



SYMETRA[®]

RETIREMENT | BENEFITS | LIFE

Symetra Financial Corporation

2013 Corporate Report

Financial highlights

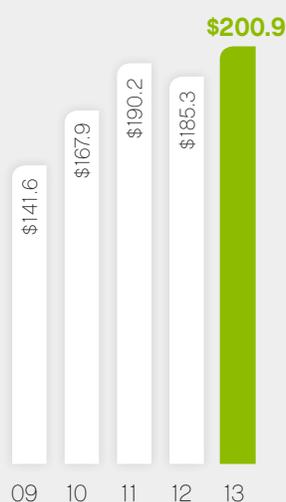
Summary of Consolidated Results

(dollars in millions)

	2013	2012	2011	2010	2009
Net Income	\$220.7	\$205.4	\$195.8	\$193.8	\$121.7
Return on Equity	6.8%	6.1%	7.2%	9.0%	14.9%
Book Value	\$2,941.9	\$3,630.1	\$3,114.9	\$2,356.6	\$1,413.4
Total Revenues	\$2,139.5	\$2,101.2	\$1,999.3	\$1,878.8	\$1,714.0

Adjusted Operating Income*

(dollars in millions)



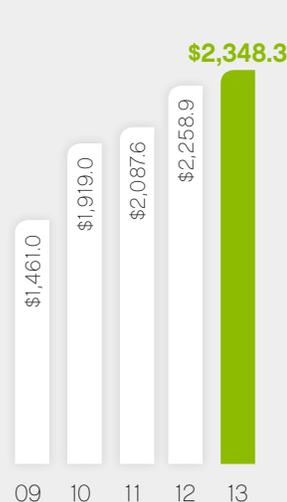
Operating Return on Average Equity*

(dollars in millions)



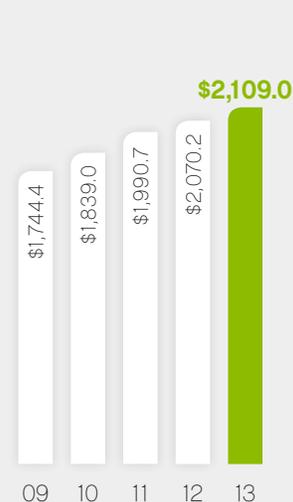
Adjusted Book Value*

(dollars in millions)



Operating Revenues**

(dollars in millions)



* Denotes a non-GAAP financial measure. A definition of this measure and reconciliation to the most directly comparable GAAP measure can be found in Item 7—"Management's Discussion and Analysis of Financial Conditions and Results of Operations" and in Item 6—"Selected Financial Data," respectively, of the 2013 Form 10-K at <http://investors.symetra.com> under "SEC Filings."

** Operating Revenues is a non-GAAP financial measure, and its most directly comparable GAAP measure is Total Revenues. Operating Revenues is calculated as Total Revenues less certain net realized investment gains (losses) totaling \$30.5, \$31.0, \$8.6, \$39.8, and (\$30.4) million for the years ended Dec. 31, 2013, 2012, 2011, 2010 and 2009, respectively.

The financial highlights herein are as of Dec. 31, 2013. This corporate report contains statements that are or may be considered forward-looking in nature. Please see the 2013 Form 10-K for our Forward-Looking Statements at <http://investors.symetra.com> under "SEC Filings."

To our shareholders



Tom Marra
President and CEO

In last year's shareholder letter, I closed with the assertion that Symetra was better positioned for growth in 2013. I'm pleased to report that, in fact, we achieved very strong sales growth across our Retirement and Individual Life divisions, and in our Benefits division's group life and disability income (DI) insurance. I fully expect this momentum to continue in 2014.

I am confident about our prospects for this coming year. In Retirement and Individual Life, we are well positioned to take advantage of the opportunities presented by an improving interest rate environment. In Benefits, we expect to restore the profitability of our medical stop-loss business to our target range, and to generate meaningful revenue growth in group life and DI.

But before we look ahead, I'll recap the year that just ended.

- By mid-year, interest rates began to rise from their historically low levels. We saw the results of our efforts to build and maintain strong relationships with premier distributors, as our sales of deferred annuities, income annuities and universal life (UL) rose sharply during the second half of 2013.
- We successfully maintained solid interest spreads on our deferred annuity account values. We have done a good job of managing against spread compression in this still low interest rate environment.
- We fine-tuned our efforts to grow and diversify Symetra's businesses. This involved making some tough calls, particularly with regard to our variable annuity, which simply had not gained traction in the market. We acted decisively to contain costs and redirect resources to our new fixed indexed annuity (FIA), which has resonated well with our bank and broker-dealer distribution partners and their customers, and has risen quickly to "franchise" status within our Retirement division.
- The Benefits loss ratio came in above our target range because we slightly underpriced the business we renewed in January 2013. Correcting that became the medical stop-loss team's mission for the last nine months of 2013, and I'm very pleased to report that we ended the year well positioned to deliver stronger underwriting results in 2014.
- We put in place a share repurchase program and took significant capital actions in 2013.

Let's review the numbers »

2013 Operating Results

Symetra posted 2013 net income of \$220.7 million, up from \$205.4 million in 2012. Adjusted operating income* for 2013 was \$200.9 million, up from \$185.3 million, driven by higher pretax operating income and a lower effective income tax rate due to our tax credit investment strategy.

Benefits

Our Benefits segment, which includes medical stop-loss, group life and DI, and limited benefit medical insurance, had pretax adjusted operating income of \$64.2 million in 2013, down from \$70.5 million in 2012. The earnings decline was driven by a less favorable loss ratio and increased operating expenses associated with our group life and DI expansion. The Benefits loss ratio was 66.5%, up from 65.1% in 2012.

Sales for the year were \$130.9 million, down from \$159.3 million, as Symetra's pricing discipline in a competitive market resulted in lower medical stop-loss sales. The drop in stop-loss production more than offset the growth in our group life and DI sales, which nevertheless grew nicely from the small level of 2012.

Deferred Annuities

Our Deferred Annuities segment, which includes traditional fixed, fixed indexed and variable deferred annuities, turned in another solid performance with pretax adjusted operating income of \$107.3 million in 2013, up from \$102.7 million in 2012. Results were bolstered by prepayment-related income and the interest margin earned on higher fixed indexed account values. Total account values climbed to \$13.4 billion at year-end 2013, compared with \$11.8 billion at the end of 2012. Included in these numbers, our FIA account values soared to \$1.7 billion, from \$374.9 million at the end of 2012!

Total sales nearly doubled, reaching \$2.2 billion for the year, compared with \$1.1 billion for 2012. Our FIA product drove this result with \$1.3 billion in sales in 2013, compared with \$292.6 million in 2012. Clearly, a more favorable interest rate environment helped, but sales also benefited from our ongoing efforts to expand distribution, as we continued to place our retirement products on more bank platforms.

Income Annuities

Our Income Annuities segment, which includes single premium immediate annuities (SPIAs) and structured settlements, delivered pretax adjusted operating income of \$32.3 million in 2013, down from \$45.0 million in 2012. The decline for the year resulted from lower investment income on lower reserves, and less favorable mortality experience. Mortality gains totaled \$8.1 million in 2013, compared with gains of \$12.9 million in 2012.

Sales decreased \$47.7 million because we discontinued sales of structured settlement annuities in late 2012. However, sales of our retail SPIA rose 17% to \$203.0 million in 2013, compared with \$173.5 million in 2012. SPIA sales ramped up late in 2013 as a result of the more favorable interest rate environment and the success of our sales strategies to help customers maximize retirement income.

Individual Life

Our Individual Life segment, which includes UL, term life, bank-owned life insurance (BOLI) and variable corporate-owned life insurance (COLI), reported pretax adjusted operating income of \$55.3 million in 2013, up from \$47.0 million in 2012. Lower individual life claims and a favorable impact from unlocking¹ drove the earnings improvement.

Sales of individual life insurance increased sharply to \$18.6 million in 2013, from \$9.1 million in 2012. We attribute the strong growth in sales to our expansion in the brokerage general agency (BGA) distribution network, which produced \$15.2 million of UL sales, compared with \$1.6 million in 2012. This was the first year we had sales of variable COLI, which generated deposits of \$45.0 million.

Our Investment Portfolio and Capital Position

Net realized investment gains were \$35.6 million, compared with net gains of \$31.1 million in 2012. These results included net gains on mark-to-market equities, which were \$66.0 million for 2013, compared with net gains of \$36.7 million in 2012.

We maintained our strong capital position throughout 2013. Symetra Life Insurance Company finished the year with a risk-based capital (RBC) ratio of 461%.

The **Value, Transparency, Sustainability (VTS)** standard defines our approach to doing business. Every Symetra product must deliver value to our customers, be transparent in terms of features and underlying financial characteristics, and be sustainable over time.



Our first priority for capital management continues to be funding the organic growth of our business, and we expect to put a lot of capital to work in support of our individual life and annuity sales in the current interest rate environment.

We would still consider an opportunistic acquisition in individual life or group benefits, but in the highly competitive market for attractive targets, we view M&A as a less likely use of capital.

We also expect to buy back shares and increase our dividend over time. In 2013, we initiated a share repurchase program and took actions that reduced our weighted average outstanding share count by 15%, on an annualized basis. We're very pleased with the value of these actions, which—together with dividends—returned \$136.6 million of capital to our shareholders last year.

As we look out over the medium term, increasing sales of fully priced products is the best path to improving operating return on average equity (ROAE). Our businesses are well positioned within their markets to do that, and my confidence in achieving profitable growth is very high.

Our Business Initiatives for 2014

➤ **In our Benefits Division**, the first priority is to restore the loss ratio to our target range. Our work in 2013 set us up to succeed here. We will continue to manage our medical stop-loss business for the bottom line, but we also intend to retain our long-held position as a top carrier in this market.

We will continue our work to establish Symetra in group life and DI, and accelerate the rate of

premium growth. We are targeting the same mid-sized employer market that we serve in medical stop-loss—leveraging our relationships with benefits brokers—and we are focused on delivering quality service to build this business.

Finally, we are working closely with our distribution partners to ensure that Symetra is well positioned to offer medical stop-loss and other benefits solutions to employers that decide to participate in the new private exchanges.

➤ **In our Retirement Division** (our annuities businesses), the priority is straightforward: Follow up a strong 2013 with an even better 2014! As we push forward the successes of last year, we'll be working specifically to:

- Drive strong sales of fixed and fixed indexed annuities through banks—taking advantage of the tremendous opportunities we see in an improving interest rate environment. Continue to expand distribution—adding new bank and broker-dealer distribution partners and deepening our existing relationships.
- Generate SPIA sales through the same banks and broker-dealers. As more baby boomers look for short-term retirement income solutions, we see an attractive opportunity here.
- Continue to manage closely the profitability of our large annuity blocks, working to maintain solid interest spreads on deferred annuities, and stable spreads on income annuities.

> In our Individual Life Division, we are focused on continuing the tremendous momentum achieved at the end of 2013.

We expect to report significant growth in UL sales through our BGA distribution, both by increasing the penetration of existing partners and by adding new ones. I believe we are making real progress in establishing Symetra as an important UL writer. In the second half of 2014, we plan to introduce a survivorship UL product, and we'll continue to expand our offering.

In the improving interest rate environment, we also look to re-emphasize our single-premium life insurance product on bank and broker-dealer platforms.

And we expect growth in variable COLI sales this year, though the pace may be choppy.

More than at any other time since I joined Symetra, I feel that we are starting a new year with all three divisions performing well. Each division is in solid financial condition, we are focused on the right initiatives and the company overall has very good sales momentum.

A National Player

I'll close by sharing our aspiration to be a national player in each of our three divisions. We want Symetra to be talked about as a rising life insurance company—recognized for our innovation and overriding will to compete and win. I believe that we're partly there already with our market leadership in medical stop-loss and annuities sold through banks. Now we want to expand our influence and achieve similar success in our group life and DI and individual life businesses.

Symetra's brand is rising! With our "I Just Want to Fly" national advertising campaign in *Sports Illustrated* and on the NBC Sports Network, our title sponsorship of the Symetra Tour, and our Symetra Heroes in the Classroom program with select NFL teams, the Symetra name is out in the marketplace as never before.

I truly believe that Symetra stands poised to soar, and that 2014 will be a strong year for us!



Tom Marra

President and Chief Executive Officer

¹ Unlocking refers to the impact of changes in actuarial assumptions used for estimates of future gross profits underlying the amortization of deferred acquisition costs, deferred sales inducement assets and certain reserves related to life insurance products. Symetra reviews and updates these assumptions at least annually during the third quarter, and more frequently as warranted.

Shareholder information

Annual Meeting

Friday, May 9, 2014
11:00 a.m. (Eastern Time)

Fairmont Battery Wharf
Constitution Ballroom
Three Battery Wharf
Boston, MA 02109

Corporate Headquarters

Symetra Financial Corporation

Symetra Center
777 108th Avenue NE,
Suite 1200
Bellevue, WA 98004

Mailing Address:
P.O. Box 34690
Seattle, WA 98124-1690
425-256-8000
www.symetra.com

Stock Transfer Agent and Registrar

Toll-free: 877-251-3475

Mailing Address:
Computershare
P.O. Box 30170
College Station, TX 77842-3170

Overnight Correspondence
Address:

Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

Investor Inquiries

Jim Pirak
Senior Vice President
Marketing and Investor Relations
425-256-8284
jim.pirak@symetra.com

Karin Van Vleet
Assistant Vice President
Investor Relations
425-256-5351
karin.vanvleet@symetra.com

Reports and Other Financial Information

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

Stock Exchange Listing

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

Independent Auditors

Ernst & Young LLP
999 Third Avenue, Suite 3500
Seattle, WA 98104



Symetra Financial Corporation
777 108th Avenue NE, Suite 1200
Bellevue, WA 98004-5135
www.symetra.com

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