means, with respect to any Qualifying Capital Securities, that the issuer may elect not to make any number of periodic Distributions without any remedy arising under the terms of the securities or related agreements in favor of the holders, other than one or more Permitted Remedies.

"NRSRO" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Securities Exchange Act.

"Optional Deferral Provision" means, as to any Qualifying Capital Securities, a provision in the terms thereof or of the related transaction agreements to the effect that:

(i) (a) the issuer of such Qualifying Capital Securities may, in its sole discretion, defer in whole or in part payment of Distributions on such securities for one or more consecutive Distribution Periods of up to five years or, if a Market Disruption Event is continuing, ten years, without any remedy other than Permitted Remedies and (b) such Qualifying Capital Securities are subject to an Alternative Payment Mechanism (provided that such Alternative Payment Mechanism need not apply during the first five years of any deferral period and need not include a Common Cap, Preferred Cap, Share Cap, Bankruptcy Claims Limitation Provision or Repurchase Restriction); or

(ii) the issuer of such Qualifying Capital Securities may, in its sole discretion, defer or skip in whole or in part payment of Distributions on such securities for one or more consecutive Distribution Periods of up to ten years without any remedy other than Permitted Remedies.

"Permitted Remedies" means, with respect to any securities, one or more of the following remedies:

(i) rights in favor of the holders of such securities permitting such holders to elect one or more directors of the issuer (including any such rights required by the listing requirements of any stock or securities exchange on which such securities may be listed or traded); and

(ii) complete or partial prohibitions on the issuer paying Distributions on or repurchasing common stock or other securities that rank *pari passu* with or junior as to Distributions to such securities for so long as distributions on such securities, including unpaid distributions, remain unpaid.

"Person" means any individual, corporation, partnership, joint venture, trust, limited liability company or corporation, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Cap" has the meaning specified in clause (viii) of the definition of Alternative Payment Mechanism.

"Qualifying Capital Securities" means securities or combinations of securities (other than Common Stock, Warrants, Mandatorily Convertible Preferred Stock, Debt Exchangeable for Common Equity and Debt Exchangeable for Preferred Equity) that, in the determination of the Corporation's Board of Directors reasonably construing the definitions and other terms of this Replacement Capital Covenant, meet one of the following criteria:

(i) in connection with any repayment, redemption or purchase of CENts prior to October 15, 2017:

(A) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon the liquidation, dissolution or winding up of the Corporation, (2) have no maturity or a maturity of at least 60 years and (3) either:

(x) (I) are subject to a Qualifying Replacement Capital Covenant and (II) have a No Payment Provision or are Non-Cumulative, or

(y) (I) have a Mandatory Trigger Provision and are subject to Intent-Based Replacement Disclosure and (II) have an Optional Deferral Provision or a No Payment Provision;

(B) preferred stock issued by the Corporation or its Subsidiaries that (1) are Non-Cumulative, (2) have no prepayment obligation on the part of the issuer thereof, whether at the election of the holders or otherwise, (3) have no maturity or a maturity of at least 60 years and (4) either:

(x) are subject to a Qualifying Replacement Capital Covenant, or

(y) have a Mandatory Trigger Provision and are subject to Intent-Based Replacement Disclosure; or

(C) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* or junior to the CENts upon the liquidation, dissolution or winding up of the Corporation, (2) have no maturity or a maturity of at least 40 years, (3) are subject to a Qualifying Replacement Capital Covenant and (4) have an Optional Deferral Provision and a Mandatory Trigger Provision; or

(ii) in connection with any repayment, redemption or purchase of CENts at any time on or after October 15, 2017 but prior to October 15, 2037:

(A) securities described under clause (i) of this definition that would be Qualifying Capital Securities prior to October 15, 2017;

(B) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon a liquidation, dissolution or winding up of the Corporation, (2) have no maturity or a maturity of at least 60 years, (3) are subject to a Qualifying Replacement Capital Covenant and (4) have an Optional Deferral Provision;

(C) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon a liquidation, dissolution or winding up of the Corporation, (2) have no maturity or a maturity of at least 60 years, (3) are Non-Cumulative or have a No Payment Provision and (4) are subject to Intent-Based Replacement Disclosure;

(D) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon a liquidation, dissolution or winding up of the Corporation, (2) have no maturity or a maturity of at least 40 years, (3) are Non-Cumulative or have a No Payment Provision and (4) are subject to a Qualifying Replacement Capital Covenant;

(E) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon a liquidation, dissolution or winding up of the Corporation, (2) have no maturity or a maturity of at least 40 years, (3) have an Optional Deferral Provision and a Mandatory Trigger Provision and (4) are subject to Intent-Based Replacement Disclosure;

(F) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon a liquidation, dissolution or winding-up of the Corporation, (2) have no maturity or a maturity of at least 25 years, (3) are subject to a Qualifying Replacement Capital Covenant and (4) have an Optional Deferral Provision and a Mandatory Trigger Provision;

(G) cumulative preferred stock issued by the Corporation or its Subsidiaries that (1) have no prepayment obligation on the part of the issuer thereof, whether at the election of the holders or otherwise, (2) have no maturity or a maturity of at least 60 years and (3) are subject to a Qualifying Replacement Capital Covenant; or

(H) securities issued by the Corporation or its Subsidiaries that (1) rank (i) senior to the CENts and securities that are *pari passu* with the CENts but (ii) junior to all other debt securities of the Corporation (other than (x) the CENts and securities that are *pari passu* with the CENts and (y) securities that are *pari passu* with such Qualifying Capital Securities) upon its liquidation, dissolution or winding-up, and (2) either:

(x) have no maturity or a maturity of at least 60 years and either (I) are (a) Non-Cumulative or subject to a No Payment Provision and (b) subject to a Qualifying Replacement Capital Covenant or (II) have a Mandatory Trigger Provision and an Optional Deferral Provision and are subject to Intent-Based Replacement Disclosure, or

(y) have no maturity or a maturity of at least 40 years, are subject to a Qualifying Replacement Capital Covenant and have a Mandatory Trigger Provision and an Optional Deferral Provision; or

(iii) in connection with any repayment, redemption or purchase of CENts at any time on or after October 15, 2037:

(A) securities described under clause (ii) of this definition that would be Qualifying Capital Securities on or after October 15, 2017 but prior to October 15, 2037;

(B) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon a liquidation, dissolution or winding up of the Corporation, (2) have an Optional Deferral Provision and (3) either:

(x) have no maturity or a maturity of at least 60 years and are subject to Intent-Based Replacement Disclosure, or

(y) have no maturity or a maturity of at least 40 years and are subject to a Qualifying Replacement Capital Covenant;

(C) securities issued by the Corporation or its Subsidiaries that (1) rank *pari passu* with or junior to the CENts upon a liquidation, dissolution or winding up of the Corporation, (2) have no maturity or a maturity of at least 40 years and are subject to Intent-Based Replacement Disclosure and (3) are Non-Cumulative or have a No Payment Provision;

(D) securities issued by the Corporation or its Subsidiaries that (1) rank senior to the CENts and securities that are *pari passu* with the CENts but junior to all other debt securities of the Corporation (other than (x) the CENts and securities that are *pari passu* with the CENts and (y) securities that are *pari passu* with such Qualifying Capital Securities) upon its liquidation, dissolution or winding-up, and (2) either:

(x) have no maturity or a maturity of at least 60 years and either (i) have an Optional Deferral Provision and are subject to a Qualifying Replacement Capital Covenant or (ii) (a) are Non-Cumulative or have a No Payment Provision and (b) are subject to Intent-Based Replacement Disclosure, or

(y) have no maturity or a maturity of at least 40 years and either (i) (a) are Non-Cumulative or have a No Payment Provision and (b) are subject to a Qualifying Replacement Capital Covenant or (ii) are subject to Intent-Based Replacement Disclosure and have a Mandatory Trigger Provision and an Optional Deferral Provision; or

(E) cumulative preferred stock issued by the Corporation or its Subsidiaries that either (1) have no maturity or a maturity of at least 60 years and are subject to Intent-Based Replacement Disclosure or (2) have a maturity of at least 40 years and are subject to a Qualifying Replacement Capital Covenant.

Notwithstanding the foregoing, no securities or combination of securities will be included in Qualifying Capital Securities if such securities (i) applying the tests set forth above, are required to include Intent-Based Replacement Disclosure and (ii) include a Distribution Rate Step-Up.

"Qualifying Non-Cumulative Preferred Stock" means non-cumulative preferred stock of the Corporation that rank *pari passu* with or junior to all other preferred stock of the Corporation, are perpetual and are subject to (a) a Qualifying Replacement Capital Covenant or (b) both (i) mandatory suspension of dividends in the event the Corporation breaches certain financial metrics specified in the offering documents relating to such preferred stock and (ii) Intent-Based Replacement Disclosure, provided that with respect to both clauses (a) and (b) the transaction documents shall provide for no remedies as a consequence of non-payment of Distributions other than Permitted Remedies.

"Qualifying Replacement Capital Covenant" means a replacement capital covenant that is substantially similar to this Replacement Capital Covenant or a replacement capital covenant, as identified by the Corporation's Board of Directors acting in good faith and in its reasonable discretion and reasonably construing the definitions and other terms of this Replacement Capital Covenant, (i) entered into by a company that at the time it enters into such replacement capital covenant is a reporting company under the Securities Exchange Act and (ii) that restricts the related issuer from repaying, redeeming or purchasing, and its Subsidiaries from purchasing, identified securities, except to the extent of the applicable percentage of the net proceeds from the issuance of specified replacement capital securities that have terms and provisions at the time of repayment, redemption or purchase that are as or more equity-like than the securities then being repaid, redeemed or purchased within the 180-day period prior to the applicable repayment, redemption or purchase date; *provided* that the term of such replacement capital covenant shall be determined at the time of issuance of the related Replacement Capital Securities taking into account the other characteristics of such securities but in no event shall be earlier than October 15, 2037.

"Redesignation Date" means, as to the Covered Debt in effect at any time, the earliest of (a) the date that is two years prior to the final maturity date of such Covered Debt, (b) if the Corporation elects to redeem, repay or purchase, or the Corporation or a Subsidiary of the Corporation elects to repurchase, such Covered Debt either in whole or in part with the consequence that after giving effect to such redemption, repayment, purchase or repurchase the outstanding principal amount of such Covered Debt is less than $100,000,000, the applicable redemption, repayment, purchase or repurchase date and (c) if such Covered Debt is not Eligible Subordinated Debt of the Corporation, the date on which the Corporation issues long-term indebtedness for money borrowed that is Eligible Subordinated Debt.

"Replacement Capital Covenant" has the meaning specified in the introduction to this instrument.

"Replacement Capital Securities" means Common Stock, Warrants, Mandatorily Convertible Preferred Stock, Debt Exchangeable for Common Equity, Debt Exchangeable for Preferred Equity and Qualifying Capital Securities.

"Reporting Company" has the meaning specified in Section 3(b).

"Repurchase Restriction" has the meaning specified in clause (iii) of the definition of Alternative Payment Mechanism.

"Scheduled Maturity Date" has the meaning specified in the Indenture.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Share Cap" means, with respect to any Qualifying Capital Securities, a limit on the total number of Common Stock that may be issued by the Corporation pursuant to the Alternative Payment Mechanism with respect to such Qualifying Capital Securities or on the total number of Common Stock underlying all Warrants and Mandatorily Convertible Preferred Stock that may be issued by the Corporation pursuant to such Alternative Payment Mechanism, *provided* that the product of such Share Cap and the Market Value of the Common Stock as of the date of issuance of such Qualifying Capital Securities shall not represent a lower proportion of the aggregate principal or liquidation amount, as applicable, of such Qualifying Capital Securities than the product of the Share Cap applicable to the CENts and the Current Stock Market Price of the Common Stock as of the date of issuance of such CENts represents of the aggregate principal amount of such CENts at the time of issuance.

"Subsidiary" means, at any time, any Person the shares of stock or other ownership interests of which having ordinary voting power to elect a majority of the board of directors or other managers of such Person are at the time owned, or the management or policies of which are otherwise at the time controlled, directly or indirectly through one or more intermediaries (including other Subsidiaries) or both, by another Person.

"Termination Date" has the meaning specified in Section 4(a).

"Warrants" means any net share-settled warrants to purchase the Common Stock that (i) have an exercise price greater than the Current Stock Market Price of the Common Stock as of their date of issuance, and (ii) the Corporation is not entitled to redeem for cash and the holders of which are not entitled to require the Corporation to purchase for cash in any circumstances. The Corporation will publicly state its intention, either in the prospectus or other offering document under which the Qualifying Capital Securities including an Alternative Payment Mechanism or Mandatory Trigger Provision with respect to which Warrants are an APM Qualifying Security were initially offered for sale or in filings with the Commission made by the issuer under the Securities Exchange Act prior to or contemporaneously with the issuance of such Qualifying Capital Securities, that any Warrants issued in accordance with such Alternative Payment Mechanism or Mandatory Trigger Provision will have exercise prices at least 10% above the Current Stock Market Price of its Common Stock on the date of issuance.

SHAREHOLDERS AGREEMENT

This SHAREHOLDERS AGREEMENT (this "Agreement"), dated as of March 8, 2004, is among Occum Acquisition Corp., a Delaware corporation (the "Company"), and each of the Persons listed on Schedule 1 hereto and any future security holder of the Company that becomes a party to this Agreement (each, a "Shareholder" and collectively the "Shareholders").

The authorized share capital of the Company consists of 15,000,000 shares, par value U.S. $0.01 per share (collectively or any number thereof, the "Common Shares"). Each of the Shareholders has subscribed to purchase Common Shares and desires to promote the interests of the Company and the mutual interests of the Shareholders by establishing herein certain terms and conditions upon which the Common Shares (including Common Shares issued upon conversion, exchange or exercise of any portion, warrant or other security) will be held, including provisions restricting the transfer of Common Shares, providing certain registration rights and providing for certain other matters.

In consideration of the mutual covenants and agreements hereinafter contained, the Company and the Shareholders hereby agree as follows:

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Subscription Agreement. As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" shall mean, with respect to any specified Person, a Person that directly or indirectly Controls, is Controlled by or is under common Control with such Person. Without limiting the generality of the foregoing, the term "Affiliate" shall include an investment fund managed by such Person or by a Person that directly or indirectly Controls, is Controlled by or is under common Control with such Person.

"Agreement" shall have the meaning given such term in the first paragraph of this Agreement.

"Berkshire" shall mean Berkshire Hathaway Inc., a Delaware corporation, or any successor entity thereto.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean any day except a Saturday, Sunday or other day on which banks in New York City are authorized or obligated by law or executive order to close.

"By-laws" shall mean the By-laws of the Company as in effect from time to time.

"Closing Date" shall mean the dates for the closing of the sale of up to 11,000,000 Common Shares by the Company pursuant to the several Subscription Agreements.

"Code" shall mean the U.S. Internal Revenue Code of 1986, as amended.

"Commission" shall mean the U.S. Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

"Control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative to the foregoing.

"day" shall mean a calendar day.

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended, or any U.S. federal statute then in effect that has replaced such statute, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such replacement federal statute.

"Founders" shall mean White Mountains and Berkshire. A "Founder" shall mean either one of them.

"Initial Public Offering" shall mean the completion, whether by the Company or by any Shareholders, of an underwritten public offering of the Common Shares pursuant to a registration statement filed under the Securities Act resulting in aggregate net proceeds, together with any such underwritten public offering previously completed, of not less than U.S.$125 million, or (ii) the completion by the Company of a merger, acquisition or comparable business combination transaction in connection with which the Company has issued Common Shares pursuant to a registration statement filed under the Securities Act on Form S-4, which shares have any aggregate value, based on the average closing price of such shares during the five trading days after completion of such transaction, of not less than U.S.$125 million; and "initial public offering" shall mean the completion, whether by the Company or any Shareholders, of the initial public offering of the Common Shares pursuant to a registration statement filed under the Securities Act, regardless of the amount of net proceeds from such offering or the issuance of Common Shares in connection with a merger, acquisition or comparable business combination transaction pursuant to a registration statement on Form S-4 filed under the Securities Act.

"NASD" shall mean the U.S. National Association of Securities Dealers, Inc. or any successor organization.

"NASDAQ" shall mean The Nasdaq National Market or any successor quotation system.

"Offering" shall mean the offering and sale of up to 11,000,000 Common Shares pursuant to the several Subscription Agreements.

"Person" shall mean an individual, company, corporation, limited liability company, firm, partnership, trust, estate, unincorporated association or other entity.

"Registrable Securities" shall mean (i) Common Shares (including any Common Shares issuable on exercise of the Warrants) issued on the Closing Date to the Shareholders, (ii) the Warrants and (iii) any securities of the Company issued successively in exchange for or in respect of any of the foregoing, whether as a result of any successive stock split or reclassification of, or stock dividend on, any of the foregoing or otherwise; provided, however, that such securities shall cease to be Registrable Securities if and when (A) a registration statement with respect to the disposition of such securities shall have become effective under the Securities Act and such securities shall have been disposed of pursuant to such effective registration statement, (B) such securities are sold pursuant to Rule 144 under circumstances in which any legend borne by such Registrable Securities relating to restrictions on the transferability thereof under the Securities Act is removed by the Company, (C) all Common Shares then outstanding are eligible to be sold pursuant to paragraph (k) of Rule 144, (D) such securities have ceased to be outstanding or (E) as of any time, in the reasonable judgment of the Company, all Common Shares then outstanding would be eligible for sale pursuant to Rule 144 under the Act (without giving effect to the provisions of Rule 144 (k)) in the 90-day period following such time.

"Registration Expenses" shall mean all expenses incident to the Company's performance of or compliance with its obligations under Section 3, including all Commission, NASD and stock exchange or NASDAQ registration and filing fees and expenses, fees and expenses of compliance with applicable state securities or "blue sky" laws (including reasonable fees and disbursements of counsel for the underwriters in connection with "blue sky" qualifications of the Registrable Securities), printing expenses, messenger and delivery expenses, fees and disbursements of any custodian, the fees and expenses incurred in connection with the listing of the securities to be registered in an initial public offering on each securities exchange or automated quotation system on which such securities are to be so listed and, following such initial public offering, the fees and expenses incurred in connection with the listing of such securities to be registered on each securities exchange or automated quotation system on which such securities are listed, fees and disbursements of counsel for the Company and all independent certified public accountants (including the expenses of any annual audit and "cold comfort" letters required by or incident to such performance and compliance), the fees and disbursements of underwriters customarily paid by issuers or sellers of securities (including the fees and expenses of any "qualified independent underwriter" required by

the NASD), the reasonable fees of one counsel retained in connection with each such registration by the holders of a majority of the Registrable Securities being registered, the reasonable fees and expenses of any special experts retained by the Company in connection with such registration, and fees and expenses of other Persons retained by the Company (but not including any underwriting discounts or commissions or transfer taxes, if any, attributable to the sale of Registrable Securities by holders of such Registrable Securities other than the Company).

"securities" shall have the meaning given to such term under the Securities Act.

"Securities Act" shall mean the U.S. Securities Act of 1933 or any U.S. federal statute then in effect which has replaced such statute, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such replacement federal statute.

"Shareholder" shall have the meaning given to such term in the first paragraph of this Agreement.

"Subscription Agreement" shall mean all and each of the Subscription Agreements, dated as of various dates on or before the date hereof, between the Company and each of the Investors (as defined therein) for the purchase and sale of Common Shares in the Offering.

"Subsidiary" shall mean any corporation, limited liability company or other Person of which shares of stock or other ownership interests having a majority of the general voting power (without regard to the occurrence of any contingency) in electing the Board of Directors thereof or other Persons performing a similar function are, at the time as of which any determination is being made, owned by the Company either directly or through its Subsidiaries and any partnership in which the Company or any Subsidiary is a general partner.

"Transfer" shall mean to sell, assign or otherwise transfer an interest, in whole or in part, whether voluntarily or involuntarily or by operation of law or at a judicial sale or otherwise; provided, however, that Transfer shall not include the bona fide pledge of Common Shares or Warrants in connection with a loan by a financial institution or any transfer back to the pledgor by the pledgee of such Common Shares or Warrants following the termination of any such bona fide pledge.

"U.S." shall mean the United States of America and dependent territories or any part thereof.

"Warrant Shares" shall mean any Common Shares issuable upon exercise of the Warrants.

"Warrants" shall mean those Warrants to be issued to White Mountains and Berkshire pursuant to the Warrant Issuance Agreements (as defined in the Subscription Agreement).

"White Mountains" shall mean White Mountains Re Group, Ltd., a company existing under the laws of Bermuda, or any successor entity thereto.

SECTION 2. Transfer of Shares or Warrants. (a) General. No Shareholder shall Transfer any Common Shares other than

(i) to one or more third parties after having complied with Section 2(b) hereof, if applicable,

(ii) in connection with the exercise of its tag-along rights under Section 2(b) hereof,

(iii) in connection with the Founders' exercise of drag-along rights under Section 2(c) hereof or any other transaction with any Person approved by the Board and Shareholders in accordance with the Certificate of Incorporation and By-laws pursuant to which cash, shares or other securities of such Person are exchanged or substituted for all the Common Shares,

(iv) in the case of any Shareholder that is an individual, to any one or more of such Shareholder's spouse or lineal relatives, or to any custodian or trust for the benefit of any of the foregoing,

(v) to any Affiliate of such Shareholder,

(vi) in the case of any Shareholder that is a partnership, corporation or limited liability company, as a distribution to the partners, shareholders or members thereof,

(vii) in connection with the exercise by such Shareholder of its registration rights under Section 3 hereof or

(viii) following an initial public offering, pursuant to Rule 144 (or any successor provision) under the Securities Act.

No Shareholder shall Transfer any Warrants, other than (i) to one or more third parties (including other Shareholders or the Company) after complying with Section 4 of the Warrants, (ii) in connection with any transaction with any Person approved by the Board and Shareholders in accordance with the Certificate of Incorporation and By-laws pursuant to which cash, shares or other securities of such Person are exchanged or substituted for all the Common Shares, (iii) to any Affiliate of such Shareholder or (iv) in connection with the exercise by such Shareholder of its registration rights under Section 3 hereof; provided, however, that a Transfer pursuant to clauses (i) or (iv) above may not be made until the earliest of (A) the third anniversary of the date of this Agreement, (B) such time as the Shareholders (other than the Founders) who are party to this Agreement as of the date hereof own less than 50% of the Common Shares initially acquired pursuant to their respective Subscription Agreements or (C) the first anniversary of the initial closing of an Initial Public Offering; provided further, however, that at any time each of White Mountains and Berkshire (and any Affiliate of

White Mountains or Berkshire to whom Warrants have been Transferred pursuant to clause (iii) above) may Transfer Warrants to each other.

Notwithstanding any other provision of this Agreement, no Transfer may be made in violation of any provision or any requirement of the U.S. securities laws. Each Shareholder agrees that it will not seek to evade the restrictions on transfer set forth in this Section 2 by Transferring Common Shares or Warrants to an Affiliate and thereafter transferring beneficial ownership of the Affiliate, as part of a unified plan to avoid such restrictions. If any Shareholder wishes to Transfer any of its Common Shares or Warrants to another Person (a "Transferee") other than any Transfer permitted (or, in the event that such provisions shall have terminated in accordance with Section 10 hereof, that would have been permitted) by subsection (iii), (vii) or (viii) of the first sentence of this Section 2(a), (B) by subsection (vi) of the first sentence of this Section 2(a) if at the time of such Transfer such Shareholder would be permitted to transfer its Common Shares pursuant to (x) subsection (viii) of the first sentence of this Section 2(a) and (y) Rule 144(k) under the Securities Act or (C) by subsection (ii) of (iv) of the second sentence of this Section 2(a), such Shareholder shall, as a condition of such Transfer, require the Transferee to execute and deliver an agreement in form and substance reasonably satisfactory to the Company agreeing to be bound by all of the provisions hereof. The preceding sentence shall survive an Initial Public Offering until the date that is 18 months following the initial closing of such Initial Public Offering.

(b) Tag-Along Rights. (i) If, at any time, one or more Shareholders (the "Selling Shareholders") propose to Transfer to any Person or group of Persons (the "Proposed Purchaser") in any transaction or series of related transactions a number of Common Shares equal to (x) prior to an Initial Public Offering, 5% or more of the then outstanding Common Shares, and (y) following an Initial Public Offering, 10% or more of the then outstanding Common Shares, the Selling Shareholders shall afford each other Shareholder the opportunity to participate proportionately in such Transfer in accordance with this Section 2(b). At least 20 days prior to the date proposed for such sale, the Selling Shareholders shall give notice to the Company, which shall provide a copy to each other Shareholder with a notice of the proposed Transfer, stating such Selling Shareholders' intent to make such sale, the number of Common Shares proposed to be transferred, the kind and amount of consideration to be paid for such Common Shares and the name of the Proposed Purchaser (the "Purchase Offer"). Each other Shareholder shall have the right to Transfer to the Proposed Purchaser a number of Common Shares equal to such Shareholder's Allotment. Such Shareholder's "Allotment" shall be equal to (A) the total number of Common Shares proposed to be Transferred by the Selling Shareholders multiplied by (B) a fraction, the numerator of which is the number of Common Shares then owned by such Shareholder and the denominator of which is the total number of Common Shares then outstanding (assuming, for purposes of all calculations of outstanding Common Shares in this clause (i), the exercise of all then outstanding Warrants).

(ii) Each Shareholder shall have 10 days from the receipt of the Purchase Offer in which to accept such Purchase Offer by written notice to the Selling Shareholders. Contemporaneously with the sale by the Selling Shareholders, each other

Shareholder so electing to participate shall, on the date of the closing, sell the Common Shares indicated in its written notice for the same consideration and on the same terms as those provided by the Proposed Purchaser to the Selling Shareholders as specified in the Purchase Offer.

(iii) Notwithstanding the foregoing, this Section 2(b) shall not apply to any Transfer permitted (or, in the event that such provisions shall have terminated in accordance with Section 10 hereof, that would have been permitted) by subsections (iii) through (viii) of the first sentence of Section 2(a) hereof.

(c) Drag-Along Rights. If, at any time, the Founders jointly propose to transfer all of the Common Shares owned by the Founders in a single transaction to a third party (the "Proposed Acquiror") pursuant to a Qualified Sale (as defined below), and the Board of Directors of the Company has approved such Qualified Sale, the Founders may cause to be included in such Qualified Sale all, but not less than all, of the Common Shares held by each of the other Shareholders by providing to each such other Shareholder a notice (a "Qualified Sale Notice") of the proposed Qualified Sale at least 20 days prior to the date proposed for such Qualified Sale, stating the identity of the Proposed Acquiror, the kind and amount of consideration proposed to be paid for the Common Shares to be purchased by the Proposed Acquiror and the other material terms of such Qualified Sale. For purposes of determining the number of Common Shares outstanding pursuant to the immediately preceding sentence, Common Shares issuable upon the exercise of Warrants, options or other rights to acquire Common Shares, or upon the conversion or exchange of any security outstanding as of the time of delivery of the Qualified Sale Notice, shall not be deemed to be outstanding.

In the event the Founders so provide a Qualified Sale Notice with respect to a Qualified Sale, each other Shareholder shall (i) be obligated to transfer all of the Common Shares owned by such Shareholder to the Proposed Acquiror on the terms and conditions set forth in the Qualified Sale Notice and (ii) execute and deliver such instruments of conveyance and transfer and take such other action, including voting such Shareholder's Common Shares in favor of such Qualified Sale and executing any purchase agreements, merger agreements, indemnity agreements, escrow agreements or related documents, as the Founders or the Proposed Acquiror may reasonably require in order to carry out the terms and provisions of this Section 2(c); provided, however that such instruments of conveyance and transfer and such purchase agreements, merger agreements, indemnity agreements, escrow agreements and related documents shall not include any representations or warranties of such Shareholder except such representations and warranties as are ordinarily given by a seller of securities with respect to such seller's authority to sell, enforceability of agreements against such seller, such seller's good title in such securities and the good title in such securities to be acquired at closing by the Proposed Acquiror, provided further, however, that any indemnity provision included in any such instrument, agreement or related document shall only indemnify the Proposed Acquiror with respect to breaches of such representations and warranties by such Shareholder, without any obligation or liability for contribution.

The term "Qualified Sale" means a sale by the Founders to a third party which is not an Affliate of the Company or any Shareholder that meets all of the following requirements:

(i) the Common Shares owned in the aggregate by the Founders (assuming for this purpose the exercise of all outstanding Warrants) to be sold in such sale equals or exceeds 25% of the total outstanding Common Shares (assuming for this purpose the exercise of all outstanding Warrants), (ii) the terms of such sale were negotiated between the Founders and such unaffiliated third party (or on their behalf by their respective agents or representatives) on a bona fide arm's-length basis,

(ii) the terms of such sale provide that the sale of Common Shares pursuant thereto by each Shareholder that is not a Founder shall be made for the same type and amount of consideration for each such Common Share sold as is to be received by each Founder for each Common Share sold (except with respect to Electing Shareholders as set forth below) and, subject to the provisos in the third sentence of this Section 2(c), in all other respects in a manner such that each term and condition applicable to such Shareholder is identical to, or no less favorable than, each corresponding term and condition applicable to either Founder; and

(iii) either (A) the consideration to be received by each Shareholder pursuant to such Qualified Sale is solely cash or (B) effective provision is made such that at the closing of such Qualified Sale each Electing Shareholder (as defined below) will receive the Cash Equivalent (as defined below) of any consideration other than cash proposed to be paid pursuant to the terms of such Qualified Sale.

An "Electing Shareholder" is a Shareholder (other than a Founder) that gives written notice, at least 10 days prior to the date proposed for a Qualified Sale, to the Selling Shareholders that provided the Qualified Sale Notice of such Shareholder's election to receive the Cash Equivalent of any non-cash consideration proposed to be paid pursuant to the terms of such Qualified Sale.

The term "Cash Equivalent" means an amount in cash equal to the fair market value (as determined by a qualified appraiser with experience in the appraising of properties and businesses in the relevant industry, to be selected by the mutual agreement of the interested parties) of non-cash consideration to be paid in a Qualified Sale; provided, however, that if no agreement can be reached, then any such interested party may apply to the American Arbitration Association for the appointment of an appraiser meeting the requirements of the preceding sentence, and any such appointment shall be binding upon the parties; provided further, however, that in the event that such non-cash consideration consists of publicly traded securities, then, in lieu of using an appraiser, the fair market value of such non-cash consideration shall equal the average closing price of the publicly traded security for the 10 Business Days ending on the trading day immediately preceding the closing of the Qualified Sale. Any such appraiser shall be

required to report its appraisal in writing, within 60 days of its appointment, to each interested party.

(d) Preemptive Rights. (A) Grant of Preemptive Rights. If the Company shall, prior to an Initial Public Offering, issue, sell or distribute to any Shareholder any equity securities of the Company, or any option, warrant, or right to acquire, or any security convertible into or exchangeable for, any equity securities of the Company (other than (i) pursuant to an underwritten offering pursuant to an effective registration statement under the Securities Act, (ii) pursuant to a dividend or distribution upon the Common Stock of stock or other equity securities of the Company, (iii) in connect with any scheme of arrangement, merger or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or any such Affiliate of the shares or substantially all the assets of any other Person or (iv) Warrant Shares) (any equity securities of the Company or options, warrants, rights to acquire or securities convertible into or exchangeable for equity securities of the Company, the issuance of which is not covered by clauses (i) through (iv) above, being "New Securities"), each Shareholder shall be entitled to participate in such issuance, sale or distribution for up to such number of New Securities (such number being such Shareholder's "Preemptive Allotment") as is equal to (x) the total number of New Securities proposed to be issued, sold or distributed by the Company multiplied by (y) a fraction, the numerator of which is the number of Common Shares owned by such Shareholder and the denominator of which is the total number of Common Shares outstanding (assuming, for purposes of all calculations of outstanding Common Shares in this clause (y), the exercise of all outstanding Warrants.)

(B) Company Notice; Procedures for Exercise of Preemptive Rights. If the Company proposes to issue any New Securities, the Company shall, at least 20 days prior to consummating the issuance of the New Securities, give written notice (the "Company Notice") to the Shareholders, stating the number of New Securities, the price per New Security, the terms of payment and all other terms and conditions on which the issuer proposes to make such issuance. In order for a Shareholder to exercise its preemptive rights under this Section 2(d), such Shareholder must give written notice to the Company within 10 days after the receipt of the Company Notice, stating the number of New Securities that such Shareholder desires to purchase (which number shall not be greater than such Shareholder's Preemptive Allotment).

(C) Re-Set of Preemptive Rights. If no option is exercised pursuant to this Section 2(d) for any of the New Securities within 10 days after receipt of the Company Notice (or if the option is exercised in the aggregate for less than all of the New Securities), the Company shall be free for a period of 180 days thereafter to sell the New Securities as to which such option has not been exercised to the proposed offerees at no less than the sale price set forth in the Company Notice and on terms and conditions that are no more favorable to the proposed offerees than those offered to the Shareholders. If, however, at the expiration of such 180-day period, such New Securities have not been issued in accordance with the terms set forth in the Company Notice, then any other issuance or proposed issuance thereof shall be subject to all of the provisions of

this Agreement and such shares shall not be issued without the Company again offering its shares in the manner provided in this Section 2(d).

SECTION 3. Registration Rights. The Shareholders shall have the right to have their Registrable Securities registered under the Securities Act and applicable U.S. state securities laws, and the Company shall then have the related obligations, in accordance with the following provisions.

(a) Registration on Request. (i) At any time (x) after the third anniversary of the date of the Closing, upon the written request of Shareholders holding in the aggregate 40% of all Registrable Securities then held by Shareholders (assuming for this purpose exercise of all outstanding Warrants) or (y) after an initial public offering, upon the written request of Shareholders holding in the aggregate 10% of all Registrable Securities then held by Shareholders (assuming for this purpose the exercise of all outstanding Warrants) (such Shareholders being referred to as the "Requesting Holders"), the Requesting Holders may request that the Company either (i) effect the registration under the Securities Act for an underwritten public offering of all or part of the Registrable Securities held by them (the "Single Registration Option"), (ii) effect the registration of all or any of their Registrable Securities by filing a registration statement under the Securities Act (the "Shelf Registration Statement") which provides for the sale by the Requesting Holders of their Registrable Securities from time to time in underwritten public offerings pursuant to Rule 415 under the Securities Act (the "Shelf Option"), or (iii) permit the sale of Registrable Securities that are already included in an effective Shelf Registration Statement pursuant to an underwritten public offering (the "Takedown Option"); provided, however, that the Requesting Holders may not elect the Shelf Option or the Takedown Option if the request thereunder is in connection with or would constitute an initial public offering.

Upon receipt of such request, the Company will promptly give written notice to all other holders of Registrable Securities (the "Other Holders") that a request for registration or for a takedown has been received. For a period of 10 days (or two Business Days in the case of a Takedown Option request) following receipt of such notice, the Other Holders may request that the Company also register their Registrable Securities (or include Registrable Securities in such takedown) and the Company may determine to include its authorized and unissued securities in such registration or takedown. The failure of any Other Holder to affirmatively indicate its intent to include its Registrable Securities in such registration or takedown shall be deemed a waiver of any right to so include such Registrable Securities in such registration statement or takedown. After the expiration of such 10-day period or two-Business Day period, as the case may be, the Company shall notify all holders of the number of Registrable Securities to be registered or included. Subject to the provisions of this Section 3, in the case of either the Single Registration Option or the Shelf Option, the Company shall use its reasonable best efforts to cause the prompt registration under the Securities Act of (A) the Registrable Securities that the Requesting Holders and the Other Holders have requested the Company to register, and (B) all other securities that the Company has determined to register, and in connection therewith will prepare and file a registration statement under the Securities Act to effect such registration. Such registration statement shall be on such

appropriate registration form of the Commission as shall be selected by the Company, and such selection shall be reasonably acceptable to the holders of a majority of the aggregate Registrable Securities to be sold by the Requesting Holders. Subject to the provisions of this Section 3, in the case of a Takedown Option, the Company shall use its reasonable best efforts to cause all Registrable Securities so requested to be included in such underwritten public offering and shall prepare and file any prospectus supplement reasonably necessary to effectuate a takedown.

Notwithstanding the foregoing, the Company will not be required to file a registration statement or proceed with a takedown in any of the following situations:

(1) the Registrable Securities of Requesting Holders to be offered pursuant to such request do not have an aggregate offering price of at least U.S.$50 million in the case of an initial public offering or U.S. $25 million with respect to any subsequent offering (based on the then current market price or, in the case of an initial public offering, the aggregate offering price proposed to be set forth on the cover page of the registration statement);

(2) during any period (not to exceed 60 days with respect to each request) when the Company has determined to proceed with a public offering and, in the judgment of the managing underwriter thereof, the requested filing would have an adverse effect on the public offering; provided that the Company is actively employing in good faith all reasonable efforts to cause such public offering to be consummated;

(3) during any period (not to exceed 60 days with respect to each request) when the Company is in possession of material non-public information that the Board determines is in the best interest of the Company not to disclose publicly; or

(4) to the extent required by the managing underwriter in an underwritten public offering, during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, following the effectiveness of any previous registration statement filed by the Company.

The right of the Company not to file a registration statement or proceed with a takedown pursuant to paragraphs (2) and (4) above may not be exercised more than once in any twelve-month period, and pursuant to paragraph (3) above may not be exercised more than twice in any twelve-month period.

Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in a takedown may, at any time prior to the effective date of the registration statement relating to such registration or the execution of an underwriting agreement relating to such takedown, revoke such request, without liability to any of the other Requesting Holders or the Other Holders, by providing a written notice to the Company revoking such request.

(ii) Number of Registrations; Expenses. The Company shall not be obligated to effect more than one registration or takedown of Registrable Securities pursuant to requests from Requesting Holders under this Section 3(a) in the 180-day period immediately following the effective date of the last registration or takedown of Registrable Securities. The Company shall pay all Registration Expenses in connection with the first six registrations and all takedowns that the Requesting Holders request pursuant to this Section 3(a), including expenses in connection with any prospectus supplement reasonably necessary to effectuate a Takedown Option. The Requesting Holders and, if applicable, the Other Holders that requested that their Registrable Securities be registered and the Company shall pay all Registration Expenses in connection with later registrations pursuant to this Section 3(a) pro rata according to the number of Registrable Securities registered by each of them pursuant to such registration. However, in connection with all registrations and all takedowns, each Shareholder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Shareholder's Registrable Securities pursuant to this Section 3(a). If the first request hereunder is in connection with or would constitute an initial public offering, the Registrable Securities shall be offered pursuant to a firm commitment underwriting.

(iii) Effective Registration Statement. If the Requesting Holders elect the Single Registration Option in connection with a registration requested pursuant to this Section 3(a), such registration shall not be deemed to have been effected unless the registration statement relating thereto (A) has become effective under the Securities Act and any of the Registrable Securities of the Shareholders included in such registration have actually been sold thereunder, and (B) has remained effective for a period of at least 180 days (or such shorter period in which all Registrable Securities of the Requesting Holders and, if applicable, the Company and the Other Holders included in such registration have actually been sold thereunder); provided, however, that if after any registration statement requested pursuant to this Section 3(a) becomes effective (A) such registration statement is subject to any stop order, injunction or other order or requirement of the Commission or other governmental agency or court solely due to the actions or omissions to act of the Company and (B) less than 75% of all of the Registrable Securities included in such registration have been sold thereunder, then such registration statement shall not constitute a registration of Registrable Securities to be effected by the Company pursuant to Section 3(a)(ii) hereof and the Company shall pay all the Registration Expenses related thereto.

(iv) Selection of Underwriters. If the Requesting Holders elect the Single Registration Option or the Takedown Option, Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in such takedown shall have the right to select the lead managing underwriter for the offering: provided, however, that such selection shall be subject to approval by the Company, which approval shall not be unreasonably withheld or delayed; and provided further, that the Company shall have the right to appoint a co-manager in all cases subject to the approval of Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in such takedown, which approval shall not be unreasonably withheld.

(v) Pro Rata Participation in Requested Registrations or Takedowns. If in connection with a requested registration or takedown pursuant to this Section 3(a), the lead managing underwriter advises the Company, the Requesting Holders and the Other Holders in writing that, in its view, the number of equity securities requested to be included in such registration or takedown exceeds the largest number of securities which can be sold without having an adverse effect on such offering, including the price at which such securities can be sold, the number of Registrable Securities requested to be registered by the Requesting Holders and the Other Holders included by the Company in such registration shall be allocated pro rata (subject to adjustments for tax considerations as provided in Subsection (C) below) among the Requesting Holders and the Other Holders on the basis of the relative number of Registrable Securities then held by them; provided; however, that:

(A) if the Company intends to issue Registrable Securities and to include them in such registration or takedown, the Company's allocation shall first be subject to reduction before the number of Registrable Securities to be registered by the Requesting Holders and the Other Holders is subject to any reduction; and

(B) Requesting Shareholders and Other Holders who become subject to a reduction pursuant to this Section 3(a)(v) in the amount of Registrable Securities to be included in a registration or takedown may elect not to sell any Registrable Securities pursuant to the registration or takedown.

(vi) With respect to any Shelf Registration Statement that has been declared effective and which includes Registrable Securities, the Company agrees to use its reasonable best efforts to keep the Shelf Registration Statement continuously effective and usable for the resale of the applicable Registrable Securities for a period ending on the first date on which all the Registrable Securities covered by such Shelf Registration Statement have been sold pursuant to such Shelf Registration Statement, but in no event longer than two years. The foregoing notwithstanding, the Company shall have the right in its reasonable discretion, based on any valid business purpose (including to avoid the disclosure of any material non-public information that the Company is not otherwise obligated to disclose or to coordinate such distribution with other shareholders that have registration rights with respect to any securities of the Company or with other distributions of the Company (whether for the account of the Company or otherwise)), to suspend the use of the applicable Shelf Registration Statement for a reasonable length of time (a "Delay Period") and from time to time; provided, however, that the aggregate number of days in all Delay Periods occurring in any period of twelve consecutive months shall not exceed 90 days; and provided further, however, that the two-year limit referred to above shall be extended by the number of days in any applicable Delay Period. The Company shall provide written notice to each holder of Registrable Securities covered by the Shelf Registration Statement of the beginning and the end of each Delay Period and such holders shall cease all disposition efforts with respect to Registrable Securities held by them immediately upon receipt of notice of the beginning of any Delay Period.

(b) Incidental Registration. (i) If the Company at any time proposes to register or sell any Common Shares or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for, Common Shares (the "Priority Securities") under the Securities Act (other than a registration (A) relating to shares issuable upon exercise of employee share options or in connection with any employee benefit or similar plan of the Company, (B) in connection with any scheme of arrangement, merger or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or any such Affiliate of the shares or substantially all the assets of any other Person, or (C) pursuant to Section 3(a) hereof) in a manner that would permit registration of Registrable Securities for sale, or the sale in a takedown, to the public under the Securities Act (whether or not for sale for its own account)), including in an initial public offering, it shall each such time, subject to the provisions of Section 3(b)(ii) hereof, give prompt written notice to all holders of record of Registrable Securities of its intention to do so and of such Shareholders' rights under this Section 3(b), at least 10 days (or two Business Days, in the case of a takedown from an effective shelf registration statement) prior to the anticipated filing date of the registration statement relating to Such registration or the offering date in the case of a takedown. Such notice shall offer all such Shareholders the opportunity to include in such registration statement or in such takedown such number of Registrable Securities as each such Shareholder may request.

Upon the written request of any such Shareholder made within seven days (or two Business Days in the case of a takedown) after the receipt of the Company's notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Shareholder), the Company shall use its reasonable best efforts to effect the registration under the Securities Act of all Registrable Securities that the Company has been so requested to register by the Shareholders thereof or to include requested Registrable Securities in a takedown; provided, however, that (A) all holders of Registrable Securities requesting to be included in the Company's registration or takedown must sell their Registrable Securities to the underwriters selected by the Company on substantially the same terms and conditions as apply to the Company (other than provisions relating to the indemnification of underwriters or Shareholders), and (B) if, at any time after giving written notice pursuant to this Section 3(b)(i) of its intention to register any Priority Securities or to proceed with a takedown and prior to the effective date of the registration statement filed in connection with such registration or prior to the execution of an underwriting agreement in connection with a takedown, the Company shall determine for any reason not to register or sell such Priority Securities, the Company shall give written notice to all holders of Registrable Securities and shall thereupon be relieved of its obligation to register any Registrable Securities in connection with such registration or to include requested Registrable Securities in a takedown (without prejudice, however, to rights of Shareholders under Section 3(a) hereof). The failure of any holder of Registrable Securities to affirmatively indicate its intent to include its Registrable Securities in such registration or takedown shall be deemed a waiver of any right to so include such Registrable Securities in such registration or takedown. Any holder of Registrable Securities requesting to be included in such registration may elect, in writing prior to the effective date of the registration statement

filed in connection with such registration, not to register such Registrable Securities in connection with such registration.

No registration or takedown effected under this Section 3(b) shall relieve the Company of its obligations to effect a registration or takedown upon request under Section 3(a) hereof. The Company shall pay all Registration Expenses in connection with each registration or takedown of Registrable Securities requested pursuant to this Section 3(b). However, each Shareholder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Shareholder's Registrable Securities pursuant to a registration statement or takedown effected pursuant to this Section 3(b).

(ii) Priority in Incidental Registrations. If in connection with a registration or a takedown pursuant to this Section 3(b) the managing underwriter advises the Company in writing that, in its good faith view, the number of equity securities (including all Registrable Securities) that the Company and the Shareholders intend to include in such registration or takedown exceeds the largest number of securities that can be sold without having an adverse effect on such offering, including the price at which such Registrable Securities can be sold, the Company will include in such registration or takedown (A) first, all the Priority Securities to be sold for the Company's own account; and (B) second, to the extent that the number of Priority Securities is less than the number of Registrable Securities that the underwriter has advised the Company can be sold in such offering without having the adverse effect referred to above, Registrable Securities requested to be included in such registration or takedown by the Shareholders pursuant to Section 3(b)(i) hereof, pro rata among all Shareholders requesting registration on the basis of the relative number of Registrable Securities then held by them. Shareholders subject to such allocation may elect not to sell any Registrable Securities pursuant to the registration statement or takedown.

(iii) If the Company at any time proposes to effect a public offering in a jurisdiction other than the United States of any Common Shares or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for, Common Shares (other than a public offering (A) relating to shares issuable upon exercise of employee share options or in connection with any employee benefit or similar plan of the Company, or (B) in connection with any merger, reorganization or consolidation by the Company or Affiliate of the Company or the acquisition by the Company or an Affiliate of the Company of the shares or substantially all the assets of any other Person), the Company and the Shareholders will have the rights and be subject to the obligations agreed in this Section 3(b) to the extent and where applicable.

(c) Holdback Agreements. (i) Each Shareholder agrees, for the benefit of the underwriters referred to below, not to effect any sale or distribution, including any private placement or any sale pursuant to Rule 144 (or any successor provision) under the Securities Act, of any Registrable Securities, other than to an Affiliate or by gift or pro rata distribution to its shareholders, partners or other beneficial holders (in each case, which agree to be bound by the remaining provisions hereof), and not to effect any such sale or distribution of any other equity security of the Company or of any security

convertible into or exchangeable or exercisable for any equity security of the Company, during the 10 days prior to (or, in the case of a takedown, from the time on such day as such Shareholder receives notice of such takedown), and during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, after the later of (i) the effective date of any registration statement filed pursuant to Section 3(a) or (b) hereof in connection with an underwritten offering and (ii) the execution of an underwriting agreement in connection with an underwritten offering, without the consent of the managing underwriter of such offering, except as part of such registration, if permitted; provided, however, that each holder of Registrable Securities shall have received written notice of such registration from either the Company or the managing underwriter at least two Business Days prior to the anticipated beginning of the 10-day period referred to above. Each Shareholder agrees that it will enter into any agreement reasonably requested by the underwriters of any such underwritten offering to confirm its agreement set forth in the preceding sentence.

(ii) The Company agrees (A) not to effect any public sale or distribution of any of its equity securities or of any security convertible into or exchangeable or exercisable for any equity security of the Company (other than any such sale or distribution of such securities in connection with any merger, reorganization or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or an Affiliate of the Company of the shares or substantially all the assets of any other Person or in connection with an employee stock ownership or other benefit plan) during the 10 days prior to, and during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, which begins on the later of (i) the effective date of such registration statement and (ii) the execution of an underwriting agreement in connection with an underwritten offering, without the consent of the managing underwriters of such offering, and (B) that any agreement entered into after the date hereof pursuant to which the Company issues or agrees to issue any privately placed equity securities shall contain a provision under which the holders of such securities agree not to effect any public sale or distribution of any such securities during the period and in the manner referred to in the foregoing clause (A), including any private placement and any sale pursuant to Rule 144 under the Securities Act (or any successor provision), except as part of such registration, if permitted.

(d) Registration Procedures. In connection with any offering of Registrable Securities registered pursuant to this Section 3, the Company shall:

(i) Promptly prepare and file a registration statement with the Commission within 45 days after receipt of a request for registration pursuant to a Single Registration Option or a Shelf Option, and use its reasonable best efforts to cause such registration statement to become, as soon as practicable, and remain, effective as provided herein; provided, however, that before filing with the Commission a registration statement or prospectus or any amendments or suppléments thereto, the Company will furnish to one counsel selected by the holders of a majority of the Registrable Securities requested to be registered copies of all such documents proposed to be filed for such counsel's review and comment (and the Company shall not file any such document to which such

counsel shall have reasonably objected in writing on the grounds that such document does not comply (explaining why) in all material respects with the requirements of the Securities Act or the rules or regulations thereunder).

(ii) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 180 days in the case of a Single Registration Option, or two years in the case of a Shelf Option, or such shorter period that will terminate when all Registrable Securities covered by such registration statement have been sold (but not before the expiration of the periods referred to in Section 4(3) and Rule 174 of the Securities Act or any successor provision, if applicable), and to prepare and file prospectus supplements to effect sales pursuant to takedowns and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement; provided, however, that the 180-day period referred to above shall be extended by the number of days such registration statement may be subject to a stop order or otherwise suspended.

(iii) Furnish to each holder and each underwriter, if any, of Registrable Securities covered by such registration statement such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto), and the prospectus included in such registration statement, including each preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as any Shareholder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Shareholder.

(iv) Unless the exemption from state regulation of securities offerings under Section 18 of the Securities Act applies, use its commercially reasonable efforts to register or qualify such Registrable Securities under such other state securities or "blue sky" laws of such jurisdictions as any holder, and underwriter, if any, of Registrable Securities covered by such registration statement reasonably requests; provided, however, that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection (iv), (B) subject itself or any of its Subsidiaries to taxation or regulation (insurance or otherwise) of its or their respective businesses in any such jurisdiction other than the United States, or (C) consent to general service of process in any such jurisdiction.

(v) Use its commercially reasonable efforts to cause the Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and its Subsidiaries to enable the holder or holders thereof to consummate the disposition of such Registrable Securities in accordance with the intended method or methods of distribution thereof.

(vi) Promptly notify each holder of such Registrable Securities, the sale or placement agent, if any, thereof and the managing underwriter or underwriters, if any, thereof (A) when such registration statement or any prospectus included therein or any prospectus amendment or supplement or post-effective amendment has been filed, and, with respect to such registration statement or any post-effective amendment, when the same has become effective, (B) of any comments by the Commission and by the Blue Sky or securities commissioner or regulator of any state with respect thereto or any material request by the Commission for amendments or supplements to such registration statement or prospectus or for additional information, (C) of the issuance by the Commission of any stop order suspending the effectiveness of such registration statement or the initiation or threatening of any proceedings for that purpose and (D) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(vii) Use its commercially reasonable efforts to obtain as soon as possible the lifting of any stop order that might be issued suspending the effectiveness of such registration statement.

(viii) Promptly notify each holder of such Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event that comes to the Company's attention if as a result of such event the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will promptly prepare and furnish to such Shareholder a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(ix) Use its commercially reasonable efforts (A) to cause all such Registrable Securities to be listed on a national securities exchange in the United States or on NASDAQ and, if applicable, on each securities exchange on which similar securities issued by the Company may then be listed, and enter into such customary related agreements including a listing application and indemnification agreement in customary form, and (B) to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement no later than the effective date of such registration statement.

(x) Enter into such customary agreements (including an underwriting agreement or qualified independent underwriting agreement, in each case, in customary form) and take all such other actions as the holders of a majority of the Registrable Securities requested to be registered or included in a takedown or the underwriters retained by such Shareholders, if any, reasonably request in order to

expedite or facilitate the disposition of such Registrable Securities, including customary representations, warranties, indemnities and agreements and preparing for, and participating in, such number of "road shows" and all such other customary selling efforts as the underwriters reasonably request in order to expedite or facilitate such disposition, and to use its commercially reasonable efforts to assist the underwriters in complying with the rules of the NASD (if applicable).

(xi) Make available for inspection, during the normal business hours of the Company, by any holder of Registrable Securities requested to be registered or included in a takedown, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such Shareholder or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate and business documents and documents relating to the properties of the Company and its Subsidiaries (collectively, "Records"), if any, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors, employees and independent auditors, and those of the Company's Subsidiaries, to supply all information and respond to all inquiries reasonably requested by any such Inspector in connection with such registration statement or takedown; provided, that each such Inspector hereby agrees to keep in confidence the contents and existence of any Records that may contain non-public information with respect to the Company or any of its Subsidiaries, except (but only to the extent) as required by applicable law to disclose such non-public information.

(xii) Obtain a "cold comfort" letter addressed to the underwriters and the holders of the Registrable Securities being sold from the Company's appointed auditors in customary form and covering such matters of the type customarily covered by "cold comfort" / letters as the underwriters and the holders of a majority in interest of the Registrable Securities being sold reasonably request, and dated the later of the effective date of such registration statement and the date of the execution of the underwriting agreement (and also dated the date of the closing under the underwriting agreement relating thereto).

(xiii) Obtain an opinion of counsel to the Company addressed to the underwriters and the holders of the Registrable Securities being sold in customary form and covering such matters, of the type customarily covered by such an opinion, as the managing underwriters, if any, or as the holders of a majority in interest of the Registrable Securities being sold may reasonably request, addressed to such holders and the placement or sales agent, if any, thereof and the underwriters, if any, thereof, and dated the later of the effective date of such registration statement and the date of the execution of the underwriting agreement (or also dated the date of the closing under the underwriting agreement relating thereto).

(xiv) Otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and make available to the Shareholders, as soon as reasonably practicable, an earnings statement covering a period of at least twelve months, but not more than eighteen months, beginning with the first full calendar quarter after the effective date of the registration statement (as the term "effective date" is defined in Rule 158(c) under the Securities Act) which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

It shall be a condition precedent to the obligation of the Company to take any action with respect to any Registrable Securities that the holder thereof shall furnish to the Company such information regarding such holder, the Registrable Securities and any other Company securities held by such holder as the Company shall reasonably request and as shall be required in connection with the action taken by the Company. The Company agrees not to include in any amendment to any registration statement with respect to any Registrable Securities, or any amendment of or supplement to the prospectus used in connection therewith, any reference to any holder of any Registrable Securities covered thereby by name, or otherwise identify such holder as the holder of Registrable Securities, without the consent of such holder, such consent not to be unreasonably withheld or delayed, unless such disclosure is required by law or regulation.

Each holder of Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(d)(viii) or the commencement of a Delay Period described in Section 2(a)(vi) hereof, such Shareholder will forthwith discontinue disposition of Registrable Securities until such Shareholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(d)(viii) hereof or the end of the Delay Period, as the case may be, and, if so directed by the Company such Shareholder will deliver to the Company (at the Company's expense) all copies (including any and all drafts), other than permanent file copies, then in such Shareholder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event that the Company shall give any such notice, the period mentioned in Section 3(d)(ii) hereof shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 3(d)(viii) hereof to and including the date when each holder of Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 3(d)(viii) hereof. Each Holder of Registrable Securities shall be entitled to reimbursement from the Company for any out-of-pocket losses actually incurred as a result of such holder's inability to make delivery of sold securities due to the Company's failure to notify the holder of any event described in Section 3(d)(viii) hereof or of a Delay Period described in Section 2(a)(vi) hereof.

(e) Indemnification. (i) Indemnification by the Company. In consideration of the agreements of the holders of the Registrable Securities contained herein and in the several Subscription Agreements, and as an inducement to such holders to enter into the Subscription Agreement, the Company shall agree that in the event of any registration under the Securities Act pursuant to this Agreement, the Company will

indemnify and hold harmless, to the full extent permitted by law, each of the holders of any Registrable Securities covered by such registration statement, their respective directors and officers, members, general partners, limited partners, managing directors, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls, is controlled by or is under common control with any such Shareholder or any such underwriter within the meaning of the Securities Act (and directors, officers, controlling Persons, members, partners and managing directors of any of the foregoing) against any and all losses, claims, damages or liabilities, joint or several, and expenses including any amounts paid in any settlement effected with the Company's consent, which consent will not be unreasonably withheld, to which such Shareholder, any such director or officer, member, or general or limited partner or managing director or any such underwriter or controlling Person may become subject under the Securities Act, U.S. state securities "blue sky" laws, common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expenses arise out of or are based upon (A) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary, final or summary prospectus contained therein or any amendment or supplement thereto, (B) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (C) any violation or alleged violation by the Company of any U.S. federal, state or common law rule or regulation applicable to the Company and relating to action required of or inaction by the Company in connection with any such registration. The Company shall reimburse each such Shareholder and each such director, officer, member, general partner, limited partner, managing director or underwriter and controlling Person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending such loss, claim, liability, action or proceeding; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or amendment or supplement thereto or in any such preliminary, final or summary prospectus in reliance upon and in conformity with written information furnished to the Company or its representatives by such Shareholder, in its capacity as a Shareholder in the Company, or any such director, officer, member, general or limited partner, managing director, underwriter or controlling Person expressly for use in the preparation thereof; provided further that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities, if any, or any other Person (other than a holder of Registrable Securities covered by the registration statement), if any, who controls such underwriter within the meaning of the Securities Act, pursuant to this Section 3(e)(i) with respect to any preliminary prospectus or the final prospectus or the final prospectus as amended or supplemented as the case may be, to the extent that any such loss, claim, damage or liability of such underwriter or controlling Person (other than a holder of Registrable Securities covered by the Registration Statement) results from the fact that such underwriter sold Registrable Securities to a Person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final prospectus or of the

final prospectus as then amended or supplemented, whichever is most recent, if the Company has previously furnished copies thereof to such underwriter and such final prospectus, as then amended or supplemented, had corrected any such misstatement or omission, except that the indemnification obligation of the Company with respect to any Person who participates as an underwriter in the offering or sale of Registrable Securities, or any other Person (other than a holder of Registrable Securities covered by the registration statement), if any, who controls such underwriter within the meaning of the Securities Act, pursuant to this proviso shall be modified in such manner, which shall be reasonably acceptable to the Company and a majority of the holders of Registrable Securities participating in any such registration, as is consistent with customary practice with respect to underwriting agreements for offerings of such type. The indemnity provided for herein, when it becomes a commitment of the Company, shall remain in full force and effect regardless of any investigation made by or on behalf of such Shareholder or any such director, officer, member, general partner, limited partner, managing director, underwriter or controlling Person and shall survive the transfer of such securities by such Shareholder.

(ii) Indemnification by the Shareholders and Underwriters. The Company will require, as a condition to including any Registrable Securities in any registration statement filed in accordance with the provisions hereof, that the Company shall have received an undertaking reasonably satisfactory to it from the holders of such Registrable Securities or any underwriter, to indemnify and hold harmless (in the same manner and to the same extent as set forth in subsection (i) above) the Company and its directors, officers, controlling persons and all other prospective sellers and their respective directors, officers, general and limited partners, managing directors, and their respective controlling Persons with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or its representatives by or on behalf of such Shareholder, in its capacity as a Shareholder in the Company, or such underwriter, as applicable, expressly for use in the preparation of such registration statement, preliminary, final or summary prospectus or amendment or supplement, or a document incorporated by reference into any of the foregoing. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any of the holders of Registrable Securities, underwriters or any of their respective directors, officers, members, general or limited partners, managing directors or controlling Persons and shall survive the transfer of such securities by such Shareholder; provided, however, that no such Shareholder shall be liable in the aggregate for any amounts exceeding the amount of the proceeds to be received by such holder from the sale of its Registrable Securities pursuant to such registration (after deducting any fees, discounts and commissions applicable thereto), as reduced by any damages or other amounts that such holder was otherwise required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(iii) Notices of Claims, etc. Promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding with

respect to which a claim for indemnification may be made pursuant to this Section 3(e), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, promptly give written notice to the indemnifying party of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 3(e), except to the extent that the indemnifying party is actually materially prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified party and indemnifying parties may exist in respect of such claim, the indemnifying party will be entitled to participate in and, jointly with any other indemnifying party similarly notified, to assume the defense thereof, to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties arises in respect of such claim after the assumption of the defense thereof, and the indemnifying party will not be subject to any liability for any settlement made without its consent (which consent shall not be unreasonably withheld). No indemnifying party will consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel in any single jurisdiction for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels as may be reasonably necessary. Notwithstanding anything to the contrary set forth herein, and without limiting any of the rights set forth above, in any event any party will have the right to retain, at its own expense, counsel with respect to the defense of a claim.

(iv) Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 3(e) is for any reason unavailable, or insufficient to hold harmless an indemnified party in respect of any loss, claim, damage, liability (or actions or proceedings in respect thereof) or expense referred to herein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expense, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission

or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3(e)(iv) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 3(e)(iv). The amount paid or payable by an indemnified party as a result of the losses, claims, damages, or liabilities (or actions or proceedings in respect thereof) or expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3(e)(iv), no holder shall be required to contribute any amount in excess of the amount by which the dollar amount of the proceeds received by such holder from the sale of any Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) exceeds the amount of any damages which such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The holders' and any underwriter's obligations in this Section 3(e)(iv) to contribute shall be several in proportion to the number of Registrable Securities sold or underwritten, as the case may be, by them and not joint. For purposes of this Section 3(e), each Person, if any, who controls a Shareholder or an underwriter within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as such Shareholder or underwriter, and each director of the Company, each officer of the Company who signed the registration statement, and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Company.

(f) Underwriting Agreement. Holders of Registrable Securities requested to be registered pursuant to this Section 3 shall be parties to the underwriting agreement with the underwriters for such offering in connection with such offering and may, at their option, require that any or all of the representations and warranties by, and the agreements on the part of, the Company to and for the benefit of such underwriters be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall also be conditions precedent to the obligations of such holders of Registrable Securities. No underwriting agreement or other agreement in connection with such offering shall require any such holder of Registrable Securities to make any representations or warranties to or agreement with the Company or the underwriters other than representations, warranties or agreements regarding such holder, such holder's Registrable Securities and such holder's intended method of distribution or any other

representations required by applicable law and agreements regarding indemnification and contribution to the effect, but only to the extent, provided in Section 3(e) hereof.

(g) Rule 144 and Rule 144A. At all times after a public offering of any Common Shares, the Company agrees that it will file in a timely manner all reports required to be filed by it pursuant to the Exchange Act, and, if at any time thereafter, the Company is not required to file such reports, it will make available to the public, to the extent required to permit the sale of Common Shares by any holder of Registrable Securities pursuant to Rule 144 and Rule 144A under the Securities Act, current information about itself and its activities as contemplated by Rule 144 and Rule 144A under the Securities Act, as such Rules may be amended from time to time. Notwithstanding the foregoing, the Company may deregister any class of its equity securities under Section 12 of the Exchange Act or suspend its duty to file reports with respect to any class of its securities pursuant to Section 15(d) of the Exchange Act if it is then permitted to do so pursuant to the Exchange Act and the rules and regulations thereunder.

SECTION 4. Restrictive Legends. (a) Each certificate representing Common Shares (including any Warrant Shares) shall be stamped or otherwise imprinted with a legend in substantially the following form:

"Any sale, assignment, transfer, pledge or other disposition of the shares represented by this certificate is restricted by, and the rights attaching to these shares are subject to, the terms and conditions contained in the Shareholders Agreement dated as of [ ], 2004, as they may be amended from time to time, which are available for examination by registered holders of shares at the registered office of the Company. The registered holder of the shares represented by this certificate, by acquiring and holding such shares, shall to the extent required under the Shareholders Agreement be deemed a party to such Shareholders Agreement for all purposes and shall be required to agree in writing to be bound by and perform all of the terms and provisions of such Shareholders Agreement, all as more fully provided therein. In addition, any transferee of the shares represented by this certificate shall to the extent required under the Shareholders Agreement be deemed to be a party to such Shareholders Agreement for all purposes and shall be required by the transferring shareholder to agree in writing to acquire and hold such shares subject to all of the terms of such Agreement, all as more fully provided therein, which terms are to be enforced by the shareholders of the Company.

The shares represented by this certificate have not been registered under the U.S. Securities Act of 1933 (the "Securities Act"), or any U.S. state securities laws and may not be transferred, sold or otherwise disposed of unless (i) a registration statement is in effect under the Securities Act with respect to such shares, or (ii) a written opinion of counsel reasonably acceptable to the Company is provided to the Company to the effect that no such registration is required for such transfer, sale or disposal."

(b) Following termination of Section 2(a) hereof, the Company shall, promptly upon request and surrender of the legended certificate, deliver a replacement certificate not containing the first paragraph of the legend above in exchange for the legended certificate. In the event that Common Shares are disposed of pursuant to an effective registration statement or, following an initial public offering, Rule 144 (or any successor provision) under the Securities Act or if the Company shall have received an opinion of counsel reasonably acceptable to the Company (or a copy of a "no action" or interpretive letter from the Commission) to the effect that such shares are eligible to be sold pursuant to paragraph (k) of Rule 144, the Company shall promptly upon request deliver a replacement certificate not containing either paragraph of the legend above in exchange for the legended certificate.

SECTION 5. Competition. (a) Each Shareholder agrees that each Shareholder and its officers, directors, employees, agents and Affiliates (other than Persons that are also the officers of the Company or any of its Subsidiaries) may, alone or in combination with any other Person, engage in activities or businesses, make investments in and acquisitions of any Person, and enter into partnerships and joint ventures with any Person, whether or not competitive now or in the future with the businesses or activities of the Company or any Subsidiary of the Company, and neither the Company nor any Shareholder shall have the right to disclosure of any information in regard thereto, to participate therein, or to derive any profits therefrom.

(b) Each Shareholder and the Company agree that none of the Shareholders or any of their respective officers, directors, employees, agents or Affiliates (other than Persons that are also officers of the Company or any of its Subsidiaries) shall have the obligation to refer to the Company or its Subsidiaries any business opportunities presented or developed by any of them.

SECTION 6. Restrictions on Other Agreements. Neither the Company nor any Shareholder shall enter into or agree to be bound by any voting trust, voting agreement or any shareholder agreement or arrangements of any kind, written or otherwise, with any person with respect to the Common Shares on terms inconsistent with the provisions of this Agreement (whether or not such agreements and arrangements are with other Shareholders or holders of Common Shares that are not parties to this Agreement).

SECTION 7. Financial Statements and Other Information. (a) The Company shall furnish or shall cause to be furnished to each Shareholder the following information at the following times:

(i) with respect to each fiscal quarter of the Company, no later than 45 days after the end of such quarter, a Consolidated summary balance sheet, income statement and cash flow statement as of the end of and for such quarter and the comparable quarter of the preceding fiscal year together with a letter from management of the Company summarizing the financial condition, results of operations and business of the Company and its subsidiaries as of the end of and for such quarter,

(ii) accompanying the financial information to be delivered pursuant to clause (a)(i) above, a certificate, executed by the principal financial officer of the Company, stating that such information was prepared in accordance with U.S. generally accepted accounting principles consistently applied, with such exceptions as are set forth in detail in such certificate; and

(iii) with respect to each full fiscal year of the Company, no later than 90 days after the end of such year, a consolidated balance sheet, income statement and cash flow statement as of the end of and for such year prepared in accordance with U.S. generally accepted accounting principles consistently applied and accompanied by a signed audit report by a nationally recognized accounting firm, together with a letter from management of the Company summarizing the financial condition, results of operations and business of the Company and its subsidiaries as of the end of and for such year.

(b) The Company shall, and shall cause its Subsidiaries to, (1) permit each Shareholder during normal business hours to visit and inspect any of its properties and those of its Subsidiaries, including books and records (and, prior to an initial public offering only, make copies thereof), (2) make appropriate officers and directors of the Company and its Subsidiaries available periodically for consultation with such Shareholder with respect to matters relating to the respective business and affairs of the Company and its Subsidiaries, including, without limitation, significant changes in management personnel and compensation of employees, introduction of new products or new lines of business, important acquisitions or dispositions of plants and equipment, significant research and development programs, the purchasing or selling of important licenses, trademarks or concessions, and the proposed commencement or compromise of significant litigation and (3) consider the recommendations of such Shareholder in connection with the matters on which it is consulted as described above, recognizing that the ultimate discretion with respect to all such matters shall be retained by the Company and its Subsidiaries.

(c) Notwithstanding any other provision of this Agreement the Company may, as a condition to the rights of any Shareholder under this Section 7, require such Shareholder to execute and deliver a confidentiality agreement in commercially reasonable form covering all non-public information conveyed to such Shareholder.

SECTION 8. Board of Directors; Committees. (a) On and after the Closing Date and prior to an initial public offering, each Shareholder shall take all action necessary, including the voting of the Common Shares held by such Shareholder, to cause the Board of Directors of the Company to consist at all times of seven directors, and to vote in favor of three individuals designated by White Mountains to be members of such Board of Directors. Following an initial public offering, the number of individuals designated by White Mountains for whom the Shareholders shall be obligated to vote as members of the Board of Directors of the Company shall be reduced to two, so long as White Mountains owns, directly or indirectly, Common Shares, including Common Shares issuable upon exercise of outstanding Warrants (whether or not currently exercisable), at least 20% of the outstanding Common Shares (assuming for this

purpose the exercise of all outstanding Warrants), and such number shall be further reduced to one if White Mountains' ownership (as calculated in the preceding clause) is less than 20% but at least equal to 10%. If such ownership falls below 10%, no Shareholder shall have any further obligations under this Section 8(a). White Mountains hereby designates David Foy, John Gillespie and John J. Byrn as its designees for the Board of Directors of the Company, which designation shall continue until such time as White Mountains shall otherwise designate in writing to the other parties hereto.

(b) On and after the Closing Date, and prior to an initial public offering, each Shareholder shall take all action necessary, including the voting of Common Shares held by such Shareholder, to cause one or more individuals designated by White Mountains to be appointed by the Board of Directors as Chairman of the Board, and to be appointed chairman of any audit committee, finance committee or compensation committee of the Board. White Mountains hereby designates David Foy as its designee to be Chairman of the Board, David Foy to be chairman of the audit committee, John Gillespie to be chairman of the finance committee and David Foy to be chairman of the compensation committee, which designations shall continue until such time as White Mountains shall otherwise designate in writing to the other parties hereto.

(c) Notwithstanding anything to the contrary contained in this Section 8, this Section 8 shall be subject to applicable law and any applicable regulations of governmental entities and self-regulatory organizations.

SECTION 9. Further Action. Each Shareholder shall, for so long as such Shareholder owns any Common Shares or Warrants, (i) take any and all action (on a timely basis) necessary to carry out the intentions of the Shareholders set forth in this Agreement, including voting (or causing the voting of), all Common Shares held by such Shareholder in favor of any necessary amendment to the Certificate of Incorporation or the By-laws of the Company and (ii) refrain from taking any wilful action knowingly inconsistent with this Agreement including, without limitation, voting (or causing the voting of) any Common Shares held by such Shareholder in a manner inconsistent with this Agreement.

SECTION 10. Term. This Agreement shall terminate upon the first to occur of

(a) an Initial Public Offering,

(b) the consent of the Company and all Shareholders who are parties to this Agreement that the Agreement be terminated,

(c) any transaction with any Person pursuant to which shares or other securities of such Person are exchanged or substituted for all the Common Shares, provided that the shares or securities of such Person issued to the Shareholders are registered under the Securities Act and applicable U.S. state securities laws and listed on a U.S. national securities exchange or on NASDAQ; provided, however, that the Shareholders receive freely tradable shares or securities, other than any limits on transfer

arising form any Shareholder's status as an affiliate (as such term is used in the Securities Act and the rules thereunder), of such Person or the Company; and provided further, however, that all Shareholders that are subject to such limits on transfer described in the preceding proviso receive registration rights entitling such Shareholders to request registration of the shares or securities received,

(d) the liquidation or dissolution of the Company or

(e) the tenth anniversary of the date of this Agreement; provided, however, that

(i) in the case of termination pursuant to clauses (a) or (b),

(A) the provisions of Section 3 (other than the proviso in Section 3(d)(xi) and Section 3(e)) shall survive until the earlier of (x) the occurrence of an event described in clause (d) above and (y) the tenth anniversary of the termination of this Agreement, in each case to the extent that the rights under such provisions have not theretofore been exercised;

(B) the last two sentences of Section 2(a) shall survive any Initial Public Offering as set forth therein;

(C) the second sentence of Section 2(a) and the entirety of Section 2(b) shall survive until the first anniversary of the initial closing of the Initial Public Offering, and

(ii) in any case the proviso in Section 3(d)(xi) and the provisions of Sections 3(e), 5, 8(a), 9, 10, 11(b) and 12 through 22 shall survive the termination of this Agreement indefinitely.

SECTION 11. Additional Matters.

(a) No Inconsistent Agreements. The Company shall not grant registration rights other than those granted under this Agreement, with respect to the Common Shares or any other securities of the Company, which are more favorable than the registration rights contained in this Agreement without the prior written consent of the holders of a majority of the Common Shares then held by all of the Shareholders that are parties to this Agreement. Without limiting the generality of the foregoing, in no event shall the holders of such other registration rights have priority over Shareholders with respect to the inclusion of their securities in any registration or takedown (it being understood that such other registration rights may be pari passu with the registration rights granted under this Agreement with respect to registrations or takedowns).

(b) VCI Status. To the extent that any Shareholder is subject to such regulations, the Company shall reasonably cooperate with such Shareholder to provide to such Shareholder such rights of consultation as may be required pursuant to regulations,

advisory opinions or announcements issued after the date of this Agreement by the United States Department of Labor or by a court of competent jurisdiction in order for such Shareholder's investment in the Company to continue to qualify as a "venture capital investment" for purposes of the United States Department of Labor Regulation published at 29 C.F.R. Section 2510.3-101(d)(3)(i). Notwithstanding anything to the contrary in this Agreement, Section 7(b) hereof shall survive any Initial Public Offering with respect to any Shareholder who is a party to this Agreement as of the date hereof as long as such Shareholder holds any Common Shares purchased under its Subscription Agreement, if and only to the extent that such Shareholder establishes, to the reasonable satisfaction of the Company, that such survival is necessary in order for such Shareholder's investment in the Company to qualify as a "Venture capital investment" for purposes of the United States Department of Labor Regulation published at 29 C.F.R. Section 2510.3-101(d)(3)(i).

SECTION 12. Amendments. Neither this Agreement nor any provision hereof may be amended except by an instrument in writing signed by the Company and Shareholders holding at least two-thirds (or such higher percentage as may be required by any provision which is the subject of a proposed amendment) of the outstanding Common Shares then held by all of the Shareholders who are parties to this Agreement (assuming for this purpose the exercise of all outstanding Warrants). Any amendment approved in the foregoing manner will be effective as to all Shareholders. For the avoidance of doubt, the addition or deletion of any Person as a party hereto in accordance with the terms hereof shall not constitute an amendment hereof.

SECTION 13. Waiver and Consent. No action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach, and no failure by any party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

SECTION 14. Recapitalization, Exchanges, etc. Except as expressly provided otherwise herein, the provisions of this Agreement shall apply to the full extent set forth herein with respect to shares or other securities in the Company or any other Person that may be issued in respect of, in exchange for, or in substitution of the Common Shares or the Warrants.

SECTION 15. Notices. AU notices, requests, demands and other communications hereunder shall be in writing and shall be deemed, unless otherwise specified herein, to have been duly given if sent by hand, mail, courier service, cable, telex, facsimile or other mode of representing words in a legible and non-transitory form (a) if to the Shareholders, at their respective addresses in the Register of Shareholders of the Company or at such other address as any of the Shareholders may have furnished to the Company in writing, and (b) if to the Company, at 370 Church Street, Guilford,

Connecticut 06437, Attention: Reid Campbell, Treasurer, Telephone: 203-458-2380, Facsimile: 203-458-0754, or such other address as the Company may have furnished to the Shareholders in writing.

All such communications shall be deemed to have been given, delivered or received when so received, if sent by hand, cable, telex, facsimile or similar mode, on the next Business Day after sending if sent by Federal Express or other similar overnight delivery service, on the fifth Business Day after mailing if sent by mail and otherwise on the actual day of receipt.

SECTION 16. Specific Performance. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, the non-breaching parties would be irreparably harmed and could not be made whole by monetary damages. Accordingly, each of the parties hereto agrees that the other parties, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled, subject to applicable law, to compel specific performance of this Agreement.

SECTION 17. Entire Agreement. This Agreement (including any schedules, annexes or other attachments hereto) and all Subscription Agreements and any other agreements delivered at the Closing with respect to the subject matter hereof constitute the entire agreement between the parties hereto and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

SECTION 18. Severability. To the fullest extent permitted by applicable law, any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or lack of authorization without invalidating the remaining provisions hereof or affecting the validity, unenforceability or legality of such provision in any other jurisdiction.

SECTION 19. Binding Effect; Benefit. Except for Section 3(c)(i) hereof, which shall be enforceable by the underwriters referred to therein, nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto, and their respective successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 20. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors, légal representatives and permitted assigns. Neither this Agreement nor any rights or obligations hereunder shall be assignable by any Shareholder except in connection with a Transfer of Common Shares or Warrants permitted hereunder, in which case, subject to the next sentence, the rights and obligations hereunder shall be transferred pro rata. No such assignment shall be effective unless the assignee shall execute and deliver an agreement in form and substance reasonably satisfactory to the Company agreeing to be bound by this Agreement (or the surviving provisions hereof).

SECTION 21. Interpretation. The Table of Contents and the Headings contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement. All references herein to Sections, subsections, clauses and Schedules shall be deemed references to such parts of this Agreement, unless the context otherwise requires. All pronouns and any variations thereof refer to the masculine, feminine or neuter, as the case may require. The definitions of terms in this Agreement shall be applicable to both the singular and plural forms of the terms defined where either such form is used in this Agreement. Whenever the words “include”, “includes” and “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “herein”, “hereof”, and “hereunder”, and other words of similar import, refer to this Agreement as a whole and not to any particular Section, Subsection, or clause.

SECTION 22. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

SECTION 23. Applicable Law. The validity of this Agreement, its construction, interprétation and enforcement, and the rights of the parties hereunder, shall be determined under, governed by and construed in acçordance with the laws of New York. Each party hereto agrees that any suit, action or other proceeding arising out of this Agreement may be brought and litigated in the appropriate Federal and state courts of the State of New York and each party hereto hereby irrevocably consents to personal jurisdiction and venue in any such court and hereby waives any claim it may have that such court is an inconvenient forum for the purposes of any such suit, action or other proceeding. The Shareholders and the Company each hereby irrevocably designates and appoints CT Corporation with offices on the date hereof at 111 Eighth Avenue, New York, NY 10011, and its successors, as its agent to receive, accept or acknowledge for or on behalf of it, service of any and all legal process, summonses, notices and documents that may be served in any such suit, action or proceeding in any such court. Each Shareholder acknowledges that CT Corporation will transmit services of any and all legal process, summonses, notices and documents that may be served in any such suit, action or proceeding in any such court to such Shareholder’s address as shown in the stock transfer books of the Company from time to time. Each Shareholder further irrevocably consents to the service of any and all legal process, summonses, notices and documents by the mailing of copies thereof by registered or certified air mail, postage prepaid, to such party at the address of such party as shown in the stock transfer books of the Company from time to time.

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ _____
Name:
Title:

By _____
Name:
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/
Name:
Title:

GOVERNMENT EMPLOYEES, INSURANCE COMPANY

By /s/ Michael H Campbell
Name: Michael H Campbell.
Title: Vice President Corporate Financial Reporting

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by _____
Name:
Title:

GENERAL REINSURANCE CORPORATION

By /s/ William G. Gasdaska
Name: William G. Gasdaska
Title: Senior Vice President, Treasurer & Chief Financial Officer

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

WHITE MOUNTAINS RE GROUP, LTD.,

By /s/ Dennis Beaulieu
Name: Dennis Beaulieu
Title: Vice President

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hererto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name:
Title:

HIGHFIELDS CAPITAL LTD
By Highfields Capital Management LP,
Its Investment Manager

/s/ Kenneth H. Colburn
Name: Kenneth H. Colburn
Title: Chief Operating Officer

IN WITNESS WHEREOF, the parties hererto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name:
Title:

HIGHFIELDS CAPITAL II LP
By Highfields Capital Management LP,
Its Investment Manager

/s/ Kenneth H. Colburn
Name: Kenneth H. Colburn
Title: Chief Operating Officer

IN WITNESS WHEREOF, the parties hererto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name:
Title:

HIGHFIELDS CAPITAL I LP
By Highfields Capital Management LP,
Its Investment Manager

/s/ Kenneth H. Colburn
Name:Kenneth H. Colburn
Title: Chief Operating Officer

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

MUTUAL, QUALIFIED FUND
MUTUAL BEACON FUND
MUTUAL BEACON FUND (CANADA)
MUTUAL FINANCIAL SERVICES FUND
MUTUAL RECOVERY FUND, LTD.
FRANKLIN MUTUAL RECOVERY FUND
FRANKLIN MUTUAL BEACON FUND.

BY: FRANKLIN MUTUAL ADVISERS, LLC

BY: Bradley Takahashi
NAME: BRADLEY TAKAHASHI
TITLE: VICE PRESIDENT

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

CxICH, LLC

By /s/ John G. Forbes, Jr.
Name: John G. Forbes. Jr.
Title: CFO, Caxton Associates, L.L.C.,
Manager

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

OZ MASTER FUND, LTD.

By: OZ Management, L.L.C.,
its Investment Manager

By /s/ Daniel S. OCH
Name: Daniel S. Och
Title: Senior Managing Member

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

DLJ Growth Capital Partners, L.P.
DLJ Growth Capital Inc, its Managing General Partner

By /s/ George Hornig
Name: George Hornig
Title: Attorney in Fact

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

GCP Plan Investors, L.P.
DLJ LBO Plans Management Corp II, its Managing General Partner

By /s/ George Hornig
Name: George Hornig
Title: Attorney in Fact

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Sander M. Levy
Name: Sander M. Levy
Title: Managing Director
Vestar Capital Partners IV, L.P.

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

J. C. Flowers I LP
By: JCF Associates I LLC

By /s/ Sally Rocker
Name: Sally Rocker
Title: Principal

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By: Prospector Partners, LLC
its Investment Manager

By /s/ John D Gillespie
Name: John D Gillespie
Title: Managing Member

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

Holdings Ltd.

By /s/
Name:
Title: CEO

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Bruce R. Berkowitz
Name: Bruce R. Berkowitz
Title: Managing Member

TEL. 973.379.6557
FAX. 973.379.2478

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

MARSHFIELD INSURANCE II, LLC

By /s/ Christopher M. Niemczewski
Name: Christopher M. Niemczewski
Title: Managing Member, Marshfield Management II, LLC

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/
Name: MFP Investors LLC
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/
Name: Yale University
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Michael F. Price
Name: Michael F. Price
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

CAI MANAGERS & CO., L.P.

By /s/ Leslie B. Daniels
Name: Leslie B. Daniels
Title: Partner

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/
Name:
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

/s/

By /s/
Name:
Title: Authorised Signatory

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

NASH FAMILY PARTNERSHIP, L.P.

By /s/ Joshua Nash
Name: Joshua Nash
Title: General Partner

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

JOSHUA NASH

By /s/ Joshua Nash
Name:
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

JACK NASH

By /s/ Joshua Nash
Name: Joshua Nash As Attorney-in-Fact for Jack Nash
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

[SHAREHOLDERS],

By /s/ George Rohr
Name: George Rohr
Title:

IN WITNESS WHEREOF, the parties hereto have caused this shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

Estate of

By /s/ Shelby White
Name: Shelby White
Title: Executor

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Shelby White
Name: Shelby White
Title:

[Signature Page to Shareholders Agreement]

SHAREHOLDERS AGREEMENT

This SHAREHOLDERS AGREEMENT (this "Agreement"), dated as of March 19, 2004, is among Occum Acquisition Corp., a Delaware corporation (the "Company"), and each of the Persons listed on Schedule 1 hereto and any future security holder of the Company that becomes a party to this Agreement (each, a "Shareholder" and collectively the "Shareholders").

The authorized share capital of the Company consists of 15,000,000 shares, par value U.S. $0.01 per share (collectively or any number thereof, the "Common Shares"). Each of the Shareholders has subscribed to purchase Common Shares and desires to promote the interests of the Company and the mutual interests of the Shareholders by establishing herein certain terms and conditions upon which the Common Shares (including Common Shares issued upon conversion, exchange or exercise of any portion, warrant or other security) will be held, including provisions restricting the transfer of Common Shares, providing certain registration rights and providing for certain other matters.

In consideration of the mutual covenants and agreements hereinafter contained, the Company and the Shareholders hereby agree as follows:

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Subscription Agreement. As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" shall mean, with respect to any specified Person, a Person that directly or indirectly Controls, is Controlled by or is under common Control with such Person. Without limiting the generality of the foregoing, the term "Affiliate" shall include an investment fund managed by such Person or by a Person that directly or indirectly Controls, is Controlled by or is under common Control with such Person.

"Agreement" shall have the meaning given such term in the first paragraph of this Agreement.

"Berkshire" shall mean Berkshire Hathaway Inc., a Delaware corporation, or any successor entity thereto.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean any day except a Saturday, Sunday or other day on which banks in New York City are authorized or obligated by law or executive order to close.

"By-laws" shall mean the By-laws of the Company as in effect from time to time.

"Closing Date" shall mean the dates for the closing of the sale of up to 11,000,000 Common Shares by the Company pursuant to the several Subscription Agreements.

"Code" shall mean the U.S. Internal Revenue Code of 1986, as amended.

"Commission" shall mean the U.S. Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

"Control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative to the foregoing.

"day" shall mean a calendar day.

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended, or any U.S. federal statute then in effect that has replaced such statute, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such replacement federal statute.

"Founders" shall mean White Mountains and Berkshire. A "Founder" shall mean either one of them.

"Initial Public Offering" shall mean the completion, whether by the Company or by any Shareholders, of an underwritten public offering of the Common Shares pursuant to a registration statement filed under the Securities Act resulting in aggregate net proceeds, together with any such underwritten public offering previously completed, of not less than U.S.$125 million, or (ii) the completion by the Company of a merger, acquisition or comparable business combination transaction in connection with which the Company has issued Common Shares pursuant to a registration statement filed under the Securities Act on Form S-4, which shares have any aggregate value, based on the average closing price of such shares during the five trading days after completion of such transaction, of not less than U.S.$125 million; and "initial public offering" shall mean the completion, whether by the Company or any Shareholders, of the initial public offering of the Common Shares pursuant to a registration statement filed under the Securities Act, regardless of the amount of net proceeds from such offering or the issuance of Common Shares in connection with a merger, acquisition or comparable business combination transaction pursuant to a registration statement on Form S-4 filed under the Securities Act.

"NASD" shall mean the U.S. National Association of Securities Dealers, Inc. or any successor organization.

"NASDAQ" shall mean The Nasdaq National Market or any successor quotation system.

"Offering" shall mean the offering and sale of up to 11,000,000 Common Shares pursuant to the several Subscription Agreements.

"Person" shall mean an individual, company, corporation, limited liability company, firm, partnership, trust, estate, unincorporated association or other entity.

"Registrable Securities" shall mean (i) Common Shares (including any Common Shares issuable on exercise of the Warrants) issued on the Closing Date to the Shareholders, (ii) the Warrants and (iii) any securities of the Company issued successively in exchange for or in respect of any of the foregoing, whether as a result of any successive stock split or reclassification of, or stock dividend on, any of the foregoing or otherwise; provided, however, that (c) such securities shall cease to be Registrable Securities if and when (A) a registration statement with respect to the disposition of such securities shall have become effective under the Securities Act and such securities shall have been disposed of pursuant to such effective registration statement, (B) such securities are sold pursuant to Rule 144 under circumstances in which any legend borne by such Registrable Securities relating to restrictions on the transferability thereof under the Securities Act is removed by the Company, (C) such securities are eligible to be sold pursuant to paragraph (k) of Rule 144, (D) such securities have ceased to be outstanding or (E) as of any time, in the reasonable judgment of the Company, such securities would be eligible for sale pursuant to Rule 144 under the Act (without giving effect to the provisions of Rule 144 (k)) in the 90-day period following such time. Notwithstanding clauses (C) and (E) above, Common Shares shall continue to be deemed Registrable Securities until such time as the holder of such Common Shares could sell all of such holder's Registrable Securities pursuant to clause (C) or (E) above.

"Registration Expenses" shall mean all expenses incident to the Company's performance of or compliance with its obligations under Section 3, including all Commission, NASD and stock exchange or NASDAQ registration and filing fees and expenses, fees and expenses of compliance with applicable state securities or "blue sky" laws (including reasonable fees and disbursements of counsel for the underwriters in connection with "blue sky" qualifications of the Registrable Securities), printing expenses, messenger and delivery expenses, fees and disbursements of any custodian, the fees and expenses incurred in connection with the listing of the securities to be registered in an initial public offering on each securities exchange or automated quotation system on which such securities are to be so listed and, following such initial public offering, the fees and expenses incurred in connection with the listing of such securities to be registered on each securities exchange or automated quotation system on which such securities are listed, fees and disbursements of counsel for the Company and all independent certified public accountants (including the expenses of any annual audit and "cold comfort" letters required by or incident to such performance and compliance), the

fees and disbursements of underwriters customarily paid by issuers or sellers of securities (including the fees and expenses of any "qualified independent underwriter" required by the NASD), the reasonable fees of one counsel retained in connection with each such registration by the holders of a majority of the Registrable Securities being registered, the reasonable fees and expenses of any special experts retained by the Company in connection with such registration, and fees and expenses of other Persons retained by the Company (but not including any underwriting discounts or commissions or transfer taxes, if any, attributable to the sale of Registrable Securities by holders of such Registrable Securities other than the Company).

"securities" shall have the meaning given to such term under the Securities Act.

"Securities Act" shall mean the U.S. Securities Act of 1933 or any U.S. federal statute then in effect which has replaced such statute, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such replacement federal statute.

"Shareholder" shall have the meaning given to such term in the first paragraph of this Agreement.

"Subscription Agreement" shall mean all and each of the Subscription Agreements, dated as of various dates on or before the date hereof, between the Company and each of the Investors (as defined therein) for the purchase and sale of Common Shares in the Offering.

"Subsidiary" shall mean any corporation, limited liability company or other Person of which shares of stock or other ownership interests having a majority of the general voting power (without regard to the occurrence of any contingency) in electing the Board of Directors thereof or other Persons performing a similar function are, at the time as of which any determination is being made, owned by the Company either directly or through its Subsidiaries and any partnership in which the Company or any Subsidiary is a general partner.

"Transfer" shall mean to sell, assign or otherwise transfer an interest, in whole or in part, whether voluntarily or involuntarily or by operation of law or at a judicial sale or otherwise; provided, however, that Transfer shall not include the bona fide pledge of Common Shares or Warrants in connection with a loan by a financial institution or any transfer back to the pledgor by the pledgee of such Common Shares or Warrants following the termination of any such bona fide pledge.

"U.S." shall mean the United States of America and dependent territories or any part thereof.

"Warrant Shares" shall mean any Common Shares issuable upon exercise of the Warrants.

"Warrants" shall mean those Warrants to be issued to White Mountains and Berkshire pursuant to the Warrant Issuance Agreements (as defined in the Subscription Agreement).

"White Mountains" shall mean White Mountains Re Group, Ltd., a company existing under the laws of Bermuda, or any successor entity thereto.

SECTION 2. Transfer of Shares or Warrants. (a) General. No Shareholder shall Transfer any Common Shares other than

(i) to one or more third parties after having complied with Section 2(b) hereof, if applicable,

(ii) in connection with the exercise of its tag-along rights under Section 2(b) hereof,

(iii) in connection with the Founders' exercise of drag-along rights under Section 2(c) hereof or any other transaction with any Person approved by the Board and Shareholders in accordance with the Certificate of Incorporation and By-laws pursuant to which cash, shares or other securities of such Person are exchanged or substituted for all the Common Shares,

(iv) in the case of any Shareholder that is an individual, to any one or more of such Shareholder's spouse or lineal relatives, or to any custodian or trust for the benefit of any of the foregoing,

(v) to any Affiliate of such Shareholder,

(vi) in the case of any Shareholder that is a partnership, corporation or limited liability company, as a distribution to the partners, shareholders or members thereof,

(vii) in connection with the exercise by such Shareholder of its registration rights under Section 3 hereof or

(viii) following an initial public offering, pursuant to Rule 144 (or any successor provision) under the Securities Act.

No Shareholder shall Transfer any Warrants, other than (i) to one or more third parties (including other Shareholders or the Company) after complying with Section 4 of the Warrants, (ii) in connection with any transaction with any Person approved by the Board and Shareholders in accordance with the Certificate of Incorporation and By-laws pursuant to which cash, shares or other securities of such Person are exchanged or substituted for all the Common Shares, (iii) to any Affiliate of such Shareholder or (iv) in connection with the exercise by such Shareholder of its registration rights under Section 3 hereof; provided, however, that a Transfer pursuant to clauses (i) or (iv) above may not be made until the earliest of (A) the third anniversary of the date of this Agreement, (B) such time as the Shareholders (other than the Founders)

who are party to this Agreement as of the date hereof own less than 50% of the Common Shares initially acquired pursuant to their respective Subscription Agreements or (C) the first anniversary of the initial closing of an Initial Public Offering; provided further, however, that at any time each of White Mountains and Berkshire (and any Affiliate of White Mountains or Berkshire to whom Warrants have been Transferred pursuant to clause (iii) above) may Transfer Warrants to each other.

Notwithstanding any other provision of this Agreement, no Transfer may be made in violation of any provision or any requirement of the U.S. securities laws. Each Shareholder agrees that it will not seek to evade the restrictions on transfer set forth in this Section 2 by Transferring Common Shares or Warrants to an Affiliate and thereafter transferring beneficial ownership of the Affiliate, as part of a unified plan to avoid such restrictions. If any Shareholder wishes to Transfer any of its Common Shares or Warrants to another Person (a "Transferee") other than any Transfer permitted (or, in the event that such provisions shall have terminated in accordance with Section 10 hereof, that would have been permitted) (A) by subsection (iii), (vii) or (viii) of the first sentence of this Section 2(a), (B) by subsection (vi) of the first sentence of this Section 2(a) if at the time of such Transfer such Shareholder would be permitted to transfer its Common Shares pursuant to (x) subsection (viii) of the first sentence of this Section 2(a) and (y) Rule 144(k) under the Securities Act or (C) by subsection (ii) or (iv) of the second sentence of this Section 2(a), such Shareholder shall, as a condition of such Transfer, require the Transferee to execute and deliver an agreement in form and substance reasonably satisfactory to the Company agreeing to be bound by all of the provisions hereof. The preceding sentence shall survive an Initial Public Offering until the date that is 18 months following the initial closing of such Initial Public Offering.

(b) Tag-Along Rights. (i) If, at any time, one or more Shareholders (the "Selling Shareholders") propose to Transfer to any Person or group of Persons (the "Proposed Purchaser") in any transaction or series of related transactions a number of Common Shares equal to (x) prior to an Initial Public Offering, 5% or more of the then outstanding Common Shares, and (y) following an Initial Public Offering, 10% or more of the then outstanding Common Shares, the Selling Shareholders shall afford each other Shareholder the opportunity to participate proportionately in such Transfer in accordance with this Section 2(b). At least 20 days prior to the date proposed for such sale, the Selling Shareholders shall give notice to the Company, which shall provide a copy to each other Shareholder with a notice of the proposed Transfer, stating such Selling Shareholders' intent to make such sale, the number of Common Shares proposed to be transferred, the kind and amount of consideration to be paid for such Common Shares and the name of the Proposed Purchaser (the "Purchase Offer"). Each other Shareholder shall have the right to Transfer to the Proposed Purchaser a number of Common Shares equal to such Shareholder's Allotment. Such Shareholder's "Allotment" shall be equal to (A) the total number of Common Shares proposed to be Transferred by the Selling Shareholders multiplied by (B) a fraction, the numerator of which is the number of Common Shares then owned by such Shareholder and the denominator of which is the total number of Common Shares then outstanding (assuming, for purposes of all calculations of outstanding Common Shares in this clause (i), the exercise of all then outstanding Warrants).

(ii) Each Shareholder shall have 10 days from the receipt of the Purchase Offer in which to accept such Purchase Offer by written notice to the Selling Shareholders. Contemporaneously with the sale by the Selling Shareholders, each other Shareholder so electing to participate shall, on the date of the closing, sell the Common Shares indicated in its written notice for the same consideration and on the same terms as those provided by the Proposed Purchaser to the Selling Shareholders as specified in the Purchase Offer.

(iii) Notwithstanding the foregoing, this Section 2(b) shall not apply to any Transfer permitted (or, in the event that such provisions shall have terminated in accordance with Section 10 hereof, that would have been permitted) by subsections (iii) through (viii) of the first sentence of Section 2(a) hereof.

(c) Drag-Along Rights. If, at any time, the Founders jointly propose to transfer all of the Common Shares owned by the Founders in a single transaction to a third party (the "Proposed Acquiror") pursuant to a Qualified Sale (as defined below), and the Board of Directors of the Company has approved such Qualified Sale, the Founders may cause to be included in such Qualified Sale all, but not less than all, of the Common Shares held by each of the other Shareholders by providing to each such other Shareholder a notice (a "Qualified Sale Notice") of the proposed Qualified Sale at least 20 days prior to the date proposed for such Qualified Sale, stating the identity of the Proposed Acquiror, the kind and amount of consideration proposed to be paid for the Common Shares to be purchased by the Proposed Acquiror and the other material terms of such Qualified Sale. For purposes of determining the number of Common Shares outstanding pursuant to the immediately preceding sentence, Common Shares issuable upon the exercise of Warrants, options or other rights to acquire Common Shares, or upon the conversion or exchange of any security outstanding as of the time of delivery of the Qualified Sale Notice, shall not be deemed to be outstanding.

In the event the Founders so provide a Qualified Sale Notice with respect to a Qualified Sale, each other Shareholder shall (i) be obligated to transfer all of the Common Shares owned by such Shareholder to the Proposed Acquiror on the terms and conditions set forth in the Qualified Sale Notice and (ii) execute and deliver such instruments of conveyance and transfer and take such other action, including voting such Shareholder's Common Shares in favor of such Qualified Sale and executing any purchase agreements, merger agreements, indemnity agreements, escrow agreements or related documents, as the Founders or the Proposed Acquiror may reasonably require in order to carry out the terms and provisions of this Section 2(c); provided, however, that such instruments of conveyance and transfer and such purchase agreements, merger agreements, indemnity agreements, escrow agreements and related documents shall not include any representations or warranties of such Shareholder except such representations and warranties as are ordinarily given by a seller of securities with respect to such seller's authority to sell, enforceability of agreements against such seller, such seller's good title in such securities and the good title in such securities to be acquired at closing by the Proposed Acquiror, provided further, however, that any indemnity provision included in any such instrument, agreement or related document shall only indemnify the Proposed

Acquiror with respect to breaches of such representations and warranties by such Shareholder, without any obligation or liability for contribution.

The term "Qualified Sale" means a sale by the Founders to a third party which is not an Affiliate of the Company or any Shareholder that meets all of the following requirements:

(i) the Common Shares owned in the aggregate by the Founders (assuming for this purpose the exercise of all outstanding Warrants) to be sold in such sale equals or exceeds 25% of the total outstanding Common Shares (assuming for this purpose the exercise of all outstanding Warrants), (ii) the terms of such sale were negotiated between the Founders and such unaffiliated third party (or on their behalf by their respective agents or representatives) on a bona fide arm's-length basis,

(ii) the terms of such sale provide that the sale of Common Shares pursuant thereto by each Shareholder that is not a Founder shall be made for the same type and amount of consideration for each such Common Share sold as is to be received by each Founder for each Common Share sold (except with respect to Electing Shareholders as set forth below) and, subject to the provisos in the third sentence of this Section 2(c), in all other respects in a manner such that each term and condition applicable to such Shareholder is identical to, or no less favorable than, each corresponding term and condition applicable to either Founder; and

(iii) either (A) the consideration to be received by each Shareholder pursuant to such Qualified Sale is solely cash or (B) effective provision is made such that at the closing of such Qualified Sale each Electing Shareholder (as defined below) will receive the Cash Equivalent (as defined below) of any consideration other than cash proposed to be paid pursuant to the terms of such Qualified Sale.

An "Electing Shareholder" is a Shareholder (other than a Founder) that gives written notice, at least 10 days prior to the date proposed for a Qualified Sale, to the Selling Shareholders that provided the Qualified Sale Notice of such Shareholder's election to receive the Cash Equivalent of any non-cash consideration proposed to be paid pursuant to the terms of such Qualified Sale.

The term "Cash Equivalent" means an amount in cash equal to the fair market value (as determined by a qualified appraiser with experience in the appraising of properties and businesses in the relevant industry, to be selected by the mutual agreement of the interested parties) of non-cash consideration to be paid in a Qualified Sale; provided, however, that if no agreement can be reached, then any such interested party may apply to the American Arbitration Association for the appointment of an appraiser meeting the requirements of the preceding sentence, and any such appointment shall be binding upon the parties; provided further, however, that in the event that such non-cash consideration consists of publicly traded securities, then, in lieu of using an appraiser, the fair market value of such non-cash consideration shall equal the average closing price of

the publicly traded security for the 10 Business Days ending on the trading day immediately preceding the closing of the Qualified Sale. Any such appraiser shall be required to report its appraisal in writing, within 60 days of its appointment, to each interested party.

(d) Preemptive Rights. (A) Grant of Preemptive Rights. If the Company shall, prior to an Initial Public Offering, issue, sell or distribute to any Shareholder any equity securities of the Company, or any option, warrant, or right to acquire, or any security convertible into or exchangeable for, any equity securities of the Company (other than (i) pursuant to an underwritten offering pursuant to an effective registration statement under the Securities Act, (ii) pursuant to a dividend or distribution upon the Common Stock of stock or other equity securities of the Company, (iii) in connection with any scheme of arrangement, merger or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or any such Affiliate of the shares or substantially all the assets of any other Person or (iv) Warrant Shares) (any equity securities of the Company or options, warrants, rights to acquire or securities convertible into or exchangeable for equity securities of the Company, the issuance of which is not covered by clauses (i) through (iv) above, being "New Securities"), each Shareholder shall be entitled to participate in such issuance, sale or distribution for up to such number of New Securities (such number being such Shareholder's "Preemptive Allotment") as is equal to (x) the total number of New Securities proposed to be issued, sold or distributed by the Company multiplied by (y) a fraction, the numerator of which is the number of Common Shares owned by such Shareholder and the denominator of which is the total number of Common Shares outstanding (assuming, for purposes of all calculations of outstanding Common Shares in this clause (y), the exercise of all outstanding Warrants.)

(B) Company Notice; Procedures for Exercise of Preemptive Rights. If the Company proposes to issue any New Securities, the Company shall, at least 20 days prior to consummating the issuance of the New Securities, give written notice (the "Company Notice") to the Shareholders, stating the number of New Securities, the price per New Security, the terms of payment and all other terms and conditions on which the issuer proposes to make such issuance. In order for a Shareholder to exercise its preemptive rights under this Section 2(d), such Shareholder must give written notice to the Company within 10 days after the receipt of the Company Notice, stating the number of New Securities that such Shareholder desires to purchase (which number shall not be greater than such Shareholder's Preemptive Allotment).

(C) Re-Set of Preemptive Rights. If no option is exercised pursuant to this Section 2(d) for any of the New Securities within 10 days after receipt of the Company Notice (or if the option is exercised in the aggregate for less than all of the New Securities), the Company shall be free for a period of 180 days thereafter to sell the New Securities as to which such option has not been exercised to the proposed offerees at no less than the sale price set forth in the Company Notice and on terms and conditions that are no more favorable to the proposed offerees than those offered to the Shareholders. If, however, at the

expiration of such 180-day period, such New Securities have not been issued in accordance with the terms set forth in the Company Notice, then any other issuance or proposed issuance thereof shall be subject to all of the provisions of this Agreement and such shares shall not be issued without the Company again offering its shares in the manner provided in this Section 2(d).

SECTION 3. Registration Rights. The Shareholders shall have the right to have their Registrable Securities registered under the Securities Act and applicable U.S. state securities laws, and the Company shall then have the related obligations, in accordance with the following provisions.

(a) Registration on Request. (i) At any time (x) after the third anniversary of the date of the Closing, upon the written request of Shareholders holding in the aggregate 40% of all Registrable Securities then held by Shareholders (assuming for this purpose exercise of all outstanding Warrants) or (y) after an initial public offering, upon the written request of Shareholders holding in the aggregate 10% of all Registrable Securities then held by Shareholders (assuming for this purpose the exercise of all outstanding Warrants) (such Shareholders being referred to as the "Requesting Holders"), the Requesting Holders may request that the Company either (i) effect the registration under the Securities Act for an underwritten public offering of all or part of the Registrable Securities held by them (the "Single Registration Option"), (ii) effect the registration of all or any of their Registrable Securities by filing a registration statement under the Securities Act (the "Shelf Registration Statement") which provides for the sale by the Requesting Holders of their Registrable Securities from time to time in underwritten public offerings pursuant to Rule 415 under the Securities Act (the "Shelf Option"), or (iii) permit the sale of Registrable Securities that are already included in an effective Shelf Registration Statement pursuant to an underwritten public offering (the "Takedown Option"); provided, however, that the Requesting Holders may not elect the Shelf Option or the Takedown Option if the request thereunder is in connection with or would constitute an initial public offering.

Upon receipt of such request, the Company will promptly give written notice to all other holders of Registrable Securities (the "Other Holders") that a request for registration or for a takedown has been received. For a period of 10 days (or two Business Days in the case of a Takedown Option request) following receipt of such notice, the Other Holders may request that the Company also register their Registrable Securities (or include Registrable Securities in such takedown) and the Company may determine to include its authorized and unissued securities in such registration or takedown. The failure of any Other Holder to affirmatively indicate its intent to include its Registrable Securities in such registration or takedown shall be deemed a waiver of any right to so include such Registrable Securities in such registration statement or takedown. After the expiration of such 10-day period or two-Business Day period, as the case may be, the Company shall notify all holders of the number of Registrable Securities to be registered or included. Subject to the provisions of this Section 3, in the case of either the Single Registration Option or the Shelf Option, the Company shall use its reasonable best efforts to cause the prompt registration under the Securities Act of (A) the Registrable Securities that the Requesting Holders and the Other Holders have requested

the Company to register, and (B) all other securities that the Company has determined to register, and in connection therewith will prepare and file a registration statement under the Securities Act to effect such registration. Such registration statement shall be on such appropriate registration form of the Commission as shall be selected by the Company, and such selection shall be reasonably acceptable to the holders of a majority of the aggregate Registrable Securities to be sold by the Requesting Holders. Subject to the provisions of this Section 3, in the case of a Takedown Option, the Company shall use its reasonable best efforts to cause all Registrable Securities so requested to be included in such underwritten public offering and shall prepare and file any prospectus supplement reasonably necessary to effectuate a takedown.

Notwithstanding the foregoing, the Company will not be required to file a registration statement or proceed with a takedown in any of the following situations:

(1) the Registrable Securities of Requesting Holders to be offered pursuant to such request do not have an aggregate offering price of at least U.S. $50 million in the case of an initial public offering or U.S. $25 million with respect to any subsequent offering (based on the then current market price or, in the case of an initial public offering, the aggregate offering price proposed to be set forth on the cover page of the registration statement);

(2) during any period (not to exceed 60 days with respect to each request) when the Company has determined to proceed with a public offering and, in the judgment of the managing underwriter thereof, the requested filing would have an adverse effect on the public offering; provided that the Company is actively employing in good faith all reasonable efforts to cause such public offering to be consummated;

(3) during any period (not to exceed 60 days with respect to each request) when the Company is in possession of material non-public information that the Board determines is in the best interest of the Company not to disclose publicly; or

(4) to the extent required by the managing underwriter in an underwritten public offering, during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, following the effectiveness of any previous registration statement filed by the Company.

The right of the Company not to file a registration statement or proceed with a takedown pursuant to paragraphs (2) and (4) above may not be exercised more than once in any twelve-month period, and pursuant to paragraph (3) above may not be exercised more than twice in any twelve-month period.

Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in a takedown may, at any time prior to the effective date of the registration statement relating to such registration or the execution of an underwriting agreement relating to such takedown, revoke such request, without

liability to any of the other Requesting Holders or the Other Holders, by providing a written notice to the Company revoking such request.

(ii) Number of Registrations; Expenses. The Company shall not be obligated to effect more than one registration or takedown of Registrable Securities pursuant to requests from Requesting Holders under this Section 3(a) in the 180-day period immediately following the effective date of the last registration or takedown of Registrable Securities. The Company shall pay all Registration Expenses in connection with the first six registrations and all takedowns that the Requesting Holders request pursuant to this Section 3(a), including expenses in connection with any prospectus supplement reasonably necessary to effectuate a Takedown Option. The Requesting Holders and, if applicable, the Other Holders that requested that their Registrable Securities be registered and the Company shall pay all Registration Expenses in connection with later registrations pursuant to this Section 3(a) pro rata according to the number of Registrable Securities registered by each of them pursuant to such registration. However, in connection with all registrations and all takedowns, each Shareholder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Shareholder's Registrable Securities pursuant to this Section 3(a). If the first request hereunder is in connection with or would constitute an initial public offering, the Registrable Securities shall be offered pursuant to a firm commitment underwriting.

(iii) Effective Registration Statement. If the Requesting Holders elect the Single Registration Option in connection with a registration requested pursuant to this Section 3(a), such registration shall not be deemed to have been effected unless the registration statement relating thereto (A) has become effective under the Securities Act and any of the Registrable Securities of the Shareholders included in such registration have actually been sold thereunder, and (B) has remained effective for a period of at least 180 days (or such shorter period in which all Registrable Securities of the Requesting Holders and, if applicable, the Company and the Other Holders included in such registration have actually been sold thereunder); provided, however, that if after any registration statement requested pursuant to this Section 3(a) becomes effective (A) such registration statement is subject to any stop order, injunction or other order or requirement of the Commission or other governmental agency or court solely due to the actions or omissions to act of the Company and (B) less than 75% of all of the Registrable Securities included in such registration have been sold thereunder, then such registration statement shall not constitute a registration of Registrable Securities to be effected by the Company pursuant to Section 3(a)(ii) hereof and the Company shall pay all the Registration Expenses related thereto.

(iv) Selection of Underwriters. If the Requesting Holders elect the Single Registration Option or the Takedown Option, Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in such takedown shall have the right to select the lead managing underwriter for the offering; provided, however, that such selection shall be subject to approval by the Company, which approval shall not be unreasonably withheld or delayed; and provided further, that the Company shall have the right to appoint a co-manager in all cases subject to the approval

of Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in such takedown, which approval shall not be unreasonably withheld.

(v) Pro Rata Participation in Requested Registrations or Takedowns. If in connection with a requested registration or takedown pursuant to this Section 3(a), the lead managing underwriter advises the Company, the Requesting Holders and the Other Holders in writing that, in its view, the number of equity securities requested to be included in such registration or takedown exceeds the largest number of securities which can be sold without having an adverse effect on such offering, including the price at which such securities can be sold, the number of Registrable Securities requested to be registered by the Requesting Holders and the Other Holders included by the Company in such registration shall be allocated pro rata (subject to adjustments for tax considerations as provided in Subsection (C) below) among the Requesting Holders and the Other Holders on the basis of the relative number of Registrable Securities then held by them; provided, however, that:

(A) if the Company intends to issue Registrable Securities and to include them in such registration or takedown, the Company's allocation shall first be subject to reduction before the number of Registrable Securities to be registered by the Requesting Holders and the Other Holders is subject to any reduction; and

(B) Requesting Shareholders and Other Holders who become subject to a reduction pursuant to this Section 3(a)(v) in the amount of Registrable Securities to be included in a registration or takedown may elect not to sell any Registrable Securities pursuant to the registration or takedown.

(vi) With respect to any Shelf Registration Statement that has been declared effective and which includes Registrable Securities, the Company agrees to use its reasonable best efforts to keep the Shelf Registration Statement continuously effective and usable for the resale of the applicable Registrable Securities for a period ending on the first date on which all the Registrable Securities covered by such Shelf Registration Statement have been sold pursuant to such Shelf Registration Statement, but in no event longer than two years. The foregoing notwithstanding, the Company shall have the right in its reasonable discretion, based on any valid business purpose (including to avoid the disclosure of any material non-public information that the Company is not otherwise obligated to disclose or to coordinate such distribution with other shareholders that have registration rights with respect to any securities of the Company or with other distributions of the Company (whether for the account of the Company or otherwise)), to suspend the use of the applicable Shelf Registration Statement for a reasonable length of time (a "Delay Period") and from time to time; provided, however, that the aggregate number of days in all Delay Periods occurring in any period of twelve consecutive months shall not exceed 90 days; and provided further, however, that the two-year limit referred to above shall be extended by the number of days in any applicable Delay Period. The Company shall provide written notice to each holder of Registrable Securities covered by the Shelf Registration Statement of the beginning and the end of each Delay Period and such holders shall cease all disposition efforts with respect to

Registrable Securities held by them immediately upon receipt of notice of the beginning of any Delay Period.

(b) Incidental Registration. (i) If the Company at any time proposes to register or sell any Common Shares or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for, Common Shares (the "Priority Securities") under the Securities Act (other than a registration (A) relating to shares issuable upon exercise of employee share options or in connection with any employee benefit or similar plan of the Company, (B) in connection with any scheme of arrangement, merger or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or any such Affiliate of the shares or substantially all the assets of any other Person, or (C) pursuant to Section 3(a) hereof) in a manner that would permit registration of Registrable Securities for sale, or the sale in a takedown, to the public under the Securities Act (whether or not for sale for its own account)), including in an initial public offering, it shall each such time, subject to the provisions of Section 3(b)(ii) hereof, give prompt written notice to all holders of record of Registrable Securities of its intention to do so and of such Shareholders' rights under this Section 3(b), at least 10 days (or two Business Days, in the case of a takedown from an effective shelf registration statement) prior to the anticipated filing date of the registration statement relating to such registration or the offering date in the case of a takedown. Such notice shall offer all such Shareholders the opportunity to include in such registration statement or in such takedown such number of Registrable Securities as each such Shareholder may request.

Upon the written request of any such Shareholder made within seven days (or two Business Days in the case of a takedown) after the receipt of the Company's notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Shareholder), the Company shall use its reasonable best efforts to effect the registration under the Securities Act of all Registrable Securities that the Company has been so requested to register by the Shareholders thereof or to include requested Registrable Securities in a takedown; provided, however, that (A) all holders of Registrable Securities requesting to be included in the Company's registration or takedown must sell their Registrable Securities to the underwriters selected by the Company on substantially the same terms and conditions as apply to the Company (other than provisions relating to the indemnification of underwriters or Shareholders), and (B) if, at any time after giving written notice pursuant to this Section 3(b)(i) of its intention to register any Priority Securities or to proceed with a takedown and prior to the effective date of the registration statement filed in connection with such registration or prior to the execution of an underwriting agreement in connection with a takedown, the Company shall determine for any reason not to register or sell such Priority Securities, the Company shall give written notice to all holders of Registrable Securities and shall thereupon be relieved of its obligation to register any Registrable Securities in connection with such registration or to include requested Registrable Securities in a takedown (without prejudice, however, to rights of Shareholders under Section 3(a) hereof). The failure of any holder of Registrable Securities to affirmatively indicate its intent to include its Registrable Securities in such registration or takedown shall be deemed a waiver of any right to so include such Registrable Securities in such registration or

takedown. Any holder of Registrable Securities requesting to be included in such registration may elect, in writing prior to the effective date of the registration statement filed in connection with such registration, not to register such Registrable Securities in connection with such registration.

No registration or takedown effected under this Section 3(b) shall relieve the Company of its obligations to effect a registration or takedown upon request under Section 3(a) hereof. The Company shall pay all Registration Expenses in connection with each registration or takedown of Registrable Securities requested pursuant to this Section 3(b). However, each Shareholder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Shareholder's Registrable Securities pursuant to a registration statement or takedown effected pursuant to this Section 3(b).

(ii) Priority in Incidental Registrations. If in connection with a registration or a takedown pursuant to this Section 3(b) the managing underwriter advises the Company in writing that, in its good faith view, the number of equity securities (including all Registrable Securities) that the Company and the Shareholders intend to include in such registration or takedown exceeds the largest number of securities that can be sold without having an adverse effect on such offering, including the price at which such Registrable Securities can be sold, the Company will include in such registration or takedown (A) first, all the Priority Securities to be sold for the Company's own account; and (B) second, to the extent that the number of Priority Securities is less than the number of Registrable Securities that the underwriter has advised the Company can be sold in such offering without having the adverse effect referred to above, Registrable Securities requested to be included in such registration or takedown by the Shareholders pursuant to Section 3(b)(i) hereof, pro rata among all Shareholders requesting registration on the basis of the relative number of Registrable Securities then held by them. Shareholders subject to such allocation may elect not to sell any Registrable Securities pursuant to the registration statement or takedown.

(iii) If the Company at any time proposes to effect a public offering in a jurisdiction other than the United States of any Common Shares or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for, Common Shares (other than a public offering (A) relating to shares issuable upon exercise of employee share options or in connection with any employee benefit or similar plan of the Company, or (B) in connection with any merger, reorganization or consolidation by the Company or Affiliate of the Company or the acquisition by the Company or an Affiliate of the Company of the shares or substantially all the assets of any other Person), the Company and the Shareholders will have the rights and be subject to the obligations agreed in this Section 3(b) to the extent and where applicable.

(c) Holdback Agreements. (i) Each Shareholder agrees, for the benefit of the underwriters referred to below, not to effect any sale or distribution, including any private placement or any sale pursuant to Rule 144 (or any successor provision) under the Securities Act, of any Registrable Securities, other than to an Affiliate or by gift or pro rata distribution to its shareholders, partners or other beneficial holders (in each case,

which agree to be bound by the remaining provisions hereof), and not to effect any such sale or distribution of any other equity security of the Company or of any security convertible into or exchangeable or exercisable for any equity security of the Company, during the 10 days prior to (or, in the case of a takedown, from the time on such day as such Shareholder receives notice of such takedown), and during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, after the later of (i) the effective date of any registration statement filed pursuant to Section 3(a) or (b) hereof in connection with an underwritten offering and (ii) the execution of an underwriting agreement in connection with an underwritten offering, without the consent of the managing underwriter of such offering, except as part of such registration, if permitted; provided, however, that each holder of Registrable Securities shall have received written notice of such registration from either the Company or the managing underwriter at least two Business Days prior to the anticipated beginning of the 10-day period referred to above. Each Shareholder agrees that it will enter into any agreement reasonably requested by the underwriters of any such underwritten offering to confirm its agreement set forth in the preceding sentence.

(ii) The Company agrees (A) not to effect any public sale or distribution of any of its equity securities or of any security convertible into or exchangeable or exercisable for any equity security of the Company (other than any such sale or distribution of such securities in connection with any merger, reorganization or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or an Affiliate of the Company of the shares or substantially all the assets of any other Person or in connection with an employee stock ownership or other benefit plan) during the 10 days prior to, and during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, which begins on the later of (i) the effective date of such registration statement and (ii) the execution of an underwriting agreement in connection with an underwritten offering, without the consent of the managing underwriters of such offering, and (B) that any agreement entered into after the date hereof pursuant to which the Company issues or agrees to issue any privately placed equity securities shall contain a provision under which the holders of such securities agree not to effect any public sale or distribution of any such securities during the period and in the manner referred to in the foregoing clause (A), including any private placement and any sale pursuant to Rule 144 under the Securities Act (or any successor provision), except as part of such registration, if permitted.

(d) Registration Procedures. In connection with any offering of Registrable Securities registered pursuant to this Section 3, the Company shall:

(i) Promptly prepare and file a registration statement with the Commission within 45 days after receipt of a request for registration pursuant to a Single Registration Option or a Shelf Option, and use its reasonable best efforts to cause such registration statement to become, as soon as practicable, and remain, effective as provided herein; provided, however, that before filing with the Commission a registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to one counsel selected by the holders of a majority of the Registrable Securities requested to be registered

copies of all such documents proposed to be filed for such counsel's review and comment (and the Company shall not file any such document to which such counsel shall have reasonably objected in writing on the grounds that such document does not comply (explaining why) in all material respects with the requirements of the Securities Act or the rules or regulations thereunder).

(ii) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 180 days in the case of a Single Registration Option, or two years in the case of a Shelf Option, or such shorter period that will terminate when all Registrable Securities covered by such registration statement have been sold (but not before the expiration of the periods referred to in Section 4(3) and Rule 174 of the Securities Act or any successor provision, if applicable), and to prepare and file prospectus supplements to effect sales pursuant to takedowns and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement; provided, however, that the 180-day period referred to above shall be extended by the number of days such registration statement may be subject to a stop order or otherwise suspended.

(iii) Furnish to each holder and each underwriter, if any, of Registrable Securities covered by such registration statement such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto), and the prospectus included in such registration statement, including each preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as any Shareholder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Shareholder.

(iv) Unless the exemption from state regulation of securities offerings under Section 18 of the Securities Act applies, use its commercially reasonable efforts to register or qualify such Registrable Securities under such other state securities or "blue sky" laws of such jurisdictions as any holder, and underwriter, if any, of Registrable Securities covered by such registration statement reasonably requests; provided, however, that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection (iv), (B) subject itself or any of its Subsidiaries to taxation or regulation (insurance or otherwise) of its or their respective businesses in any such jurisdiction other than the United States, or (C) consent to general service of process in any such jurisdiction.

(v) Use its commercially reasonable efforts to cause the Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and its Subsidiaries to enable the holder or holders thereof to consummate the disposition of such

Registrable Securities in accordance with the intended method or methods of distribution thereof.

(vi) Promptly notify each holder of such Registrable Securities, the sale or placement agent, if any, thereof and the managing underwriter or underwriters, if any, thereof (A) when such registration statement or any prospectus included therein or any prospectus amendment or supplement or post-effective amendment has been filed, and, with respect to such registration statement or any post-effective amendment, when the same has become effective, (B) of any comments by the Commission and by the Blue Sky or securities commissioner or regulator of any state with respect thereto or any material request by the Commission for amendments or supplements to such registration statement or prospectus or for additional information, (C) of the issuance by the Commission of any stop order suspending the effectiveness of such registration statement or the initiation or threatening of any proceedings for that purpose and (D) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(vii) Use its commercially reasonable efforts to obtain as soon as possible the lifting of any stop order that might be issued suspending the effectiveness of such registration statement.

(viii) Promptly notify each holder of such Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event that comes to the Company's attention if as a result of such event the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will promptly prepare and furnish to such Shareholder a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(ix) Use its commercially reasonable efforts (A) to cause all such Registrable Securities to be listed on a national securities exchange in the United States or on NASDAQ and, if applicable, on each securities exchange on which similar securities issued by the Company may then be listed, and enter into such customary related agreements including a listing application and indemnification agreement in customary form, and (B) to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement no later than the effective date of such registration statement.

(x) Enter into such customary agreements (including an underwriting agreement or qualified independent underwriting agreement, in each case, in

customary form) and take all such other actions as the holders of a majority of the Registrable Securities requested to be registered or included in a takedown or the underwriters retained by such Shareholders, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities, including customary representations, warranties, indemnities and agreements and preparing for, and participating in, such number of "road shows" and all such other customary selling efforts as the underwriters reasonably request in order to expedite or facilitate such disposition, and to use its commercially reasonable efforts to assist the underwriters in complying with the rules of the NASD (if applicable).

(xi) Make available for inspection, during the normal business hours of the Company, by any holder of Registrable Securities requested to be registered or included in a takedown, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such Shareholder or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate and business documents and documents relating to the properties of the Company and its Subsidiaries (collectively, "Records"), if any, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors, employees and independent auditors, and those of the Company's Subsidiaries, to supply all information and respond to all inquiries reasonably requested by any such Inspector in connection with such registration statement or takedown; provided, that each such Inspector hereby agrees to keep in confidence the contents and existence of any Records that may contain non-public information with respect to the Company or any of its Subsidiaries, except (but only to the extent) as required by applicable law to disclose such non-public information.

(xii) Obtain a "cold comfort" letter addressed to the underwriters and the holders of the Registrable Securities being sold from the Company's appointed auditors in customary form and covering such matters of the type customarily covered by "cold comfort" letters as the underwriters and the holders of a majority in interest of the Registrable Securities being sold reasonably request, and dated the later of the effective date of such registration statement and the date of the execution of the underwriting agreement (and also dated the date of the closing under the underwriting agreement relating thereto).

(xiii) Obtain an opinion of counsel to the Company addressed to the underwriters and the holders of the Registrable Securities being sold in customary form and covering such matters, of the type customarily covered by such an opinion, as the managing underwriters, if any, or as the holders of a majority in interest of the Registrable Securities being sold may reasonably request, addressed to such holders and the placement or sales agent, if any, thereof and the underwriters, if any, thereof, and dated the later of the effective date of such registration statement and the date of the execution of the underwriting agreement

(or also dated the date of the closing under the underwriting agreement relating thereto).

(xiv) Otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and make available to the Shareholders, as soon as reasonably practicable, an earnings statement covering a period of at least twelve months, but not more than eighteen months, beginning with the first mil calendar quarter after the effective date of the registration statement (as the term "effective date" is defined in Rule 158(c) under the Securities Act) which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

It shall be a condition precedent to the obligation of the Company to take any action with respect to any Registrable Securities that the holder thereof shall furnish to the Company such information regarding such holder, the Registrable Securities and any other Company securities held by such holder as the Company shall reasonably request and as shall be required in connection with the action taken by the Company. The Company agrees not to include in any amendment to any registration statement with respect to any Registrable Securities, or any amendment of or supplement to the prospectus used in connection therewith, any reference to any holder of any Registrable Securities covered thereby by name, or otherwise identify such holder as the holder of Registrable Securities, without the consent of such holder, such consent not to be unreasonably withheld or delayed, unless such disclosure is required by law or regulation.

Each holder of Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(d)(viii) or the commencement of a Delay Period described in Section 2(a)(vi) hereof, such Shareholder will forthwith discontinue disposition of Registrable Securities until such Shareholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(d)(viii) hereof or the end of the Delay Period, as the case may be, and, if so directed by the Company such Shareholder will deliver to the Company (at the Company's expense) all copies (including any and all drafts), other than permanent file copies, then in such Shareholder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event that the Company shall give any such notice, the period mentioned in Section 3(d)(ii) hereof shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 3(d)(viii) hereof to and including the date when each holder of Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 3(d)(viii) hereof. Each Holder of Registrable Securities shall be entitled to reimbursement from the Company for any out-of-pocket losses actually incurred as a result of such holder's inability to make delivery of sold securities due to the Company's failure to notify the holder of any event described in Section 3(d)(viii) hereof or of a Delay Period described in Section 2(a)(vi) hereof.

(e) Indemnification. (i) Indemnification by the Company. In consideration of the agreements of the holders of the Registrable Securities contained

herein and in the several Subscription Agreements, and as an inducement to such holders to enter into the Subscription Agreement, the Company shall agree that in the event of any registration under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless, to the full extent permitted by law, each of the holders of any Registrable Securities covered by such registration statement, their respective directors and officers, members, general partners, limited partners, managing directors, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls, is controlled by or is under common control with any such Shareholder or any such underwriter within the meaning of the Securities Act (and directors, officers, controlling Persons, members, partners and managing directors of any of the foregoing) against any and all losses, claims, damages or liabilities, joint or several, and expenses including any amounts paid in any settlement effected with the Company's consent, which consent will not be unreasonably withheld, to which such Shareholder, any such director or officer, member, or general or limited partner or managing director or any such underwriter or controlling Person may become subject under the Securities Act, U.S. state securities "blue sky" laws, common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expenses arise out of or are based upon (A) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary, final or summary prospectus contained therein or any amendment or supplement thereto, (B) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (C) any violation or alleged violation by the Company of any U.S. federal, state or common law rule or regulation applicable to the Company and relating to action required of or inaction by the Company in connection with any such registration. The Company shall reimburse each such Shareholder and each such director, officer, member, general partner, limited partner, managing director or underwriter and controlling Person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending such loss, claim, liability, action or proceeding; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or amendment or supplement thereto or in any such preliminary, final or summary prospectus in reliance upon and in conformity with written information furnished to the Company or its representatives by such Shareholder, in its capacity as a Shareholder in the Company, or any such director, officer, member, general or limited partner, managing director, underwriter or controlling Person expressly for use in the preparation thereof; provided further that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities, if any, or any other Person (other than a holder of Registrable Securities covered by the registration statement), if any, who controls such underwriter within the meaning of the Securities Act, pursuant to this Section 3(e)(i) with respect to any preliminary prospectus or the final prospectus or the final prospectus as amended or supplemented as the case may be, to the extent that any such loss, claim, damage or liability of such underwriter or controlling Person (other than a holder of Registrable

Securities covered by the Registration Statement) results from the fact that such underwriter sold Registrable Securities to a Person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final prospectus or of the final prospectus as then amended or supplemented, whichever is most recent, if the Company has previously furnished copies thereof to such underwriter and such final prospectus, as then amended or supplemented, had corrected any such misstatement or omission, except that the indemnification obligation of the Company with respect to any Person who participates as an underwriter in the offering or sale of Registrable Securities, or any other Person (other than a holder of Registrable Securities covered by the registration statement), if any, who controls such underwriter within the meaning of the Securities Act, pursuant to this proviso shall be modified in such manner, which shall be reasonably acceptable to the Company and a majority of the holders of Registrable Securities participating in any such registration, as is consistent with customary practice with respect to underwriting agreements for offerings of such type. The indemnity provided for herein, when it becomes a commitment of the Company, shall remain in full force and effect regardless of any investigation made by or on behalf of such Shareholder or any such director, officer, member, general partner, limited partner, managing director, underwriter or controlling Person and shall survive the transfer of such securities by such Shareholder.

(ii) Indemnification by the Shareholders and Underwriters. The Company will require, as a condition to including any Registrable Securities in any registration statement filed in accordance with the provisions hereof, that the Company shall have received an undertaking reasonably satisfactory to it from the holders of such Registrable Securities or any underwriter, to indemnify and hold harmless (in the same manner and to the same extent as set forth in subsection (i) above) the Company and its directors, officers, controlling persons and all other prospective sellers and their respective directors, officers, general and limited partners, managing directors, and their respective controlling Persons with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or its representatives by or on behalf of such Shareholder, in its capacity as a Shareholder in the Company, or such underwriter, as applicable, expressly for use in the preparation of such registration statement, preliminary, final or summary prospectus or amendment or supplement, or a document incorporated by reference into any of the foregoing. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any of the holders of Registrable Securities, underwriters or any of their respective directors, officers, members, general or limited partners, managing directors or controlling Persons and shall survive the transfer of such securities by such Shareholder; provided, however, that no such Shareholder shall be liable in the aggregate for any amounts exceeding the amount of the proceeds to be received by such holder from the sale of its Registrable Securities pursuant to such registration (after deducting any fees, discounts and commissions applicable thereto), as reduced by any damages or other amounts that such holder was otherwise required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(iii) Notices of Claims, etc. Promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 3(e), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, promptly give written notice to the indemnifying party of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 3(e), except to the extent that the indemnifying party is actually materially prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified party and indemnifying parties may exist in respect of such claim, the indemnifying party will be entitled to participate in and, jointly with any other indemnifying party similarly notified, to assume the defense thereof, to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties arises in respect of such claim after the assumption of the defense thereof, and the indemnifying party will not be subject to any liability for any settlement made without its consent (which consent shall not be unreasonably withheld). No indemnifying party will consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel in any single jurisdiction for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels as may be reasonably necessary. Notwithstanding anything to the contrary set forth herein, and without limiting any of the rights set forth above, in any event any party will have the right to retain, at its own expense, counsel with respect to the defense of a claim.

(iv) Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 3(e) is for any reason unavailable, or insufficient to hold harmless an indemnified party in respect of any loss, claim, damage, liability (or actions or proceedings in respect thereof) or expense referred to herein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expense, as well as any other relevant equitable considerations. The relative fault of such

indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material feet or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3(e)(iv) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 3(e)(iv). The amount paid or payable by an indemnified party as a result of the losses, claims, damages, or liabilities (or actions or proceedings in respect thereof) or expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3(e)(iv), no holder shall be required to contribute any amount in excess of the amount by which the dollar amount of the proceeds received by such holder from the sale of any Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) exceeds the amount of any damages which such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The holders' and any underwriter's obligations in this Section 3(e)(iv) to contribute shall be several in proportion to the number of Registrable Securities sold or underwritten, as the case may be, by them and not joint. For purposes of this Section 3(e), each Person, if any, who controls a Shareholder or an underwriter within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as such Shareholder or underwriter, and each director of the Company, each officer of the Company who signed the registration statement, and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Company.

(f) Underwriting Agreement. Holders of Registrable Securities requested to be registered pursuant to this Section 3 shall be parties to the underwriting agreement with the underwriters for such offering in connection with such offering and may, at their option, require that any or all of the representations and warranties by, and the agreements on the part of, the Company to and for the benefit of such underwriters be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall also be conditions precedent to the obligations of such holders of Registrable Securities. No underwriting agreement or other agreement in connection with such offering shall require any such holder of Registrable Securities to make any representations or warranties to or agreement with the Company or the underwriters other than representations, warranties or agreements regarding such holder, such holder's

Registrable Securities and such holder's intended method of distribution or any other representations required by applicable law and agreements regarding indemnification and contribution to the effect, but only to the extent, provided in Section 3(e) hereof.

(g) Rule 144 and Rule 144A. At all times after a public offering of any Common Shares, the Company agrees that it will file in a timely manner all reports required to be filed by it pursuant to the Exchange Act, and, if at any time thereafter, the Company is not required to file such reports, it will make available to the public, to the extent required to permit the sale of Common Shares by any holder of Registrable Securities pursuant to Rule 144 and Rule 144A under the Securities Act, current information about itself and its activities as contemplated by Rule 144 and Rule 144A under the Securities Act, as such Rules may be amended from time to time. Notwithstanding the foregoing, the Company may deregister any class of its equity securities under Section 12 of the Exchange Act or suspend its duty to file reports with respect to any class of its securities pursuant to Section 15(d) of the Exchange Act if it is then permitted to do so pursuant to the Exchange Act and the rules and regulations thereunder.

SECTION 4. Restrictive Legends. (a) Each certificate representing Common Shares (including any Warrant Shares) shall be stamped or otherwise imprinted with a legend in substantially the following form:

"Any sale, assignment, transfer, pledge or other disposition of the shares represented by this certificate is restricted by, and the rights attaching to these shares are subject to, the terms and conditions contained in the Shareholders Agreement dated as of [ ], 2004, as they may be amended from time to time, which are available for examination by registered holders of shares at the registered office of the Company. The registered holder of the shares represented by this certificate, by acquiring and holding such shares, shall to the extent required under the Shareholders Agreement be deemed a party to such Shareholders Agreement for all purposes and shall be required to agree in writing to be bound by and perform all of the terms and provisions of such Shareholders Agreement, all as more fully provided therein. In addition, any transferee of the shares represented by this certificate shall to the extent required under the Shareholders Agreement be deemed to be a party to such Shareholders Agreement for all purposes and shall be required by the transferring shareholder to agree in writing to acquire and hold such shares subject to all of the terms of such Agreement, all as more fully provided therein, which terms are to be enforced by the shareholders of the Company.

The shares represented by this certificate have not been registered under the U.S. Securities Act of 1933 (the "Securities Act"), or any U.S. state securities laws and may not be transferred, sold or otherwise disposed of unless (i) a registration statement is in effect under the Securities Act with respect to such shares, or (ii) a written opinion of counsel reasonably acceptable to the Company is provided to the Company to the effect that no such registration is required for such transfer, sale or disposal."

(b) Following termination of Section 2(a) hereof, the Company shall, promptly upon request and surrender of the legended certificate, deliver a replacement certificate not containing the first paragraph of the legend above in exchange for the legended certificate. In the event that Common Shares are disposed of pursuant to an effective registration statement or, following an initial public offering, Rule 144 (or any successor provision) under the Securities Act or if the Company shall have received an opinion of counsel reasonably acceptable to the Company (or a copy of a "no action" or interpretive letter from the Commission) to the effect that such shares are eligible to be sold pursuant to paragraph (k) of Rule 144, the Company shall promptly upon request deliver a replacement certificate not containing either paragraph of the legend above in exchange for the legended certificate.

SECTION 5. Competition, (a) Each Shareholder agrees that each Shareholder and its officers, directors, employees, agents and Affiliates (other than Persons that are also the officers of the Company or any of its Subsidiaries) may, alone or in combination with any other Person, engage in activities or businesses, make investments in and acquisitions of any Person, and enter into partnerships and joint ventures with any Person, whether or not competitive now or in the future with the businesses or activities of the Company or any Subsidiary of the Company, and neither the Company nor any Shareholder shall have the right to disclosure of any information in regard thereto, to participate therein, or to derive any profits therefrom.

(b) Each Shareholder and the Company agree that none of the Shareholders or any of their respective officers, directors, employees, agents or Affiliates (other than Persons that are also officers of the Company or any of its Subsidiaries) shall have the obligation to refer to the Company or its Subsidiaries any business opportunities presented or developed by any of them.

SECTION 6. Restrictions on Other Agreements. Neither the Company nor any Shareholder shall enter into or agree to be bound by any voting trust, voting agreement or any shareholder agreement or arrangements of any kind, written or otherwise, with any person with respect to the Common Shares on terms inconsistent with the provisions of this Agreement (whether or not such agreements and arrangements are with other Shareholders or holders of Common Shares that are not parties to this Agreement).

SECTION 7. Financial Statements and Other Information. (a) The Company shall furnish or shall cause to be furnished to each Shareholder the following information at the following times:

(i) with respect to each fiscal quarter of the Company, no later than 45 days after the end of such quarter, a consolidated summary balance sheet, income statement and cash flow statement as of the end of and for such quarter and the comparable quarter of the preceding fiscal year together with a letter from management of the Company summarizing the financial condition, results of operations and business of the Company and its subsidiaries as of the end of and for such quarter;

(ii) accompanying the financial information to be delivered pursuant to clause (a)(i) above, a certificate, executed by the principal financial officer of the Company, stating that such information was prepared in accordance with U.S. generally accepted accounting principles consistently applied, with such exceptions as are set forth in detail in such certificate; and

(iii) with respect to each full fiscal year of the Company, no later than 90 days after the end of such year, a consolidated balance sheet, income statement and cash flow statement as of the end of and for such year prepared in accordance with U.S. generally accepted accounting principles consistently applied and accompanied by a signed audit report by a nationally recognized accounting firm, together with a letter from management of the Company summarizing the financial condition, results of operations and business of the Company and its subsidiaries as of the end of and for such year.

(b) The Company shall, and shall cause its Subsidiaries to, (1) permit each Shareholder during normal business hours to visit and inspect any of its properties and those of its Subsidiaries, including books and records (and, prior to an initial public offering only, make copies thereof), (2) make appropriate officers and directors of the Company and its Subsidiaries available periodically for consultation with such Shareholder with respect to matters relating to the respective business and affairs of the Company and its Subsidiaries, including, without limitation, significant changes in management personnel and compensation of employees, introduction of new products or new lines of business, important acquisitions or dispositions of plants and equipment, significant research and development programs, the purchasing or selling of important licenses, trademarks or concessions, and the proposed commencement or compromise of significant litigation and (3) consider the recommendations of such Shareholder in connection with the matters on which it is consulted as described above, recognizing that the ultimate discretion with respect to all such matters shall be retained by the Company and its Subsidiaries.

(c) Notwithstanding any other provision of this Agreement the Company may, as a condition to the rights of any Shareholder under this Section 7, require such Shareholder to execute and deliver a confidentiality agreement in commercially reasonable form covering all non-public information conveyed to such Shareholder.

SECTION 8. Board of Directors; Committees. (a) On and after the Closing Date and prior to an initial public offering, each Shareholder shall take all action necessary, including the voting of the Common Shares held by such Shareholder, to cause the Board of Directors of the Company to consist at all times of seven directors, and to vote in favor of three individuals designated by White Mountains to be members of such Board of Directors. Following an initial public offering, the number of individuals designated by White Mountains for whom the Shareholders shall be obligated to vote as members of the Board of Directors of the Company shall be reduced to two, so long as White Mountains owns, directly or indirectly, Common Shares, including Common Shares issuable upon exercise of outstanding Warrants (whether or not currently exercisable), at least 20% of the outstanding Common Shares (assuming for this

purpose the exercise of all outstanding Warrants), and such number shall be further reduced to one if White Mountains' ownership (as calculated in the preceding clause) is less than 20% but at least equal to 10%. If such ownership falls below 10%, no Shareholder shall have any further obligations under this Section 8(a). White Mountains hereby designates David Foy, John Gillespie and John J. Byrne as its designees for the Board of Directors of the Company, which designation shall continue until such time as White Mountains shall otherwise designate in writing to the other parties hereto.

(b) On and after the Closing Date, and prior to an initial public offering, each Shareholder shall take all action necessary, including the voting of Common Shares held by such Shareholder, to cause one or more individuals designated by White Mountains to be appointed by the Board of Directors as Chairman of the Board, and to be appointed chairman of any audit committee, finance committee or compensation committee of the Board. White Mountains hereby designates David Foy as its designee to be Chairman of the Board, David Foy to be chairman of the audit committee, John Gillespie to be chairman of the finance committee and David Foy to be chairman of the compensation committee, which designations shall continue until such time as White Mountains shall otherwise designate in writing to the other parties hereto.

(c) Notwithstanding anything to the contrary contained in this Section 8, this Section 8 shall be subject to applicable law and any applicable regulations of governmental entities and self-regulatory organizations.

SECTION 9. Further Action. Each Shareholder shall, for so long as such Shareholder owns any Common Shares or Warrants, (i) take any and all action (on a timely basis) necessary to carry out the intentions of the Shareholders set forth in this Agreement, including voting (or causing the voting of), all Common Shares held by such Shareholder in favor of any necessary amendment to the Certificate of Incorporation or the By-laws of the Company and (ii) refrain from taking any wilful action knowingly inconsistent with this Agreement including, without limitation, voting (or causing the voting of) any Common Shares held by such Shareholder in a manner inconsistent with this Agreement.

SECTION 10. Term. This Agreement shall terminate upon the first to occur of

(a) an Initial Public Offering,

(b) the consent of the Company and all Shareholders who are parties to this Agreement that the Agreement be terminated,

(c) any transaction with any Person pursuant to which shares or other securities of such Person are exchanged or substituted for all the Common Shares, provided that the shares or securities of such Person issued to the Shareholders are registered under the Securities Act and applicable U.S. state securities laws and listed on a U.S. national securities exchange or on NASDAQ; provided, however, that the Shareholders receive freely tradable shares or securities, other than any limits on transfer

arising from any Shareholder's status as an affiliate (as such term is used in the Securities Act and the rules thereunder), of such Person or the Company; and provided further, however, that all Shareholders that are subject to such limits on transfer described in the preceding proviso receive registration rights entitling such Shareholders to request registration of the shares or securities received,

(d) the liquidation or dissolution of the Company or

(e) the tenth anniversary of the date of this Agreement; provided, however, that

(i) in the case of termination pursuant to clauses (a) or (b),

(A) the provisions of Section 3 (other than the proviso in Section 3(d)(xi) and Section 3(e)) shall survive until the earlier of (x) the occurrence of an event described in clause (d) above and (y) the tenth anniversary of the termination of this Agreement, in each case to the extent that the rights under such provisions have not theretofore been exercised;

(B) the last two sentences of Section 2(a) shall survive any Initial Public Offering as set forth therein;

(C) the second sentence of Section 2(a) and the entirety of Section 2(b) shall survive until the first anniversary of the initial closing of the Initial Public Offering, and

(ii) in any case the proviso in Section 3(d)(xi) and the provisions of Sections 3(e), 5.8(a), 9.10, 1l(b) and 12 through 22 shall survive the termination of this Agreement indefinitely.

SECTION 11. Additional Matters.

(a) No Inconsistent Agreements. The Company shall not grant registration rights other than those granted under this Agreement, with respect to the Common Shares or any other securities of the Company, which are more favorable than the registration rights contained in this Agreement without the prior written consent of Shareholders holding at least two-thirds of the outstanding Common Shares then held by all of the Shareholders who are parties to this Agreement (assuming for this purpose the exercise of all outstanding Warrants). Without limiting the generality of the foregoing, in no event shall the holders of such other registration rights have priority over Shareholders with respect to the inclusion of their securities in any registration or takedown (it being understood that such other registration rights may be pari passu with the registration rights granted under this Agreement with respect to registrations or takedowns).

(b) VCI Status. To the extent that any Shareholder is subject to such regulations, the Company shall reasonably cooperate with such Shareholder to provide to

such Shareholder such rights of consultation as may be required pursuant to regulations, advisory opinions or announcements issued after the date of this Agreement by the United States Department of Labor or by a court of competent jurisdiction in order for such Shareholder's investment in the Company to continue to qualify as a "Venture capital investment" for purposes of the United States Department of Labor Regulation published at 29 C.F.R. Section 2510.3-101(d)(3)(i). Notwithstanding anything to the contrary in this Agreement, Section 7(b) hereof shall survive any Initial Public Offering with respect to any Shareholder who is a party to this Agreement as of the date hereof as long as such Shareholder holds any Common Shares purchased under its Subscription Agreement, if and only to the extent that such Shareholder establishes, to the reasonable satisfaction of the Company, that such survival is necessary in order for such Shareholder's investment in the Company to qualify as a "Venture capital investment" for purposes of the United States Department of Labor Regulation published at 29 C.F.R. Section 2510.3-101(d)(3)(i).

SECTION 12. Amendments. Neither this Agreement nor any provision hereof may be amended except by an instrument in writing signed by the Company and Shareholders holding at least two-thirds (or such higher percentage as may be required by any provision which is the subject of a proposed amendment) of the outstanding Common Shares then held by all of the Shareholders who are parties to this Agreement (assuming for this purpose the exercise of all outstanding Warrants). Any amendment approved in the foregoing manner will be effective as to all Shareholders. For the avoidance of doubt, the addition or deletion of any Person as a party hereto in accordance with the terms hereof shall not constitute an amendment hereof.

SECTION 13. Waiver and Consent. No action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach, and no failure by any party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

SECTION 14. Recapitalization, Exchanges, etc. Except as expressly provided otherwise herein, the provisions of this Agreement shall apply to the full extent set forth herein with respect to shares or other securities in the Company or any other Person that may be issued in respect of, in exchange for, or in substitution of the Common Shares or the Warrants.

SECTION 15. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed, unless otherwise specified herein, to have been duly given if sent by hand, mail, courier service, cable, telex, facsimile or other mode of representing words in a legible and non-transitory form (a) if to the Shareholders, at their respective addresses in the Register of Shareholders of the Company or at such other address as any of the Shareholders may have furnished to

the Company in writing, and (b) if to the Company, at 370 Church Street, Guilford, Connecticut 06437, Attention: Reid Campbell, Treasurer, Telephone: 203-458-2380, Facsimile: 203-458-0754, or such other address as the Company may have furnished to the Shareholders in writing.

All such communications shall be deemed to have been given, delivered or received when so received, if sent by hand, cable, telex, facsimile or similar mode, on the next Business Day after sending if sent by Federal Express or other similar overnight delivery service, on the fifth Business Day after mailing if sent by mail and otherwise on the actual day of receipt.

SECTION 16. Specific Performance. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, the non-breaching parties would be irreparably harmed and could not be made whole by monetary damages. Accordingly, each of the parties hereto agrees that the other parties, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled, subject to applicable law, to compel specific performance of this Agreement.

SECTION 17. Entire Agreement. This Agreement (including any schedules, annexes or other attachments hereto) and all Subscription Agreements and any other agreements delivered at the Closing with respect to the subject matter hereof constitute the entire agreement between the parties hereto and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

SECTION 18. Severability. To the fullest extent permitted by applicable law, any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or lack of authorization without invalidating the remaining provisions hereof or affecting the validity, unenforceability or legality of such provision in any other jurisdiction.

SECTION 19. Binding Effect; Benefit. Except for Section 3(c)(i) hereof, which shall be enforceable by the underwriters referred to therein, nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto, and their respective successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 20. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors, legal representatives and permitted assigns. Neither this Agreement nor any rights or obligations hereunder shall be assignable by any Shareholder except in connection with a Transfer of Common Shares or Warrants permitted hereunder, in which case, subject to the next sentence, the rights and obligations hereunder shall be transferred pro rata. No such assignment shall be effective unless the assignee shall execute and deliver an agreement in form and substance reasonably satisfactory to the Company agreeing to be bound by this Agreement (or the surviving provisions hereof).

SECTION 21. Interpretation. The Table of Contents and the Headings contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement. All references herein to Sections, subsections, clauses and Schedules shall be deemed references to such parts of this Agreement, unless the context otherwise requires. All pronouns and any variations thereof refer to the masculine, feminine or neuter, as the case may require. The definitions of terms in this Agreement shall be applicable to both the singular and plural forms of the terms defined where either such form is used in this Agreement. Whenever the words "include", "includes" and "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "herein", "hereof, and "hereunder", and other words of similar import, refer to this Agreement as a whole and not to any particular Section, Subsection, or clause.

SECTION 22. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

SECTION 23. Applicable Law. The validity of this Agreement, its construction, interpretation and enforcement, and the rights of the parties hereunder, shall be determined under, governed by and construed in accordance with the laws of New York. Each party hereto agrees that any suit, action or other proceeding arising out of this Agreement may be brought and litigated in the appropriate Federal and state courts of the State of New York and each party hereto hereby irrevocably consents to personal jurisdiction and venue in any such court and hereby waives any claim it may have that such court is an inconvenient forum for the purposes of any such suit, action or other proceeding. The Shareholders and the Company each hereby irrevocably designates and appoints CT Corporation with offices on the date hereof at 111 Eighth Avenue, New York, NY 10011, and its successors, as its agent to receive, accept or acknowledge for or on behalf of it, service of any and all legal process, summonses, notices and documents that may be served in any such suit, action or proceeding in any such court. Each Shareholder acknowledges that CT Corporation will transmit services of any and all legal process, summonses, notices and documents that may be served in any such suit, action or proceeding in any such court to such Shareholder's address as shown in the stock transfer books of the Company from time to time. Each Shareholder further irrevocably consents to the service of any and all legal process, summonses, notices and documents by the mailing of copies thereof by registered or certified air mail, postage prepaid, to such party at the address of such party as shown in the stock transfer books of the Company from time to time.

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

Wellington Management Company, LLP
as investment adviser on behalf of the client accounts listed on Schedule A

By /s/ Julie A. Jenkins
Name: Julie A. Jenkins
Title: Vice President and Counsel

April 8, 2004

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

LEMMING CAPITAL PARTNERS

By /s/ Vincent J. Dowling Jr.
Name: Vincent J. Dowling Jr.
Title: Managing Member

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Jeffrey P. Hughes
Name: Jeffrey P. Hughes
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/
Name:
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ William Spiegel
Name: William Spiegel
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Gene Lee
Name: Gene Lee
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Alath Dalal
Name: Alath Dalal
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

CHOU ASSOCIATES MANAGEMENT INC.

By /s/ Francis Chou
Name: Francis Chou
Title: President

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Roger K. Taylor
Name: Roger K. Taylor
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Randall H. Talbot
Name: Randall H. Talbot
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Terry L. Baxter
Name: Terry L. Baxter
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Roger F. Harbin
Name: Roger F. Harbin
Title:

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

By /s/ Robert E Snyder
Name: Robert E Snyder
Title: Trustee
R E SNYDER & CO, Profit Sharing Plan

[Signature Page to Shareholders Agreement]

SHAREHOLDERS AGREEMENT

This SHAREHOLDERS AGREEMENT (this "Agreement"), dated as of April 16, 2004, is among Occum Acquisition Corp., a Delaware corporation (the "Company"), and each of the Persons listed on Schedule 1 hereto and any future security holder of the Company that becomes a party to this Agreement (each, a "Shareholder" and collectively the "Shareholders").

The authorized share capital of the Company consists of 15,000,000 shares, par value U.S. $0.01 per share (collectively or any number thereof, the "Common Shares"). Each of the Shareholders has subscribed to purchase Common Shares and desires to promote the interests of the Company and the mutual interests of the Shareholders by establishing herein certain terms and conditions upon which the Common Shares (including Common Shares issued upon conversion, exchange or exercise of any portion, warrant or other security) will be held, including provisions restricting the transfer of Common Shares, providing certain registration rights and providing for certain other matters.

In consideration of the mutual covenants and agreements hereinafter contained, the Company and the Shareholders hereby agree as follows:

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Agreement have the meanings ascribed to them in the Subscription Agreement. As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" shall mean, with respect to any specified Person, a Person that directly or indirectly Controls, is Controlled by or is under common Control with such Person. Without limiting the generality of the foregoing, the term "Affiliate" shall include an investment fund managed by such Person or by a Person that directly or indirectly Controls, is Controlled by or is under common Control with such Person.

"Agreement" shall have the meaning given such term in the first paragraph of this Agreement.

"Berkshire" shall mean Berkshire Hathaway Inc., a Delaware corporation, or any successor entity thereto.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean any day except a Saturday, Sunday or other day on which banks in New York City are authorized or obligated by law or executive order to close.

"By-laws" shall mean the By-laws of the Company as in effect from time to time.

"Closing Date" shall mean the dates for the closing of the sale of up to 11,000,000 Common Shares by the Company pursuant to the several Subscription Agreements.

"Code" shall mean the U.S. Internal Revenue Code of 1986, as amended.

"Commission" shall mean the U.S. Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or the Exchange Act.

"Control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative to the foregoing.

"day" shall mean a calendar day.

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended, or any U.S. federal statute then in effect that has replaced such statute, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such replacement federal statute.

"Founders" shall mean White Mountains and Berkshire. A "Founder" shall mean either one of them.

"Initial Public Offering" shall mean the completion, whether by the Company or by any Shareholders, of an underwritten public offering of the Common Shares pursuant to a registration statement filed under the Securities Act resulting in aggregate net proceeds, together with any such underwritten public offering previously completed, of not less than U.S.$ 125 million, or (ii) the completion by the Company of a merger, acquisition or comparable business combination transaction in connection with which the Company has issued Common Shares pursuant to a registration statement filed under the Securities Act on Form S-4, which shares have any aggregate value, based on the average closing price of such shares during the five trading days after completion of such transaction, of not less than U.S.$125 million; and "initial public offering" shall mean the completion, whether by the Company or any Shareholders, of the initial public offering of the Common Shares pursuant to a registration statement filed under the Securities Act, regardless of the amount of net proceeds from such offering or the issuance of Common Shares in connection with a merger, acquisition or comparable business combination transaction pursuant to a registration statement on Form S-4 filed under the Securities Act.

"NASD" shall mean the U.S. National Association of Securities Dealers, Inc. or any successor organization.

"NASDAQ" shall mean The Nasdaq National Market or any successor quotation system.

"Offering" shall mean the offering and sale of up to 11,000,000 Common Shares pursuant to the several Subscription Agreements.

"Person" shall mean an individual, company, corporation, limited liability company, firm, partnership, trust, estate, unincorporated association or other entity.

"Registrable Securities" shall mean (i) Common Shares (including any Common Shares issuable on exercise of the Warrants) issued on the Closing Date to the Shareholders, (ii) the Warrants and (iii) any securities of the Company issued successively in exchange for or in respect of any of the foregoing, whether as a result of any successive stock split or reclassification of, or stock dividend on, any of the foregoing or otherwise; provided, however, that such securities shall cease to be Registrable Securities if and when (A) a registration statement with respect to the disposition of such securities shall have become effective under the Securities Act and such securities shall have been disposed of pursuant to such effective registration statement, (B) such securities are sold pursuant to Rule 144 under circumstances in which any legend borne by such Registrable Securities relating to restrictions on the transferability thereof under the Securities Act is removed by the Company, (C) such securities are eligible to be sold pursuant to paragraph (k) of Rule 144, (D) such securities have ceased to be outstanding or (E) as of any time, in the reasonable judgment of the Company, such securities would be eligible for sale pursuant to Rule 144 under the Act (without giving effect to the provisions of Rule 144 (k)) in the 90-day period following such time. Notwithstanding clauses (C) and (E) above, Common Shares shall continue to be deemed Registrable Securities until such time as the holder of such Common Shares could sell all of such holder's Registrable Securities pursuant to clause (C) or (E) above.

"Registration Expenses" shall mean all expenses incident to the Company's performance of or compliance with its obligations under Section 3, including all Commission, NASD and stock exchange or NASDAQ registration and filing fees and expenses, fees and expenses of compliance with applicable state securities or "blue sky" laws (including reasonable fees and disbursements of counsel for the underwriters in connection with "blue sky" qualifications of the Registrable Securities), printing expenses, messenger and delivery expenses, fees and disbursements of any custodian, the fees and expenses incurred in connection with the listing of the securities to be registered in an initial public offering on each securities exchange or automated quotation system on which such securities are to be so listed and, following such initial public offering, the fees and expenses incurred in connection with the listing of such securities to be registered on each securities exchange or automated quotation system on which such securities are listed, fees and disbursements of counsel for the Company and all independent certified public accountants (including the expenses of any annual audit and "cold comfort" letters required by or incident to such performance and compliance), the

fees and disbursements of underwriters customarily paid by issuers or sellers of securities (including the fees and expenses of any "qualified independent underwriter" required by the NASD), the reasonable fees of one counsel retained in connection with each such registration by the holders of a majority of the Registrable Securities being registered, the reasonable fees and expenses of any special experts retained by the Company in connection with such registration, and fees and expenses of other Persons retained by the Company (but not including any underwriting discounts or commissions or transfer taxes, if any, attributable to the sale of Registrable Securities by holders of such Registrable Securities other than the Company).

"securities" shall have the meaning given to such term under the Securities Act.

"Securities Act" shall mean the U.S. Securities Act of 1933 or any U.S. federal statute then in effect which has replaced such statute, and a reference to a particular section thereof shall be deemed to include a reference to the comparable section, if any, of any such replacement federal statute.

"Shareholder" shall have the meaning given to such term in the first paragraph of this Agreement.

"Subscription Agreement" shall mean all and each of the Subscription Agreements, dated as of various dates on or before the date hereof, between the Company and each of the Investors (as defined therein) for the purchase and sale of Common Shares in the Offering.

"Subsidiary" shall mean any corporation, limited liability company or other Person of which shares of stock or other ownership interests having a majority of the general voting power (without regard to the occurrence of any contingency) in electing the Board of Directors thereof or other Persons performing a similar function are, at the time as of which any determination is being made, owned by the Company either directly or through its Subsidiaries and any partnership in which the Company or any Subsidiary is a general partner.

"Transfer" shall mean to sell, assign or otherwise transfer an interest, in whole or in part, whether voluntarily or involuntarily or by operation of law or at a judicial sale or otherwise; provided, however, that Transfer shall not include the bona fide pledge of Common Shares or Warrants in connection with a loan by a financial institution or any transfer back to the pledgor by the pledgee of such Common Shares or Warrants following the termination of any such bona fide pledge.

"U.S." shall mean the United States of America and dependent territories or any part thereof.

"Warrant Shares" shall mean any Common Shares issuable upon exercise of the Warrants.

"Warrants" shall mean those Warrants to be issued to White Mountains and Berkshire pursuant to the Warrant Issuance Agreements (as defined in the Subscription Agreement).

"White Mountains" shall mean White Mountains Re Group, Ltd., a company existing under the laws of Bermuda, or any successor entity thereto.

SECTION 2. Transfer of Shares or Warrants. (a) General. No Shareholder shall Transfer any Common Shares other than

(i) to one or more third parties after having complied with Section 2(b) hereof, if applicable,

(ii) in connection with the exercise of its tag-along rights under Section 2(b) hereof,

(iii) in connection with the Founders' exercise of drag-along rights under Section 2(c) hereof or any other transaction with any Person approved by the Board and Shareholders in accordance with the Certificate of Incorporation and By-laws pursuant to which cash, shares or other securities of such Person are exchanged or substituted for all the Common Shares,

(iv) in the case of any Shareholder that is an individual, to any one or more of such Shareholder's spouse or lineal relatives, or to any custodian or trust for the benefit of any of the foregoing,

(v) to any Affiliate of such Shareholder,

(vi) in the case of any Shareholder that is a partnership, corporation or limited liability company, as a distribution to the partners, shareholders or members thereof,

(vii) in connection with the exercise by such Shareholder of its registration rights under Section 3 hereof or

(viii) following an initial public offering, pursuant to Rule 144 (or any successor provision) under the Securities Act.

No Shareholder shall Transfer any Warrants, other than (i) to one or more third parties (including other Shareholders or the Company) after complying with Section 4 of the Warrants, (ii) in connection with any transaction with any Person approved by the Board and Shareholders in accordance with the Certificate of Incorporation and By-laws pursuant to which cash, shares or other securities of such Person are exchanged or substituted for all the Common Shares, (iii) to any Affiliate of such Shareholder or (iv) in connection with the exercise by such Shareholder of its registration rights under Section 3 hereof; provided, however, that a Transfer pursuant to clauses (i) or (iv) above may not be made until the earliest of (A) the third anniversary of the date of this Agreement, (B) such time as the Shareholders (other than the Founders)

who are party to this Agreement as of the date hereof own less than 50% of the Common Shares initially acquired pursuant to their respective Subscription Agreements or (C) the first anniversary of the initial closing of an Initial Public Offering; provided further, however, that at any time each of White Mountains and Berkshire (and any Affiliate of White Mountains or Berkshire to whom Warrants have been Transferred pursuant to clause (iii) above) may Transfer Warrants to each other.

Notwithstanding any other provision of this Agreement, no Transfer may be made in violation of any provision or any requirement of the U.S. securities laws. Each Shareholder agrees that it will not seek to evade the restrictions on transfer set forth in this Section 2 by Transferring Common Shares or Warrants to an Affiliate and thereafter transferring beneficial ownership of the Affiliate, as part of a unified plan to avoid such restrictions. If any Shareholder wishes to Transfer any of its Common Shares or Warrants to another Person (a "Transferee") other than any Transfer permitted (or, in the event that such provisions shall have terminated in accordance with Section 10 hereof, that would have been permitted) (A) by subsection (iii), (vii) or (viii) of the first sentence of this Section 2(a), (B) by subsection (vi) of the first sentence of this Section 2(a) if at the time of such Transfer such Shareholder would be permitted to transfer its Common Shares pursuant to (x) subsection (viii) of the first sentence of this Section 2(a) and (y) Rule 144(k) under the Securities Act or (C) by subsection (ii) or (iv) of the second sentence of this Section 2(a), such Shareholder shall, as a condition of such Transfer, require the Transferee to execute and deliver an agreement in form and substance reasonably satisfactory to the Company agreeing to be bound by all of the provisions hereof. The preceding sentence shall survive an Initial Public Offering until the date that is 18 months following the initial closing of such Initial Public Offering.

(b) Tag-Along Rights. (i) If, at any time, one or more Shareholders (the "Selling Shareholders") propose to Transfer to any Person or group of Persons (the "Proposed Purchaser") in any transaction or series of related transactions a number of Common Shares equal to (x) prior to an Initial Public Offering, 5% or more of the then outstanding Common Shares, and (y) following an Initial Public Offering, 10% or more of the then outstanding Common Shares, the Selling Shareholders shall afford each other Shareholder the opportunity to participate proportionately in such Transfer in accordance with this Section 2(b). At least 20 days prior to the date proposed for such sale, the Selling Shareholders shall give notice to the Company, which shall provide a copy to each other Shareholder with a notice of the proposed Transfer, stating such Selling Shareholders' intent to make such sale, the number of Common Shares proposed to be transferred, the kind and amount of consideration to be paid for such Common Shares and the name of the Proposed Purchaser (the "Purchase Offer"). Each other Shareholder shall have the right to Transfer to the Proposed Purchaser a number of Common Shares equal to such Shareholder's Allotment. Such Shareholder's "Allotment" shall be equal to (A) the total number of Common Shares proposed to be Transferred by the Selling Shareholders multiplied by (B) a fraction, the numerator of which is the number of Common Shares then owned by such Shareholder and the denominator of which is the total number of Common Shares then outstanding (assuming, for purposes of all calculations of outstanding Common Shares in this clause (i), the exercise of all then outstanding Warrants).

(ii) Each Shareholder shall have 10 days from the receipt of the Purchase Offer in which to accept such Purchase Offer by written notice to the Selling Shareholders. Contemporaneously with the sale by the Selling Shareholders, each other Shareholder so electing to participate shall, on the date of the closing, sell the Common Shares indicated in its written notice for the same consideration and on the same terms as those provided by the Proposed Purchaser to the Selling Shareholders as specified in the Purchase Offer.

(iii) Notwithstanding the foregoing, this Section 2(b) shall not apply to any Transfer permitted (or, in the event that such provisions shall have terminated in accordance with Section 10 hereof, that would have been permitted) by subsections (iii) through (viii) of the first sentence of Section 2(a) hereof.

(c) Drag-Along Rights. If, at any time, the Founders jointly propose to transfer all of the Common Shares owned by the Founders in a single transaction to a third party (the "Proposed Acquiror") pursuant to a Qualified Sale (as defined below), and the Board of Directors of the Company has approved such Qualified Sale, the Founders may cause to be included in such Qualified Sale all, but not less than all, of the Common Shares held by each of the other Shareholders by providing to each such other Shareholder a notice (a "Qualified Sale Notice") of the proposed Qualified Sale at least 20 days prior to the date proposed for such Qualified Sale, stating the identity of the Proposed Acquiror, the kind and amount of consideration proposed to be paid for the Common Shares to be purchased by the Proposed Acquiror and the other material terms of such Qualified Sale. For purposes of determining the number of Common Shares outstanding pursuant to the immediately preceding sentence, Common Shares issuable upon the exercise of Warrants, options or other rights to acquire Common Shares, or upon the conversion or exchange of any security outstanding as of the time of delivery of the Qualified Sale Notice, shall not be deemed to be outstanding.

In the event the Founders so provide a Qualified Sale Notice with respect to a Qualified Sale, each other Shareholder shall (i) be obligated to transfer all of the Common Shares owned by such Shareholder to the Proposed Acquiror on the terms and conditions set forth in the Qualified Sale Notice and (ii) execute and deliver such instruments of conveyance and transfer and take such other action, including voting such Shareholder's Common Shares in favor of such Qualified Sale and executing any purchase agreements, merger agreements, indemnity agreements, escrow agreements or related documents, as the Founders or the Proposed Acquiror may reasonably require in order to carry out the terms and provisions of this Section 2(c); provided, however, that such instruments of conveyance and transfer and such purchase agreements, merger agreements, indemnity agreements, escrow agreements and related documents shall not include any representations or warranties of such Shareholder except such representations and warranties as are ordinarily given by a seller of securities with respect to such seller's authority to sell, enforceability of agreements against such seller, such seller's good title in such securities and the good title in such securities to be acquired at closing by the Proposed Acquiror, provided further, however, that any indemnity provision included in any such instrument, agreement or related document shall only indemnify the Proposed

Acquiror with respect to breaches of such representations and warranties by such Shareholder, without any obligation or liability for contribution.

The term "Qualified Sale" means a sale by the Founders to a third party which is not an Affiliate of the Company or any Shareholder that meets all of the following requirements:

(i) the Common Shares owned in the aggregate by the Founders (assuming for this purpose the exercise of all outstanding Warrants) to be sold in such sale equals or exceeds 25% of the total outstanding Common Shares (assuming for this purpose the exercise of all outstanding Warrants), (ii) the terms of such sale were negotiated between the Founders and such unaffiliated third party (or on their behalf by their respective agents or representatives) on a bona fide arm's-length basis,

(ii) the terms of such sale provide that the sale of Common Shares pursuant thereto by each Shareholder that is not a Founder shall be made for the same type and amount of consideration for each such Common Share sold as is to be received by each Founder for each Common Share sold (except with respect to Electing Shareholders as set forth below) and, subject to the provisos in the third sentence of this Section 2(c), in all other respects in a manner such that each term and condition applicable to such Shareholder is identical to, or no less favorable than, each corresponding term and condition applicable to either Founder; and

(iii) either (A) the consideration to be received by each Shareholder pursuant to such Qualified Sale is solely cash or (B) effective provision is made such that at the closing of such Qualified Sale each Electing Shareholder (as defined below) will receive the Cash Equivalent (as defined below) of any consideration other than cash proposed to be paid pursuant to the terms of such Qualified Sale.

An "Electing Shareholder" is a Shareholder (other than a Founder) that gives written notice, at least 10 days prior to the date proposed for a Qualified Sale, to the Selling Shareholders that provided the Qualified Sale Notice of such Shareholder's election to receive the Cash Equivalent of any non-cash consideration proposed to be paid pursuant to the terms of such Qualified Sale.

The term "Cash Equivalent" means an amount in cash equal to the fair market value (as determined by a qualified appraiser with experience in the appraising of properties and businesses in the relevant industry, to be selected by the mutual agreement of the interested parties) of non-cash consideration to be paid in a Qualified Sale; provided, however, that if no agreement can be reached, then any such interested party may apply to the American Arbitration Association for the appointment of an appraiser meeting the requirements of the preceding sentence, and any such appointment shall be binding upon the parties; provided further, however, that in the event that such non-cash consideration consists of publicly traded securities, then, in lieu of using an appraiser, the fair market value of such non-cash consideration shall equal the average closing price of

the publicly traded security for the 10 Business Days ending on the trading day immediately preceding the closing of the Qualified Sale. Any such appraiser shall be required to report its appraisal in writing, within 60 days of its appointment, to each interested party.

(d) Preemptive Rights. (A) Grant of Preemptive Rights. If the Company shall, prior to an Initial Public Offering, issue, sell or distribute to any Shareholder any equity securities of the Company, or any option, warrant, or right to acquire, or any security convertible into or exchangeable for, any equity securities of the Company (other than (i) pursuant to an underwritten offering pursuant to an effective registration statement under the Securities Act, (ii) pursuant to a dividend or distribution upon the Common Stock of stock or other equity securities of the Company, (iii) in connection with any scheme of arrangement, merger or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or any such Affiliate of the shares or substantially all the assets of any other Person or (iv) Warrant Shares) (any equity securities of the Company or options, warrants, rights to acquire or securities convertible into or exchangeable for equity securities of the Company, the issuance of which is not covered by clauses (i) through (iv) above, being "New Securities"), each Shareholder shall be entitled to participate in such issuance, sale or distribution for up to such number of New Securities (such number being such Shareholder's "Preemptive Allotment") as is equal to (x) the total number of New Securities proposed to be issued, sold or distributed by the Company multiplied by (y) a fraction, the numerator of which is the number of Common Shares owned by such Shareholder and the denominator of which is the total number of Common Shares outstanding (assuming, for purposes of all calculations of outstanding Common Shares in this clause (y), the exercise of all outstanding Warrants.)

(B) Company Notice; Procedures for Exercise of Preemptive Rights. If the Company proposes to issue any New Securities, the Company shall, at least 20 days prior to consummating the issuance of the New Securities, give written notice (the "Company Notice") to the Shareholders, stating the number of New Securities, the price per New Security, the terms of payment and all other terms and conditions on which the issuer proposes to make such issuance. In order for a Shareholder to exercise its preemptive rights under this Section 2(d), such Shareholder must give written notice to the Company within 10 days after the receipt of the Company Notice, stating the number of New Securities that such Shareholder desires to purchase (which number shall not be greater than such Shareholder's Preemptive Allotment).

(C) Re-Set of Preemptive Rights. If no option is exercised pursuant to this Section 2(d) for any of the New Securities within 10 days after receipt of the Company Notice (or if the option is exercised in the aggregate for less than all of the New Securities), the Company shall be free for a period of 180 days thereafter to sell the New Securities as to which such option has not been exercised to the proposed offerees at no less than the sale price set forth in the Company Notice and on terms and conditions that are no more favorable to the proposed offerees than those offered to the Shareholders. If, however, at the

expiration of such 180-day period, such New Securities have not been issued in accordance with the terms set forth in the Company Notice, then any other issuance or proposed issuance thereof shall be subject to all of the provisions of this Agreement and such shares shall not be issued without the Company again offering its shares in the manner provided in this Section 2(d).

SECTION 3. Registration Rights. The Shareholders shall have the right to have their Registrable Securities registered under the Securities Act and applicable U.S. state securities laws, and the Company shall then have the related obligations, in accordance with the following provisions.

(a) Registration on Request. (i) At any time (x) after the third anniversary of the date of the Closing, upon the written request of Shareholders holding in the aggregate 40% of all Registrable Securities then held by Shareholders (assuming for this purpose exercise of all outstanding Warrants) or (y) after an initial public offering, upon the written request of Shareholders holding in the aggregate 10% of all Registrable Securities then held by Shareholders (assuming for this purpose the exercise of all outstanding Warrants) (such Shareholders being referred to as the "Requesting Holders"), the Requesting Holders may request that the Company either (i) effect the registration under the Securities Act for an underwritten public offering of all or part of the Registrable Securities held by them (the "Single Registration Option"), (ii) effect the registration of all or any of their Registrable Securities by filing a registration statement under the Securities Act (the "Shelf Registration Statement") which provides for the sale by the Requesting Holders of their Registrable Securities from time to time in underwritten public offerings pursuant to Rule 415 under the Securities Act (the "Shelf Option"), or (iii) permit the sale of Registrable Securities that are already included in an effective Shelf Registration Statement pursuant to an underwritten public offering (the "Takedown Option"); provided, however, that the Requesting Holders may not elect the Shelf Option or the Takedown Option if the request thereunder is in connection with or would constitute an initial public offering.

Upon receipt of such request, the Company will promptly give written notice to all other holders of Registrable Securities (the "Other Holders") that a request for registration or for a takedown has been received. For a period of 10 days (or two Business Days in the case of a Takedown Option request) following receipt of such notice, the Other Holders may request that the Company also register their Registrable Securities (or include Registrable Securities in such takedown) and the Company may determine to include its authorized and unissued securities in such registration or takedown. The failure of any Other Holder to affirmatively indicate its intent to include its Registrable Securities in such registration or takedown shall be deemed a waiver of any right to so include such Registrable Securities in such registration statement or takedown. After the expiration of such 10-day period or two-Business Day period, as the case may be, the Company shall notify all holders of the number of Registrable Securities to be registered or included. Subject to the provisions of this Section 3, in the case of either the Single Registration Option or the Shelf Option, the Company shall use its reasonable best efforts to cause the prompt registration under the Securities Act of (A) the Registrable Securities that the Requesting Holders and the Other Holders have requested

the Company to register, and (B) all other securities that the Company has determined to register, and in connection therewith will prepare and file a registration statement under the Securities Act to effect such registration. Such registration statement shall be on such appropriate registration form of the Commission as shall be selected by the Company, and such selection shall be reasonably acceptable to the holders of a majority of the aggregate Registrable Securities to be sold by the Requesting Holders. Subject to the provisions of this Section 3, in the case of a Takedown Option, the Company shall use its reasonable best efforts to cause all Registrable Securities so requested to be included in such underwritten public offering and shall prepare and file any prospectus supplement reasonably necessary to effectuate a takedown.

Notwithstanding the foregoing, the Company will not be required to file a registration statement or proceed with a takedown in any of the following situations:

(1) the Registrable Securities of Requesting Holders to be offered pursuant to such request do not have an aggregate offering price of at least U.S. $50 million in the case of an initial public offering or U.S. $25 million with respect to any subsequent offering (based on the then current market price or, in the case of an initial public offering, the aggregate offering price proposed to be set forth on the cover page of the registration statement);

(2) during any period (not to exceed 60 days with respect to each request) when the Company has determined to proceed with a public offering and, in the judgment of the managing underwriter thereof, the requested filing would have an adverse effect on the public offering; provided that the Company is actively employing in good faith all reasonable efforts to cause such public offering to be consummated;

(3) during any period (not to exceed 60 days with respect to each request) when the Company is in possession of material non-public information that the Board determines is in the best interest of the Company not to disclose publicly; or

(4) to the extent required by the managing underwriter in an underwritten public offering, during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, following the effectiveness of any previous registration statement filed by the Company.

The right of the Company not to file a registration statement or proceed with a takedown pursuant to paragraphs (2) and (4) above may not be exercised more than once in any twelve-month period, and pursuant to paragraph (3) above may not be exercised more than twice in any twelve-month period.

Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in a takedown may, at any time prior to the effective date of the registration statement relating to such registration or the execution of an underwriting agreement relating to such takedown, revoke such request, without

liability to any of the other Requesting Holders or the Other Holders, by providing a written notice to the Company revoking such request.

(ii) Number of Registrations; Expenses. The Company shall not be obligated to effect more than one registration or takedown of Registrable Securities pursuant to requests from Requesting Holders under this Section 3(a) in the 180-day period immediately following the effective date of the last registration or takedown of Registrable Securities. The Company shall pay all Registration Expenses in connection with the first six registrations and all takedowns that the Requesting Holders request pursuant to this Section 3(a), including expenses in connection with any prospectus supplement reasonably necessary to effectuate a Takedown Option. The Requesting Holders and, if applicable, the Other Holders that requested that their Registrable Securities be registered and the Company shall pay all Registration Expenses in connection with later registrations pursuant to this Section 3(a) pro rata according to the number of Registrable Securities registered by each of them pursuant to such registration. However, in connection with all registrations and all takedowns, each Shareholder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Shareholder's Registrable Securities pursuant to this Section 3(a). If the first request hereunder is in connection with or would constitute an initial public offering, the Registrable Securities shall be offered pursuant to a firm commitment underwriting.

(iii) Effective Registration Statement. If the Requesting Holders elect the Single Registration Option in connection with a registration requested pursuant to this Section 3(a), such registration shall not be deemed to have been effected unless the registration statement relating thereto (A) has become effective under the Securities Act and any of the Registrable Securities of the Shareholders included in such registration have actually been sold thereunder, and (B) has remained effective for a period of at least 180 days (or such shorter period in which all Registrable Securities of the Requesting Holders and, if applicable, the Company and the Other Holders included in such registration have actually been sold thereunder); provided, however, that if after any registration statement requested pursuant to this Section 3(a) becomes effective (A) such registration statement is subject to any stop order, injunction or other order or requirement of the Commission or other governmental agency or court solely due to the actions or omissions to act of the Company and (B) less than 75% of all of the Registrable Securities included in such registration have been sold thereunder, then such registration statement shall not constitute a registration of Registrable Securities to be effected by the Company pursuant to Section 3(a)(ii) hereof and the Company shall pay all the Registration Expenses related thereto.

(iv) Selection of Underwriters. If the Requesting Holders elect the Single Registration Option or the Takedown Option, Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in such takedown shall have the right to select the lead managing underwriter for the offering; provided, however, that such selection shall be subject to approval by the Company, which approval shall not be unreasonably withheld or delayed; and provided further, that the Company shall have the right to appoint a co-manager in all cases subject to the approval

of Requesting Holders holding a majority of the Registrable Securities requested to be registered or included in such takedown, which approval shall not be unreasonably withheld.

(v) Pro Rata Participation in Requested Registrations or Takedowns. If in connection with a requested registration or takedown pursuant to this Section 3(a), the lead managing underwriter advises the Company, the Requesting Holders and the Other Holders in writing that, in its view, the number of equity securities requested to be included in such registration or takedown exceeds the largest number of securities which can be sold without having an adverse effect on such offering, including the price at which such securities can be sold, the number of Registrable Securities requested to be registered by the Requesting Holders and the Other Holders included by the Company in such registration shall be allocated pro rata (subject to adjustments for tax considerations as provided in Subsection (C) below) among the Requesting Holders and the Other Holders on the basis of the relative number of Registrable Securities then held by them; provided, however, that:

(A) if the Company intends to issue Registrable Securities and to include them in such registration or takedown, the Company's allocation shall first be subject to reduction before the number of Registrable Securities to be registered by the Requesting Holders and the Other Holders is subject to any reduction; and

(B) Requesting Shareholders and Other Holders who become subject to a reduction pursuant to this Section 3(a)(v) in the amount of Registrable Securities to be included in a registration or takedown may elect not to sell any Registrable Securities pursuant to the registration or takedown.

(vi) With respect to any Shelf Registration Statement that has been declared effective and which includes Registrable Securities, the Company agrees to use its reasonable best efforts to keep the Shelf Registration Statement continuously effective and usable for the resale of the applicable Registrable Securities for a period ending on the first date on which all the Registrable Securities covered by such Shelf Registration Statement have been sold pursuant to such Shelf Registration Statement, but in no event longer than two years. The foregoing notwithstanding, the Company shall have the right in its reasonable discretion, based on any valid business purpose (including to avoid the disclosure of any material non-public information that the Company is not otherwise obligated to disclose or to coordinate such distribution with other shareholders that have registration rights with respect to any securities of the Company or with other distributions of the Company (whether for the account of the Company or otherwise)), to suspend the use of the applicable Shelf Registration Statement for a reasonable length of time (a "Delay Period") and from time to time; provided, however, that the aggregate number of days in all Delay Periods occurring in any period of twelve consecutive months shall not exceed 90 days; and provided further, however, that the two-year limit referred to above shall be extended by the number of days in any applicable Delay Period. The Company shall provide written notice to each holder of Registrable Securities covered by the Shelf Registration Statement of the beginning and the end of each Delay Period and such holders shall cease all disposition efforts with respect to

Registrable Securities held by them immediately upon receipt of notice of the beginning of any Delay Period.

(b) Incidental Registration. (i) If the Company at any time proposes to register or sell any Common Shares or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for, Common Shares (the "Priority Securities") under the Securities Act (other than a registration (A) relating to shares issuable upon exercise of employee share options or in connection with any employee benefit or similar plan of the Company, (B) in connection with any scheme of arrangement, merger or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or any such Affiliate of the shares or substantially all the assets of any other Person, or (C) pursuant to Section 3 (a) hereof) in a manner that would permit registration of Registrable Securities for sale, or the sale in a takedown, to the public under the Securities Act (whether or not for sale for its own account)), including in an initial public offering, it shall each such time, subject to the provisions of Section 3(b)(ii) hereof, give prompt written notice to all holders of record of Registrable Securities of its intention to do so and of such Shareholders' rights under this Section 3(b), at least 10 days (or two Business Days, in the case of a takedown from an effective shelf registration statement) prior to the anticipated filing date of the registration statement relating to such registration or the offering date in the case of a takedown. Such notice shall offer all such Shareholders the opportunity to include in such registration statement or in such takedown such number of Registrable Securities as each such Shareholder may request.

Upon the written request of any such Shareholder made within seven days (or two Business Days in the case of a takedown) after the receipt of the Company's notice (which request shall specify the number of Registrable Securities intended to be disposed of by such Shareholder), the Company shall use its reasonable best efforts to effect the registration under the Securities Act of all Registrable Securities that the Company has been so requested to register by the Shareholders thereof or to include requested Registrable Securities in a takedown; provided, however, that (A) all holders of Registrable Securities requesting to be included in the Company's registration or takedown must sell their Registrable Securities to the underwriters selected by the Company on substantially the same terms and conditions as apply to the Company (other than provisions relating to the indemnification of underwriters or Shareholders), and (B) if, at any time after giving written notice pursuant to this Section 3(b)(i) of its intention to register any Priority Securities or to proceed with a takedown and prior to the effective date of the registration statement filed in connection with such registration or prior to the execution of an underwriting agreement in connection with a takedown, the Company shall determine for any reason not to register or sell such Priority Securities, the Company shall give written notice to all holders of Registrable Securities and shall thereupon be relieved of its obligation to register any Registrable Securities in connection with such registration or to include requested Registrable Securities in a takedown (without prejudice, however, to rights of Shareholders under Section 3(a) hereof). The failure of any holder of Registrable Securities to affirmatively indicate its intent to include its Registrable Securities in such registration or takedown shall be deemed a waiver of any right to so include such Registrable Securities in such registration or

takedown. Any holder of Registrable Securities requesting to be included in such registration may elect, in writing prior to the effective date of the registration statement filed in connection with such registration, not to register such Registrable Securities in connection with such registration.

No registration or takedown effected under this Section 3(b) shall relieve the Company of its obligations to effect a registration or takedown upon request under Section 3(a) hereof. The Company shall pay all Registration Expenses in connection with each registration or takedown of Registrable Securities requested pursuant to this Section 3(b). However, each Shareholder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Shareholder's Registrable Securities pursuant to a registration statement or takedown effected pursuant to this Section 3(b).

(ii) Priority in Incidental Registrations. If in connection with a registration or a takedown pursuant to this Section 3(b) the managing underwriter advises the Company in writing that, in its good faith view, the number of equity securities (including all Registrable Securities) that the Company and the Shareholders intend to include in such registration or takedown exceeds the largest number of securities that can be sold without having an adverse effect on such offering, including the price at which such Registrable Securities can be sold, the Company will include in such registration or takedown (A) first, all the Priority Securities to be sold for the Company's own account; and (B) second, to the extent that the number of Priority Securities is less than the number of Registrable Securities that the underwriter has advised the Company can be sold in such offering without having the adverse effect referred to above, Registrable Securities requested to be included in such registration or takedown by the Shareholders pursuant to Section 3(b)(i) hereof, pro rata among all Shareholders requesting registration on the basis of the relative number of Registrable Securities then held by them. Shareholders subject to such allocation may elect not to sell any Registrable Securities pursuant to the registration statement or takedown.

(iii) If the Company at any time proposes to effect a public offering in a jurisdiction other than the United States of any Common Shares or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for, Common Shares (other than a public offering (A) relating to shares issuable upon exercise of employee share options or in connection with any employee benefit or similar plan of the Company, or (B) in connection with any merger, reorganization or consolidation by the Company or Affiliate of the Company or the acquisition by the Company or an Affiliate of the Company of the shares or substantially all the assets of any other Person), the Company and the Shareholders will have the rights and be subject to the obligations agreed in this Section 3(b) to the extent and where applicable.

(c) Holdback Agreements. (i) Each Shareholder agrees, for the benefit of the underwriters referred to below, not to effect any sale or distribution, including any private placement or any sale pursuant to Rule 144 (or any successor provision) under the Securities Act, of any Registrable Securities, other than to an Affiliate or by gift or pro rata distribution to its shareholders, partners or other beneficial holders (in each case,

which agree to be bound by the remaining provisions hereof), and not to effect any such sale or distribution of any other equity security of the Company or of any security convertible into or exchangeable or exercisable for any equity security of the Company, during the 10 days prior to (or, in the case of a takedown, from the time on such day as such Shareholder receives notice of such takedown), and during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, after the later of (i) the effective date of any registration statement filed pursuant to Section 3(a) or (b) hereof in connection with an underwritten offering and (ii) the execution of an underwriting agreement in connection with an underwritten offering, without the consent of the managing underwriter of such offering, except as part of such registration, if permitted; provided, however, that each holder of Registrable Securities shall have received written notice of such registration from either the Company or the managing underwriter at least two Business Days prior to the anticipated beginning of the 10-day period referred to above. Each Shareholder agrees that it will enter into any agreement reasonably requested by the underwriters of any such underwritten offering to confirm its agreement set forth in the preceding sentence.

(ii) The Company agrees (A) not to effect any public sale or distribution of any of its equity securities or of any security convertible into or exchangeable or exercisable for any equity security of the Company (other than any such sale or distribution of such securities in connection with any merger, reorganization or consolidation by the Company or any Affiliate of the Company or the acquisition by the Company or an Affiliate of the Company of the shares or substantially all the assets of any other Person or in connection with an employee stock ownership or other benefit plan) during the 10 days prior to, and during a period, not to exceed 180 days in the case of the initial public offering or 90 days in the case of all other offerings, which begins on the later of (i) the effective date of such registration statement and (ii) the execution of an underwriting agreement in connection with an underwritten offering, without the consent of the managing underwriters of such offering, and (B) that any agreement entered into after the date hereof pursuant to which the Company issues or agrees to issue any privately placed equity securities shall contain a provision under which the holders of such securities agree not to effect any public sale or distribution of any such securities during the period and in the manner referred to in the foregoing clause (A), including any private placement and any sale pursuant to Rule 144 under the Securities Act (or any successor provision), except as part of such registration, if permitted.

(d) Registration Procedures. In connection with any offering of Registrable Securities registered pursuant to this Section 3, the Company shall:

(i) Promptly prepare and file a registration statement with the Commission within 45 days after receipt of a request for registration pursuant to a Single Registration Option or a Shelf Option, and use its reasonable best efforts to cause such registration statement to become, as soon as practicable, and remain, effective as provided herein; provided, however, that before filing with the Commission a registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to one counsel selected by the holders of a majority of the Registrable Securities requested to be registered

copies of all such documents proposed to be filed for such counsel's review and comment (and the Company shall not file any such document to which such counsel shall have reasonably objected in writing on the grounds that such document does not comply (explaining why) in all material respects with the requirements of the Securities Act or the rules or regulations thereunder).

(ii) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 180 days in the case of a Single Registration Option, or two years in the case of a Shelf Option, or such shorter period that will terminate when all Registrable Securities covered by such registration statement have been sold (but not before the expiration of the periods referred to in Section 4(3) and Rule 174 of the Securities Act or any successor provision, if applicable), and to prepare and file prospectus supplements to effect sales pursuant to takedowns and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement; provided, however, that the 180-day period referred to above shall be extended by the number of days such registration statement may be subject to a stop order or otherwise suspended.

(iii) Furnish to each holder and each underwriter, if any, of Registrable Securities covered by such registration statement such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto), and the prospectus included in such registration statement, including each preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as any Shareholder may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Shareholder.

(iv) Unless the exemption from state regulation of securities offerings under Section 18 of the Securities Act applies, use its commercially reasonable efforts to register or qualify such Registrable Securities under such other state securities or "blue sky" laws of such jurisdictions as any holder, and underwriter, if any, of Registrable Securities covered by such registration statement reasonably requests; provided, however, that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection (iv), (B) subject itself or any of its Subsidiaries to taxation or regulation (insurance or otherwise) of its or their respective businesses in any such jurisdiction other than the United States, or (C) consent to general service of process in any such jurisdiction.

(v) Use its commercially reasonable efforts to cause the Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and its Subsidiaries to enable the holder or holders thereof to consummate the disposition of such

Registrable Securities in accordance with the intended method or methods of distribution thereof.

(vi) Promptly notify each holder of such Registrable Securities, the sale or placement agent, if any, thereof and the managing underwriter or underwriters, if any, thereof (A) when such registration statement or any prospectus included therein or any prospectus amendment or supplement or post-effective amendment has been filed, and, with respect to such registration statement or any post-effective amendment, when the same has become effective, (B) of any comments by the Commission and by the Blue Sky or securities commissioner or regulator of any state with respect thereto or any material request by the Commission for amendments or supplements to such registration statement or prospectus or for additional information, (C) of the issuance by the Commission of any stop order suspending the effectiveness of such registration statement or the initiation or threatening of any proceedings for that purpose and (D) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(vii) Use its commercially reasonable efforts to obtain as soon as possible the lifting of any stop order that might be issued suspending the effectiveness of such registration statement.

(viii) Promptly notify each holder of such Registrable Securities at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event that comes to the Company's attention if as a result of such event the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will promptly prepare and furnish to such Shareholder a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(ix) Use its commercially reasonable efforts (A) to cause all such Registrable Securities to be listed on a national securities exchange in the United States or on NASDAQ and, if applicable, on each securities exchange on which similar securities issued by the Company may then be listed, and enter into such customary related agreements including a listing application and indemnification agreement in customary form, and (B) to provide a transfer agent and registrar for such Registrable Securities covered by such registration statement no later than the effective date of such registration statement.

(x) Enter into such customary agreements (including an underwriting agreement or qualified independent underwriting agreement, in each case, in

customary form) and take all such other actions as the holders of a majority of the Registrable Securities requested to be registered or included in a takedown or the underwriters retained by such Shareholders, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities, including customary representations, warranties, indemnities and agreements and preparing for, and participating in, such number of "road shows" and all such other customary selling efforts as the underwriters reasonably request in order to expedite or facilitate such disposition, and to use its commercially reasonable efforts to assist the underwriters in complying with the rules of the NASD (if applicable).

(xi) Make available for inspection, during the normal business hours of the Company, by any holder of Registrable Securities requested to be registered or included in a takedown, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such Shareholder or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate and business documents and documents relating to the properties of the Company and its Subsidiaries (collectively, "Records"), if any, as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors, employees and independent auditors, and those of the Company's Subsidiaries, to supply all information and respond to all inquiries reasonably requested by any such Inspector in connection with such registration statement or takedown; provided, that each such Inspector hereby agrees to keep in confidence the contents and existence of any Records that may contain non-public information with respect to the Company or any of its Subsidiaries, except (but only to the extent) as required by applicable law to disclose such non-public information.

(xii) Obtain a "cold comfort" letter addressed to the underwriters and the holders of the Registrable Securities being sold from the Company's appointed auditors in customary form and covering such matters of the type customarily covered by "cold comfort" letters as the underwriters and the holders of a majority in interest of the Registrable Securities being sold reasonably request, and dated the later of the effective date of such registration statement and the date of the execution of the underwriting agreement (and also dated the date of the closing under the underwriting agreement relating thereto).

(xiii) Obtain an opinion of counsel to the Company addressed to the underwriters and the holders of the Registrable Securities being sold in customary form and covering such matters, of the type customarily covered by such an opinion, as the managing underwriters, if any, or as the holders of a majority in interest of the Registrable Securities being sold may reasonably request, addressed to such holders and the placement or sales agent, if any, thereof and the underwriters, if any, thereof, and dated the later of the effective date of such registration statement and the date of the execution of the underwriting agreement

(or also dated the date of the closing under the underwriting agreement relating thereto).

(xiv) Otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and make available to the Shareholders, as soon as reasonably practicable, an earnings statement covering a period of at least twelve months, but not more than eighteen months, beginning with the first full calendar quarter after the effective date of the registration statement (as the term "effective date" is defined in Rule 158(c) under the Securities Act) which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder.

It shall be a condition precedent to the obligation of the Company to take any action with respect to any Registrable Securities that the holder thereof shall famish to the Company such information regarding such holder, the Registrable Securities and any other Company securities held by such holder as the Company shall reasonably request and as shall be required in connection with the action taken by the Company. The Company agrees not to include in any amendment to any registration statement with respect to any Registrable Securities, or any amendment of or supplement to the prospectus used in connection therewith, any reference to any holder of any Registrable Securities covered thereby by name, or otherwise identify such holder as the holder of Registrable Securities, without the consent of such holder, such consent not to be unreasonably withheld or delayed, unless such disclosure is required by law or regulation.

Each holder of Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3(d)(viii) or the commencement of a Delay Period described in Section 2(a)(vi) hereof, such Shareholder will forthwith discontinue disposition of Registrable Securities until such Shareholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(d)(viii) hereof or the end of the Delay Period, as the case may be, and, if so directed by the Company such Shareholder will deliver to the Company (at the Company's expense) all copies (including any and all drafts), other than permanent file copies, then in such Shareholder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event that the Company shall give any such notice, the period mentioned in Section 3(d)(ii) hereof shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to Section 3(d)(viii) hereof to and including the date when each holder of Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 3(d)(viii) hereof. Each Holder of Registrable Securities shall be entitled to reimbursement from the Company for any out-of-pocket losses actually incurred as a result of such holder's inability to make delivery of sold securities due to the Company's failure to notify the holder of any event described in Section 3(d)(viii) hereof or of a Delay Period described in Section 2(a)(vi) hereof.

(e) Indemnification. (i) Indemnification by the Company. In consideration of the agreements of the holders of the Registrable Securities contained

herein and in the several Subscription Agreements, and as an inducement to such holders to enter into the Subscription Agreement, the Company shall agree that in the event of any registration under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless, to the full extent permitted by law, each of the holders of any Registrable Securities covered by such registration statement, their respective directors and officers, members, general partners, limited partners, managing directors, each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls, is controlled by or is under common control with any such Shareholder or any such underwriter within the meaning of the Securities Act (and directors, officers, controlling Persons, members, partners and managing directors of any of the foregoing) against any and all losses, claims, damages or liabilities, joint or several, and expenses including any amounts paid in any settlement effected with the Company's consent, which consent will not be unreasonably withheld, to which such Shareholder, any such director or officer, member, or general or limited partner or managing director or any such underwriter or controlling Person may become subject under die Securities Act, U.S. state securities "blue sky" laws, common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expenses arise out of or are based upon (A) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary, final or summary prospectus contained therein or any amendment or supplement thereto, (B) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the Statements therein not misleading, or (C) any violation or alleged violation by the Company of any U.S. federal, state or common law rule or regulation applicable to the Company and relating to action required of or inaction by the Company in connection with any such registration. The Company shall reimburse each such Shareholder and each such director, officer, member, general partner, limited partner, managing director or underwriter and controlling Person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending such loss, claim, liability, action or proceeding; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement or amendment or supplement thereto or in any such preliminary, final or summary prospectus in reliance upon and in conformity with written information furnished to the Company or its representatives by such Shareholder, in its capacity as a Shareholder in the Company, or any such director, officer, member, general or limited partner, managing director, underwriter or controlling Person expressly for use in the preparation thereof; provided further that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities, if any, or any other Person (other than a holder of Registrable Securities covered by the registration statement), if any, who controls such underwriter within the meaning of the Securities Act, pursuant to this Section 3(e)(i) with respect to any preliminary prospectus or the final prospectus or the final prospectus as amended or supplemented as the case may be, to the extent that any such loss, claim, damage or liability of such underwriter or controlling Person (other than a holder of Registrable

Securities covered by the Registration Statement) results from the fact that such underwriter sold Registrable Securities to a Person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the final prospectus or of the final prospectus as then amended or supplemented, whichever is most recent, if the Company has previously furnished copies thereof to such underwriter and such final prospectus, as then amended or supplemented, had corrected any such misstatement or omission, except that the indemnification obligation of the Company with respect to any Person who participates as an underwriter in the offering or sale of Registrable Securities, or any other Person (other than a holder of Registrable Securities covered by the registration statement), if any, who controls such underwriter within the meaning of the Securities Act, pursuant to this proviso shall be modified in such manner, which shall be reasonably acceptable to the Company and a majority of the holders of Registrable Securities participating in any such registration, as is consistent with customary practice with respect to underwriting agreements for offerings of such type. The indemnity provided for herein, when it becomes a commitment of the Company, shall remain in full force and effect regardless of any investigation made by or on behalf of such Shareholder or any such director, officer, member, general partner, limited partner, managing director, underwriter or controlling Person and shall survive the transfer of such securities by such Shareholder.

(ii) Indemnification by the Shareholders and Underwriters. The Company will require, as a condition to including any Registrable Securities in any registration statement filed in accordance with the provisions hereof, that the Company shall have received an undertaking reasonably satisfactory to it from the holders of such Registrable Securities or any underwriter, to indemnify and hold harmless (in the same manner and to the same extent as set forth in subsection (i) above) the Company and its directors, officers, controlling persons and all other prospective sellers and their respective directors, officers, general and limited partners, managing directors, and their respective controlling Persons with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary, final or summary prospectus contained therein, or any amendment or supplement, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or its representatives by or on behalf of such Shareholder, in its capacity as a Shareholder in the Company, or such underwriter, as applicable, expressly for use in the preparation of such registration statement, preliminary, final or summary prospectus or amendment or supplement, or a document incorporated by reference into any of the foregoing. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any of the holders of Registrable Securities, underwriters or any of their respective directors, officers, members, general or limited partners, managing directors or controlling Persons and shall survive the transfer of such securities by such Shareholder, provided, however, that no such Shareholder shall be liable in the aggregate for any amounts exceeding the amount of the proceeds to be received by such holder from the sale of its Registrable Securities pursuant to such registration (after deducting any fees, discounts and commissions applicable thereto), as reduced by any damages or other amounts that such holder was otherwise required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(iii) Notices of Claims, etc. Promptly after receipt by an indemnified party hereunder of written notice of the commencement of any action or proceeding with respect to which a claim for indemnification may be made pursuant to this Section 3(e), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, promptly give written notice to the indemnifying party of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 3(e), except to the extent that the indemnifying party is actually materially prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified party and indemnifying parties may exist in respect of such claim, the indemnifying party will be entitled to participate in and, jointly with any other indemnifying party similarly notified, to assume the defense thereof, to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties arises in respect of such claim after the assumption of the defense thereof, and the indemnifying party will not be subject to any liability for any settlement made without its consent (which consent shall not be unreasonably withheld). No indemnifying party will consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel in any single jurisdiction for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of such additional counsel or counsels as may be reasonably necessary. Notwithstanding anything to the contrary set forth herein, and without limiting any of the rights set forth above, in any event any party will have the right to retain, at its own expense, counsel with respect to the defense of a claim.

(iv) Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 3(e) is for any reason unavailable, or insufficient to hold harmless an indemnified party in respect of any loss, claim, damage, liability (or actions or proceedings in respect thereof) or expense referred to herein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) or expense, as well as any other relevant equitable considerations. The relative fault of such

indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3(e)(iv) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 3(e)(iv). The amount paid or payable by an indemnified party as a result of the losses, claims, damages, or liabilities (or actions or proceedings in respect thereof) or expenses referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3(e)(iv), no holder shall be required to contribute any amount in excess of the amount by which the dollar amount of the proceeds received by such holder from the sale of any Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) exceeds the amount of any damages which such holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 1 l(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The holders' and any underwriter's obligations in this Section 3(e)(iv) to contribute shall be several in proportion to the number of Registrable Securities sold or underwritten, as the case may be, by them and not joint. For purposes of this Section 3(e), each Person, if any, who controls a Shareholder or an underwriter within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as such Shareholder or underwriter, and each director of the Company, each officer of the Company who signed the registration statement, and each Person, if any, who controls the Company within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Company.

(f) Underwriting Agreement. Holders of Registrable Securities requested to be registered pursuant to this Section 3 shall be parties to the underwriting agreement with the underwriters for such offering in connection with such offering and may, at their option, require that any or all of the representations and warranties by, and the agreements on the part of, the Company to and for the benefit of such underwriters be made to and for the benefit of such holders of Registrable Securities and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall also be conditions precedent to the obligations of such holders of Registrable Securities. No underwriting agreement or other agreement in connection with such offering shall require any such holder of Registrable Securities to make any representations or warranties to or agreement with the Company or the underwriters other than representations, warranties or agreements regarding such holder, such holder's

Registrable Securities and such holder's intended method of distribution or any other representations required by applicable law and agreements regarding indemnification and contribution to the effect, but only to the extent, provided in Section 3(e) hereof.

(g) Rule 144 and Rule 144A. At all times after a public offering of any Common Shares, the Company agrees that it will file in a timely manner all reports required to be filed by it pursuant to the Exchange Act, and, if at any time thereafter, the Company is not required to file such reports, it will make available to the public, to the extent required to permit the sale of Common Shares by any holder of Registrable Securities pursuant to Rule 144 and Rule 144A under the Securities Act, current information about itself and its activities as contemplated by Rule 144 and Rule 144A under the Securities Act, as such Rules may be amended from time to time. Notwithstanding the foregoing, the Company may deregister any class of its equity securities under Section 12 of the Exchange Act or suspend its duty to file reports with respect to any class of its securities pursuant to Section 15(d) of the Exchange Act if it is then permitted to do so pursuant to the Exchange Act and the rules and regulations thereunder.

SECTION 4. Restrictive Legends. (a) Each certificate representing Common Shares (including any Warrant Shares) shall be stamped or otherwise imprinted with a legend in substantially the following form:

"Any sale, assignment, transfer, pledge or other disposition of the shares represented by this certificate is restricted by, and the rights attaching to these shares are subject to, the terms and conditions contained in the Shareholders Agreement dated as of [ ], 2004, as they may be amended from time to time, which are available for examination by registered holders of shares at the registered office of the Company. The registered holder of the shares represented by this certificate, by acquiring and holding such shares, shall to the extent required under the Shareholders Agreement be deemed a party to such Shareholders Agreement for all purposes and shall be required to agree in writing to be bound by and perform all of the terms and provisions of such Shareholders Agreement, all as more fully provided therein. In addition, any transferee of the shares represented by this certificate shall to the extent required under the Shareholders Agreement be deemed to be a party to such Shareholders Agreement for all purposes and shall be required by the transferring shareholder to agree in writing to acquire and hold such shares subject to all of the terms of such Agreement, all as more fully provided therein, which terms are to be enforced by the shareholders of the Company.

The shares represented by this certificate have not been registered under the U.S. Securities Act of 1933 (the "Securities Act"), or any U.S. state securities laws and may not be transferred, sold or otherwise disposed of unless (i) a registration statement is in effect under the Securities Act with respect to such shares, or (ii) a written opinion of counsel reasonably acceptable to the Company is provided to the Company to the effect that no such registration is required for such transfer, sale or disposal."

(b) Following termination of Section 2(a) hereof, the Company shall, promptly upon request and surrender of the legended certificate, deliver a replacement certificate not containing the first paragraph of the legend above in exchange for the legended certificate. In the event that Common Shares are disposed of pursuant to an effective registration statement or, following an initial public offering, Rule 144 (or any successor provision) under the Securities Act or if the Company shall have received an opinion of counsel reasonably acceptable to the Company (or a copy of a "no action" or interpretive letter from the Commission) to the effect that such shares are eligible to be sold pursuant to paragraph (k) of Rule 144, the Company shall promptly upon request deliver a replacement certificate not containing either paragraph of the legend above in exchange for the legended certificate.

SECTION 5. Competition. (a) Each Shareholder agrees that each Shareholder and its officers, directors, employees, agents and Affiliates (other than Persons that are also the officers of the Company or any of its Subsidiaries) may, alone or in combination with any other Person, engage in activities or businesses, make investments in and acquisitions of any Person, and enter into partnerships and joint ventures with any Person, whether or not competitive now or in the future with the businesses or activities of the Company or any Subsidiary of the Company, and neither the Company nor any Shareholder shall have the right to disclosure of any information in regard thereto, to participate therein, or to derive any profits therefrom.

(b) Each Shareholder and the Company agree that none of the Shareholders or any of their respective officers, directors, employees, agents or Affiliates (other than Persons that are also officers of the Company or any of its Subsidiaries) shall have the obligation to refer to the Company or its Subsidiaries any business opportunities presented or developed by any of them.

SECTION 6. Restrictions on Other Agreements. Neither the Company nor any Shareholder shall enter into or agree to be bound by any voting trust, voting agreement or any shareholder agreement or arrangements of any kind, written or otherwise, with any person with respect to the Common Shares on terms inconsistent with the provisions of this Agreement (whether or not such agreements and arrangements are with other Shareholders or holders of Common Shares that are not parties to this Agreement).

SECTION 7. Financial Statements and Other Information. (a) The Company shall furnish or shall cause to be furnished to each Shareholder the following information at the following times:

(i) with respect to each fiscal quarter of the Company, no later than 45 days after the end of such quarter, a consolidated summary balance sheet, income statement and cash flow statement as of the end of and for such quarter and the comparable quarter of the preceding fiscal year together with a letter from management of the Company summarizing the financial condition, results of operations and business of the Company and its subsidiaries as of the end of and for such quarter;

(ii) accompanying the financial information to be delivered pursuant to clause (a)(i) above, a certificate, executed by the principal financial officer of the Company, stating that such information was prepared in accordance with U.S. generally accepted accounting principles consistently applied, with such exceptions as are set forth in detail in such certificate; and

(iii) with respect to each full fiscal year of the Company, no later than 90 days after the end of such year, a consolidated balance sheet, income statement and cash flow statement as of the end of and for such year prepared in accordance with U.S. generally accepted accounting principles consistently applied and accompanied by a signed audit report by a nationally recognized accounting firm, together with a letter from management of the Company summarizing the financial condition, results of operations and business of the Company and its subsidiaries as of the end of and for such year.

(b) The Company shall, and shall cause its Subsidiaries to, (1) permit each Shareholder during normal business hours to visit and inspect any of its properties and those of its Subsidiaries, including books and records (and, prior to an initial public offering only, make copies thereof), (2) make appropriate officers and directors of the Company and its Subsidiaries available periodically for consultation with such Shareholder with respect to matters relating to the respective business and affairs of the Company and its Subsidiaries, including, without limitation, significant changes in management personnel and compensation of employees, introduction of new products or new lines of business, important acquisitions or dispositions of plants and equipment, significant research and development programs, the purchasing or selling of important licenses, trademarks or concessions, and the proposed commencement or compromise of significant litigation and (3) consider the recommendations of such Shareholder in connection with the matters on which it is consulted as described above, recognizing that the ultimate discretion with respect to all such matters shall be retained by the Company and its Subsidiaries.

(c) Notwithstanding any other provision of this Agreement the Company may, as a condition to the rights of any Shareholder under this Section 7, require such Shareholder to execute and deliver a confidentiality agreement in commercially reasonable form covering all non-public information conveyed to such Shareholder.

SECTION 8. Board of Directors; Committees. (a) On and after the Closing Date and prior to an initial public offering, each Shareholder shall take all action necessary, including the voting of the Common Shares held by such Shareholder, to cause the Board of Directors of the Company to consist at all times of seven directors, and to vote in favor of three individuals designated by White Mountains to be members of such Board of Directors. Following an initial public offering, the number of individuals designated by White Mountains for whom the Shareholders shall be obligated to vote as members of the Board of Directors of the Company shall be reduced to two, so long as White Mountains owns, directly or indirectly, Common Shares, including Common Shares issuable upon exercise of outstanding Warrants (whether or not currently exercisable), at least 20% of the outstanding Common Shares (assuming for this

purpose the exercise of all outstanding Warrants), and such number shall be further reduced to one if White Mountains' ownership (as calculated in the preceding clause) is less than 20% but at least equal to 10%. If such ownership falls below 10%, no Shareholder shall have any further obligations under this Section 8(a). White Mountains hereby designates David Foy, John Gillespie and John J. Byrne as its designees for the Board of Directors of the Company, which designation shall continue until such time as White Mountains shall otherwise designate in writing to the other parties hereto.

(b) On and after the Closing Date, and prior to an initial public offering, each Shareholder shall take all action necessary, including the voting of Common Shares held by such Shareholder, to cause one or more individuals designated by White Mountains to be appointed by the Board of Directors as Chairman of the Board, and to be appointed chairman of any audit committee, finance committee or compensation committee of the Board. White Mountains hereby designates David Foy as its designee to be Chairman of the Board, David Foy to be chairman of the audit committee, John Gillespie to be chairman of the finance committee and David Foy to be chairman of the compensation committee, which designations shall continue until such time as White Mountains shall otherwise designate in writing to the other parties hereto.

(c) Notwithstanding anything to the contrary contained in this Section 8, this Section 8 shall be subject to applicable law and any applicable regulations of governmental entities and self-regulatory organizations.

SECTION 9. Further Action. Each Shareholder shall, for so long as such Shareholder owns any Common Shares or Warrants, (i) take any and all action (on a timely basis) necessary to carry out the intentions of the Shareholders set forth in this Agreement, including voting (or causing the voting of), all Common Shares held by such Shareholder in favor of any necessary amendment to the Certificate of Incorporation or the By-laws of the Company and (ii) refrain from taking any wilful action knowingly inconsistent with this Agreement including, without limitation, voting (or causing the voting of) any Common Shares held by such Shareholder in a manner inconsistent with this Agreement.

SECTION 10. Term. This Agreement shall terminate upon the first to occur of

(a) an Initial Public Offering,

(b) the consent of the Company and all Shareholders who are parties to this Agreement that the Agreement be terminated,

(c) any transaction with any Person pursuant to which shares or other securities of such Person are exchanged or substituted for all the Common Shares, provided that the shares or securities of such Person issued to the Shareholders are registered under the Securities Act and applicable U.S. state securities laws and listed on a U.S. national securities exchange or on NASDAQ; provided, however, that the Shareholders receive freely tradable shares or securities, other than any limits on transfer

arising from any Shareholder's status as an affiliate (as such term is used in the Securities Act and the rules thereunder), of such Person or the Company; and provided further, however, that all Shareholders that are subject to such limits on transfer described in the preceding proviso receive registration rights entitling such Shareholders to request registration of the shares or securities received,

(d) the liquidation or dissolution of the Company or

(e) the tenth anniversary of the date of this Agreement; provided, however, that

(i) in the case of termination pursuant to clauses (a) or (b),

(A) the provisions of Section 3 (other than the proviso in Section 3(d)(xi) and Section 3(e)) shall survive until the earlier of (x) the occurrence of an event described in clause (d) above and (y) the tenth anniversary of the termination of this Agreement, in each case to the extent that the rights under such provisions have not theretofore been exercised;

(B) the last two sentences of Section 2(a) shall survive any Initial Public Offering as set forth therein;

(C) the second sentence of Section 2(a) and the entirety of Section 2(b) shall survive until the first anniversary of the initial closing of the Initial Public Offering, and

(ii) in any case the proviso in Section 3(d)(xi) and the provisions of Sections 3(e), 5, 8(a), 9, 10, 1 l(b) and 12 through 22 shall survive the termination of this Agreement indefinitely.

SECTION 11. Additional Matters.

(a) No Inconsistent Agreements. The Company shall not grant registration rights other than those granted under this Agreement, with respect to the Common Shares or any other securities of the Company, which are more favorable than the registration rights contained in this Agreement without the prior written consent of Shareholders holding at least two-thirds of the outstanding Common Shares then held by all of the Shareholders who are parties to this Agreement (assuming for this purpose the exercise of all outstanding Warrants). Without limiting the generality of the foregoing, in no event shall the holders of such other registration rights have priority over Shareholders with respect to the inclusion of their securities in any registration or takedown (it being understood that such other registration rights may be pari passu with the registration rights granted under this Agreement with respect to registrations or takedowns).

(b) VCI Status. To the extent that any Shareholder is subject to such regulations, the Company shall reasonably cooperate with such Shareholder to provide to

such Shareholder such rights of consultation as may be required pursuant to regulations, advisory opinions or announcements issued after the date of this Agreement by the United States Department of Labor or by a court of competent jurisdiction in order for such Shareholder's investment in the Company to continue to qualify as a "venture capital investment" for purposes of the United States Department of Labor Regulation published at 29 C.F.R. Section 2510.3-101(d)(3)(i). Notwithstanding anything to the contrary in this Agreement, Section 7(b) hereof shall survive any Initial Public Offering with respect to any Shareholder who is a party to this Agreement as of the date hereof as long as such Shareholder holds any Common Shares purchased under its Subscription Agreement, if and only to the extent that such Shareholder establishes, to the reasonable satisfaction of the Company, that such survival is necessary in order for such Shareholder's investment in the Company to qualify as a "venture capital investment" for purposes of the United States Department of Labor Regulation published at 29 C.F.R. Section 2510.3-101(d)(3)(i).

SECTION 12. Amendments. Neither this Agreement nor any provision hereof may be amended except by an instrument in writing signed by the Company and Shareholders holding at least two-thirds (or such higher percentage as may be required by any provision which is the subject of a proposed amendment) of the outstanding Common Shares then held by all of the Shareholders who are parties to this Agreement (assuming for this purpose the exercise of all outstanding Warrants). Any amendment approved in the foregoing manner will be effective as to all Shareholders. For the avoidance of doubt, the addition or deletion of any Person as a party hereto in accordance with the terms hereof shall not constitute an amendment hereof.

SECTION 13. Waiver and Consent. No action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach, and no failure by any party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

SECTION 14. Recapitalization, Exchanges, etc. Except as expressly provided otherwise herein, the provisions of this Agreement shall apply to the full extent set forth herein with respect to shares or other securities in the Company or any other Person that may be issued in respect of, in exchange for, or in substitution of the Common Shares or the Warrants.

SECTION 15. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed, unless otherwise specified herein, to have been duly given if sent by hand, mail, courier service, cable, telex, facsimile or other mode of representing words in a legible and non-transitory form (a) if to the Shareholders, at their respective addresses in the Register of Shareholders of the Company or at such other address as any of the Shareholders may have furnished to

the Company in writing, and (b) if to the Company, at 370 Church Street, Guilford, Connecticut 06437, Attention: Reid Campbell, Treasurer, Telephone: 203-458-2380, Facsimile: 203-458-0754, or such other address as the Company may have furnished to the Shareholders in writing.

All such communications shall be deemed to have been given, delivered or received when so received, if sent by hand, cable, telex, facsimile or similar mode, on the next Business Day after sending if sent by Federal Express or other similar overnight delivery service, on the fifth Business Day after mailing if sent by mail and otherwise on the actual day of receipt.

SECTION 16. Specific Performance. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, the non-breaching parties would be irreparably harmed and could not be made whole by monetary damages. Accordingly, each of the parties hereto agrees that the other parties, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled, subject to applicable law, to compel specific performance of this Agreement.

SECTION 17. Entire Agreement. This Agreement (including any schedules, annexes or other attachments hereto) and all Subscription Agreements and any other agreements delivered at the Closing with respect to the subject matter hereof constitute the entire agreement between the parties hereto and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

SECTION 18. Severability. To the fullest extent permitted by applicable law, any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or lack of authorization without invalidating the remaining provisions hereof or affecting the validity, unenforceability or legality of such provision in any other jurisdiction.

SECTION 19. Binding Effect; Benefit. Except for Section 3(c)(i) hereof, which shall be enforceable by the underwriters referred to therein, nothing in this Agreement, express or implied, is intended to confer on any Person other than the parties hereto, and their respective successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 20. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors, legal representatives and permitted assigns. Neither this Agreement nor any rights or obligations hereunder shall be assignable by any Shareholder except in connection with a Transfer of Common Shares or Warrants permitted hereunder, in which case, subject to the next sentence, the rights and obligations hereunder shall be transferred pro rata. No such assignment shall be effective unless the assignee shall execute and deliver an agreement in form and substance reasonably satisfactory to the Company agreeing to be bound by this Agreement (or the surviving provisions hereof).

SECTION 21. Interpretation. The Table of Contents and the Headings contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement. All references herein to Sections, subsections, clauses and Schedules shall be deemed references to such parts of this Agreement, unless the context otherwise requires. All pronouns and any variations thereof refer to the masculine, feminine or neuter, as the case may require. The definitions of terms in this Agreement shall be applicable to both the singular and plural forms of the terms defined where either such form is used in this Agreement. Whenever the words "include", "includes" and "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "herein", "hereof, and "hereunder", and other words of similar import, refer to this Agreement as a whole and not to any particular Section, Subsection, or clause.

SECTION 22. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

SECTION 23. Applicable Law. The validity of this Agreement, its construction, interpretation and enforcement, and the rights of the parties hereunder, shall be determined under, governed by and construed in accordance with the laws of New York. Each party hereto agrees that any suit, action or other proceeding arising out of this Agreement may be brought and litigated in the appropriate Federal and state courts of the State of New York and each party hereto hereby irrevocably consents to personal jurisdiction and venue in any such court and hereby waives any claim it may have that such court is an inconvenient forum for the purposes of any such suit, action or other proceeding. The Shareholders and the Company each hereby irrevocably designates and appoints CT Corporation with offices on the date hereof at 111 Eighth Avenue, New York, NY 10011, and its successors, as its agent to receive, accept or acknowledge for or on behalf of it, service of any and all legal process, summonses, notices and documents that may be served in any such suit, action or proceeding in any such court. Each Shareholder acknowledges that CT Corporation will transmit services of any and all legal process, summonses, notices and documents that may be served in any such suit, action or proceeding in any such court to such Shareholder's address as shown in the stock transfer books of the Company from time to time. Each Shareholder further irrevocably consents to the service of any and all legal process, summonses, notices and documents by the mailing of copies thereof by registered or certified air mail, postage prepaid, to such party at the address of such party as shown in the stock transfer books of the Company from time to time.

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

Scion Value Fund, a Series of Scion Funds LLC.

By /s/ Michael J. Burry M.D.
Name: Michael J. Burry, M.D.
Title: Managing Member
Scion Capital, LLC
Managing Member
Scion Value Fund,
a Series of Scion Funds, LLC

IN WITNESS WHEREOF, the parties hereto have caused this Shareholders Agreement to be executed as of the date first above written.

OCCUM ACQUISITION CORP.,

by /s/ Kernan V. Oberting
Name: Kernan V. Oberting
Title: President

Scion Qualified Value Fund, a Series of Scion Qualified Funds LLC,

By /s/ Michael J. Burry M.D.
Name: Michael J. Burry, M.D.
Title: Managing Member
Scion Capital, LLC
Managing Member
Scion Qualified Value Fund,
a Series of Scion Qualified Funds, LLC

[Signature Page to Shareholders Agreement]

EXECUTION VERSION

INVESTMENT MANAGEMENT AGREEMENT

WHITE MOUNTAINS ADVISORS LLC, a Delaware limited liability company (the "Adviser"), having an address at 370 Church Street, Guilford, Connecticut 06437, and OCCUM ACQUISITION CORP., a Delaware corporation (the "Client"), having an address at 370 Church Street, Guilford, Connecticut 06437, hereby enter into this Investment Management Agreement, dated as of March 14, 2004 (this "Agreement"), and hereby agree that the Adviser shall act as discretionary adviser with respect to the assets of the Client and/or its Subsidiaries, (as defined in Schedule B) described below (the "Investment Account") on the following terms and conditions:

1. Investment Account. The Investment Account shall consist of cash and the securities of the Client and/or its subsidiaries.

2. Services of Adviser. By execution of this Agreement the Adviser accepts appointment as adviser for the Investment Account with full discretion and agrees to supervise and direct the investments of the Investment Account in accordance with the investment objectives, policies and restrictions described in the investment guidelines to be furnished by the Client to the Adviser in writing from time to time (the "Investment Guidelines"). In the performance of its services, the Adviser will not be liable for any error in judgment or any acts or omissions to act except those resulting from the Adviser's gross negligence, willful misconduct or malfeasance. Nothing herein shall in any way constitute a waiver or limitation of any right of any person under the federal securities laws. The Adviser shall have no responsibility whatsoever for the management of any assets of the Client other than the Investment Account.

3. Discretionary Authority. Subject to the terms of this Agreement, the Adviser shall have full discretion to manage, acquire and dispose of assets in the Investment Account, and for this purpose to direct the investment, reinvestment, retention, sale, purchase, transfer and exchange of, property from time to time allocated to the Investment Account, to place orders with brokers, dealers and other proper persons with respect to such sales, purchases and exchanges, and to give directions for the delivery and receipt of property and documents of transfer and conveyance upon execution of such transactions. The Adviser shall also have full discretion to structure, on behalf of the Client, the Investment Account's investment in Funds. To facilitate the subscription for, redemption or transfer of interests in Funds, the Adviser shall also have the power and authority on behalf of and in the name of the Client to perform such acts and execute such documents as may be necessary to subscribe or redeem interests in Funds. In furtherance of the foregoing, the Adviser shall have full discretion and authority to do anything that the Adviser shall deem requisite, appropriate or advisable in connection therewith, including without limitation, the selection of such brokers, dealers, and others as the Adviser shall determine in its absolute discretion.

4. Custody. The assets of the Investment Account shall be held in one or more separately identified accounts in the custody of one or more banks, trust companies, brokerage firms or other entities designated by the Client and acceptable to the Adviser. The Adviser will communicate its investment purchase, sale and delivery instructions directly with the Client's

custodian or other qualified depository. The Client shall be responsible for all custodial arrangements and the payment of all custodial charges and fees, and the Adviser shall have no responsibility or liability with respect to custody arrangements or the acts, omissions or other conduct of the custodians.

5. Brokerage. When placing orders for the execution of transactions for the Investment Account, the Adviser may allocate all transactions to such brokers or dealers, for execution on such markets, at such prices and commission rates, as are selected by the Adviser in its sole discretion. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, and, in negotiating commission rates, the Adviser shall take into account the financial stability and reputation of brokerage firms and brokerage and research services provided by such brokers. The Client may be deemed to be paying for research provided or paid for by the broker which is included in the commission rate although the Client may not, in any particular instance, be the direct or indirect beneficiary of the research services provided. Research furnished by brokers may include, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, finance and economic studies and forecasts; financial publications; statistics and pricing services; discussions with research personnel; and software and data bases utilized in the investment management process. The Client acknowledges that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. The Adviser is hereby authorized to, and the Client acknowledges that the Adviser may, aggregate orders on behalf of the Investment Account with orders on behalf of other clients of the Adviser. In such event, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, shall be made in a manner which the Adviser considers to be the most fair and equitable to all of its clients, including the Client.

6. Representations and Warranties of the Client. The Client represents, warrants and agrees that:

i) it has full legal power and authority to enter into this Agreement;

ii) the appointment of the Adviser hereunder is permitted by the Client's governing documents and has been duly authorized by all necessary corporate or other action;

iii) it is a "qualified purchaser" as defined in the Investment Company Act of 1940 and the regulations thereunder and an "accredited investor" as defined in Regulation D, Rule 501, as promulgated under the Securities Act of 1933, because it is an entity that owns investments with a value of at least $25,000,000;

iv) it is not a "restricted person" under Section IM-2110-1 of the Conduct Rules adopted by the Board of Governors of the National Association of Securities Dealers, Inc.;

v) it will notify the Adviser if the preceding representations in (iii) and (iv) become false during the term of this Agreement and will provide the Adviser with any information that may be required to complete any subscription agreements for Funds;

vi) it is not (a) an employee benefit plan, (b) an IRA, (c) a "benefit plan investor" subject to the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended, or (d) an entity in which the participation by "benefit plan investors" is "significant", as those terms are defined in regulations issued by the U.S. Department of Labor;

vii) it understands that the Adviser will be relying upon the representations and information provided herein or in connection herewith by the Client in completing and entering into subscription agreements on behalf of the Investment Account; and

viii) it will indemnify the Adviser and hold it harmless against any and all losses, costs, claims and liabilities which the Adviser may suffer or incur arising out of any breach of these representations and warranties.

7. Reports. The Adviser shall provide the Client quarterly reports containing a detailed listing of invested assets and transactions in the Investment Account. All records maintained pursuant to this Agreement shall be subject to examination by the Client and by persons authorized by it, or by appropriate governmental authorities, at all times upon reasonable notice. The Adviser shall provide copies of trade tickets, custodial reports and other records the Client reasonably requires for accounting or tax purposes.

8. Management Fee and Expenses.

(a) The Adviser will be paid a quarterly management fee (the "Management Fee") for its investment advisory services provided hereunder, determined in accordance with Schedule A to this Agreement. During the term of this Agreement, the Management Fee shall be billed and payable in arrears on a quarterly basis within 10 days after the last day of each calendar quarter based upon the value of the Investment Account as of the last day of the immediately preceding calendar quarter. The Management Fee shall be pro-rated for any partial quarter. It is understood that, in the event that the Management Fee is to be billed and payable by the custodian out of the Investment Account, the Client will provide written authorization to the custodian to pay the Management Fee directly from the Investment Account.

(b) The Client shall be responsible for all expenses incurred directly in connection with transactions effected on behalf of the Client pursuant to this Agreement and shall include: the Management Fee; custodial fees; investment expenses such as commissions; and other expenses reasonably related to the purchase, sale or transmittal of Investment Account assets (other than research fees and expenses with respect to the Investment Account).

9. Confidential Relationship. All information and advice furnished by either party to the other party pursuant to this Agreement shall be treated by the receiving party as confidential and shall not be disclosed to third parties except as required by law.

10. Non-Assignability. No assignment of this Agreement shall be made by the Adviser or the Client without the written consent of the other party hereto.

11. Directions to the Adviser. All directions by or on behalf of the Client to the Adviser shall be in writing signed by or on behalf of the Client. The Adviser shall be fully protected in relying upon any such writing which the Adviser believes to be genuine and signed or presented by the proper person or persons, shall be under no duty to make any investigation or inquiry as to any statement contained therein and may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

12. Consultation with Counsel. The Adviser may consult with legal counsel (who may be counsel to the Client) concerning any question that may arise with reference to its duties under this Agreement, and the opinion of such counsel shall be full and complete protection in respect of any action taken or omitted by the Adviser hereunder in good faith and in accordance with such opinion.

13. Services to Other Clients. It is understood that the Adviser acts as investment adviser to other clients and may give advice and take action with respect to such clients that differs from the advice given or the action taken with respect to the Investment Account. Nothing in this Agreement shall restrict the right of the Adviser, its members, managers, officers, employees or affiliates to perform investment management or advisory services for any other person or entity, and the performance of such service for others shall not be deemed to violate or give rise to any duty or obligation to the Client.

14. Investment by the Adviser for Its Own Account. Nothing in this Agreement shall limit or restrict the Adviser or any of its members, managers, officers, employees or affiliates from buying, selling or trading any securities for its or their own account or accounts. The Client acknowledges that the Adviser and its members, managers, officers, employees, affiliates and other clients may at any time have, acquire, increase, decrease or dispose of securities which are at or about the same time acquired or disposed of for the account of the Client. The Adviser shall have no obligation to purchase or sell for the Investment Account or to recommend for purchase or sale by the Investment Account any security mat the Adviser or its members, managers, officers, employees or affiliates may purchase or sell for itself or themselves or for any other client.

15. Proxies. Subject to any other written instructions of the Client, the Adviser is hereby appointed the Client's agent and attorney-in-fact in its discretion to vote, convert or tender in an exchange or tender offer any securities in the Investment Account, to execute proxies, waivers, consents and other instruments with respect to such securities, to endorse, transfer or deliver such securities and to participate in or consent to any plan of reorganization, merger, combination, consolidation, liquidation or similar plan with reference to such securities, and the Adviser shall not incur any liability to the Client by reason of any exercise of, or failure to exercise, any such discretion.

16. Notices. All notices and instructions with respect to securities transactions or any other matters contemplated by this Agreement shall be deemed duly given when delivered in writing or deposited by first-class mail to the following addresses: (a) if to the Adviser, at its
address set forth above, Attention: President, or (b) if to the Client, at its address set forth above, Attention: Treasurer. The Adviser or the Client may change its address or specify a different manner of addressing itself by giving notice of such change in writing to the other party.

17. Entire Agreement; Amendment. This Agreement sets forth the entire agreement of the parties with respect to management of the Investment Account and shall not be amended except by an instrument in writing signed by the parties hereto.

18. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach of the same, shall be settled by arbitration in accordance with the rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court haying jurisdiction. All arbitration expenses shall be borne equally by the Adviser and the Client.

19. Termination. This Agreement shall continue in force from the date hereof until terminated by either party without penalty by written notice to the other party at least sixty (60) days prior to the date upon which such termination is to become effective, provided that the Client shall honor any trades executed but not settled before the date of any such termination. Upon termination of this Agreement, any accrued and unpaid Management Fee hereunder shall be paid by the Client to the Adviser.

20. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut.

21. Effective Date. This Agreement shall become effective on the date first written above.

22. Anti-Money Laundering.

(a) The Client understands and agrees that the Adviser and Funds prohibit the investment of funds by any persons or entities that are acting, directly or indirectly, (i) in contravention of any applicable laws and regulations, including anti-money laundering regulations or conventions, (ii) on behalf of terrorists or terrorist organizations, including those persons or entities that are included on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Treasury Department's Office of Foreign Assets Control[1] ("OFAC"), as such list may be amended from time to time, (iii) for a senior foreign political figure, any member of a senior foreign political figure's immediate family or any close associate of a senior foreign political figure[2], unless the

1 The OFAC list may be accessed on the web at http://www.treas.gov/ofac.

2 Senior foreign political figure means a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a

Adviser, after being specifically notified by the Client in writing that it is such a person, conducts further due diligence, and determines that such investment shall be permitted, or (iv) for a foreign shell bank[3] (such persons or entities in (i) — (iv) are collectively referred to as "Prohibited Persons").

(b) The Client represents, warrants and covenants that: (i) it is not, nor is any person or entity controlling, controlled by or under common control with the Client, a Prohibited Person, and (ii) to the extent the Client has any beneficial owners,[4] (A) it has carried out thorough due diligence to establish the identities of such beneficial owners, (B) based on such due diligence, the Client reasonably believes that no such beneficial owners are Prohibited Persons, (C) it holds the evidence of such identities and status and will maintain all such evidence for at least five years from the date of termination of this Agreement, and (D) it will make available such information and any additional information that the undersigned may require upon request.

(c) If any of the foregoing representations, warranties or covenants ceases to be true or if the Adviser no longer reasonably believes that it has satisfactory

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foreign government-owned corporation. In addition, a senior foreign political figure includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure. The immediate family of a senior foreign political figure typically includes the political figure's parents, siblings, spouse, children and in-laws. A close associate of a senior foreign political figure is a person who is widely and publicly known internationally to maintain an unusually close relationship with the senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the senior foreign political figure.

3 Foreign shell bank means a foreign bank without a physical presence in any country, but does not include a regulated affiliate. A post office box or electronic address would not be considered a physical presence. A regulated affiliate means a foreign shell bank that: (1) is an affiliate of a depository institution, credit union, or foreign bank that maintains a physical presence in the United States or a foreign country, as applicable; and (2) is subject to supervision by a banking authority in the country regulating such affiliated depository institution, credit union, or foreign bank.

4 Beneficial owners will include, but not be limited to: (i) shareholders of a corporation; (ii) partners of a partnership; (iii) members of a limited liability company; (iv) investors in a fund-of-funds; (v) the grantor of a revocable or grantor trust; (vi) the beneficiaries of an irrevocable trust; (vii) the individual who established an IRA; (viii) the participant in a self-directed pension plan; (ix) the sponsor of any other pension plan; and (x) any person being represented by the Subscriber in an agent, representative, intermediary, nominee or similar capacity. If the beneficial owner is itself an entity, the information and representations set forth herein must also be given with respect to its individual beneficial owners. If the Client is a publicly-traded company, it need not conduct due diligence as to its beneficial owners.

evidence as to their truth, notwithstanding any other agreement to the contrary, the Adviser may be obligated to freeze the Client's investment, either by prohibiting additional investments, declining or suspending any withdrawals and/or segregating the assets constituting the investment in accordance with applicable regulations, or the Client's investment may immediately be withdrawn by the Adviser, and the Adviser may also be required to report such action and to disclose the Client's identity to OFAC or other authority. In the event that the Adviser is required to take any of the foregoing actions, the Client understands and agrees that it shall have no claim against the Adviser or its affiliates, directors, members, partners, officers, employees and agents for any form of damages as a result of any of the aforementioned actions.

(d) The Client understands and agrees that any withdrawal proceeds paid to it will be paid to the same account from which the Client's investment in the Investment Account was originally remitted, unless the Adviser, in its sole discretion, agrees otherwise.

(e) The Client agrees to indemnify and hold harmless the Adviser and Funds and their respective affiliates, directors, members, partners, shareholders, officers, employees and agents from and against any and all losses, liabilities, damages, penalties, costs, fees and expenses (including legal fees and disbursements) which may result, directly or indirectly, from any inaccuracy in or breach of any representation, warranty, covenant or agreement set forth in, or otherwise provided pursuant to this Section 22.

23. Counterparts. This Agreement may be executed in two counterparts, each one of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first written above.

ADVISER: WHITE MOUNTAINS ADVISORS LLC	CLIENT: OCCUM ACQUISITION CORP.
By: _____	By: _____
Title: Managing Director	Title: Secretary & Treasurer

SCHEDULE A

Assets Under Management	Annual Fee	Quarterly Fee
Investment Grade Fixed Income:		
Up to $999 million	10 basis points (0.1% or 0.001)	2.5 basis points (0.025% or 0.00025)
Next $1-1.999 billion	8.5 basis points	2.125 basis points
Amounts over $2 billion	7.5 basis points	1.875 basis points
High Yield Debt	50 basis points	12.5 basis points
Equities	100 basis points	25.0 basis points
Hedge Funds	100 basis points	25.0 basis points
Limited Partnerships	100 basis points	25.0 basis points

SCHEDULE B

The following legal entities represent Subsidiaries of Occum Acquisition Corporation, the Client, and have entered into this Agreement through their affiliation with the Client:

Safeco Life Insurance Company

First Safeco National Life Insurance Company of New York

American States Life Insurance Company

Safeco National life Insurance Company

Safeco Asset Management Company

Safeco Investment Services, Inc.

Safeco Assigned Benefits Service Company

Safeco Administrative Services, Inc.

AMENDMENT TO INVESTMENT MANAGEMENT AGREEMENT

AMENDMENT made as of September 30, 2004 to the Investment Management Agreement (the "Agreement") made as of March 14, 2004 between WHITE MOUNTAINS ADVISORS LLC, a Delaware limited liability company (the "Advisor"), and SYMETRA FINANCIAL CORPORATION (formerly Occum Acquisition Corp.) (the "Client"). Capitalized terms not defined herein have the meaning set forth in the Agreement.

WITNESSETH

WHEREAS, the Advisor and the Client are parties to the Agreement;

WHEREAS, pursuant to the Agreement, the Advisor acts as discretionary adviser with respect to the assets of the Client and/or its subsidiaries;

WHEREAS, the Client and its subsidiaries desire that the Advisor provide Life Insurance Portfolio Management advisory services to the Investment Account and to the commercial mortgage assets managed by the Client, and the Advisor agrees to provide such services;

WHEREAS, the Client and the Advisor desire to amend the Agreement to add certain terms to the Agreement and to clarify and modify certain other terms of the Agreement, including (i) the definitions of "Investment Account," "Aggregate Investment Account" and "Funds," (ii) the basis for the calculation of the Management Fee, and (iii) the structure of the Management Fee set forth in Schedule A;

NOW, THEREFORE, the parties agree to amend the Agreement as follows:

1. Section 1 of the Agreement is amended by deleting it in its entirety and replacing it with the following:

1. Investment Account and Aggregate Investment Account. The Investment Account shall consist of cash, securities and other invested assets of the Client and/or its subsidiaries, excluding the commercial mortgage assets managed by the Client. The Aggregate Investment Account shall consist of the Investment Account and the commercial mortgage assets managed by the Client.

2. Section 2 of the Agreement is amended by deleting it in its entirety and replacing it with the following:

2. Services of Advisor. By execution of this Agreement the Advisor accepts appointment as adviser for the Investment Account with full discretion and agrees to supervise and direct the investments of the Investment Account in accordance with the investment objectives, policies and restrictions described in the investment guidelines to be furnished by the Client to the Advisor in writing from time to time

(the "Investment Guidelines"). In addition, the Advisor agrees to provide Life Insurance Portfolio Management advisory services ("Portfolio Management Services") to the Aggregate Investment Account consistent with the Investment Guidelines. The Portfolio Management Services include, without limitation, (i) managing the characteristics of the portfolio, (ii) portfolio derivative hedging, (iii) coordination with the Client to ensure that investment strategies and significant initiatives meet the Client's accounting and financial objectives, and (iv) Client support in establishing new strategies and in pricing new services.

In the performance of its services under this Agreement, the Advisor will not be liable for any error in judgment or any acts or omissions to act except those resulting from the Advisor's gross negligence, willful misconduct or malfeasance. Nothing herein shall in any way constitute a waiver or limitation of any right of any person under the federal securities laws. Except with respect to the Portfolio Management Services provided to the Aggregate Investment Account, the Advisor shall have no responsibility whatsoever for be management of any assets of the Client other than the Investment Account.

3. Section 3 of the Agreement is amended by adding the following sentence to the end of the Section:

For purposes of this Agreement, "Funds" mean private investment funds and other pooled investment vehicles, including private investment funds and other pooled investment vehicles managed by hedge fund managers.

4. Section 7 of the Agreement is amended by deleting it in its entirety and replacing it with the following:

7. Reports. The Advisor shall provide the Client quarterly reports containing (i) a detailed listing of invested assets and transactions in the Investment Account and (ii) financial information supporting the Advisor's performance of the Portfolio Management Services. All records maintained pursuant to this Agreement shall be subject to examination by the Client and persons authorized by it, or by appropriate governmental authorities, at all times upon reasonable notice. The Advisor shall provide copies of trade tickets, custodial reports and other records the Client reasonably requires for accounting or tax purposes.

5. Section 8 of the Agreement is amended by deleting it in its entirety and replacing it with the following:

8. Management Fee and Expenses.

(a) The Advisor will be paid a quarterly fee for its services, including the Portfolio Management Services, provided hereunder (the "Management Fee", determined in accordance with Schedule A to this Agreement. During the term of this Agreement, the Management Fee shall be billed and payable in arrears on a quarterly basis within 10 days after the last day of each calendar quarter based upon the book value of the Investment Account, and, with respect to the Portfolio

Management Services, the book value of the net assets of the Aggregate Investment Account, as of the last day of the immediately preceding calendar quarter. The Management Fee shall be pro-rated for any partial quarter. It is understood that, in the event that the Management Fee is to be billed and payable by the custodian out of the Investment Account, or, with respect to the Portfolio Management Services, the Agreement Investment Account, the Client will provide written authorization to the custodian to pay the Management Fee directly from the Investment Account, or, with respect to the Portfolio Management Services, the Aggregate Investment Account.

(b) The Client shall be responsible for all expenses incurred directly in connection with transactions effected on behalf of the Client pursuant to this Agreement and shall include: the Management Fee; custodial fees; State Street PAM accounting services; investment expenses such as commissions; and other expenses reasonably related (i) to the purchase, sale of transmittal of Investment Account assets (other than research fees and expenses with respect to the Investment Account) and (ii) providing the Portfolio Management Services.

6. Section 17 of the Agreement is amended by deleting it in its entirety and replacing it with the following:

17. Entire Agreement; Amendment. This Agreement sets forth the entire agreement of the parties with respect to the management of the Investment Account and to the provision of Portfolio Management Services to the Aggregate Investment Account. This Agreement shall not be amended except by a written instrument signed by the parties hereto.

7. Section 19 of the Agreement is amended by deleting it in its entirety and replacing it with the following:

19. Termination.

(a) This Agreement shall continue in force from the date hereof until terminated by either party without penalty by written notice to the other party at least sixty (60) days prior to the date upon which such termination is to become effective, provided that the Client shall honor any trades executed but not settled before the date of any such termination. Upon termination of this Agreement, any accrued and unpaid Management Fee hereunder shall be paid by the Client to the Advisor.

(b) Either party may, without penalty, terminate this Agreement with respect to the Portfolio Management Services by providing written notice to the other party at least sixty (60) days prior to the date upon which such termination is to become effective. Upon termination of this Agreement with respect to the Portfolio Management Services, any accrued and unpaid Management Fee relating to the Portfolio Management Services hereunder shall be paid by the Client to the Advisor. The termination of this Agreement with respect to the Portfolio Management Services will not affect the remaining terms and conditions of this Agreement.

8. Schedule A of the Agreement is amended by deleting it in its entirety and replacing it with the following:

SCHEDULE A

1. **Investment Account.**

Assets Under Management	Annual Fee	Quarterly Fee
Investment Grade Fixed Income		
Up to $999 million	10 basis points (0.1% or 0.001)	2.5 basis points (0.025% or 0.00025)
Next $1-$1.1999 billion	8.5 basis points	2.125 basis points
Amounts over $2 billion	7.5 basis points	1.875 basis points
High Yield Debt	25 basis points	6.25 basis points
Equities	100 basis points	25.0 basis points
Funds	100 basis points	25.0 basis points

2. Aggregate Investment Account. The Advisor will be paid a quarterly fee for the Portfolio Management Services computed at the annual rate of one (1) basis point (0.01%) of the book value of the net assets of the Aggregate Investment Account.

{Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement.

ADVISOR:

WHITE MOUNTAINS ADVISORS LLC

By: Mark J. Plourde
Title: CFO/CCO

CLIENT:

SYMETRA FINANCIAL CORPORATION

By: Margaret Meister
Title: Vice President

AMENDMENT NUMBER 2 TO THE
INVESTMENT MANAGEMENT AGREEMENT

This AMENDMENT dated as of August 1, 2005 to the Investment Management Agreement ("Agreement") dated as of March 14, 2004 originally made by and among **WHITE MOUNTAINS ADVISORS LLC,** a Delaware limited liability company (the "Advisor"), and Occum Acquisition Corp., a Delaware Corporation, now known as **SYMETRA FINANCIAL CORPORATION** (the "Client"). Capitalized terms used but not defined herein have the meaning set forth in the Agreement.

WITNESSETH

WHEREAS, the Advisor and Client are parties to the Agreement; and

WHEREAS, pursuant to the terms of paragraph 2 and paragraph 3 of the Agreement, the Advisor has authority to act with full discretion with respect to the Client's Investment Account; and

WHEREAS, the Advisor seeks to clarify paragraph 3 to have the Client acknowledge that the Advisor in the fulfillment of its duties and in accordance with its discretionary authority may contract with certain sub-advisers; and

WHEREAS, Client agrees to acknowledge that Advisor has the authority to do this.

NOW, THEREFORE, the parties agree that the following will be added to the end of paragraph 3 of the Agreement to reflect this understanding.

> "Such discretion shall include a right of the Adviser to contract with certain sub-advisers with respect to making investment decisions in the Investment Account on the Client's behalf. Adviser will be responsible for engaging, monitoring and terminating such sub-advisers and for ensuring the overall portfolio is invested in accordance with the Investment Guidelines. Adviser shall provide prior written notice to Client of any such engagement or termination."

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Agreement.

ADVISOR: **WHITE MOUNTAINS ADVISORS LLC**		**CLIENT:** **SYMETRA FINANCIAL CORPORATION**	
By:	/s/ Mark K. Dorcus	By:	/s/ Oscar Tengtio
Name:	Mark K. Dorcus	Name:	Oscar Tengtio
Title:	President	Title:	CFO

AMENDMENT NUMBER 3 TO THE
INVESTMENT MANAGEMENT AGREEMENT

This AMENDMENT Number 3, dated as of October 1, 2005, to Amendment Number 1 ("Amendment One"), dated as of September 30, 2004, to the Investment Management Agreement ("Agreement") dated as of March 14, 2004 originally made by and among **WHITE MOUNTAINS ADVISORS LLC,** a Delaware Limited Liability Company (the "Advisor"), and Occum Acquisition Corp., a Delaware Corporation, now known as **SYMETRA FINANCIAL CORPORATION** and its **SUBSIDIARIES** (the "Client"). Capitalized terms used but not defined herein have the meaning set forth in the Agreement.

WTTNESSETH

WHEREAS, Advisor and Client are parties ("Parties") to the Agreement; and

WHEREAS, pursuant to the terms of paragraph 17 of the Agreement, the Parties may amend the Agreement in writing; and

WHEREAS, Advisor and Client desire to clarify and modify certain terms of Amendment One, including (i) the basis of the calculation of the Management Fee and (ii) the structure of the Management Fee set forth in Schedule A;

NOW, THEREFORE, the Parties agree as follows:

1. Paragraph 5 of Amendment One, which amended Section 8 of the Agreement, is deleted in its entirety and replaced with the following:

8. Management Fee and Expenses.

(a) The Advisor will be paid a quarterly fee for its investment advisory services, including the Portfolio Management Services, provided hereunder, (the "Management Fee"), determined in accordance with **Schedule A** to the Agreement. During the term of this Agreement, the Management Fee shall be billed and payable in arrears on a quarterly basis within 30 days after the last day of each calendar quarter based upon the value of the Investment Account, as defined herein, and, with respect to the Portfolio Management Services, the value of the net assets, as defined herein, of the Aggregate Investment Account, as of the last day of the immediately preceding calendar quarter. The Management Fee shall be pro-rated for any partial quarter. Capital inflows and outflows during a quarter result in an adjustment to the value of assets under management that serves as the base of the Management Fee. This adjustment has the effect of time-weighting capital flows in the account resulting in the Management Fee being properly charged for only the period of time such assets are actually managed by the Advisor. It is understood that, in the event that the Management Fee is to be paid by the custodian out of the Investment Account, or, with respect to the Portfolio Management Services, the Aggregate Investment Account, the Client will provide written authorization to the custodian to pay the Management Fee directly from the Investment Account, or with respect to the Portfolio Management Services, the Aggregate Investment Account.

(b) For determining the Management Fee calculation described in Paragraph 8(a), the Investment Account shall be segregated by asset classification and assigned the following values: Investment grade fixed income assets shall be valued at book value. High yield debt, equities (e.g.: common stock, preferred stock and securities convertible into equities), hedge funds and other investment partnerships/limited liability companies ("LLCs") where commitments are funded immediately shall be valued at market value. Private equities (including Affordable Housing Equity Funds) and other partnerships where commitments are funded over an extended period of lime shall be charged one (1) percent on total committed amounts over the first two (2) years of the fund's life, and men one (1) percent on market value thereafter.

(c) The Client shall be responsible for all expenses incurred directly in connection with transactions effected on behalf of the Client pursuant to this Agreement and shall include: the Management Fee; custodial fees; State Street PAM accounting services, investment expenses such as commissions; and other expenses reasonably related to the purchase, sale or transmittal of investment Account assets (other than research fees and expenses with respect to the Investment Account).

2. Paragraph 8 of Amendment One, which amended **Schedule A** of the Agreement, is deleted it in its entirety and replaced with the following:

SCHEDULE A

1. a. Investment Account.

Assets Under Management	Value	Annual Fee	Quarterly Fee
Investment Grade Fixed Income:			
Up to $999 million	Book	10.0 basis points (0.1% or 0.001)	2.5 basis points (0.025% or 0.00025)
Next $1-$1.999 billion	Book	8.5 basis points	2.125 basis points
Amounts over $2 billion	Book	7.5 basis points	1.875 basis points
High Yield Debt	Market	25.0 basis points	6.25 basis points
Equities	Market	100.0 basis points	25.0 basis points
Fully Funded Hedge Funds, Limited Partnerships & Limited Liability Companies	Market	100.0 basis points	25.0 basis points
Private Equities & Other Deferred Fundings:			
First 2 Years of Fund's Life	Committed	100.0 basis points	25.0 basis points
Thereafter	Market	100.0 basis points	25.0 basis points

b. In consideration for the services provided by sub-advisers, the Advisor shall pass-through all investment advisory fees to the Client in accordance with the terms of the sub-adviser contracts.

2. Aggregate Investment Account. The Advisor will be paid a quarterly fee for the Portfolio Management Services computed at the annual rate of one (1) basis point (0.01%) of the aggregate value of the net assets of the Aggregate Investment Account utilizing the value methodologies described in Paragraph i (a) and (b) of **Schedule A.**

IN WITNESS WHEREOF, the parties hereto have executed this Amendment Number 3 to the Agreement.

ADVISOR: **WHITE MOUNTAINS ADVISORS LLC**		**CLIENT:** **SYMETRA FINANCIAL CORPORATION**	
By:	/s/ Mark K. Dorcus	By:	/s/ Oscar Tengtio
Name:	Mark K. Dorcus	Name:	Oscar Tengtio
Title:	MD & President	Title:	Chief Financial Officer

AMENDMENT NUMBER 4 TO THE
INVESTMENT MANAGEMENT AGREEMENT

This AMENDMENT Number 4, dated as of March 9, 2007, to Amendment Number 3 ("Amendment Three"), dated as of October 1, 2005, to the Investment Management Agreement ("Agreement") dated as of March 14, 2004 originally made by and among **WHITE MOUNTAINS ADVISORS LLC,** a Delaware Limited Liability Company (the "Advisor"), and Occum Acquisition Corp., a Delaware Corporation, now known as **SYMETRA FINANCIAL CORPORATION** and its **SUBSIDIARIES** (the "Client"). Capitalized terms used but not defined herein have the meaning set forth in the Agreement.

WITNESSETH

WHEREAS, Advisor and Client are parties ("Parties") to the Agreement; and

WHEREAS, pursuant to the terms of paragraph 17 of the Agreement, the Parties may amend the Agreement in writing; and

WHEREAS, Advisor and Client desire to modify certain terms of Amendment Three, including the structure of the Management Fee originally set forth in Schedule A to the Agreement;

NOW, THEREFORE, the Parties agree as follows:

1. Paragraph 2 of Amendment Three and **Schedule A** of the Agreement, is deleted it in its entirety and replaced with the following management fee schedule that is retroactive to January 1, 2007:

SCHEDULE A

1. a. Investment Account.

Assets Under Management	Value	Annual Fee	Quarterly Fee
Investment Grade Fixed Income:			
Up to $1 billion	Book	10.0 bps (0.1% or 0.001)	2.5 basis points (0.025% or 0.00025)
$1 billion — $2 billion	Book	8.5 basis points	2.125 basis points
$2 billion — $5 billion	Book	7.5 basis points	1.875 basis points
Greater than $5 billion	Book	2.5 basis points	0.625 basis points
High Yield Debt	Market	25.0 basis points	6.25 basis points
Equities	Market	100.0 basis points	25.0 basis points
Fully Funded Hedge Funds, Limited Partnerships & Limited Liability Companies	Market	100.0 basis points	25.0 basis points
Private Equities & Other Deferred Fundings:			
First 2 Years of Fund's Life	Committed	100.0 basis points	25.0 basis points
Thereafter	Market	100.0 basis points	25.0 basis points

b. In consideration for the services provided by sub-advisors, the Advisor shall pass-through all investment advisory fees and charges to the Client in accordance with the terms of the sub-adviser contracts.

2. Aggregate Investment Account. The Advisor will be paid a quarterly fee for the Portfolio Management Services computed at the annual rate of one (1) basis point (0.01%) of the aggregate value of the net assets of the Aggregate Investment Account utilizing the value methodologies described in Paragraph 1 (a) and (b) of **Schedule A**.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment Number 4 to the Agreement.

ADVISOR: **WHITE MOUNTAINS ADVISORS LLC**		**CLIENT:** **SYMETRA FINANCIAL CORPORATION**	
By:	/s/ Mark K. Dorcus	By:	/s/ Margaret Meister
Name:	Mark K. Dorcus	Name:	Margaret Meister
Title:	President and Managing Director	Title:	Chief Financial Officer

SYMETRA FINANCIAL

Symetra Financial Corporation
Performance Share Plan
2006-2008

The Purpose of the Plan:

1. **The purpose of the Plan** is to advance the interest of Symetra Financial Corporation (the "Company") and its owners by providing executive incentives and by providing for a reasonable sharing of the financial performance of the enterprise.

2. **Summary:** From time to time the Board of Directors of the Company (the "Board") may grant to an executive of the Company an award of Performance Shares. At the time of grant, each Performance Share shall have the financial value of $100.00. Thereafter, the unit will have the financial value of $100.00 x (1 + Aggregate Percentage Growth), conditioned upon attainment of a stated Performance Goal over the Award Period specified in the Grant. At the end of the Award Period the Board will determine the degree of attainment of the Performance Goal and will assign a Harvest Percentage based on that determination. The matured Performance Shares will then be exchanged for a cash payment equal to the then financial value of the shares multiplied by the Harvest Percentage.

3. **Administration:** The Plan shall be administered by the Board. The Board shall have the authority to select the executives who shall be participants ("Participants"), to determine the size and terms of an award, to modify the terms of any award that has been granted, to determine the time when awards will be made, to determine the Award Periods applicable to an award, to determine the Harvest Percentages applicable to an award, to determine the terms of a Participant's grant agreement (which need not be identical or uniform), to establish Performance Goals in respect of such Award Periods, to certify whether such Performance Goals were attained and to make such other determinations that are not prohibited by this plan. The Board is authorized to interpret the plan to establish amend and rescind any rules and regulations relating to the plan and to make any other determinations that it deems necessary or desirable. Any decision of the Board in the interpretation and administration of the plan shall lie within its sole and absolute discretion and shall be final conclusive and binding on all parties concerned. Determinations made by the Board under the plan need not be uniform and may be made selectively among participants regardless of whether such Participants are similarly situated. The Board shall have the right to deduct from any payment made under the plan any taxes required by law to be withheld with respect to such payment. The Board may delegate its duties hereunder to its Compensation Committee.

4. **Eligibility and Participation:** The Board shall designate those executives who shall be Participants. Participants shall be selected from among the executives who are in a position to have a material impact on the financial results of the Company. The designation of the Participants may be made individually or by groups or classifications of executives, as the Board deems appropriate. Executives shall not have a right to be designated as Participants and the designation of an executive as a Participant shall not obligate the Board to continue such executive as a participant in subsequent periods.

5. **Grants:**

(a) **Grant:** In each Grant the committee shall specify, among other matters, (i) the number of Performance Shares awarded, (ii) the Award Period, (iii) the Performance Goal(s) to be attained within the Award Period, (iv) the method for determining the Harvest Percentage based upon the level of achievement of the Performance Goal(s), and (v) the maximum Award Payment.

(b) **Performance measures:** The performance measures for any award shall be as determined by the Board and as stated in the grant agreement. Normally the goal(s) will be based on some reasonable measure of growth in economic value per share of the enterprise, or on some similar measure of financial performance.

(c) **Payment:** As soon as practicable after the end of the Award Period, or such earlier date as the Board in its sole discretion may designate, the Board shall determine (i) whether the applicable Performance Goal(s) have been attained with respect to a given award and (ii) the Harvest Percentage applied to a given award. At the end of the Award Period the Board shall ascertain the actual value of the award. Unless otherwise determined by the Board or otherwise set forth in a grant agreement the actual value of an award shall be equal to the then financial value of the shares multiplied by the Harvest Percentage. A Participant's actual value will be settled through a cash payment to the Participant within 2 ½ months after the end of the Award Period.

6. **Termination of Employment:** Except as set forth in Section 7 or otherwise set forth in a grant agreement a Participant shall immediately forfeit all outstanding awards upon any termination of employment prior to the end of the applicable Award Period. The Board may at its discretion provide that if a Participant dies, retires, is disabled, or is granted a leave of absence, or if the Participant's employment is otherwise terminated in a manner reasonably judged to be not seriously detrimental to the company, then all or a portion of the Participant's award, as determined by the Board, may be paid to the Participant (or beneficiary) after the end of the Award Period or at such other time as determined by the Board.

7. **Change of Control:** (a) If a termination event occurs with respect to a Participant within 24 months after a Change of Control then each award held by such Participant that was granted prior to the Change of Control shall be cancelled and such Participant shall be entitled to receive in respect of each such canceled

award a payment equal to the product of (i) the then financial value of 100% of the Performance Shares and (ii) the applicable Harvest Percentage. The applicable Harvest Percentage will be determined based on the extent to which the Performance Goal has been achieved as of the last day of the calendar quarter ending prior to the date of the applicable termination event. (b) Notwithstanding anything herein to the contrary, if, following a change in control, a Participant's employment remains continuous through the end of an Award Period then the Participant shall be paid with respect to those awards for which he would have been paid had there not been a change in control, and the actual value shall be determined in accordance with section 5 above.

8. **Amendments or Termination:** The Board may amend alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair any of the rights or obligations under any award theretofore granted to a Participant without such Participant's consent; provided, however, that the Board may amend the plan in such manner as it deems necessary to permit the granting of awards meeting the requirements of the Internal Revenue Code of 1986, as amended, or any successor thereto, or other applicable laws.

9. **No Right to Employment:** Neither the Plan nor any action taken hereunder shall be construed as giving any Participant or other person any right to continue to be employed by, or to continue to perform services for, the Company or any subsidiary, and the right to terminate the employment of or performance of services by any Participant at any time and for any reason is specifically reserved to the Company and its subsidiaries.

10. **Nontransferability of Awards:** An award shall not be transferable or assignable by the Participant, other than as described in Section 17 of this Plan.

11. **Reduction of Awards:** Notwithstanding anything to the contrary herein, the Board, in its sole discretion (but subject to applicable law), may reduce any amounts payable to any Participant hereunder in order to satisfy any liabilities owed to the Company or any of its subsidiaries by the Participant.

12. **Participation of Subsidiaries:** If a subsidiary wishes to participate in the Plan and its participation shall have been approved by the Board, the Board of Directors of the subsidiary shall adopt a resolution in form and substance satisfactory to the Committee authorizing participation by the subsidiary in the Plan. A subsidiary that adopts the Plan in accordance with the Section shall be permitted to rename the Plan under the name of such subsidiary. A subsidiary may cease to participate in the Plan at any time by action of the Board or by action of the Board of Directors of such subsidiary, which latter action shall be effective not earlier than the date of delivery to the Secretary of the Company of a certified copy of a resolution of the subsidiary's Board of Directors taking such action. Termination of participation in the Plan shall not relieve a subsidiary of any obligations theretofore incurred by it under the Plan. The Board in its discretion may waive compliance with any provisions in this section.

13. **Claims Procedure:** In general, any claim for benefits under the Plan shall be filed with the Board of Directors by a Participant or beneficiary. The Board will consider the claim promptly.

14. **Miscellaneous Provisions:** The Company is the sponsor and legal obligor under the Plan and shall make all payments hereunder, other than any payments to be made by any of the subsidiaries, as described below (in which case such payments shall be made by such subsidiary, as appropriate). If a subsidiary adopts the Plan in accordance with Section 12, the subsidiary shall be responsible for all payments made under the Plan for Awards granted by the Board of Directors of the subsidiary including expenses involved in administering the Plan at the subsidiary level. The Plan is unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any amounts under the Plan, and the Participant's rights to any payment hereunder shall be no greater than the rights of the Company's (or the applicable subsidiary's) unsecured creditors. All references to Sections herein shall be deemed to be references to the specified sections of this Plan.

15. **Taxes:** The Company and its subsidiaries shall have the right to deduct from any payment made under the Plan any taxes required by law to be withheld with respect to such payment.

16. **Choice of Law:** The Plan shall be governed by and construed in accordance with the laws of Washington State.

17. **Designation of Beneficiary by Participant:** A Participant may name a beneficiary to receive any payment to which he/she may be entitled in respect to a Grant in the event of his/her death. A Participant may change his/her beneficiary from time to time. If the Participant has not designated a beneficiary, or if no designated beneficiary is living on the date on which any amount becomes payable, that amount shall be paid to the Participant's estate.

18. **Schedule of Definitions:** The attached Schedule of Definitions shall be considered an integral part of this Plan.

19. **Effective Date of the Plan:** The Plan shall be effective as of January 1, 2006.

IN WITNESS WHEREOF, Symetra Financial Corporation has caused this Plan to be executed this 12 day of June, 2006.

Symetra Financial Corporation

By /s/ Christine A. Katzmar
Its Vice President

Symetra Financial Corporation
Performance Share Plan
2006-2008

Schedule of Definitions: terms used in the Plan or in a Grant shall have the following meanings:

Aggregate Percentage Growth: shall equal the average of the aggregate percentage growth in the GAAP Book Value and the aggregate percentage growth in Enterprise Value.

Change of Control: shall mean the occurrence of any of the following events:

(i) If any person or group (within the meaning of sections 13(d) or 14(d)2 of the Exchange Act) other than White Mountains Insurance Group, Ltd or Berkshire Hathaway, Inc or any of their subsidiary or affiliated companies, an underwriter temporarily holding securities of the Company in connection with a public issuance thereof, or an employee benefit plan of the Company or its affiliates becomes the beneficial owner (within the meaning of rule 13d-3 under the Exchange Act) of thirty-five percent or more of the then outstanding common stock of the Company.

Enterprise Value (EV): shall mean the value of the Company calculated as outlined below:

1. Calculate enterprise value in two pieces. The first piece is the enterprise value for Income Annuities [EV(IA)] on a stand-alone basis. The second piece is the enterprise value for the entire company less the enterprise value for Income Annuities.
2. Calculate the **enterprise value growth of Income Annuities** as:
    a. (Ending EV(IA)- Beginning EV(IA) + Distributable Earnings) / Beginning EV(IA).
    b. Distributable Earnings equals the after-tax net income for Income Annuities plus change in required capital.
3. Calculate the **enterprise value growth of non-Income Annuities** portion of the company as:
    a. Ending EV(non-IA) / Beginning EV(non-IA) — 1
4. Calculate the **harvest percentage** for each of the enterprise value pieces. The harvest percentage is calculated using linear interpolation between the following data points:
    a. 0% if the enterprise value growth is less than or equal to 10%
    b. 100% if the enterprise value growth is equal to 13%
    c. 200% if the enterprise value growth is greater than or equal to 16%
5. Calculate the **blended harvest percentage** as:

a. 20% x harvest percentage for Income Annuities + 80% x harvest percentage for non-Income Annuities

6. Calculate a **blended total company enterprise value growth** using linear interpolation between the following data points:

a. 10% if the blended harvest percentage is less than or equal to 0%

b. 13% if the blended harvest percentage is equal to 100%

c. 16% if the blended harvest percentage is greater than or equal to 200%

The regular calculation of enterprise value will be performed by management at least annually, and estimated at interim quarters. The Board may require an audit of the calculation by an outside actuarial or other firm, at its sole discretion. In general, the calculation will be reasonably consistent with methodologies utilized by Milliman USA, as adjusted by Watson Wyatt, in their actuarial appraisal of the insurance operations of the Company which was used in the purchase of the insurance operations.

The EV on January 1, 2006 was $1,288,300,000. If a regularly traded public market value becomes available for the stock in the Company, the Board, in its sole discretion, may consider that that market value be substituted for the EV, or may use some combination thereof .

Grant: shall mean an offer by the Board to an executive to participate in the Performance Share Plan. Such Grant will specify the number of Performance Shares being granted, the Performance Goal(s), the Award Period, the method for judging attainment of the goa1(s) and for setting the Harvest Percentage, a maximum award value if any, and other relevant terms.

Harvest Percentage: shall be determined by the Board at the end of the Award Period specified in the Grant, and will represent the Board's judgment of the degree to which the Company's actual financial performance has met the Performance Goal(s) specified in the Grant. Normally the Harvest Percentage will range from 0% thru 200% according to a scale specified in the Grant. This Harvest Percentage will then be multiplied by the financial value of the Performance Shares granted, to produce the actual cash value of the Grant.

Performance Share: a unit granted to an executive under the Performance Share Plan. The unit will have the financial value of $100.00 at the time of grant. Thereafter, the unit will have the financial value of $100.00 x (1 + Aggregate Percentage Growth), conditioned upon the attainment of a specified Performance Goal(s) over a specified Award Period.

Related Employment: shall mean the employment of a participant by an employer who is not the Company or an affiliate of the Company, provided (i) such employment is undertaken by the participant and continued at the request of the Company; (ii) immediately prior to undertaking such employment the participant was an employee of the Company, or any of its affiliates or was engaged in related employment; and (iii) such employment is recognized by the Board, in its sole discretion, as related employment.

Termination event: shall be considered for this plan to be a Termination Without Cause or to be a Constructive Termination.

a. Termination Without Cause: A termination of the Participant's employment with the Company or a subsidiary by the Company or the subsidiary other than (i) due to the Participant's death or disability as defined in the Performance Plan Grant, or (ii) for Cause. A transfer of a Participant's employment to an affiliate of the Company shall not, by itself, be considered a Termination without Cause hereunder. For this purpose, "Cause" shall mean (a) an act or omission by the Participant that constitutes a felony, (b) willful gross negligence or willful gross misconduct by the Participant in connection with his employment by the Company or by a subsidiary which causes, or is likely to cause, material loss or damage to the Company. Notwithstanding anything herein to the contrary, a termination of a Participant's employment with the Company or one of its subsidiaries due solely to the consummation of a corporate transaction described in clause (i) of the definition of Change in Control shall not be deemed to be a "Termination Without Cause" if the Participant is employed by the acquiror or one of its affiliates and the acquiror or one of its affiliates formally assumes the Company's obligations under this Plan or places the Participant in a similar or like plan with no diminution of the value of the awards granted.

b. Constructive Termination. A termination of employment with the Company and its affiliates at the initiative of the Participant that the Participant declares, by prior written notice delivered to the Secretary of the Company, to be a Constructive Termination by the Company or an affiliate and which follows (i) a material decrease in his/her salary or (ii) a material diminution in the authority, duties or responsibilities of his/her position as a result of which the Participant determines in good faith that he/she cannot continue to carry out his/her job in substantially the same manner as it was intended to be carried out immediately before such diminution. Notwithstanding anything herein to the contrary, a Constructive Termination shall not occur until and unless 30 days have elapsed from the date the Company receives such written notice from the Participant and, during that period, the Company fails to cure, or cause to be cured, the circumstance serving as the basis on which the declaration of Constructive Termination is given.

Symetra Financial Corporation
Performance Share Plan
2006-2008 Grant

THIS GRANT (this "Grant") is made, effective as of the 1st of January, 2006, between Symetra Financial Corporation (the "Company") and _____ (the "Participant").

RECITALS:

WHEREAS, the Company has adopted the Performance Share Plan ("Plan"), which Plan is incorporated herein by reference and made part of this Grant; and

WHEREAS, the Board has determined that it would be in the best interest of the Company and its owners to grant the award provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of mutual covenants the parties hereto agree as follows:

1. Grant: Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Grant, the Company hereby grants to the Participant a Performance Share Award of _____ shares.

2. Award Period: The Award Period shall be January 1, 2006 through December 31, 2008.

3. Performance Goal: The Performance Goal shall be a 13% compound annualized growth in the intrinsic business value of the company, which shall be measured by the average of the compound annualized growth rates during the Award Period of (a) the Enterprise Value (EV) per share and (b) the GAAP Book Value per share, excluding unrealized gains or losses other than unrealized gains or losses on equities held as investments.

4. Harvest Percentage: Shall be dependent on the extent to which the Performance Goal is attained, and shall be determined as follows:

Growth in intrinsic business value	Harvest Percentage
10% or lower	0%
13%	100%
16% or higher	200%

For annualized percentage growth between 10% and 16%, the Harvest Percentage will be determined on the basis of straight line interpolation.

5. Award Payment: Subject to all terms and conditions of the Plan, the Participant's actual value at the end of the Award Period will be settled through a cash payment to the Participant. Unless otherwise determined by the Board or otherwise set forth in a Grant, a Participant's actual value with respect to an Award shall be equal to the then financial value of the shares multiplied by the Harvest Percentage.

6. Termination of Employment: Except as provided in Section 6 or Section 7 of the Plan, this Award shall be canceled, and no payment shall be payable hereunder, if the Participant's continuous employment or Related Employment with the Company shall terminate for any reason prior to the end of the Award Period.

7. Successor Requirement: This Grant shall inure to the benefit of and be binding upon the Company and its successors and assigns. The Company shall request any purchaser of a business unit in which the Participant is employed (a "Purchaser"), to fully assume the obligations of the Company under this Grant. If a Purchaser declines to assume such obligations, the Company shall remain obligated under the terms of this Grant and the Board, in its sole discretion, may elect to cancel the Grant and to make an Award Payment based on the applicable measures at the time of purchase or in accordance with Section 7 of the Plan, if the Plan's Change in Control provisions are applicable.

8. Definitions: All terms not otherwise defined herein shall have the same meaning as in the Plan.

9. Withholding: The Participant agrees to make appropriate arrangements with the Company for satisfaction of any applicable income tax withholding requirements, including the payment to the Company, at the termination of the Award Period (or such earlier or later date as may be applicable under the Code), of all such taxes and other amounts, and the Company shall be authorized to take such action as may be necessary, in the opinion of the company's counsel (including, without limitation, withholding amounts from any compensation or other amount owing from the Company to the Participant), to satisfy all obligations for the payment of such taxes and other amounts.

10. Reduction of the Award: Notwithstanding anything to the contrary herein, the Board, in its sole discretion (but subject to applicable law), may reduce any amounts payable to the Participant in order to satisfy any liabilities owed to the Company by the Participant.

11. No Right to Continued Employment: Neither the Plan nor this Grant shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any of its subsidiaries. Further, the Company may at any time dismiss the Participant or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Grant, except as otherwise expressly provided in the Plan and in this Grant. In addition, nothing herein shall obligate the Company to make future Grants to the Participant.

12. Award Subject to Plan: By entering in this Grant the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan and that this Award is subject to all of the terms and provisions set forth in the Plan and in this Grant. In the event of a conflict between any term or provision contained in this Grant and a terms or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

13. Designation of Beneficiary by Participant: A Participant may name a beneficiary to receive any payment to which he/she may be entitled in respect of this Award in the event of his/her death, by notifying the Company. A Participant may change his/her beneficiary from time to time in the same manner. If the Participant has not designated a beneficiary or if no designated beneficiary is living on the date on which any amount becomes payable to a Participant's beneficiary, that amount shall be paid to the Participant's estate.

14. Notices: Any notice necessary under this Grant shall be addressed to the Company and to the Participant at the address appearing in the personnel records of the Company for such Participant or to either party at such other address as such party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

15. Signature in Counterparts: This Grant may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Grant as of the date(s) listed below.

Participant

_____

Name/Date

Symetra Financial Corporation

By _____

Name/Date/Title

SYMETRA FINANCIAL

Symetra Financial Corporation
Performance Share Plan
2007-2009

The Purpose of the Plan:

1. **The purpose of the Plan** is to advance the interest of Symetra Financial Corporation (the "Company") and its owners by providing executive incentives and by providing for a reasonable sharing of the financial performance of the enterprise.

2. **Summary:** From time to time the Board of Directors of the Company (the "Board") may grant to an executive of the Company an award of Performance Shares. At the time of grant, each Performance Share shall have the financial value of $100.00. Thereafter, the unit will have the financial value of $100.00 x (1 + Aggregate Percentage Growth), conditioned upon attainment of a stated Performance Goal over the Award Period specified in the Grant. At the end of the Award Period the Board will determine the degree of attainment of the Performance Goal and will assign a Harvest Percentage based on that determination. The matured Performance Shares will then be exchanged for a cash payment equal to the then financial value of the shares multiplied by the Harvest Percentage.

3. **Administration:** The Plan shall be administered by the Board. The Board shall have the authority to select the executives who shall be participants ("Participants"), to determine the size and terms of an award, to modify the terms of any award that has been granted, to determine the time when awards will be made, to determine the Award Periods applicable to an award, to determine the Harvest Percentages applicable to an award, to determine the terms of a Participant's grant agreement (which need not be identical or uniform), to establish Performance Goals in respect of such Award Periods, to certify whether such Performance Goals were attained and to make such other determinations that are not prohibited by this plan. The Board is authorized to interpret the plan to establish amend and rescind any rules and regulations relating to the plan and to make any other determinations that it deems necessary or desirable. Any decision of the Board in the interpretation and administration of the plan shall lie within its sole and absolute discretion and shall be final conclusive and binding on all parties concerned. Determinations made by the Board under the plan need not be uniform and may be made selectively among participants regardless of whether such Participants are similarly situated. The Board shall have the right to deduct from any payment made under the plan any taxes required by law to be withheld with respect to such payment. The Board may delegate its duties hereunder to its Compensation Committee.

February 28, 2007

4. **Eligibility and Participation:** The Board shall designate those executives who shall be Participants. Participants shall be selected from among the executives who are in a position to have a material impact on the financial results of the Company. The designation of the Participants may be made individually or by groups or classifications of executives, as the Board deems appropriate. Executives shall not have a right to be designated as Participants and the designation of an executive as a Participant shall not obligate the Board to continue such executive as a participant in subsequent periods.

5. **Grants:**

(a) **Grant:** In each Grant the committee shall specify, among other matters, (i) the number of Performance Shares awarded, (ii) the Award Period, (iii) the Performance Goal(s) to be attained within the Award Period, (iv) the method for determining the Harvest Percentage based upon the level of achievement of the Performance Goal(s), and (v) the maximum Award Payment.

(b) **Performance measures:** The performance measures for any award shall be as determined by the Board and as stated in the grant agreement. Normally the goal(s) will be based on some reasonable measure of growth in economic value per share of the enterprise, or on some similar measure of financial performance.

(c) **Payment:** As soon as practicable after the end of the Award Period, or such earlier date as the Board in its sole discretion may designate, the Board shall determine (i) whether the applicable Performance Goal(s) have been attained with respect to a given award and (ii) the Harvest Percentage applied to a given award. At the end of the Award Period the Board shall ascertain the actual value of the award. Unless otherwise determined by the Board or otherwise set forth in a grant agreement the actual value of an award shall be equal to the then financial value of the shares multiplied by the Harvest Percentage. A Participant's actual value will be settled through a cash payment to the Participant within $2^1/_2$ months after the end of the Award Period.

6. **Termination of Employment:** Except as set forth in Section 7 or otherwise set forth in a grant agreement a Participant shall immediately forfeit all outstanding awards upon any termination of employment prior to the end of the applicable Award Period. The Board may at its discretion provide that if a Participant dies, retires, is disabled, or is granted a leave of absence, or if the Participant's employment is otherwise terminated in a manner reasonably judged to be not seriously detrimental to the company, then all or a portion of the Participant's award, as determined by the Board, may be paid to the Participant (or beneficiary) after the end of the Award Period or at such other time as determined by the Board.

7. **Change of Control:** (a) If a termination event occurs with respect to a Participant within 24 months after a Change of Control then each award held by such Participant that was granted prior to the Change of Control shall be cancelled and such Participant shall be entitled to receive in respect of each such canceled

award a payment equal to the product of (i) the then financial value of 100% of the Performance Shares and (ii) the applicable Harvest Percentage. The applicable Harvest Percentage will be determined based on the extent to which the Performance Goal has been achieved as of the last day of the calendar quarter ending prior to the date of the applicable termination event. (b) Notwithstanding anything herein to the contrary, if, following a change in control, a Participant's employment remains continuous through the end of an Award Period then the Participant shall be paid with respect to those awards for which he would have been paid had there not been a change in control, and the actual value shall be determined in accordance with section 5 above.

8. **Amendments or Termination:** The Board may amend alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair any of the rights or obligations under any award theretofore granted to a Participant without such Participant's consent; provided, however, that the Board may amend the plan in such manner as it deems necessary to permit the granting of awards meeting the requirements of the Internal Revenue Code of 1986, as amended, or any successor thereto, or other applicable laws.

9. **No Right to Employment:** Neither the Plan nor any action taken hereunder shall be construed as giving any Participant or other person any right to continue to be employed by, or to continue to perform services for, the Company or any subsidiary, and the right to terminate the employment of or performance of services by any Participant at any time and for any reason is specifically reserved to the Company and its subsidiaries.

10. **Nontransferability of Awards:** An award shall not be transferable or assignable by the Participant, other than as described in Section 17 of this Plan.

11. **Reduction of Awards:** Notwithstanding anything to the contrary herein, the Board, in its sole discretion (but subject to applicable law), may reduce any amounts payable to any Participant hereunder in order to satisfy any liabilities owed to the Company or any of its subsidiaries by the Participant.

12. **Participation of Subsidiaries:** If a subsidiary wishes to participate in the Plan and its participation shall have been approved by the Board, the Board of Directors of the subsidiary shall adopt a resolution in form and substance satisfactory to the Committee authorizing participation by the subsidiary in the Plan. A subsidiary that adopts the Plan in accordance with the Section shall be permitted to rename the Plan under the name of such subsidiary. A subsidiary may cease to participate in the Plan at any time by action of the Board or by action of the Board of Directors of such subsidiary, which latter action shall be effective not earlier than the date of delivery to the Secretary of the Company of a certified copy of a resolution of the subsidiary's Board of Directors taking such action. Termination of participation in the Plan shall not relieve a subsidiary of any obligations theretofore incurred by it under the Plan. The Board in its discretion may waive compliance with any provisions in this section.

13. **Claims Procedure:** In general, any claim for benefits under the Plan shall be filed with the Board of Directors by a Participant or beneficiary. The Board will consider the claim promptly.

14. **Miscellaneous Provisions:** The Company is the sponsor and legal obligor under the Plan and shall make all payments hereunder, other than any payments to be made by any of the subsidiaries, as described below (in which case such payments shall be made by such subsidiary, as appropriate). If a subsidiary adopts the Plan in accordance with Section 12, the subsidiary shall be responsible for all payments made under the Plan for Awards granted by the Board of Directors of the subsidiary including expenses involved in administering the Plan at the subsidiary level. The Plan is unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any amounts under the Plan, and the Participant's rights to any payment hereunder shall be no greater than the rights of the Company's (or the applicable subsidiary's) unsecured creditors. All references to Sections herein shall be deemed to be references to the specified sections of this Plan.

15. **Taxes:** The Company and its subsidiaries shall have the right to deduct from any payment made under the Plan any taxes required by law to be withheld with respect to such payment.

16. **Choice of Law:** The Plan shall be governed by and construed in accordance with the laws of Washington State.

17. **Designation of Beneficiary by Participant:** A Participant may name a beneficiary to receive any payment to which he/she may be entitled in respect to a Grant in the event of his/her death. A Participant may change his/her beneficiary from time to time. If the Participant has not designated a beneficiary, or if no designated beneficiary is living on the date on which any amount becomes payable, that amount shall be paid to the Participant's estate.

18. **Schedule of Definitions:** The attached Schedule of Definitions shall be considered an integral part of this Plan.

19. **Effective Date of the Plan:** The Plan shall be effective as of January 1, 2007.

IN WITNESS WHEREOF, Symetra Financial Corporation has caused this Plan to be executed this 1st day of March, 2007.

Symetra Financial Corporation

By /s/ Christine A. Katzmar
Its Vice President

February 28, 2007

SYMETRA FINANCIAL

Symetra Financial Corporation
Performance Share Plan
2007-2009

Schedule of Definitions: terms used in the Plan or in a Grant shall have the following meanings:

Aggregate Percentage Growth: shall equal the average of the aggregate percentage growth in the GAAP Book Value and the aggregate percentage growth in Enterprise Value.

Change of Control: shall mean the occurrence of any of the following events:

(i) If any person or group (within the meaning of sections 13(d) or 14(d)2 of the Exchange Act) other than White Mountains Insurance Group, Ltd or Berkshire Hathaway, Inc or any of their subsidiary or affiliated companies, an underwriter temporarily holding securities of the Company in connection with a public issuance thereof, or an employee benefit plan of the Company or its affiliates becomes the beneficial owner (within the meaning of rule 13d-3 under the Exchange Act) of thirty-five percent or more of the then outstanding common stock of the Company.

Enterprise Value (EV): shall mean the value of the Company calculated as outlined below:

1. Calculate enterprise value in two pieces. The first piece is the enterprise value for Income Annuities [EV(IA)] on a stand-alone basis. The second piece is the enterprise value for the entire company less the enterprise value for Income Annuities.
2. Calculate the **enterprise value growth of Income Annuities** as:
    a. (Ending EV(IA) — Beginning EV(1A) + Distributable Earnings)/ Beginning EV(IA).
    b. Distributable Earnings equals the after-tax net income for Income Annuities plus change in required capital.
3. Calculate the **enterprise value growth of non-Income Annuities** portion of the company as:
    a. Ending EV(non-IA)/Beginning EV(non-IA)- 1
4. Calculate the **harvest percentage** for each of the enterprise value pieces. The harvest percentage is calculated using linear interpolation between the following data points:
    a. 0% if the enterprise value growth is less than or equal to 10%
    b. 100% if the enterprise value growth is equal to 13%
    c. 200% if the enterprise value growth is greater than or equal to 16%
5. Calculate the **blended harvest percentage** as:

a. 20% x harvest percentage for Income Annuities + 80% x harvest percentage for non-Income Annuities

6. Calculate a **blended total company enterprise value growth** using linear interpolation between the following data points:

a. 10% if the blended harvest percentage is less than or equal to 0%

b. 13% if the blended harvest percentage is equal to 100%

c. 16% if the blended harvest percentage is greater than or equal to 200%

The calculation of enterprise value will be adjusted for dividends and capital contributions as needed. The regular calculation of enterprise value will be performed by management at least annually, and estimated at interim quarters. The Board may require an audit of the calculation by an outside actuarial or other firm, at its sole discretion. In general, the calculation will be reasonably consistent with methodologies utilized by Milliman USA, as adjusted by Watson Wyatt, in their actuarial appraisal of the insurance operations of the Company which was used in the purchase of the insurance operations.

If a regularly traded public market value becomes available for the stock in the Company, the Board, in its sole discretion, may consider that that market value be substituted for the EV, or may use some combination thereof.

Grant: shall mean an offer by the Board to an executive to participate in the Performance Share Plan. Such Grant will specify the number of Performance Shares being granted, the Performance Goal(s), the Award Period, the method for judging attainment of the goal(s) and for setting the Harvest Percentage, a maximum award value if any, and other relevant terms.

Harvest Percentage: shall be determined by the Board at the end of the Award Period specified in the Grant, and will represent the Board's judgment of the degree to which the Company's actual financial performance has met the Performance Goal(s) specified in the Grant. Normally the Harvest Percentage will range fiom 0% thru 200% according to a scale specified in the Grant. This Harvest Percentage will then be multiplied by the financial value of the Performance Shares granted, to produce the actual cash value of the Grant.

Performance Share: a unit granted to an executive under the Performance Share Plan. The unit will have the financial value of $100.00 at the time of grant. Thereafter, the unit will have the financial value of $100.00 x (1 + Aggregate Percentage Growth), conditioned upon the attainment of a specified Performance Goal(s) over a specified Award Period.

Related Employments: shall mean the employment of a participant by an employer who is not the Company or an affiliate of the Company, provided (i) such employment is undertaken by the participant and continued at the request of the Company; (ii) immediately prior to undertaking such employment the participant was an employee of the Company, or any of its affiliates or was engaged in related employment; and (iii) such employment is recognized by the Board, in its sole discretion, as related employment.

February 28, 2007

Termination event: shall be considered for this plan to be a Termination Without Cause or to be a Constructive Termination.

a. Termination Without Cause: A termination of the Participant's employment with the Company or a subsidiary by the Company or the subsidiary other than (i) due to the Participant's death or disability as defined in the Performance Plan Grant, or (ii) for Cause. A transfer of a Participant's employment to an affiliate of the Company shall not, by itself, be considered a Termination without Cause hereunder. For this purpose, "Cause" shall mean (a) an act or omission by the Participant that constitutes a felony, (b) willful gross negligence or willful gross misconduct by the Participant in connection with his employment by the Company or by a subsidiary which causes, or is likely to cause, material loss or damage to the Company. Notwithstanding anything herein to the contrary, a termination of a Participant's employment with the Company or one of its subsidiaries due solely to the consummation of a corporate transaction described in clause (i) of the definition of Change in Control shall not be deemed to be a "Termination Without Cause" if the Participant is employed by the acquiror or one of its affiliates and the acquiror or one of its affiliates formally assumes the Company's obligations under this Plan or places the Participant in a similar or like plan with no diminution of the value of the awards granted.

b. Constructive Termination. A termination of employment with the Company and its affiliates at the initiative of the Participant that the Participant declares, by prior written notice delivered to the Secretary of the Company, to be a Constructive Termination by the Company or an affiliate and which follows (i) a material decrease in his/her salary or (ii) a material diminution in the authority, duties or responsibilities of his/her position as a result of which the Participant determines in good faith that he/she cannot continue to carry out his/her job in substantially the same manner as it was intended to be carried out immediately before such diminution. Notwithstanding anything herein to the contrary, a Constructive Termination shall not occur until and unless 30 days have elapsed from the date the Company receives such written notice fiom the Participant and, during that period, the Company fails to cure, or cause to be cured, the circumstance serving as the basis on which the declaration of Constructive Termination is given.

SYMETRA FINANCIAL

Symetra Financial Corporation
Performance Share Plan
2007-2009 Grant

THIS GRANT (this "Grant") is made, effective as of the 1st of January, 2007, between Symetra Financial Corporation (the "Company") and _____ (the "Participant").

RECITALS:

WHEREAS, the Company has adopted the Performance Share Plan ("Plan"), which Plan is incorporated herein by reference and made part of this Grant; and

WHEREAS, the Board has determined that it would be in the best interest of the Company and its owners to grant the award provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of mutual covenants the parties hereto agree as follows:

1. Grant: Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Grant, the Company hereby grants to the Participant a Performance Share Award of _____ shares.

2. Award Period: The Award Period shall be January 1, 2007 through December 31, 2009.

3. Performance Goal: The Performance Goal shall be a 13% compound annualized growth in the intrinsic business value of the company, which shall be measured by the average of the compound annualized growth rates during the Award Period of (a) the Enterprise Value (EV) per share and (b) the GAAP Book Value per share, excluding unrealized gains or losses other than unrealized gains or losses on equities held as investments.

4. Harvest Percentage: Shall be dependent on the extent to which the Performance Goal is attained, and shall be determined as follows:

Growth in intrinsic business value	Harvest Percentage
10% or lower	0%
13%	100%
16% or higher	200%

For annualized percentage growth between 10% and 16%, the Harvest Percentage will be determined on the basis of straight line interpolation.

February 28, 2007

5. Award Payment: Subject to all terms and conditions of the Plan, the Participant's actual value at the end of the Award Period will be settled through a cash payment to the Participant. Unless otherwise determined by the Board or otherwise set forth in a Grant, a Participant's actual value with respect to an Award shall be equal to the then financial value of the shares multiplied by the Harvest Percentage.

6. Termination of Employment: Except as provided in Section 6 or Section 7 of the Plan, this Award shall be canceled, and no payment shall be payable hereunder, if the Participant's continuous employment or Related Employment with the Company shall terminate for any reason prior to the end of the Award Period.

7. Successor Requirement: This Grant shall inure to the benefit of and be binding upon the Company and its successors and assigns. The Company shall request any purchaser of a business unit in which the Participant is employed (a "Purchaser"), to fully assume the obligations of the Company under this Grant. If a Purchaser declines to assume such obligations, the Company shall remain obligated under the terms of this Grant and the Board, in its sole discretion, may elect to cancel the Grant and to make an Award Payment based on the applicable measures at the time of purchase or in accordance with Section 7 of the Plan, if the Plan's Change in Control provisions are applicable.

8. Definitions: All terms not otherwise defined herein shall have the same meaning as in the Plan.

9. Withholding: The Participant agrees to make appropriate arrangements with the Company for satisfaction of any applicable income tax withholding requirements, including the payment to the Company, at the termination of the Award Period (or such earlier or later date as may be applicable under the Code), of all such taxes and other amounts, and the Company shall be authorized to take such action as may be necessary, in the opinion of the company's counsel (including, without limitation, withholding amounts from any compensation or other amount owing from the Company to the Participant), to satisfy all obligations for the payment of such taxes and other amounts.

10. Reduction of the Award: Notwithstanding anything to the contrary herein, the Board, in its sole discretion (but subject to applicable law), may reduce any amounts payable to the Participant in order to satisfy any liabilities owed to the Company by the Participant.

11. No Right to Continued Employment: Neither the Plan nor this Grant shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any of its subsidiaries. Further, the Company may at any time dismiss the Participant or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Grant, except as otherwise expressly provided in the Plan and in this Grant. In addition, nothing herein shall obligate the Company to make future Grants to the Participant.

February 28, 2007

12. Award Subject to Plan: By entering in this Grant the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan and that this Award is subject to all of the terms and provisions set forth in the Plan and in this Grant. In the event of a conflict between any term or provision contained in this Grant and a terms or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

13. Designation of Beneficiary by Participant: A Participant may name a beneficiary to receive any payment to which he/she may be entitled in respect of this Award in the event of his/her death, by notifying the Company. A Participant may change his/her beneficiary from time to time in the same manner. If the Participant has not designated a beneficiary or if no designated beneficiary is living on the date on which any amount becomes payable to a Participant's beneficiary, that amount shall be paid to the Participant's estate.

14. Notices: Any notice necessary under this Grant shall be addressed to the Company and to the Participant at the address appearing in the personnel records of the Company for such Participant or to either party at such other address as such party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

15. Signature in Counterparts: This Grant may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Grant as of the date(s) listed below.

Participant

_____
Name/Date

Symetra Financial Corporation

By _____
Name/Date/Title

February 28, 2007

SYMETRA FINANCIAL

Symetra Financial Corporation
Performance Share Plan
2008-2010

The Purpose of the Plan:

1. **The purpose of the Plan** is to advance the interest of Symetra Financial Corporation (the "Company") and its owners by providing executive incentives and by providing for a reasonable sharing of the financial performance of the enterprise.

2. **Summary:** From time to time the Board of Directors of the Company (the "Board") may grant to an executive of the Company an award of Performance Shares. At the time of grant, each Performance Share shall have the financial value of $100.00. Thereafter, the unit will have the financial value of $100.00 x (1 + Aggregate Percentage Growth), conditioned upon attainment of a stated Performance Goal over the Award Period specified in the Grant. At the end of the Award Period the Board will determine the degree of attainment of the Performance Goal and will assign a Harvest Percentage based on that determination. The matured Performance Shares will then be exchanged for a cash payment equal to the then financial value of the shares multiplied by the Harvest Percentage.

3. **Administration:** The Plan shall be administered by the Board. The Board shall have the authority to select the executives who shall be participants ("Participants"), to determine the size and terms of an award, to modify the terms of any award that has been granted, to determine the time when awards will be made, to determine the Award Periods applicable to an award, to determine the Harvest Percentages applicable to an award, to determine the terms of a Participant's grant agreement (which need not be identical or uniform), to establish Performance Goals in respect of such Award Periods, to certify whether such Performance Goals were attained and to make such other determinations that are not prohibited by this plan. The Board is authorized to interpret the plan to establish amend and rescind any rules and regulations relating to the plan and to make any other determinations that it deems necessary or desirable. Any decision of the Board in the interpretation and administration of the plan shall lie within its sole and absolute discretion and shall be final conclusive and binding on all parties concerned. Determinations made by the Board under the plan need not be uniform and may be made selectively among participants regardless of whether such Participants are similarly situated. The Board shall have the right to deduct from any payment made under the plan any taxes required by law to be withheld with respect to such payment. The Board may delegate its duties hereunder to its Compensation Committee.

4. **Eligibility and Participation:** The Board shall designate those executives who shall be Participants. Participants shall be selected from among the executives who are in a position to have a material impact on the financial results of the Company. The designation of the Participants may be made individually or by groups or classifications of executives, as the Board deems appropriate. Executives shall not have a right to be designated as Participants and the designation of an executive as a Participant shall not obligate the Board to continue such executive as a participant in subsequent periods.

5. **Grants:**

(a) **Grant:** In each Grant the committee shall specify, among other matters, (i) the number of Performance Shares awarded, (ii) the Award Period, (iii) the Performance Goal(s) to be attained within the Award Period, (iv) the method for determining the Harvest Percentage based upon the level of achievement of the Performance Goal(s), and (v) the maximum Award Payment.

(b) **Performance measures:** The performance measures for any award shall be as determined by the Board and as stated in the grant agreement. Normally the goal(s) will be based on some reasonable measure of growth in economic value per share of the enterprise, or on some similar measure of financial performance.

(c) **Payment:** As soon as practicable after the end of the Award Period, or such earlier date as the Board in its sole discretion may designate, the Board shall determine (i) whether the applicable Performance Goal(s) have been attained with respect to a given award and (ii) the Harvest Percentage applied to a given award. At the end of the Award Period the Board shall ascertain the actual value of the award. Unless otherwise determined by the Board or otherwise set forth in a grant agreement the actual value of an award shall be equal to the then financial value of the shares multiplied by the Harvest Percentage. A Participant's actual value will be settled through a cash payment to the Participant within 2 ½ months after the end of the Award Period.

6. **Termination of Employment:** Except as set forth in Section 7 or otherwise set forth in a grant agreement a Participant shall immediately forfeit all outstanding awards upon any termination of employment prior to the end of the applicable Award Period. The Board may at its discretion provide that if a Participant dies, retires, is disabled, or is granted a leave of absence, or if the Participant's employment is otherwise terminated in a manner reasonably judged to be not seriously detrimental to the company, then all or a portion of the Participant's award, as determined by the Board, may be paid to the Participant (or beneficiary) after the end of the Award Period or at such other time as determined by the Board.

7. **Change of Control:** (a) If a termination event occurs with respect to a Participant within 24 months after a Change of Control then each award held by such Participant that was granted prior to the Change of Control shall be cancelled and such Participant shall be entitled to receive in respect of each such canceled

award a payment equal to the product of (i) the then financial value of 100% of the Performance Shares and (ii) the applicable Harvest Percentage. The applicable Harvest Percentage will be determined based on the extent to which the Performance Goal has been achieved as of the last day of the calendar quarter ending prior to the date of the applicable termination event. (b) Notwithstanding anything herein to the contrary, if, following a change in control, a Participant's employment remains continuous through the end of an Award Period then the Participant shall be paid with respect to those awards for which he would have been paid had there not been a change in control, and the actual value shall be determined in accordance with section 5 above.

8. **Amendments or Termination:** The Board may amend alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair any of the rights or obligations under any award theretofore granted to a Participant without such Participant's consent; provided, however, that the Board may amend the plan in such manner as it deems necessary to permit the granting of awards meeting the requirements of the Internal Revenue Code of 1986, as amended, or any successor thereto, or other applicable laws.

9. **No Right to Employment:** Neither the Plan nor any action taken hereunder shall be construed as giving any Participant or other person any right to continue to be employed by, or to continue to perform services for, the Company or any subsidiary, and the right to terminate the employment of or performance of services by any Participant at any time and for any reason is specifically reserved to the Company and its subsidiaries.

10. **Nontransferability of Awards:** An award shall not be transferable or assignable by the Participant, other than as described in Section 17 of this Plan.

11. **Reduction of Awards:** Notwithstanding anything to the contrary herein, the Board, in its sole discretion (but subject to applicable law), may reduce any amounts payable to any Participant hereunder in order to satisfy any liabilities owed to the Company or any of its subsidiaries by the Participant.

12. **Participation of Subsidiaries:** If a subsidiary wishes to participate in the Plan and its participation shall have been approved by the Board, the Board of Directors of the subsidiary shall adopt a resolution in form and substance satisfactory to the Committee authorizing participation by the subsidiary in the Plan. A subsidiary that adopts the Plan in accordance with the Section shall be permitted to rename the Plan under the name of such subsidiary. A subsidiary may cease to participate in the Plan at any time by action of the Board or by action of the Board of Directors of such subsidiary, which latter action shall be effective not earlier than the date of delivery to the Secretary of the Company of a certified copy of a resolution of the subsidiary's Board of Directors taking such action. Termination of participation in the Plan shall not relieve a subsidiary of any obligations theretofore incurred by it under the Plan. The Board in its discretion may waive compliance with any provisions in this section.

13. **Claims Procedure:** In general, any claim for benefits under the Plan shall be filed with the Board of Directors by a Participant or beneficiary. The Board will consider the claim promptly.

14. **Miscellaneous Provisions:** The Company is the sponsor and legal obligor under the Plan and shall make all payments hereunder, other than any payments to be made by any of the subsidiaries, as described below (in which case such payments shall be made by such subsidiary, as appropriate). If a subsidiary adopts the Plan in accordance with Section 12, the subsidiary shall be responsible for all payments made under the Plan for Awards granted by the Board of Directors of the subsidiary including expenses involved in administering the Plan at the subsidiary level. The Plan is unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any amounts under the Plan, and the Participant's rights to any payment hereunder shall be no greater than the rights of the Company's (or the applicable subsidiary's) unsecured creditors. All references to Sections herein shall be deemed to be references to the specified sections of this Plan.

15. **Taxes:** The Company and its subsidiaries shall have the right to deduct from any payment made under the Plan any taxes required by law to be withheld with respect to such payment.

16. **Choice of Law:** The Plan shall be governed by and construed in accordance with the laws of Washington State.

17. **Designation of Beneficiary by Participant:** A Participant may name a beneficiary to receive any payment to which he/she may be entitled in respect to a Grant in the event of his/her death. A Participant may change his/her beneficiary from time to time. If the Participant has not designated a beneficiary, or if no designated beneficiary is living on the date on which any amount becomes payable, that amount shall be paid to the Participant's estate.

18. **Schedule of Definitions:** The attached Schedule of Definitions shall be considered an integral part of this Plan.

19. **Effective Date of the Plan:** The Plan shall be effective as of January 1, 2008.

IN WITNESS WHEREOF, Symetra Financial Corporation has caused this Plan to be executed this 5 day of March, 2008.

Symetra Financial Corporation

By /s/ Christine A. Katzmar
Its Vice President

Symetra Financial Corporation
Performance Share Plan
2008-2010

Schedule of Definitions: terms used in the Plan or in a Grant shall have the following meanings:

Aggregate Percentage Growth: shall equal the average of the aggregate percentage growth in the GAAP Book Value and the aggregate percentage growth in Enterprise Value.

Change of Control: shall mean the occurrence of any of the following events:

(i) If any person or group (within the meaning of sections 13(d) or 14(d)2 of the Exchange Act) other than White Mountains Insurance Group, Ltd or Berkshire Hathaway, Inc or any of their subsidiary or affiliated companies, an underwriter temporarily holding securities of the Company in connection with a public issuance thereof, or an employee benefit plan of the Company or its affiliates becomes the beneficial owner (within the meaning of rule 13d-3 under the Exchange Act) of thirty-five percent or more of the then outstanding common stock of the Company.

Enterprise Value (EV): shall mean the value of the Company calculated as outlined below:

1. Calculate enterprise value in two pieces. The first piece is the enterprise value for Income Annuities [EV(IA)] on a stand-alone basis. The second piece is the enterprise value for the entire company less the enterprise value for Income Annuities.
2. Calculate the **enterprise value growth of Income Annuities** as:
    a. (Ending EV(IA)- Beginning EV(IA) + Distributable Earnings) / Beginning EV(IA).
    b. Distributable Earnings equals the after-tax net income for Income Annuities plus change in required capital.
3. Calculate the **enterprise value growth of non-Income Annuities** portion of the company as:
    a. Ending EV(non-IA) / Beginning EV(non-IA) — 1
4. Calculate the **harvest percentage** for each of the enterprise value pieces. The harvest percentage is calculated using linear interpolation between the following data points:
    a. 0% if the enterprise value growth is less than or equal to 10%
    b. 100% if the enterprise value growth is equal to 13%
    c. 200% if the enterprise value growth is greater than or equal to 16%
5. Calculate the **blended harvest percentage** as:

a. 20% x harvest percentage for Income Annuities + 80% x harvest percentage for non-Income Annuities

6. Calculate a **blended total company enterprise value growth** using linear interpolation between the following data points:

a. 10% if the blended harvest percentage is less than or equal to 0%

b. 13% if the blended harvest percentage is equal to 100%

c. 16% if the blended harvest percentage is greater than or equal to 200%

The calculation of enterprise value will be adjusted for dividends and capital contributions as needed. The regular calculation of enterprise value will be performed by management at least annually, and estimated at interim quarters. The Board may require an audit of the calculation by an outside actuarial or other firm, at its sole discretion. In general, the calculation will be reasonably consistent with methodologies utilized by Milliman USA, as adjusted by Watson Wyatt, in their actuarial appraisal of the insurance operations of the Company which was used in the purchase of the insurance operations.

If a regularly traded public market value becomes available for the stock in the Company, the Board, in its sole discretion, may consider that that market value be substituted for the EV, or may use some combination thereof.

Grant: shall mean an offer by the Board to an executive to participate in the Performance Share Plan. Such Grant will specify the number of Performance Shares being granted, the Performance Goal(s), the Award Period, the method for judging attainment of the goa1(s) and for setting the Harvest Percentage, a maximum award value if any, and other relevant terms.

Harvest Percentage: shall be determined by the Board at the end of the Award Period specified in the Grant, and will represent the Board's judgment of the degree to which the Company's actual financial performance has met the Performance Goal(s) specified in the Grant. Normally the Harvest Percentage will range from 0% thru 200% according to a scale specified in the Grant. This Harvest Percentage will then be multiplied by the financial value of the Performance Shares granted, to produce the actual cash value of the Grant.

Performance Share: a unit granted to an executive under the Performance Share Plan. The unit will have the financial value of $100.00 at the time of grant. Thereafter, the unit will have the financial value of $100.00 x (1 + Aggregate Percentage Growth), conditioned upon the attainment of a specified Performance Goal(s) over a specified Award Period.

Related Employment: shall mean the employment of a participant by an employer who is not the Company or an affiliate of the Company, provided (i) such employment is undertaken by the participant and continued at the request of the Company; (ii) immediately prior to undertaking such employment the participant was an employee of the Company, or any of its affiliates or was engaged in related employment; and (iii) such employment is recognized by the Board, in its sole discretion, as related employment.

Termination event: shall be considered for this plan to be a Termination Without Cause or to be a Constructive Termination.

a. Termination Without Cause: A termination of the Participant's employment with the Company or a subsidiary by the Company or the subsidiary other than (i) due to the Participant's death or disability as defined in the Performance Plan Grant, or (ii) for Cause. A transfer of a Participant's employment to an affiliate of the Company shall not, by itself, be considered a Termination without Cause hereunder. For this purpose, "Cause" shall mean (a) an act or omission by the Participant that constitutes a felony, (b) willful gross negligence or willful gross misconduct by the Participant in connection with his employment by the Company or by a subsidiary which causes, or is likely to cause, material loss or damage to the Company. Notwithstanding anything herein to the contrary, a termination of a Participant's employment with the Company or one of its subsidiaries due solely to the consummation of a corporate transaction described in clause (i) of the definition of Change in Control shall not be deemed to be a "Termination Without Cause" if the Participant is employed by the acquiror or one of its affiliates and the acquiror or one of its affiliates formally assumes the Company's obligations under this Plan or places the Participant in a similar or like plan with no diminution of the value of the awards granted.

b. Constructive Termination. A termination of employment with the Company and its affiliates at the initiative of the Participant that the Participant declares, by prior written notice delivered to the Secretary of the Company, to be a Constructive Termination by the Company or an affiliate and which follows (i) a material decrease in his/her salary or (ii) a material diminution in the authority, duties or responsibilities of his/her position as a result of which the Participant determines in good faith that he/she cannot continue to carry out his/her job in substantially the same manner as it was intended to be carried out immediately before such diminution. Notwithstanding anything herein to the contrary, a Constructive Termination shall not occur until and unless 30 days have elapsed from the date the Company receives such written notice from the Participant and, during that period, the Company fails to cure, or cause to be cured, the circumstance serving as the basis on which the declaration of Constructive Termination is given.

SYMETRA
FINANCIAL

Symetra Financial Corporation
Performance Share Plan
2008-2010 Grant

THIS GRANT (this "Grant") is made, effective as of the 1st of January, 2008, between Symetra Financial Corporation (the "Company") and _____ (the "Participant").

RECITALS:

WHEREAS, the Company has adopted the Performance Share Plan ("Plan"), which Plan is incorporated herein by reference and made part of this Grant; and

WHEREAS, the Board has determined that it would be in the best interest of the Company and its owners to grant the award provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW THEREFORE, in consideration of mutual covenants the parties hereto agree as follows:

1. Grant: Subject to the terms and conditions of the Plan and the additional terms and conditions set forth in this Grant, the Company hereby grants to the Participant a Performance Share Award of _____ shares.

2. Award Period: The Award Period shall be January 1, 2008 through December 31, 2010.

3. Performance Goal: The Performance Goal shall be a 13% compound annualized growth in the intrinsic business value of the company, which shall be measured by the average of the compound annualized growth rates during the Award Period of (a) the Enterprise Value (EV) per share and (b) the GAAP Book Value per share, excluding unrealized gains or losses other than unrealized gains or losses on equities held as investments.

4. Harvest Percentage: Shall be dependent on the extent to which the Performance Goal is attained, and shall be determined as follows:

Growth in intrinsic business value	Harvest Percentage
10% or lower	0%
13%	100%
16% or higher	200%

For annualized percentage growth between 10% and 16%, the Harvest Percentage will be determined on the basis of straight line interpolation.

5. Award Payment: Subject to all terms and conditions of the Plan, the Participant's actual value at the end of the Award Period will be settled through a cash payment to the Participant. Unless otherwise determined by the Board or otherwise set forth in a Grant, a Participant's actual value with respect to an Award shall be equal to the then financial value of the shares multiplied by the Harvest Percentage.

6. Termination of Employment: Except as provided in Section 6 or Section 7 of the Plan, this Award shall be canceled, and no payment shall be payable hereunder, if the Participant's continuous employment or Related Employment with the Company shall terminate for any reason prior to the end of the Award Period.

7. Successor Requirement: This Grant shall inure to the benefit of and be binding upon the Company and its successors and assigns. The Company shall request any purchaser of a business unit in which the Participant is employed (a "Purchaser"), to fully assume the obligations of the Company under this Grant. If a Purchaser declines to assume such obligations, the Company shall remain obligated under the terms of this Grant and the Board, in its sole discretion, may elect to cancel the Grant and to make an Award Payment based on the applicable measures at the time of purchase or in accordance with Section 7 of the Plan, if the Plan's Change in Control provisions are applicable.

8. Definitions: All terms not otherwise defined herein shall have the same meaning as in the Plan.

9. Withholding: The Participant agrees to make appropriate arrangements with the Company for satisfaction of any applicable income tax withholding requirements, including the payment to the Company, at the termination of the Award Period (or such earlier or later date as may be applicable under the Code), of all such taxes and other amounts, and the Company shall be authorized to take such action as may be necessary, in the opinion of the company's counsel (including, without limitation, withholding amounts from any compensation or other amount owing from the Company to the Participant), to satisfy all obligations for the payment of such taxes and other amounts.

10. Reduction of the Award: Notwithstanding anything to the contrary herein, the Board, in its sole discretion (but subject to applicable law), may reduce any amounts payable to the Participant in order to satisfy any liabilities owed to the Company by the Participant.

11. No Right to Continued Employment: Neither the Plan nor this Grant shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any of its subsidiaries. Further, the Company may at any time dismiss the Participant or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Grant, except as otherwise expressly provided in the Plan and in this Grant. In addition, nothing herein shall obligate the Company to make future Grants to the Participant.

12. Award Subject to Plan: By entering in this Grant the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan and that this Award is subject to all of the terms and provisions set forth in the Plan and in this Grant. In the event of a conflict between any term or provision contained in this Grant and a terms or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

13. Designation of Beneficiary by Participant: A Participant may name a beneficiary to receive any payment to which he/she may be entitled in respect of this Award in the event of his/her death, by notifying the Company. A Participant may change his/her beneficiary from time to time in the same manner. If the Participant has not designated a beneficiary or if no designated beneficiary is living on the date on which any amount becomes payable to a Participant's beneficiary, that amount shall be paid to the Participant's estate.

14. Notices: Any notice necessary under this Grant shall be addressed to the Company and to the Participant at the address appearing in the personnel records of the Company for such Participant or to either party at such other address as such party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

15. Signature in Counterparts: This Grant may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Grant as of the date(s) listed below.

Participant

_____

Name/Date

Symetra Financial Corporation

By _____

Name/Date/Title

SYMETRA FINANCIAL

Symetra Financial Corporation
Performance Share Plan
2009-2011

The Purpose of the Plan:

1. **The purpose of the Plan** is to advance the interest of Symetra Financial Corporation (the "Company") and its owners by providing executive incentives and by providing for a reasonable sharing of the financial performance of the enterprise.

2. **Summary:** From time to time the Board of Directors of the Company (the "Board") may grant to an executive of the Company an award of Performance Shares. At the time of grant, each Performance Share shall have the financial value of $100.00. Thereafter, the unit will have the financial value of $100.00 x (1 + Aggregate Percentage Growth), conditioned upon attainment of a stated Performance Goal over the Award Period specified in the Grant. At the end of the Award Period the Board will determine the degree of attainment of the Performance Goal and will assign a Harvest Percentage based on that determination. The matured Performance Shares will then be exchanged for a cash payment equal to the then financial value of the shares multiplied by the Harvest Percentage.

3. **Administration:** The Plan shall be administered by the Board. The Board shall have the authority to select the executives who shall be participants ("Participants"), to determine the size and terms of an award, to modify the terms of any award that has been granted, to determine the time when awards will be made, to determine the Award Periods applicable to an award, to determine the Harvest Percentages applicable to an award, to determine the terms of a Participant's grant agreement (which need not be identical or uniform), to establish Performance Goals in respect of such Award Periods, to certify whether such Performance Goals were attained and to make such other determinations that are not prohibited by this plan. The Board is authorized to interpret the plan to establish amend and rescind any rules and regulations relating to the plan and to make any other determinations that it deems necessary or desirable. Any decision of the Board in the interpretation and administration of the plan shall lie within its sole and absolute discretion and shall be final conclusive and binding on all parties concerned. Determinations made by the Board under the plan need not be uniform and may be made selectively among participants regardless of whether such Participants are similarly situated. The Board shall have the right to deduct from any payment made under the plan any taxes required by law to be withheld with respect to such payment. The Board may delegate its duties hereunder to its Compensation Committee.

4. **Eligibility and Participation:** The Board shall designate those executives who shall be Participants. Participants shall be selected from among the executives who are in a position to have a material impact on the financial results of the Company. The designation of the Participants may be made individually or by groups or classifications of executives, as the Board deems appropriate. Executives shall not have a right to be designated as Participants and the designation of an executive as a Participant shall not obligate the Board to continue such executive as a participant in subsequent periods.

5. **Grants:**

(a) **Grant:** In each Grant the committee shall specify, among other matters, (i) the number of Performance Shares awarded, (ii) the Award Period, (iii) the Performance Goal(s) to be attained within the Award Period, (iv) the method for determining the Harvest Percentage based upon the level of achievement of the Performance Goal(s), and (v) the maximum Award Payment.

(b) **Performance measures:** The performance measures for any award shall be as determined by the Board and as stated in the grant agreement. Normally the goal(s) will be based on some reasonable measure of growth in economic value per share of the enterprise, or on some similar measure of financial performance.

(c) **Payment:** As soon as practicable after the end of the Award Period, or such earlier date as the Board in its sole discretion may designate, the Board shall determine (i) whether the applicable Performance Goal(s) have been attained with respect to a given award and (ii) the Harvest Percentage applied to a given award. At the end of the Award Period the Board shall ascertain the actual value of the award. Unless otherwise determined by the Board or otherwise set forth in a grant agreement the actual value of an award shall be equal to the then financial value of the shares multiplied by the Harvest Percentage. A Participant's actual value will be settled through a cash payment to the Participant within 2 ½ months after the end of the Award Period.

6. **Termination of Employment:** Except as set forth in Section 7 or otherwise set forth in a grant agreement a Participant shall immediately forfeit all outstanding awards upon any termination of employment prior to the end of the applicable Award Period. The Board may at its discretion provide that if a Participant dies, retires, is disabled, or is granted a leave of absence, or if the Participant's employment is otherwise terminated in a manner reasonably judged to be not seriously detrimental to the company, then all or a portion of the Participant's award, as determined by the Board, may be paid to the Participant (or beneficiary) after the end of the Award Period or at such other time as determined by the Board.

7. **Change of Control:** (a) If a termination event occurs with respect to a Participant within 24 months after a Change of Control then each award held by such Participant that was granted prior to the Change of Control shall be cancelled and such Participant shall be entitled to receive in respect of each such canceled

award a payment equal to the product of (i) the then financial value of 100% of the Performance Shares and (ii) the applicable Harvest Percentage. The applicable Harvest Percentage will be determined based on the extent to which the Performance Goal has been achieved as of the last day of the calendar quarter ending prior to the date of the applicable termination event. (b) Notwithstanding anything herein to the contrary, if, following a change in control, a Participant's employment remains continuous through the end of an Award Period then the Participant shall be paid with respect to those awards for which he would have been paid had there not been a change in control, and the actual value shall be determined in accordance with section 5 above.

8. **Amendments or Termination:** The Board may amend alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair any of the rights or obligations under any award theretofore granted to a Participant without such Participant's consent; provided, however, that the Board may amend the plan in such manner as it deems necessary to permit the granting of awards meeting the requirements of the Internal Revenue Code of 1986, as amended, or any successor thereto, or other applicable laws.

9. **No Right to Employment:** Neither the Plan nor any action taken hereunder shall be construed as giving any Participant or other person any right to continue to be employed by, or to continue to perform services for, the Company or any subsidiary, and the right to terminate the employment of or performance of services by any Participant at any time and for any reason is specifically reserved to the Company and its subsidiaries.

10. **Nontransferability of Awards:** An award shall not be transferable or assignable by the Participant, other than as described in Section 17 of this Plan.

11. **Reduction of Awards:** Notwithstanding anything to the contrary herein, the Board, in its sole discretion (but subject to applicable law), may reduce any amounts payable to any Participant hereunder in order to satisfy any liabilities owed to the Company or any of its subsidiaries by the Participant.

12. **Participation of Subsidiaries:** If a subsidiary wishes to participate in the Plan and its participation shall have been approved by the Board, the Board of Directors of the subsidiary shall adopt a resolution in form and substance satisfactory to the Committee authorizing participation by the subsidiary in the Plan. A subsidiary that adopts the Plan in accordance with the Section shall be permitted to rename the Plan under the name of such subsidiary. A subsidiary may cease to participate in the Plan at any time by action of the Board or by action of the Board of Directors of such subsidiary, which latter action shall be effective not earlier than the date of delivery to the Secretary of the Company of a certified copy of a resolution of the subsidiary's Board of Directors taking such action. Termination of participation in the Plan shall not relieve a subsidiary of any obligations theretofore incurred by it under the Plan. The Board in its discretion may waive compliance with any provisions in this section.

13. **Claims Procedure:** In general, any claim for benefits under the Plan shall be filed with the Board of Directors by a Participant or beneficiary. The Board will consider the claim promptly.

14. **Miscellaneous Provisions:** The Company is the sponsor and legal obligor under the Plan and shall make all payments hereunder, other than any payments to be made by any of the subsidiaries, as described below (in which case such payments shall be made by such subsidiary, as appropriate). If a subsidiary adopts the Plan in accordance with Section 12, the subsidiary shall be responsible for all payments made under the Plan for Awards granted by the Board of Directors of the subsidiary including expenses involved in administering the Plan at the subsidiary level. The Plan is unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any amounts under the Plan, and the Participant's rights to any payment hereunder shall be no greater than the rights of the Company's (or the applicable subsidiary's) unsecured creditors. All references to Sections herein shall be deemed to be references to the specified sections of this Plan.

15. **Taxes:** The Company and its subsidiaries shall have the right to deduct from any payment made under the Plan any taxes required by law to be withheld with respect to such payment.

16. **Choice of Law:** The Plan shall be governed by and construed in accordance with the laws of Washington State.

17. **Designation of Beneficiary by Participant:** A Participant may name a beneficiary to receive any payment to which he/she may be entitled in respect to a Grant in the event of his/her death. A Participant may change his/her beneficiary from time to time. If the Participant has not designated a beneficiary, or if no designated beneficiary is living on the date on which any amount becomes payable, that amount shall be paid to the Participant's estate.

18. **Schedule of Definitions:** The attached Schedule of Definitions shall be considered an integral part of this Plan.

19. **Effective Date of the Plan:** The Plan shall be effective as of January 1, 2009.

IN WITNESS WHEREOF, Symetra Financial Corporation has caused this Plan to be executed this 14 day of May, 2009.

Symetra Financial Corporation

By /s/ Christine A. Katzmar
Its Vice President

Annual Incentive Bonus Plan
(Revised February, 2005)

Most salaried (non-sales) employees participate in the Annual Incentive Bonus Plan, an incentive pay program that is intended to reward employees when the company is successful by aligning awards with performance. Incentive awards are based on performance of the company overall and the individual employee's performance. The target percentage for the majority of employees is 5% of paid salary. Individual awards can range from 0% to 200% of target or up to 10% of paid salary. This target percentage is a reduction from the 2004 plan target of 6% and a maximum of 12% of paid salary.

Non-sales senior managers and a small number of key individual contributors who occupy positions with a high relative impact on the company's business success participate in the Annual Incentive Bonus Plan at various target levels. Determination of eligibility will be made by senior leadership with the help of competitive pay data supplied by Human Resources. The target awards for this group ranges from 10% to 50% of paid salary. Individual awards can range from 0% to 200% of target.

To be eligible for either plan, employees must be salaried employees and do not participate in a sales or other production-related incentive plan (Long Term Incentive Plan excluded). Eligible employees hired January 1 through September 30 begin participating as of their date of hire. Eligible employees hired October 1 through December 31 begin participating on the January 1 following their hire date.

At the beginning of every year, specific overall company financial goals and target funding are set for the plan.

Individual incentive awards are based in part on an assessment of individual performance compared to the performance goals and/or expectations set with the individual's manager.

Employees must be employed on December 31 of the plan year and remain continuously employed by the company through the award payout date in order to be eligible to receive an annual bonus award. Exceptions include death, disability, retirement or position elimination. In these cases, the bonus will be based on the salary paid through the employee's last day of work within the plan year.

Annual awards (if any) are paid as a single sum, generally in March, after performance assessments.

In addition to establishing performance goals at the beginning of the year, the company will create a target incentive pool. The target amounts in these pools are based on the sum of all participants' target incentive awards.

An overall performance threshold or "funding trigger" will be established each year, below which the plan will not be funded, and there would be no payouts under the plan.

Metrics for these plans will be approved at the February Board of Directors meeting for that plan year.

February 21, 2005

Exhibit 10.16

Amended and Restated
August 24, 2009

Symetra Financial Corporation Equity Plan

1. PURPOSE

The purpose of the Symetra Financial Corporation Equity Plan (the "Plan") is to advance the interests of Symetra Financial Corporation (the "Company") and its stockholders by providing long-term incentives to certain employees, directors and consultants of the Company and its subsidiaries.

2. ADMINISTRATION

The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company; provided that, following the initial public offering of the Company' common shares (the "IPO"), each member of the Committee shall qualify as (a) a "non-employee director" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (b) an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and (c) otherwise meets the independence requirements of the New York Stock Exchange (the "NYSE"). In the event that, following the IPO, any member of the Committee does not so qualify, the Plan shall, to the extent practicable, be administered by a sub-committee of Committee members who do so qualify. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify.

The Committee shall have exclusive authority to select the employees, directors and consultants to be granted awards under the Plan ("Awards"), to determine the type, size and terms of the Awards and to prescribe the form of the instruments embodying Awards. With respect to Awards made to directors and consultants, the Committee shall, and with respect to employees may, specify the terms and conditions applicable to such Awards in an Award agreement (each, an "Award Agreement"). The Committee is hereby authorized to interpret the Plan, Award Agreements and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. In connection with any Award, the Committee in its sole discretion may provide for vesting provisions that are different from the default vesting provisions that are contained in the Plan and such alternative provisions shall not be deemed to conflict with the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive. The Committee may act only by a majority of its members, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for anything done or omitted to

be done by him or her or by any other member of the Committee in connection with the Plan, except for his or her own willful misconduct or as expressly provided by statute.

The Committee may delegate, on such terms and conditions as it determines in its sole and plenary discretion, to one or more executive officers of the Company the authority to make grants of Awards to officers (other than executive officers), employees and consultants of the Company and its affiliates (including any prospective officer, employee or consultant) and all necessary and appropriate decisions and determinations with respect thereto.

3. PARTICIPATING SUBSIDIARIES

If a subsidiary of the Company wishes to participate in the Plan and its participation shall have been approved by the Board, the Board of Directors of the subsidiary (the "Subsidiary Board") shall adopt a resolution in form and substance satisfactory to the Committee authorizing participation by the subsidiary in the Plan. As used herein, "subsidiary" shall mean a "subsidiary corporation" as defined in Section 424(f) of the Code.

A subsidiary may cease to participate in the Plan at any time by action of the Board or by action of the Subsidiary Board, which latter action shall be effective not earlier than the date of delivery to the Secretary of the Company of a certified copy of a resolution of the Subsidiary Board taking such action. Termination of participation in the Plan shall not relieve a subsidiary of any obligations theretofore incurred by it under the Plan.

4. AWARDS

(a) **Eligible Participants**. Any employee, director or consultant of the Company or any of its subsidiaries is eligible to receive an Award hereunder. The Committee shall select which eligible employees, directors or consultants shall be granted Awards hereunder. No employee, director or consultant shall have a right to receive an Award hereunder and the grant of an Award to an employee, director or consultant shall not obligate the Committee to continue to grant Awards to such employee, director or consultant in subsequent periods or to grant Awards to any other person at any time.

(b) **Type of Awards.** Awards shall be limited to the following seven types: (i) "Stock Options," (ii) "Stock Appreciation Rights," (iii) "Restricted Stock," (iv) "Restricted Stock Units," (v) "Performance Shares," (vi) "Performance Units" and (vii) other stock-based awards.

(c) **Maximum Number of Shares That May Be Issued.** A maximum of seven million, eight hundred and thirty thousand (7,830,000)[1] shares of common stock of the Company, $0.01 par value ("Shares"), may be issued by the Company in satisfaction of its obligations with respect to Award grants. The maximum aggregate number of Shares with respect to which Awards may be issued to any participant in any fiscal year of the Company is four hundred and thirty-five

1 Changed from 900,000 to reflect the Company's stock dividend effective October 26, 2007.

thousand (435,000)[2], subject to adjustment as provided in Section 17. For purposes of the foregoing, the exercise of a Stock Appreciation Right shall constitute the issuance of Shares equal to the Shares delivered under such Stock Appreciation Right. If any Shares issued as Restricted Stock shall be repurchased pursuant to the Company's option described in Section 6 below, or if any Shares issued under the Plan shall be reacquired pursuant to restrictions imposed at the time of issuance or pursuant to the satisfaction of tax withholding or related obligations, such Shares may again be issued under the Plan.

(d) **Rights With Respect to Shares**.

(i) A participant to whom Restricted Stock has been issued shall have, prior to the expiration of the Restricted Period or the earlier repurchase of such Shares as herein provided, ownership of such Shares, including the right to vote the same and to receive dividends thereon, subject, however, to the options, restrictions and limitations imposed thereon pursuant hereto.

(ii) A participant to whom Stock Options, Stock Appreciation Rights, Restricted Stock Units, Performance Shares or Performance Units are granted (and any person succeeding to such participant's rights pursuant to the Plan) shall have no rights as a shareholder with respect to any Shares issuable pursuant thereto until the date of the issuance of a stock certificate (whether or not delivered) therefor. Except as provided in Section 17, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) the record date for which is prior to the date such stock certificate is issued.

(iii) The Company, in its discretion, may hold custody during the Restricted Period of any Shares of Restricted Stock.

5. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

(a) Stock Options, which include "Incentive Stock Options" and other stock options or combinations thereof, are rights to purchase shares of Common Stock of the Company. A Stock Appreciation Right is an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Share over the exercise price per Share of the Stock Appreciation Right, subject to the terms of the applicable Award Agreement. The maximum number of Shares with respect to which Incentive Stock Options may be issued to a participant in one year is, four hundred and thirty-five thousand (435,000)[3] subject to adjustment pursuant to Section 17. Each Stock Option shall comply with the following terms and conditions:

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2 Changed from 50,000 to reflect the Company's stock dividend effective October 26, 2007.

3 Changed as described in Footnote 2.

(i) The Committee shall determine the participants to whom Stock Options shall be granted, the number of shares to be covered by each Stock Option, whether the Stock Option will be an Incentive Stock Option and the conditions and limitations applicable to the vesting and exercise of the Option. Unless otherwise set forth in the applicable Award Agreement, the per share exercise price shall not be less than the greater of (i) the Fair Market Value per Share at the time of grant and (ii) the par value per Share. However, the exercise price of an Incentive Stock Option granted to a participant who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or of a subsidiary (a "Ten Percent Participant") shall not be less than 110% of the greatest of (i) the Fair Market Value per share at the time of grant, and (ii) the par value per Share.

(ii) The Stock Option shall not be transferable by the optionee otherwise than by will or the laws of descent and distribution, and shall be exercisable during such optionee's lifetime only by such optionee, unless otherwise set forth in the applicable Award Agreement.

(iii) The Stock Option shall not be exercisable unless payment in full is made for the Shares being acquired thereunder at the time of exercise (including any Federal, state or local income or other taxes which the Committee determines are required to be withheld in respect of such Shares), and such payment shall be made in United States dollars by cash or check or, if permitted by the Committee, (A) by tendering to the Company Shares owned by the person exercising the Stock Option and having an aggregate Fair Market Value equal to the aggregate cash exercise price thereof, (B) if there shall be a public market for the Shares at such time, subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell a number of Shares otherwise deliverable upon the exercise of the Stock Option and to deliver promptly to the Company an amount equal to the aggregate exercise price, or (C) by a combination of United States dollars and Shares pursuant to (A) and/or (B) above.

(iv) The aggregate Fair Market Value of Shares (determined at the time of grant of the Stock Option pursuant to Section 5(a)(i) of the Plan) with respect to which Incentive Stock Options granted to any participant under the Plan are exercisable for the first time by such participant during any calendar year may not exceed the maximum amount permitted under Section 422(d) of the Code at the time of the Award grant. In the event this limitation would be exceeded in any year, the optionee may elect either (i) to defer to a succeeding year the date on which some or all of such Incentive Stock Options would first become exercisable (but no longer than the term specified in Section 5(c)(i) herein) or (ii) to convert some or all of such Incentive Stock Options into non-qualified Stock Options.

(b) Each Stock Appreciation Right shall comply with the following terms and conditions:

(i) The Committee shall determine the participants to whom Stock Appreciation Rights shall be granted, the number of shares to be covered by each Stock Appreciation Right and the conditions and limitations applicable to the vesting and exercise of the Stock Appreciation Right. Unless otherwise set forth in the applicable Award Agreement, the per share exercise price shall not be less than the greater of (i) the Fair Market Value per Share at the time of grant and (ii) the par value per Share.

(ii) The Stock Appreciation Right shall not be transferable by the awardee otherwise than by will or the laws of descent and distribution, and shall be exercisable during such awardee's lifetime only by such awardee, unless otherwise set forth in the applicable Award Agreement.

(iii) A Stock Appreciation Right shall entitle the Participant to receive an amount equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the exercise price thereof. The Committee shall determine, in its sole and plenary discretion, whether a Stock Appreciation Right shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(iv) No fractional Shares shall be delivered under this Section 5(b), but in lieu thereof a cash adjustment may be made as determined by the Committee.

(c) Each Stock Option or Stock Appreciation Right shall not be exercisable:

(i) after the expiration of ten years from the date it is granted (or such earlier date specified in the grant of the Stock Option or Stock Appreciation Right or applicable Award Agreement) and may be exercised during such period only at such time or times as the Committee may establish; or

(ii) unless otherwise set forth in the applicable Award Agreement, by participants who were employees of the Company or one of its subsidiaries at the time of the grant of the Stock Option or Stock Appreciation Right unless such participant has been, at all times during the period beginning with the date of grant of the Stock Option or Stock Appreciation Right and ending on the date three months prior to such exercise, an officer or employee of the Company or any of its subsidiaries, or of a corporation, or a parent or subsidiary of a corporation, issuing or assuming the Stock Option or Stock Appreciation Right in a transaction to which Section 424(a) of the Code is applicable, except that:

(A) unless otherwise set forth in the applicable Award Agreement, if such person shall cease to be an officer or employee of the Company or one of its subsidiaries solely by reason of a period of Related Employment (as defined in Section 12), he or she may,

during such period of Related Employment (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof), exercise such Stock Option or Stock Appreciation Right as if he or she continued to be such an officer or employee; or

(B) unless otherwise set forth in the applicable Award Agreement, if an optionee shall become Disabled (as defined in Section 10) he or she may, at any time within three years of the date he or she becomes disabled (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof), exercise the Stock Option or Stock Appreciation Right with respect to (i) any Shares as to which he or she could have exercised the Stock Option or Stock Appreciation Right on the date he or she became disabled and (ii) if the Stock Option or Stock Appreciation Right is not fully exercisable on the date he or she becomes disabled, the number of additional Shares as to which the Stock Option or Stock Appreciation Right would have become exercisable had he or she remained an employee through the next date on which additional Shares were scheduled to become exercisable under the Stock Option or Stock Appreciation Right; or

(C) unless otherwise set forth in the applicable Award Agreement, if an optionee shall die while holding a Stock Option or Stock Appreciation Right, his executors, administrators, heirs or distributees, as the case may be, at any time within one year after the date of such death (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof), may exercise the Stock Option or Stock Appreciation Right with respect to any Shares as to which the decedent could have exercised the Stock Option or Stock Appreciation Right at the time of his or her death, and if the Stock Option or Stock Appreciation Right is not fully exercisable on the date of his or her death, the number of additional Shares as to which the Stock Option or Stock Appreciation Right would have become exercisable had he or she remained an employee through the next date on which additional Shares were scheduled to become exercisable under the Stock Option or Stock Appreciation Right; provided, however, that if death occurs during the three-year period following a Disability as described in Section 5(c)(ii)(B) hereof or any period following a voluntary termination (including retirement) in respect of which the Committee has exercised its discretion to grant continuing exercise rights as provided in Section 5(c)(ii)(D) hereof, the Stock Option or Stock Appreciation Right shall not become exercisable as to any Shares in addition to those as to which the decedent could have

exercised the Stock Option or Stock Appreciation Right at the time of his or her death; or

(D) unless otherwise set forth in the applicable Award Agreement, if such person shall voluntarily terminate his or her employment with the Company (including retirement), the Committee, in its sole discretion, may determine that such optionee may exercise the Stock Option or Stock Appreciation Right with respect to some or all of the Shares subject to the Stock Option or Stock Appreciation Right as to which it would not otherwise be exercisable on the date of his or her voluntary termination provided, however, that in no event may such exercise take place after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof.

(E) notwithstanding anything herein to the contrary and subject to Section 13, unless otherwise set forth in the applicable Award Agreement, in the event a Change in Control (as defined in Section 13(a)) occurs and within 12 months thereafter: (A) there is a Termination Without Cause (as defined in Section 14) of an optionee's or awardee's employment or (B) there is a Constructive Termination (as defined in Section 15) of an optionee's or awardee's employment (any such Termination Without Cause or Constructive Termination, a "Trigger Event"), the optionee or awardee may exercise the entire Stock Option or Stock Appreciation Right at any time within 30 days following such Trigger Event (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Sections 5(c)(i)).

6. RESTRICTED STOCK

Each Award of Restricted Stock shall comply with the following terms and conditions, unless otherwise set forth in the applicable Award Agreement:

(a) The Committee shall determine the number of Shares to be issued to a participant pursuant to the Award.

(b) Shares issued may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, for such period from the date on which the Award is granted as the Committee shall determine (the "Restricted Period"). The Company shall have the option to repurchase the Shares subject to the Award at such price as the Committee shall have fixed (including zero consideration), in its sole discretion, when the Award was made, which option will be exercisable on such terms, in such manner and during such period as shall be determined by the Committee when the Award is made (which may include, for illustration, the participant's cessation of continuous employment or the failure to satisfy performance conditions). Certificates for Shares issued pursuant to Restricted Stock Awards shall bear an

appropriate legend referring to the foregoing option and other restrictions. Any attempt to dispose of any such Shares in contravention of the foregoing option and other restrictions shall be null and void and without effect. If Shares issued pursuant to a Restricted Stock Award shall be repurchased pursuant to the option described above, the participant to whom the Award was granted, or in the event of his or her death after such option became exercisable, his or her executor or administrator, shall forthwith deliver to the Secretary of the Company any certificates for the Shares awarded to the participant, accompanied by such instruments of transfer, if any, as may reasonably be required by the Secretary of the Company. If the option described above is not exercised by the Company, such option and the restriction imposed pursuant to the first sentence of this Section 6(b) shall terminate and be of no further force and effect.

(c) Unless otherwise set forth in the applicable Award Agreement, if a participant who has been in the continuous employment of the Company or of a subsidiary shall:

(i) die or become Disabled during the Restricted Period, the option of the Company to repurchase (and any and all other restrictions on) a pro rata portion of the Shares awarded to such participant under such Award shall lapse and cease to be effective as of the date on which his or her death or disability occurs which shall be determined as follows: (A) the number of Shares awarded under the Award multiplied by (B) a percentage, the numerator of which is equal to the number of months elapsed in the Restricted Period as of the date of death or disability (counting the month in which the death or disability occurred as a full month) and the denominator of which is equal to the number of months in the Restricted Period; or

(ii) voluntarily terminate his or her employment with the Company (including retirement) during the Restricted Period, the Committee may determine that all or any portion of the option to repurchase and any and all other restrictions on some or all of the Shares awarded to him or her under such Award, if such option and other restrictions are still in effect, shall lapse and cease to be effective as the date on which such voluntary termination or retirement occurs.

(d) Unless otherwise set forth in the applicable Award Agreement, in the event within 12 months after a Change in Control and during the Restricted Period there is a Trigger Event, then the option to repurchase (and any and all other restrictions on) all Shares awarded to the participant under his or her Restricted Stock Award shall lapse and cease to be effective as of the date on which such Trigger Event occurs.

7. RESTRICTED STOCK UNITS

The grant of a Restricted Stock Unit Award to a participant will entitle him or her to receive, without payment to the Company, an amount equal to the number of Shares underlying such Restricted Stock Unit Award multiplied by the Fair Market Value of a

Share on the date of vesting of the Restricted Stock Unit Award, if the terms and conditions specified herein and in the Award are satisfied. Payment in respect of a Restricted Stock Unit Award shall be made as provided in Section 7(e). Each Restricted Stock Unit Award shall be subject to the following terms and conditions:

(a) The Committee shall determine the number of Shares underlying the Restricted Stock Units to be granted to a participant.

(b) Restricted Stock Unit Awards shall be subject to the vesting schedule determined by the Committee and set forth in the applicable Award Agreement. Payment in respect of a vested Restricted Stock Unit may be made in cash, stock or any combination thereof, as specified in the applicable Award Agreement.

(c) Except as otherwise determined by the Committee or in an Award Agreement, Restricted Stock Units shall be cancelled if the participant's continuous employment with the Company or any of its subsidiaries shall terminate for any reason prior to the vesting of the Restricted Stock Units, except solely by reason of a period of Related Employment, and except as otherwise specified in this Section 7(c) or in Section 7(d). Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, if an employee participant shall:

(i) while in such employment, die or become Disabled prior to the vesting of the Restricted Stock Units, such Restricted Stock Units shall be immediately canceled and the participant, or the participant's legal representative, as the case may be, shall receive a payment in respect of such canceled Restricted Stock Units equal to the product of (A)(i) the number of Shares underlying such Restricted Stock Units multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months within the period commencing on the grant date of such Restricted Stock Units and such death or Disability (including, for this purpose, the month in which the death or Disability occurs), and the denominator of which is equal to the total number of months from the grant date to the date when such Restricted Stock Units were intended to vest; or

(ii) retire with the approval of the Committee in its sole discretion prior to the vesting of the Restricted Stock Units, the Restricted Stock Units shall be immediately canceled; provided that the Committee in its sole discretion may determine to make a payment to the participant in respect of some or all of such canceled Restricted Stock Units.

(d) Unless otherwise set forth in the applicable Award Agreement, if within 12 months after a Change in Control there is a Trigger Event, then with respect to Restricted Stock Unit Awards that were outstanding on the date of the Trigger Event (each, an "Applicable Award"), each such Applicable Award shall be immediately canceled and, in respect thereof, such participant shall be entitled to receive a cash payment equal to the product of (A) the number of Shares underlying such Applicable Awards and (B) the Fair Market Value of a Share on the date the applicable Trigger Event occurs.

(e) Unless payment is deferred in accordance with an election made by the participant in accordance with procedures adopted by the Company in its sole discretion (if any), payment of any amount in respect of any Restricted Stock Units shall be made by the Company no later than 60 days after the end of the calendar year in which such Restricted Stock Units vest or become payable.

8. PERFORMANCE SHARES

The grant of a Performance Share Award to a participant will entitle such participant to receive, without payment to the Company, all or part of the value (the "Actual Value") of a specified number of hypothetical Shares ("Performance Shares") determined by the Committee, if the terms and conditions specified herein and in the Award are satisfied. Payment in respect of a Performance Share Award shall be made as provided in Section 8(h). Each Performance Share Award shall be subject to the following terms and conditions:

(a) The Committee shall determine the target number of Performance Shares to be granted to a participant. Performance Share Awards may be granted in different classes or series having different terms and conditions.

(b) The Actual Value of a Performance Share Award shall be the product of (i) the target number of Performance Shares subject to the Performance Share Award, (ii) the Performance Percentage (as determined below) applicable to the Performance Share Award and (iii) the Fair Market Value of a Share on the date the Award is paid or becomes payable to the participant. The "Performance Percentage" applicable to a Performance Share Award shall be a percentage of no less than 0% and no more than 200%, which percentage shall be determined by the Committee based upon the extent to which the Performance Objectives (as determined below) established for such Award are achieved during the Award Period (as defined below). The method for determining the applicable Performance Percentage shall also be established by the Committee.

(c) At the time each Performance Share Award is granted, the Committee shall establish performance objectives ("Performance Objectives") to be attained within the Award Period as the means of determining the Performance Percentage applicable to such Award. The Performance Objectives shall be approved by the Committee (i) while the outcome for that Award Period is substantially uncertain and (ii) no more than 90 days after the commencement of the Award Period to which the Performance Objective relates or, if less than 90 days, the number of days which is equal to 25 percent of the relevant Award Period. The Performance Objectives established with respect to a Performance Share Award shall be specific performance targets established by the Committee with respect to one or more of the following criteria selected by the Committee: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on stockholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) share price; (xi) combined ratio; (xii) operating ratio; (xiii) profitability of an identifiable business unit or product; (xiv) maintenance or

improvement of profit margins; (xv) market share; (xvi) revenues or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) return on assets; (xxi) customer satisfaction; (xxii) employee satisfaction; (xxiii) economic value per Share, (xxiv) underwriting return on capital and (xxv) underwriting return on equity. The foregoing criteria may relate to the Company, one or more of its subsidiaries or one or more of its divisions, units, partnerships, joint ventures or minority investments, product lines or products or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the Performance Objectives may be calculated without regard to extraordinary items.

(d) The award period (the "Award Period") in respect of any grant of a Performance Share Award shall be such period as the Committee shall determine commencing as of the beginning of the fiscal year of the Company in which such grant is made. An Award Period may contain a number of performance periods; each performance period shall commence on or after the first day of the Award Period and shall end no later than the last day of the Award Period. If the Committee does not specify in a Performance Share Award agreement or elsewhere the performance periods contained in an Award Period, each 12-month period beginning with the first day of such Award Period shall be deemed to be a performance period.

(e) Except as otherwise determined by the Committee or in an Award Agreement, Performance Shares shall be canceled if the participant's continuous employment with the Company or any of its subsidiaries shall terminate for any reason prior to the end of the Award Period, except by reason of a period of Related Employment as defined in Section 11, and except as otherwise specified in this Section 8(e) or in Section 8(f). Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, if an employee participant shall:

(i) while in such employment, die or become Disabled prior to the end of an Award Period, the Performance Share Award for such Award Period shall be immediately canceled and he or she, or his or her legal representative, as the case may be, shall receive a payment in respect of such canceled Performance Share Award equal to the product of (A)(i) the target number of Performance Shares for such Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months within the Award Period during which employee was continuously employed by the Company or its subsidiaries (including, for this purpose, the month in which the death or Disability occurs), and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the Fair Market Value of a Share on the last day of the performance period in which the death or Disability occurred, multiplied by (C) the Performance Percentage determined by the Board to have been achieved through the end of the performance period in which the death or Disability occurred (but which in no event shall be less than 50%); or

(ii) retire with the approval of the Committee in its sole discretion prior to the end of the Award Period, the Performance Share Award for such Award Period shall be immediately canceled; provided that the Committee in its sole discretion may determine to make a payment to the participant in respect of some or all of such canceled Performance Share Award.

(f) Unless otherwise set forth in the applicable Award Agreement, if within 12 months after a Change in Control there is a Trigger Event, then with respect to Performance Share Awards that were outstanding on the date of the Trigger Event (each, an "Applicable Award"), each such Applicable Award shall be immediately canceled and, in respect thereof, such participant shall be entitled to receive a payment equal to the product of (A) (i) the target number of Performance Shares for such Applicable Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full months within the Award Period during which the participant was continuously employed by the Company or its subsidiaries, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the Fair Market Value of a Share on the date the applicable Trigger Event occurs, multiplied by (C) a Performance Percentage equal to 100%. Unless otherwise set forth in the applicable Award Agreement, if following a Change in Control, a Participant's employment remains continuous through the end of an Award Period, then the Participant shall be paid with respect to such Awards for which he would have been paid had there not been a Change in Control and the Actual Value shall be determined in accordance with Section 8(g) below.

(g) Except as otherwise provided in Section 8(f), as soon as practicable after the end of the Award Period or such earlier date as the Committee in its sole discretion may designate, the Committee shall (i) determine, based on the extent to which the applicable Performance Objectives have been achieved, the Performance Percentage applicable to an Award of Performance Shares, (ii) calculate the Actual Value of the Performance Share Award and (iii) shall certify the foregoing to the Board. The Committee shall cause an amount equal to the Actual Value of the Performance Shares earned by the participant to be paid to him or his beneficiary. The Committee shall determine, in its sole and plenary discretion, whether Performance Shares shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(h) Unless payment is deferred in accordance with an election made by the participant in accordance with procedures adopted by the Company in its sole discretion (if any), payment of any amount in respect of any Performance Shares shall be made by the Company no later than 60 days after the end of the calendar year in which such Performance Shares are earned.

9. PERFORMANCE UNITS

The grant of a Performance Unit Award to a participant will entitle such participant to receive, without payment to the Company, all or part of a specified amount (the "Earned Value") determined by the Committee, if the terms and conditions specified herein and in the Award are satisfied. Payment in respect of a Performance Unit Award shall be made

as provided in Section 9(h). Each Performance Unit Award shall be subject to the following terms and conditions:

(a) The Committee shall determine the target number of Performance Units to be granted to a participant. The maximum Earned Value that may be earned by a participant for Performance Units for any single Award Period of one year or longer shall not exceed $25,000,000. Performance Unit Awards may be granted in different classes or series having different terms and conditions.

(b) The Earned Value of an Award of Performance Units shall be the product of (i) the target number of Performance Units subject to the Performance Unit Award, (ii) the Performance Percentage (as determined below) applicable to the Performance Unit Award and (iii) the Value (as defined below) of a Performance Unit on the date the Award is paid or becomes payable to the employee. The "Performance Percentage" applicable to a Performance Unit Award shall be a percentage of no less than 0% and no more than 200%, which percentage shall be determined by the Committee based upon the extent to which the Performance Objectives (as determined below) established for such Award are achieved during the Award Period (as defined below). The method for determining the applicable Performance Percentage shall also be established by the Committee. The "Value" of a Performance Unit shall be a fixed dollar value (or a dollar value determined pursuant to a formula or similar process) specified by the Committee and set forth in the applicable Award Agreement.

(c) At the time each Performance Unit Award is granted the Committee shall establish performance objectives ("Performance Objectives") to be attained within the Award Period as the means of determining the Performance Percentage applicable to such Award. The Performance Objectives shall be approved by the Committee (i) while the outcome for that Award Period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance objective relates or, if less than 90 days, the number of days which is equal to 25 percent of the relevant performance period. The Performance Objectives established with respect to a Performance Unit Awards shall be specific performance targets established by the Committee with respect to one or more of the following criteria selected by the Committee: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on stockholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) share price; (xi) combined ratio; (xii) operating ratio; (xiii) profitability of an identifiable business unit or product; (xiv) maintenance or improvement of profit margins; (xv) market share; (xvi) revenues or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) return on assets; (xxi) customer satisfaction; (xxii) employee satisfaction; (xxiii) economic value per Share, (xxiv) underwriting return on capital and (xxv) underwriting return on equity. The foregoing criteria may relate to the Company, one or more of its subsidiaries or one or more of its divisions, units, partnerships, joint ventures or minority investments, product lines or products or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or

more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the Performance Objectives may be calculated without regard to extraordinary items.

(d) The award period (the "Award Period") in respect of any grant of a Performance Unit Award shall be such period as the Committee shall determine commencing as of the beginning of the fiscal year of the Company in which such grant is made. An Award Period may contain a number of performance periods; each performance period shall commence on or after the first day of the Award Period and shall end no later than the last day of the Award Period. If the Committee does not specify in a Performance Unit Award Agreement or elsewhere the performance periods contained in an Award Period, each 12-month period beginning with the first day of such Award Period shall be deemed to be a performance period.

(e) Except as otherwise determined by the Committee or in an Award Agreement, Performance Units shall be cancelled if the participant's continuous employment with the Company or any of its subsidiaries shall terminate for any reason prior to the end of the Award Period, except solely by reason of a period of Related Employment, and except as otherwise specified in this Section 9(e) or in Section 9(f). Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, if an employee participant shall:

(i) while in such employment, die or become Disabled prior to the end of an Award Period, the Performance Unit Award for such Award Period shall be immediately canceled and the participant, or his or her legal representative, as the case may be, shall receive a payment in respect of such canceled Performance Unit Award equal to the product of (A)(i) the target number of Performance Units for such Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months within the Award Period during which employee was continuously employed by the Company or its subsidiaries (including, for this purpose, the month in which the death or disability occurs), and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the value of a Performance Unit on the last day of the performance period in which the death or disability occurred, multiplied by (C) the Performance Percentage determined by the Board to have been achieved through the end of the performance period in which the death or disability occurred; or

(ii) retire with the approval of the Committee in its sole discretion prior to the end of the Award Period, the Performance Unit Award for such Award Period shall be immediately canceled; provided that the Committee in its sole discretion may determine to make a payment to the participant in respect of some or all of such canceled Performance Unit Award.

(f) Unless otherwise set forth in the applicable Award Agreement, if within 12 months after a Change in Control there is a Trigger Event, then with respect to

Performance Unit Awards that were outstanding on the date of the Trigger Event (each, an "Applicable Award"), each such Applicable Award shall be immediately canceled and, in respect thereof, such participant shall be entitled to receive a payment equal to the product of (A) (i) the target number of Performance Units for such Applicable Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full months within the Award Period during which the participant was continuously employed by the Company or its subsidiaries, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the Value of a Performance Unit on the date the applicable Trigger Event occurs, multiplied by (C) a Performance Percentage equal to 100%. If following a Change in Control, unless otherwise set forth in the applicable Award Agreement, a Participant's employment remains continuous through the end of an Award Period, then the Participant shall be paid with respect to such Awards for which he or she would have been paid had there not been a Change in Control and the Earned Value shall be determined in accordance with Section 9(g) below.

(g) Except as otherwise provided in Section 9(f), as soon as practicable after the end of the Award Period or such earlier date as the Committee in its sole discretion may designate, the Committee shall (i) determine, based on the extent to which the applicable Performance Objectives have been achieved, the Performance Percentage applicable to an Award of Performance Units, (ii) calculate the Earned Value of the Performance Unit Award and (iii) shall certify all of the foregoing to the Board of Directors. The Committee shall cause an amount equal to the Earned Value of the Performance Units earned by the participant to be paid to him or her or his or her beneficiary. The Committee shall determine, in its sole and plenary discretion, whether a Performance Unit shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(h) Unless payment is deferred in accordance with an election made by the participant in accordance with procedures adopted by the Company in its sole discretion (if any), payment of any amount in respect of any Performance Units shall be made by the Company no later than 60 days after the end of the calendar year in which such Performance Units are earned.

10. OTHER STOCK-BASED AWARDS

Subject to the provisions of the Plan, the Committee shall have the sole and plenary authority to grant to participants other equity-based or equity-related Awards (including, but not limited to, fully-vested Shares) in such amounts and subject to such terms and conditions as the Committee shall determine.

11. DISABILITY

For the purposes of this Plan, unless otherwise specified in the applicable Award Agreement, a participant shall be deemed to be "Disabled" if the Committee shall determine that the physical or mental condition of the participant is such as would entitle

him or her to payment of long-term disability benefits under any disability plan of the Company or a subsidiary in which he or she is a participant.

12. RELATED EMPLOYMENT

For the purposes of this Plan, Related Employment shall mean the employment of a participant by an employer which is neither the Company nor a subsidiary provided: (i) such employment is undertaken by the participant and continued at the request of the Company or a subsidiary; (ii) immediately prior to undertaking such employment, the participant was an officer or employee of the Company or a subsidiary, or was engaged in Related Employment as herein defined; and (iii) such employment is recognized by the Committee, in its sole discretion, as Related Employment for the purposes of this Section 12. The death or Disability of a participant during a period of Related Employment as herein defined shall be treated, for purposes of this Plan, as if the death or onset of disability had occurred while the participant was an officer or employee of the Company.

13. CHANGE IN CONTROL

(a) For purposes of this Plan, unless otherwise specified in the applicable Award Agreement, a "Change in Control" within the meaning of this Section 13(a) shall occur if:

(i) Any person or group (within the meaning of Section 13(d) and 14(d)(2) of the Exchange Act), other than (x) White Mountains Insurance Group, Ltd., Berkshire Hathaway, Inc. or the respective wholly owned subsidiaries thereof, as applicable (the "Significant Investors"), (y) an underwriter temporarily holding Shares in connection with a public issuance thereof or (z) an employee benefit plan of the Company or its affiliates, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of thirty-five percent (35%) or more of the Company's then outstanding Shares and such ownership percentage exceeds the beneficial ownership percentage of the Significant Investors in the Company's then outstanding Shares;

(ii) the Continuing Directors, as defined in Section 13(b), cease for any reason to constitute a majority of the Board of the Company; or

(iii) the business of the Company and its subsidiaries is disposed of by the Company pursuant to a sale or other disposition of all or substantially all of the business or business-related assets of the Company and its subsidiaries.

(b) For the purposes of this Plan, "Continuing Director" shall mean a member of the Board who either was a member of the Board on the Effective Date (as defined below) or subsequently became a director of the Company and whose election, or nomination for election, by the Company's shareholders was approved by a vote of a majority of the Continuing Directors then on the Board (which term, for purposes of this definition, shall mean the whole Board and not any committee

thereof), but excluding any such individual whose initial assumption of office occurred pursuant to an actual or threatened proxy contest or consent solicitation with respect to the election or removal of directors.

(c) In the event of a Change in Control, the Committee as constituted immediately prior to the Change in Control shall determine the manner in which "Fair Market Value" of Shares will be determined following the Change in Control.

14. TERMINATION WITHOUT CAUSE

For purposes of this Plan, unless otherwise specified in the applicable Award Agreement, "Termination Without Cause" shall mean a termination of the participant's employment with the Company or subsidiary or business unit of the Company by the Company (or subsidiary or business unit, as applicable) or, by a purchaser of the participant's subsidiary or business unit after a Change in Control as described in Subsection 13(a)(iii), other than (i) for death or Disability or (ii) for Cause. "Cause" shall mean, unless otherwise set forth in the applicable Award Agreement, (a) an act or omission by the participant that constitutes a felony or any crime involving moral turpitude; or (b) willful gross negligence or willful gross misconduct by the participant in connection with his employment which causes, or is likely to cause, material loss or damage to the Company, subsidiary or business unit. Notwithstanding anything herein to the contrary, if the participant's employment with the Company, subsidiary or business unit shall terminate due to a Change in Control as described in Subsection 13(a)(iii), where the purchaser (the "Purchaser"), as described in such subsection, formally assumes the Company's obligations under this Plan or places the participant in a similar or like plan with no diminution of the value of the awards, such termination shall not be deemed to be a "Termination Without Cause."

15. CONSTRUCTIVE TERMINATION

"Constructive Termination" shall mean, unless otherwise set forth in the applicable Award Agreement, a termination of employment with the Company or a subsidiary at the initiative of the participant that the participant declares by prior written notice delivered to the Secretary of the Company to be a Constructive Termination by the Company or a subsidiary and which follows (a) a material decrease in his total compensation opportunity or (b) a material diminution in the authority, duties or responsibilities of his position with the result that the participant makes a determination in good faith that he or she cannot continue to carry out his or her job in substantially the same manner as it was intended to be carried out immediately before such diminution. Notwithstanding anything herein to the contrary, Constructive Termination shall not occur within the meaning of this Section 15 until and unless (a) the participant provides 30 days written notice of termination to the company of the occurrence of the circumstances described in this Section 15 within 30 days following such occurrence and (b) 30 days have elapsed from the date the Company receives such written notice from the participant without the Company curing or causing to be cured the circumstance or circumstances described in this Section 15 on the basis of which the declaration of Constructive Termination is given.

16. [RESERVED]

17. DILUTION AND OTHER ADJUSTMENTS

(a) In the event of any change in the outstanding Shares of the Company by reason of any stock split, stock or extraordinary cash dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of Shares or other similar event, and if the Committee shall determine, in its sole discretion, that such change equitably requires an adjustment in the number or kind of Shares that may be issued under the Plan pursuant to Section 4, in the number or kind of Shares subject to, or the Stock Option or Stock Appreciation Right price per Share under, any outstanding Award, in the number or kind of Shares which have been awarded as Restricted Stock or in the repurchase option price per share relating thereto, in the target number of Performance Shares or Performance Units which have been awarded to any participant, or in any measure of performance, then such adjustment shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

(b) The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, split-up or spin-off, merger, consolidation, stock sale, asset sale or the occurrence of a Change of Control) affecting the Company, any affiliate, or the financial statements of the Company or any affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the Committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an Award in consideration for the cancelation of such Award, including, in the case of an outstanding Option or Stock Appreciation Right, a cash payment to the holder of such Option or Stock Appreciation Right in consideration for the cancelation of such Option or Stock Appreciation Right in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or Stock Appreciation Right over the aggregate Exercise Price of such Option or Stock Appreciation Right and (iii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by canceling and terminating any Option or Stock Appreciation Right having a per Share exercise price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or Stock Appreciation Right without any payment or consideration therefor.

18. DESIGNATION OF BENEFICIARY BY PARTICIPANT

A participant may name a beneficiary to receive any payment to which he may be entitled in respect of Restricted Stock Units, Performance Shares, Performance Units or Stock Appreciation Rights under the Plan in the event of his death, on a form to be provided by the Committee. A participant may change his beneficiary from time to time in the same manner. If no designated beneficiary is living on the date on which any amount becomes payable to a participant's executors or administrators, the term "beneficiary" as used in the Plan shall include such person or persons.

19. CERTAIN ADDITIONAL DEFINITIONS

As used in the Plan, the term "Fair Market Value" shall mean (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (b) with respect to Shares, as of any date, (i) the closing per share sales price of the Shares (A) as reported by the NYSE for such date or (B) if the Shares are listed on any other national stock exchange, as reported on the stock exchange composite tape for securities traded on such stock exchange for such date or, with respect to each of clauses (A) and (B), if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

20. MISCELLANEOUS PROVISIONS

(a) No employee or other person shall have any claim or right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving an employee any right to be retained in the employ of the Company or any subsidiary.

(b) A participant's rights and interest under the Plan may not be assigned or transferred in whole or in part either directly or by operation of law or otherwise (except in the event of a participant's death), including but not limited to, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner and no such right or interest of any participant in the Plan shall be subject to any obligation or liability or such participant.

(c) No Shares shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable Federal and state securities laws.

(d) The Company and its subsidiaries shall have the right to deduct from any payment made under the Plan any Federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Company to issue Shares upon exercise of a Stock Option, upon settlement of a Stock Appreciation Right, or upon payment of a Restricted Stock Unit, Performance Share or a Performance Unit that the participant (or any beneficiary or person entitled to payment under Section 5(c)(ii)(C) hereof) pay to

the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold Federal, state or local income or other taxes. If the amount requested is not paid, the Company may refuse to issue Shares.

(e) The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan.

(f) By accepting any Award or other benefit under the Plan, each participant and each person claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

21. AMENDMENT

The Plan may be amended at any time and from time to time by the Board, but no amendment which increases the aggregate number of Shares which may be issued pursuant to the Plan or the class of employees eligible to participate shall be effective unless and until the same is approved by the shareholders of the Company. No amendment of the Plan shall adversely affect any right of any participant with respect to any Award previously granted without such participant's written consent.

22. TERMINATION

This Plan shall terminate upon the earlier of the following dates or events to occur:

(a) the adoption of a resolution of the Board terminating the Plan; or

(b) ten years from the Effective Date.

No termination of the Plan shall alter or impair any of the rights or obligations of any person, without his consent, under any Award previously granted under the Plan.

23. EFFECTIVE DATE

The Plan shall be effective as of the date of its adoption by the Board and approval by the Company's shareholders (such date, the "Effective Date"); provided, however, that no Incentive Share Options may be granted under the Plan unless it is approved by the Company's shareholders within twelve (12) months before or after the date the Plan is adopted by the Board.

Amended and Restated
March 5, 2008*

Symetra Financial Corporation

EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the Employee Stock Purchase Plan of Symetra Financial Corporation.

1. **Purpose**. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423.

2. **Definitions**.

(a) "**Administrator**" shall mean the Board or any Committee designated by the Board to administer the plan pursuant to Section 14.

(b) "**Board**" shall mean the Board of Directors of the Company.

(c) "**Change of Control**" shall, for the purpose of this plan, occur if:

(i) Any person or group (within the meaning of Section 13(d) and 14(d)(2) of the Exchange Act), other than (x) White Mountains Insurance Group, Ltd., Berkshire Hathaway, Inc. or the respective wholly owned subsidiaries thereof, as applicable (the "Significant Investors"), (y) an underwriter temporarily holding Shares in connection with a public issuance thereof or (z) an employee benefit plan of the Company or its affiliates, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of thirty-five percent (35%) or more of the Company's then outstanding Shares and such ownership percentage exceeds the beneficial ownership percentage of the Significant Investors in the Company's then outstanding Shares;

(ii) the Continuing Directors (defined as a member of the Board who either was a member of the Board on the Effective Date, or subsequently became a director of the Company and whose election, or nomination for election by the Company's shareholders was approved by a vote of a majority of the Continuing Directors then on the Board (which term, for purposes of this definition, shall mean the whole Board and not any committee thereof), but excluding any such individual whose initial assumption of office occurred pursuant to an actual or threatened proxy contest or consent solicitation with respect to the election or removal of directors) cease for any reason to constitute a majority of the Board of the Company;

* Schedule A updated to remove former subsidiary 09-18-09.

(iii) the business of the Company and its subsidiaries is disposed of by the Company pursuant to a sale or other disposition of all or substantially all of the business or business-related assets of the Company and its subsidiaries.

(d) "**Code**" shall mean the Internal Revenue Code of 1986, as amended.

(e) "**Committee**" means the Compensation Committee of the Board appointed by the Board in accordance with Section 14 hereof.

(f) "**Common Stock**" shall mean the common stock of the Company.

(g) "**Company**" shall mean Symetra Financial Corporation, a Delaware corporation.

(h) "**Compensation**" shall mean all taxable compensation reportable by Employer on IRS Form W-2, before any salary reduction contributions made to an Employee-sponsored cafeteria, qualified transportation fringe, simplified employee pension, 401(k), 457(b) or 403(b) plan, and including sales incentive compensation and overtime pay; but excluding reimbursements or other expense allowances, fringe benefits, moving expenses, deferred compensation, welfare benefits, Annual Incentive Bonus (AIB), any other bonus, the taxable value of qualified or non-qualified stock option, severance pay, Employer-paid cash and non-cash fringe benefits, long-term disability benefits, and any long term incentive plan payments to include the Performance Share Plan.

(i) "**Designated Subsidiary**" shall mean any Subsidiary selected by the Administrator as eligible to participate in the Plan and noted on Schedule A. Schedule A may be modified by the Administrator.

(j) "**Eligible Employee**" shall mean any individual who is a salaried employee of the Company or any Designated Subsidiary and whose customary employment with the Company or Designated Subsidiary is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

(k) "**Fair Market Value**" of a Share shall mean, as of any date, (i) the closing per share sales price of the Shares (A) as reported by the NYSE for such date or (B) if the Shares are listed on any other national stock exchange, as reported on the stock exchange composite tape for securities traded on such stock exchange for such date or, with respect to each of clauses (A) and (B), if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee. Notwithstanding the above, in the event of a Change in Control, the Committee as constituted

immediately prior to the Change in Control shall determine the manner in which "Fair Market Value" of Shares will be determined following the Change in Control.

(l) "**Offering Date**" shall mean the first Trading Day of each Offering Period.

(m) "**Offering Periods**" shall mean the periods of approximately six (6) months during which payroll deductions of the participants are accumulated under this Plan, commencing on the first Trading Day on or immediately after February 15 and August 15 of each year and terminating on the next August 14 or February 14, respectively; provided, however, that in the event the first day of an Offering Period would not fall on a Trading Day, the Offering Period shall instead begin on the next Trading Day, and in the event the last day of an Offering Period would not fall on a Trading Day, the Offering Period shall instead end on the Trading Day immediately prior to such date. The first Offering Period under the Plan shall commence on the first February 15 or August 15 immediately following the date upon which public trading of shares of the Common Stock commences on a national securities exchange. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan.

(n) "**Plan**" shall mean this Employee Stock Purchase Plan.

(o) "**Purchase Date**" shall mean the last day of each Purchase Period.

(p) "**Purchase Periods**" shall mean periods of approximately three (3) months within an Offering Period, with the first Purchase Period of each Offering Period commencing on the first day of the Offering Period (for example, February 15 or August 15) and ending on the next May 14 or November 14, respectively, and with the second Purchase Period of each Offering Period commencing the next Trading Day following the end of the first Purchase Period (for example, May 15 or November 15) and ending on the next August 14 or February 14, respectively; provided that in the event the beginning of a Purchase Period would not fall on a Trading Day, the Purchase Period shall instead begin on the next Trading Day, and in the event the last date of a Purchase Period would not fall on a Trading Day, the Purchase Period shall instead end on the Trading Day immediately prior to such date.

(q) "**Purchase Price**" shall mean eighty-five percent (85%) of the Fair Market Value of a share of Common Stock on the applicable Purchase Date; provided however, that the Purchase Price may be adjusted by the Administrator pursuant to Section 20.

(r) "**Subsidiary**" shall mean a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(s) "**Trading Day**" shall mean a day on which national stock exchanges and the NYSE System are open for trading.

3. **Eligibility**.

(a) **Offering Periods**. Any individual who is an Eligible Employee one month prior to an Offering Date shall be eligible to participate in the Plan for that Offering Period.

(b) **Limitations**. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries under Section 423 of the Code accrues at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. **Offering Periods**. The Plan shall be implemented by consecutive Offering Periods, which will continue until terminated in accordance with Section 20 hereof. The Committee shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without shareholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. **Participation**.

(a) **First Offering Period**. An Eligible Employee shall be entitled to participate in the first Offering Period only if such individual submits a subscription agreement authorizing payroll deductions in a form determined by the Administrator (i) no earlier than the effective date of the Form S-8 registration statement with respect to the issuance of Common Stock under the Plan and (ii) no later than five (5) business days (or such other number of days as determined by the Administrator) from the effective date of such S-8 registration statement (the "Enrollment Window"). An Eligible Employee's failure to submit the subscription agreement during the Enrollment Window shall result in the automatic termination of such individual's participation in the Offering Period.

(b) **Subsequent Offering Periods**. An Eligible Employee may become a participant in the Plan with respect to Offering Periods after the first Offering Period by completing a subscription agreement authorizing payroll deductions in a form determined by the Administrator and filing it with the Company's payroll office prior to the applicable Offering Date.

6. **Payroll Deductions**.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation which he or she receives on each pay day during the Offering Period (or such lower limit as determined by the Committee), but in any event not to exceed the limit specified in Section 3(b); provided, however, that should a payday occur on an Purchase Date, a participant shall have the payroll deductions made on

such day applied to his or her account under the new Offering Period or Purchase Period, as the case may be. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) Payroll deductions for a participant shall commence on the first payday following the Offering Date and shall end on the last payday in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof; provided, however, that for the first Offering Period, payroll deductions shall commence on the first payday on or following the end of the Enrollment Window.

(c) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account.

(d) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may increase or decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Administrator may, in its discretion, limit the nature and/or number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period following ten (10) business days after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly.

(e) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b) (8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be decreased to zero percent (0%) at any time during a Purchase Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Purchase Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

(f) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee.

7. **Grant of Option**. On the Offering Date of each Offering Period, each Eligible Employee participating in such Offering Period shall be granted an option to purchase on each Purchase Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such Eligible Employee's payroll deductions accumulated prior to such Purchase Date and retained in the Participant's account as of the Purchase Date by the applicable Purchase Price; and provided that such

purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. The Eligible Employee may accept the grant of such option by turning in a completed Subscription Agreement to the Company on or prior to an Offering Date, or with respect to the first Offering Period, prior to the last day of the Enrollment Window. The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock an Eligible Employee may purchase during each Purchase Period of such Offering Period. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period.

8. **Exercise of Option**.

(a) Unless a participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on the Purchase Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 hereof. Any other funds left over in a participant's account after the Purchase Date shall be returned to the participant. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Purchase Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Offering Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Purchase Date, the Administrator may in its sole discretion (x) provide that the Company shall make a pro rata allocation of the shares of Common Stock available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and continue all Offering Periods then in effect, or (y) provide that the Company shall make a pro rata allocation of the shares available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and terminate any or all Offering Periods then in effect pursuant to Section 20 hereof. The Company may make pro rata allocation of the shares available on the Offering Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's shareholders subsequent to such Offering Date.

9. **Delivery**. As soon as reasonably practicable after each Purchase Date on which a purchase of shares occurs, the Company shall arrange the delivery to each participant the shares purchased upon exercise of his or her option in a form determined by the Administrator.

10. **Withdrawal**.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in a form determined by the Administrator to this Plan five (5) or more business days prior to the Purchase Date as designated by the Administrator. All of the participant's payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. **Termination of Employment**. Termination of a participant's employment for any reason, including retirement, death or the failure of a participant to remain an Eligible Employee of the Company or of a Designated Subsidiary, immediately terminates his or her participation in this Plan. In such event, the payroll deductions credited to the participant's account during the Offering Period but not yet used to purchase shares under the Plan will be returned without interest to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 15 hereof. For purposes of this Section 11, an employee will not be deemed to have terminated employment or failed to remain in the continuous employ of the Company or of a Designated Subsidiary in the case of sick leave, military leave, or any other leave of absence approved by the Board; provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

12. **Interest**. No interest shall accrue on the payroll deductions of a participant in the Plan.

13. **Stock**.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be eight hundred seventy thousand (870,000)[1] shares.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a participant shall

[1] Adjusted from 100,000 to reflect the Company's stock dividend effective October 26, 2007.

only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to such shares.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

14. **Administration**. The Administrator shall administer the Plan and shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Administrator shall, to the full extent permitted by law, be final and binding upon all parties.

15. **Designation of Beneficiary**.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to a Purchase Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations shall be in such form and manner as the Administrator may designate from time to time.

16. **Transferability**. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. **Use of Funds**. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be

obligated to segregate such payroll deductions. Until shares are issued, participants shall only have the rights of an unsecured creditor.

18. **Reports**. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Eligible Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. **Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Change of Control**.

(a) **Changes in Capitalization**. Subject to any required action by the shareholders of the Company, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan, the maximum number of shares each participant may purchase each Purchase Period (pursuant to Section 7), the number of shares that may be added annually to the shares reserved under the Plan (pursuant to Section 13(a)(i), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other change in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) **Dissolution or Liquidation**. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Purchase Date (the "New Purchase Date"), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Purchase Date shall be before the date of the Company's proposed dissolution or liquidation. The Administrator shall notify each participant in writing, at least ten (10) business days prior to the New Purchase Date, that the Purchase Date for the participant's option has been changed to the New Purchase Date and that the participant's option shall be exercised automatically on the New Purchase Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) **Merger or Change of Control**. In the event of a merger or Change of Control, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any Purchase Periods then in progress shall be shortened by setting a New Purchase Date and any Offering Periods then in progress shall end on the New Purchase Date. The New Purchase Date shall be before

the date of the Company's proposed merger or Change of Control. The Administrator shall notify each participant in writing, at least ten (10) business days prior to the New Purchase Date, that the Purchase Date for the participant's option has been changed to the New Purchase Date and that the participant's option shall be exercised automatically on the New Purchase Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. **Amendment or Termination**.

(a) The Administrator may at any time and for any reason terminate or amend the Plan. Except as otherwise provided in the Plan, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Administrator on any Purchase Date if the Administrator determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its shareholders. Except as provided in Section 19 and this Section 20 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without shareholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) increasing the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(ii) shortening any Offering Period so that Offering Period ends on a new Purchase Date, including an Offering Period underway at the time of the Board action; and

(iii) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

21. **Notices**. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. **Conditions Upon Issuance of Shares**. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

23. **Term of Plan**. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company. It shall continue in effect until terminated under Section 20 hereof.

SCHEDULE A

Symetra Financial Corporation

Designated Subsidiaries

Symetra Life Insurance Company

Medical Risk Managers, Inc.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our reports dated March 6, 2009, in the Registration Statement (Form S-1) and related Prospectus of Symetra Financial Corporation dated October 5, 2009.

/s/ Ernst & Young LLP

Seattle, Washington
October 5, 2009

[CRAVATH, SWAINE & MOORE LLP LETTERHEAD]

October 5, 2009

Symetra Financial Corporation

Ladies and Gentlemen:

Symetra Financial Corporation is hereby filing via EDGAR its Registration Statement on Form S-1 relating to a proposed initial public offering of its common stock.

Please contact Scott Bennett at (212) 474-1132, or the undersigned at (212) 474-1644, with any questions or comments you may have regarding this filing.

Very truly yours,

/s/ William J. Whelan, III

William J. Whelan, III

Division of Corporation Finance
Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549

VIA EDGAR CORRESPONDENCE