Symetra Financial Corporation

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

December 31, 2016

All financial information in this document is unaudited

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

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

Forward-Looking Statements

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

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

Further, we are a wholly-owned subsidiary of Sumitomo Life, which has the ability to make important decisions affecting our business.

The following discussion highlights significant factors influencing the results of operations and changes in financial position of Symetra Financial Corporation for the period February 1 to December 31, 2016, the period January 1 to January 31, 2016, and the years ended December 31, 2015 and 2014. Amounts related to the period January 1 to January 31, 2016, the years ended December 31, 2015 and 2014, and as of December 31, 2015 are associated with the Predecessor Company, prior to the Sumitomo Life Merger. Amounts related to the period February 1 to December 31, 2016 and as of December 31, 2016 are associated with the Successor Company. For further discussion of the Sumitomo Life Merger, see - "Results of Operations."

This discussion should be read in conjunction with the December 31, 2016 Consolidated Financial Statements, available on the Company's website at http://investors.symetra.com/ .

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

All dollar amounts are in millions unless otherwise stated.

Overview

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

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

Our Operations

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

Benefits Division

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

Retirement Division

- *Deferred Annuities.* We offer fixed deferred annuities, including fixed indexed annuities (FIA), to consumers who want to accumulate assets for retirement on a tax-deferred basis. In 2016, we began offering certain FIA products that provide guaranteed lifetime withdrawals.
- *Income Annuities.* We offer single premium immediate annuities (SPIA) to customers seeking a reliable source of retirement income or protection against outliving their assets during retirement. We also service our block of structured settlement policies and offer funding services options to existing structured settlement clients.

Individual Life Division

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

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

Results of Operations

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

Sumitomo Life Merger

Results of operations for the Successor Company reflect the impact of the Company's application of the acquisition method of accounting on February 1, 2016 (referred to as purchase accounting or PGAAP). On this date, all identifiable assets and liabilities were adjusted to their fair values. Total stockholder's equity was set equal to the Merger purchase price of $3.7 billion, less certain after-tax, success-based Merger-related fees. Prior period results were not restated for the new basis of accounting.

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

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

For additional discussion of the application of purchase accounting, and changes to the Successor Company's accounting policies subsequent to the Merger, refer to Notes 2 and 3 of the Company's consolidated financial statements.

Consolidated Results

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Segment pre-tax adjusted operating income (loss):				
Benefits	$ 1.0	$ 8.3	$ 74.0	$ 89.9
Deferred Annuities	71.4	10.4	136.3	129.1
Income Annuities	4.2	(2.0)	20.5	15.9
Individual Life	23.4	0.5	36.3	45.7
Other	(32.4)	(7.6)	(71.2)	(22.5)
Pre-tax adjusted operating income (1)	$ 67.6	$ 9.6	$ 195.9	$ 258.1
Add: Excluded realized gains (losses)	(103.1)	(26.5)	(95.5)	41.8
Add: Excluded amortization of intangible assets	(20.3)	—	—	—
Income (loss) from operations before income taxes	(55.8)	(16.9)	100.4	299.9
Total provision (benefit) for income taxes	(72.8)	(10.4)	(46.4)	45.5
Net income (loss)	$ 17.0	$ (6.5)	$ 146.8	$ 254.4
Less: Excluded realized gains (losses), net of taxes (2)	(36.4)	(17.1)	(62.1)	27.2
Less: Excluded amortization of intangible assets, net of taxes (2)	(13.2)	—	—	—
Adjusted operating income (loss) (1)	$ 66.6	$ 10.6	$ 208.9	$ 227.2

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

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Salaries, incentive compensation, and other employee costs	$ 203.7	$ 19.6	$ 216.0	$ 197.2
Rent and occupancy costs	16.5	1.3	17.0	18.5
Professional services and software licensing	71.3	4.8	60.1	59.3
Merger-related costs	18.1	1.9	6.0	—
Other	30.8	2.5	33.0	21.7
Total operating expenses	340.4	30.1	332.1	296.7
Commissions and premium-based taxes and fees	293.9	25.4	318.6	237.2
DAC deferrals	(215.4)	(19.6)	(247.7)	(171.4)
Other underwriting and operating expenses	$ 418.9	$ 35.9	$ 403.0	$ 362.5

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

Because of the application of purchase accounting, it is generally not meaningful to compare results from the Predecessor and Successor Companies, nor is it meaningful to add the results of January 2016 to the results of the period February 1 to December 31, 2016. Certain metrics, such as sales and account values, were not affected by PGAAP and remain comparable to prior period amounts.

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

For The Period February 1 to December 31, 2016 (Successor Company)

The Company posted net income of $17.0 for the period February 1 to December 31, 2016. The income tax benefit for the period was primarily a result of pre-tax losses, reflecting net realized losses of $102.8 for the period, and the benefit from our tax credit investments.

Segment results for the period February 1 to December 31, 2016 included $47.7 of net prepayment-related income. This consisted of $58.0 of investment income from prepayments (primarily bond make-whole payments in our Deferred Annuities segment), less $10.3 of related DAC, VOBA, and DSI amortization. This was largely offset by $38.9 of realized losses associated with prepayment-related activity, primarily due to accelerated amortization of premiums established through PGAAP. The realized losses are not reflected in pre-tax adjusted operating income.

Successor Company results reflected $18.1 of Merger-related expenses incurred during the first half of 2016, including expenses related to stock-based compensation payouts and professional services. These expenses were reported in our Other segment.

Additionally, for the period February 1 to December 31, 2016, income from operations included $79.7 of intangible asset amortization, which was amortized on a straight-line basis over the assets' useful lives. Pre-tax adjusted operating income included $59.4 of intangible asset amortization, which reflected adjusted amortization of certain intangible assets to align with the cash flow patterns underlying the assets' initial valuation.

January 1 to January 31, 2016 (Predecessor Company)

Summary of Results

The Company posted a net loss of $6.5 for the month. The benefit from income taxes was a result of a pre-tax loss, driven by net realized losses of $27.0 for the month, and the benefit from our tax credit investments.

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

Our other underwriting and operating expenses, net of DAC deferrals, reflected $1.9 of Merger-related expenses, primarily related to professional services. These expenses are reported in our Other segment.

Year ended December 31, 2015 compared to the Year Ended December 31, 2014 (Predecessor Company)

Net income decreased $107.6 as a result of pre-tax net realized losses in 2015, compared with gains in 2014, as well as a $62.2 decrease in pre-tax adjusted operating income. This decline was lessened by an income tax benefit of $46.4 versus an expense of $45.5 in 2014, resulting in a $91.9 year-over-year variance. The benefit from income taxes was a result of lower pre-tax income and increased tax credits on our tax credit investments.

Segment results included net prepayment-related income of $48.9, which consisted of $61.0 of net investment income from investment prepayments (primarily bond make-whole payments in our Deferred Annuities segment), less $12.1 of related DAC and DSI amortization. This was higher than the previous year, as net prepayment-related income contributed $34.9 to pre-tax adjusted operating income for the year ended December 31, 2014.

Our other underwriting and operating expenses increased $39.0. This reflects higher commissions and sales-related expenses in our Deferred Annuities and Individual Life segments resulting from stronger sales, and expenses to support growth in all divisions, including investments in new distribution, customer service teams to support larger blocks of in-force business, and information technology initiatives. In addition, we incurred $6.0 of expenses related to the Merger, which were reported in our Other segment, for the year ended December 31, 2015.

Segment Operating Results

Benefits

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Operating revenues:				
Premiums	$ 686.7	$ 58.6	$ 683.2	$ 595.3
Net investment income	18.8	2.1	23.4	21.0
Policy fees, contract charges, and other	17.4	1.4	17.7	15.6
Total operating revenues	722.9	62.1	724.3	631.9
Benefits and expenses:				
Policyholder benefits and claims	497.6	37.1	456.9	365.9
Other underwriting and operating expenses	183.7	16.3	188.6	170.9
Amortization of DAC and VOBA	0.6	0.2	1.8	0.7
Amortization of intangible assets	40.0	0.2	3.0	4.5
Total benefits and expenses	721.9	53.8	650.3	542.0
Segment pre-tax adjusted operating income	$ 1.0	$ 8.3	$ 74.0	$ 89.9

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Loss ratio (1)	71.4%	63.3%	66.9%	61.5%
Expense ratio (2)	27.5	27.8	27.2	29.3
Combined ratio	98.9%	91.1%	94.1%	90.8%
Total sales — full year (3)	$ 196.9	N/A	$ 209.1	$ 166.7

(1) Loss ratio represents policyholder benefits and claims incurred divided by premiums earned. The loss ratio has been adjusted to exclude the impact of the LTD reinsurance buyout (further discussed below).
(2) Expense ratio represents the sum of other underwriting and operating expenses of our insurance operations and amortization of DAC divided by premiums earned. The expense ratio has been adjusted to exclude the impact of the LTD reinsurance buyout (further discussed below).
(3) Total sales represent annualized first-year premiums net of first year policy lapses. Successor Company results include full year sales.

For the Period February 1 to December 31, 2016 (Successor Company)

Segment pre-tax adjusted operating income was $1.0 for the period February 1 to December 31, 2016. The results reflect $40.0 of intangible asset amortization, related to assets established through purchase accounting. The loss ratio was not affected by purchase accounting and is comparable between periods.

Underwriting Margin (Premiums less Policyholder Benefits and Claims)

Underwriting margin was $189.1 for the period February 1 to December 31, 2016. The overall loss ratio was 71.4% for the period. The loss ratio reflected higher than expected medical stop-loss claims, as well as unfavorable claim experience in group life and DI. From period to period, variability in the loss ratio can occur, but over time the loss ratio is expected to be within our target range.

During the fourth quarter of 2016, the Company entered into an agreement to recapture a portion of the DI business that had been ceded to a reinsurer. As part of this agreement, we received cash consideration of $38.3, reflected in premiums, and increased reserves by $34.4, which resulted in a one-time net gain of $3.9.

Expenses

Amortization of intangible assets includes the following:

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

For segment reporting, intangible assets related to VODA and trade names are amortized based on the projected cash flow pattern underlying the initial valuation of these assets. For VODA, the more significant cash flows occur after 2016. Intangible assets related to VOCRA and technology are amortized on a straight-line basis over their useful lives.

Sales

For the twelve months ended December 31, 2016, sales were $196.9, compared to $209.1 for the same period in 2015. Medical stop-loss sales benefited from strong relationships with national brokers and sales initiatives in 2016, while prior year sales reflected record medical stop-loss sales in the first quarter of 2015. Sales of both limited benefit medical and group life & DI products increased in 2016 over the prior year.

January 1 to January 31, 2016 (Predecessor Company)

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

Underwriting Margin (Premiums less Policyholder Benefits and Claims)

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

Year ended December 31, 2015 compared to the Year Ended December 31, 2014 (Predecessor Company)

Summary of Results

Segment pre-tax adjusted operating income decreased $15.9. Growth in our medical stop-loss and group life and DI businesses was more than offset by an increase in the loss ratio. The loss ratio increased to 66.9% for the year ended December 31, 2015, compared to 61.5% for the same period in 2014. The very favorable 2014 loss ratio reflected better-than-expected completion of medical stop-loss business written in January 2013.

In addition, we consider the following information useful in understanding our results.

Operating Revenues

Premiums increased $87.9 due to growth in our medical stop-loss and group life and DI businesses. Full year 2015 premiums benefited from strong medical stop-loss sales posted in the first quarter.

Benefits and Expenses

Policyholder benefits and claims increased $91.0 primarily due to increased premium volume in our medical stop-loss and group life and DI businesses in 2015, as well as the impact of favorable reserve development in 2014. In 2014, reserves related to business written in January 2013 were released, reducing benefits expense by $24.9, as actual claims were lower than expected for this block of business.

Other underwriting and operating expenses increased $16.2 year-over-year, although the expense ratio improved during this period. The increase in expenses was mainly driven by increased commissions on higher medical stop loss premiums and increased employee-related expenses to support growth.

Sales

Sales for the year ended December 31, 2015 totaled $209.1, compared to sales of $166.7 for the same period in 2014. Sales increased in our medical stop-loss business primarily due to increased sales in the first quarter of 2015 from strong relationships with national brokers and sales initiatives.

Deferred Annuities

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Operating revenues:				
Net investment income	$ 579.5	$ 57.3	$ 663.6	$ 619.7
Policy fees, contract charges, and other	20.4	2.0	21.7	23.0
Certain realized gains (losses)	0.3	(0.5)	(1.0)	0.6
Total operating revenues	600.2	58.8	684.3	643.3
Benefits and expenses:				
Policyholder benefits and claims	2.8	0.2	0.6	0.3
Interest credited	354.8	33.2	374.8	354.9
Other underwriting and operating expenses	99.0	8.4	100.8	91.6
Amortization of DAC and VOBA	56.5	6.6	71.8	67.4
Amortization of intangible assets	15.7	—	—	—
Total benefits and expenses	528.8	48.4	548.0	514.2
Segment pre-tax adjusted operating income	$ 71.4	$ 10.4	$ 136.3	$ 129.1

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Fixed account values, excluding FIA – General account	$ 11,943.4	$ 11,539.5	$ 11,486.4	$ 11,064.9
Interest spread (1)	1.23%	1.66%	1.90%	2.02%
Base interest spread (2)	0.92%	1.63%	1.64%	1.74%
Fixed account values, FIA – General account	$ 7,610.5	$ 5,847.0	$ 5,670.9	$ 3,313.8
FIA interest spread (3)	1.35%	1.56%	1.42%	1.38%
FIA base interest spread (4)	1.32%	1.45%	1.36%	1.32%
Total sales — full year (5)	$ 3,566.5	N/A	$ 3,793.0	$ 2,679.4

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

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

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

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

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

For the Period February 1 to December 31, 2016 (Successor Company)

Segment pre-tax adjusted operating income was $71.4 for the period February 1 to December 31, 2016. Base spreads reflect lower investment income as a result of amortization of PGAAP adjustments to the investment portfolio. The FIA base spread also reflects higher interest credited as a result of PGAAP-related adjustments to reserves.

Interest Margin (Net Investment Income less Interest Credited)

For the period February 1 to December 31, 2016, the base margins for traditional deferred annuities and FIA were $113.2 and $77.0, respectively.

Additionally, $37.1 of net prepayment-related income was included in interest margin during the period.

Expenses

Amortization of intangible assets includes the following:

	Fair Value as of February 1, 2016	Useful Life	2016 Amortization
Value of Distribution Acquired (VODA)	$ 359.0	35 years	$ 4.3
Trade Names	131.0	17 years	4.1
Technology	40.0	5 years	7.3

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

Sales

Sales were $3,566.5 and $3,793.0 for the twelve months ended December 31, 2016 and 2015, respectively. Sales slowed in the second half of 2016, as a result of the interest rate environment, higher levels of competition and uncertainty surrounding the status of the DOL fiduciary rule. Sales through our largest distributor, a highly-rated financial institution, were approximately 35% of sales.

January 1 to January 31, 2016 (Predecessor Company)

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

Interest Margin (Net Investment Income less Interest Credited)

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

Year ended December 31, 2015 compared to the Year Ended December 31, 2014 (Predecessor Company)

Summary of Results

Segment pre-tax adjusted operating income increased $7.2, primarily driven by income contributions from growth in FIA account values and favorable unlocking adjustments during the third quarter of 2015. Higher FIA account values added $18.0 to earnings from interest margin, net of DAC amortization. Partially offsetting these factors were lower interest spreads on our traditional deferred annuity business and increased operating expenses supporting business growth.

In addition, we consider the following information useful in understanding our results.

Operating Revenues

Net investment income increased $43.9 driven by an increase in invested assets due to higher account values. This increase was partially offset by lower yields on invested assets and a decline in prepayment related income. Prepayments generated net investment income of $32.1 for the year ended December 31, 2015, which decreased from $40.4 for the year ended December 31, 2014. However, including the effect of related DAC and DSI amortization, the net impact of prepayment income on Deferred Annuities' pre-tax adjusted operating income was unchanged from 2014.

Benefits and Expenses

The $19.9 increase in interest credited was driven by higher FIA interest, primarily from growth in account values. This was partially offset by lower interest credited on traditional deferred annuities due to lower crediting rates.

Other underwriting and operating expenses increased $9.2, primarily due to increased employee-related expenses supporting higher sales activity and growth.

Amortization of deferred policy acquisition costs increased $4.4 driven by higher fixed account values, partially offset by the favorable impact from unlocking during the third quarter of 2015.

Sales

Deferred Annuities sales increased to $3,793.0 for 2015, compared to $2,679.4 for 2014, reflecting the strength of our distribution network of financial institutions and broker-dealers. This was aided by sales of new FIA products linked to two new indices, launched during the first quarter of 2015.

Income Annuities

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Operating revenues:				
Net investment income	$ 288.8	$ 29.8	$ 380.9	$ 382.0
Policy fees, contract charges, and other	0.8	—	0.8	1.0
Total operating revenues	289.6	29.8	381.7	383.0
Benefits and expenses:				
Interest credited	264.2	29.7	336.0	342.1
Other underwriting and operating expenses	18.4	1.5	19.1	20.3
Amortization of DAC and VOBA	0.7	0.6	6.1	4.7
Amortization of intangible assets	2.1	—	—	—
Total benefits and expenses	285.4	31.8	361.2	367.1
Segment pre-tax adjusted operating income (loss)	$ 4.2	$ (2.0)	$ 20.5	$ 15.9

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Reserves (1)	$ 7,244.3	$ 6,441.4	$ 6,444.0	$ 6,487.7
Interest spread (2)	0.50%	0.46%	0.58%	0.50%
Base interest spread (3)	0.38%	0.58%	0.53%	0.49%
Mortality gains (losses) (4)	$ (3.2)	$ (1.7)	$ 4.3	$ 3.3
Total sales — full year (5)	243.3	N/A	303.3	318.8

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

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

(3) Base interest spread is the interest spread adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to yields that are not indicative of the underlying trends. This is primarily the impact of asset prepayments, such as bond make-whole premiums, the MBS prepayment speed adjustment, and income on alternative investments.

(4) Mortality gains (losses) represent the difference between actual and expected reserves released on our life contingent annuities.
(5) Total sales represent deposits for new policies net of first year policy lapses and/or surrenders. Successor Company results include full year sales.

For the Period February 1 to December 31, 2016 (Successor Company)

Segment pre-tax adjusted operating income was $4.2 for the period February 1 to December 31, 2016. Our base interest spread was reduced by amortization of PGAAP adjustments to the investment portfolio, which lowered investment income, partially offset by lower interest credited related to the amortization of a $0.9 billion PGAAP reserve. Amortization of DAC and VOBA was minimal, totaling $0.7 for the period, as no VOBA asset was recorded for this segment.

Interest Margin (Net Investment Income less Interest Credited)

The interest margin reflects equity investment income of $14.9 for the period February 1 to December 31, 2016. Additionally, we recorded $6.9 of prepayment-related investment income.

Mortality losses reflected in interest credited were $3.2 for the period February 1 to December 31, 2016. Mortality experience is expected to fluctuate from period to period.

Expenses

Amortization of intangible assets includes the following:

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

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

Sales

Sales were $243.3 for the twelve months ended December 31, 2016, compared to $303.3 for the same period in 2015. Sales levels reflect the competitive market in a low interest rate environment, as well as uncertainty surrounding the DOL fiduciary rule.

January 1 to January 31, 2016 (Predecessor Company)

Summary of Results

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

Interest Margin (Net Investment Income less Interest Credited)

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

Year ended December 31, 2015 compared to the Year Ended December 31, 2014 (Predecessor Company)

Summary of Results

Segment pre-tax adjusted operating income increased $4.6, primarily the result of higher prepayment income which increased $5.8.

In addition, we consider the following information useful in understanding our results.

Operating Revenues

Net investment income decreased $1.1, remaining relatively flat compared to the prior year. This decrease was primarily due to lower earned rates on fixed maturity purchases and commercial mortgage loan originations, which were below overall portfolio yields. Additionally, we experienced a $7.6 mark-to-market loss on alternative investments for the year ended December 31, 2015, compared with a loss of $4.8 for the same period in 2014. These declines were mostly offset by higher prepayment income.

Benefits and Expenses

Interest credited decreased $6.1 primarily driven by lower crediting rates on policies written in recent years, decreased reserves and increased mortality gains. Mortality experience is expected to fluctuate from period to period.

Sales

Sales decreased $15.5 reflecting the competitive market in a low interest rate environment.

Individual Life

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Operating revenues:				
Premiums	$ 30.8	$ 2.6	$ 33.4	$ 33.8
Net investment income	202.9	22.9	290.9	283.0
Policy fees, contract charges, and other	195.0	16.2	180.7	149.0
Total operating revenues	428.7	41.7	505.0	465.8
Benefits and expenses:				
Policyholder benefits and claims	68.4	11.1	113.3	79.7
Interest credited	245.5	21.6	257.8	258.4
Other underwriting and operating expenses	87.4	7.3	86.7	76.7
Interest expense	0.5	—	0.5	—
Amortization of DAC and VOBA	1.9	1.2	10.4	5.3
Amortization of intangible assets	1.6	—	—	—
Total benefits and expenses	405.3	41.2	468.7	420.1
Segment pre-tax adjusted operating income	$ 23.4	$ 0.5	$ 36.3	$ 45.7

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Individual insurance:				
Individual claims (1)	$ 52.3	$ 4.7	$ 54.4	$ 57.6
UL account values	1,018.5	881.3	876.6	768.2
Individual sales — full year (2)	78.5	N/A	67.8	38.0
Institutional Markets:				
BOLI account values	$ 5,129.0	$ 5,028.1	$ 5,016.5	$ 4,902.4
BOLI ROA (3)	0.62%	0.38%	0.77%	0.96%
BOLI base ROA (4)	0.45%	0.38%	0.70%	0.81%
COLI sales — full year (5)	$ 20.5	N/A	$ 70.5	$ 1.0

(1) Individual claims represents incurred claims, net of reinsurance, on our term and universal life policies.
(2) Individual sales represents annualized first year premiums for recurring premium products and 10% of new single premium deposits, net of first year policy lapses and/or surrenders. Successor Company results include full year sales.
(3) BOLI ROA is a measure of the gross margin on our BOLI book of business. This metric is calculated as the difference between our BOLI revenue earnings rate and our BOLI policy benefits rate. The revenue earnings rate is calculated as revenues divided by average invested assets. The policy benefits rate is calculated as total policy benefits divided by average account values which, for the Successor Company, includes the impact of PGAAP reserve amortization. The policy benefits used in this metric do not include expenses.
(4) BOLI base ROA is BOLI ROA adjusted to exclude items that can vary significantly from period to period due to a number of factors and, therefore, may contribute to yields that are not indicative of the underlying trends. These are primarily the impact of asset prepayments, such as bond make-whole premiums, the MBS prepayment speed adjustment, and reserve adjustments.
(5) COLI sales represent deposits for new policies. Successor Company results include full year sales.

For the Period February 1 to December 31, 2016 (Successor Company)

Segment pre-tax adjusted operating income was $23.4 for the period February 1 to December 31, 2016. Amortization of PGAAP premium on the investment portfolio, which lowered investment income, was partially offset by lower policyholder benefits and claims due to amortization of a $250.6 PGAAP reserve for our BOLI business and a $108.7 PGAAP adjustment to individual insurance reserves.

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

Base margin was $24.4 for our institutional business and $79.6 for our universal life and term life business for the period February 1 to December 31, 2016. These results reflected favorable claims experience for individual products, largely offset by higher than expected mortality experience for institutional products.

Base margin excludes the impact of prepayment-related income, which was $10.7 for the period February 1 to December 31, 2016. The prepayment activity primarily benefited the margin of our institutional business.

Expenses

Amortization of DAC and VOBA primarily relates to amortization of VOBA established for our BOLI business. Prepayment activity increased DAC and VOBA amortization by $1.7 for the period February 1 to December 31, 2016.

Amortization of intangible assets includes the following:

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

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

Sales

Sales of individual life products were $78.5 and $67.8 for the twelve months ended December 31, 2016 and 2015, respectively.

January 1 to January 31, 2016 (Predecessor Company)

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

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

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

Year ended December 31, 2015 compared to the Year Ended December 31, 2014 (Predecessor Company)

Summary of Results

Segment pre-tax operating income decreased $9.4, primarily driven by higher operating expenses to support increasing production levels and growth initiatives, a lower BOLI base return on assets (ROA) and unfavorable unlocking adjustments that occurred in the third quarter of 2015. These were partially offset by growth in our guaranteed UL business, higher prepayment-related income, and a decrease in claims.

In addition, we consider the following information useful in understanding our results.

Operating Revenues

Net investment income increased $7.9 primarily due to higher average invested assets and higher prepayment income. Prepayment income was $13.6 for the year ended December 31, 2015, compared with $7.3 in the same period in 2014. This was offset by lower earned rates on recent fixed maturity purchases and commercial mortgage loan originations.

Policy fees, contract charges, and other increased $31.7, primarily due to increased cost of insurance (COI) charges and policy fees related to our growing guaranteed UL business. We also recorded a favorable unlocking adjustment in the third quarter of 2015.

Benefits and Expenses

Benefit-related expenses (policyholder benefits and claims, and interest credited) increased $33.0, driven by higher reserves on growth in our guaranteed UL business and an unfavorable unlocking adjustment that occurred in the third quarter of 2015. The 2015 unlocking adjustments were primarily driven by modeling true-ups related to changes in our UL business mix and updated BOLI mortality assumptions.

Other underwriting and operating expenses increased $10.0, mainly due to increased employee-related expenses and commissions supporting higher sales activity and segment growth.

Amortization of deferred policy acquisition costs increased $5.1, driven by unfavorable impacts from unlocking that occurred in the third quarter of 2015 and higher margins on UL business.

Sales

Sales of individual life products increased to $67.8 for 2015, compared to $38.0 in 2014, reflecting success in building relationships in the BGA distribution network for our guaranteed UL products.

Other

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Operating revenues:				
Net investment income	$ 20.5	$ (1.7)	$ (22.4)	$ 14.8
Policy fees, contract charges, and other	1.5	0.2	2.0	1.8
Total operating revenues	22.0	(1.5)	(20.4)	16.6
Benefits and expenses:				
Interest credited	(0.9)	(0.1)	(1.4)	(1.6)
Other underwriting and operating expenses	30.4	2.4	7.8	3.0
Interest expense	24.9	3.8	44.4	37.7
Total benefits and expenses	54.4	6.1	50.8	39.1
Segment pre-tax adjusted operating loss	$ (32.4)	$ (7.6)	$ (71.2)	$ (22.5)

February 1 to December 31, 2016 (Successor Company)

The Other segment reported a pre-tax adjusted operating loss of $32.4 for the period February 1 to December 31, 2016. Operating expenses included $18.1 of Merger-related expenses for the year.

January 1 to January 31, 2016 (Predecessor Company)

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

Year ended December 31, 2015 compared to the Year Ended December 31, 2014 (Predecessor Company)

Summary of Results

The Other segment reported pre-tax adjusted operating losses of $71.2 for 2015, compared with losses of $22.5 for 2014. This decline was primarily driven by a reduction in net investment income. We posted net investment losses for 2015 compared with investment income for 2014. Lower net investment income reflected mark-to-market losses on alternative investments, compared to mark-to-market gains in 2014 and higher amortization from increased tax credit investments.

In addition, we recorded higher operating expenses and interest expense. Operating expenses in 2015 included $6.0 Merger-related expenses. Additionally, interest expense increased $6.7 due to 4.25% Senior Notes issues in the third quarter of 2014.

Investments

Our investment portfolio is intended to support the expected cash flows of our liabilities and produce stable returns over the long term. The composition of our portfolio reflects our asset management philosophy of protecting principal and receiving appropriate reward for risk. As of December 31, 2016, our investment portfolio consisted of high quality fixed maturities and commercial mortgage loans we originated, as well as a smaller allocation of high-yield fixed maturities, marketable equity securities, investments in limited partnerships (primarily tax credit investments and alternative investments, which include private equity and hedge funds), derivatives, and other investments. Our equity investments primarily consist of common stock and exchange-traded funds (ETFs) and mainly support asset and liability matching strategies for long-duration insurance products in our Income Annuities segment. We believe that prudent levels of equity investments offer enhanced long-term, after-tax total returns.

As of February 1, 2016, the book value of the Company's fixed maturity securities was marked to fair value through the application of PGAAP, which resulted in the elimination of unrealized gains and losses from accumulated other comprehensive income.

Investment Returns

Net Investment Income

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

	Successor Company	
	February 1 to December 31, 2016	
	Yield (1)	Amount
Investment Type:		
Fixed maturities (2)	3.44%	$ 879.2
Marketable equity securities	3.35	19.4
Mortgage loans, net (2)	3.75	182.4
Other income producing assets (4)	2.08	7.5
Income before expenses and prepayments	3.47	1,088.5
Prepayment-related income	0.19	58.0
Investment expenses	(0.11)	(36.0)
Net investment income	3.55%	$ 1,110.5

	Predecessor Company					
	January 1 to January 31, 2016		For the Year Ended December 31, 2015		For the Year Ended December 31, 2014	
	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount
Investment Type:						
Fixed maturities (2)	4.45%	$ 96.1	4.51%	$ 1,116.2	4.72%	$ 1,091.9
Marketable equity securities	0.59	0.3	3.16	18.1	3.48	17.8
Mortgage loans, net (2)	5.13	20.5	5.22	230.9	5.44	206.0
Investments in limited partnerships (3):						
Alternative investments	*	(0.8)	*	(19.7)	*	3.8
Tax credit investments	*	(3.6)	*	(40.3)	*	(27.7)
Other income producing assets (4)	0.79	0.2	2.25	8.0	2.67	7.9
Income before expenses and prepayments	4.24	112.7	4.32	1,313.2	4.64	1,299.7
Prepayment-related income	0.04	1.0	0.20	61.0	0.20	54.5
Investment expenses	(0.12)	(3.3)	(0.12)	(37.8)	(0.12)	(33.7)
Net investment income	4.16%	$ 110.4	4.40%	$ 1,336.4	4.72%	$ 1,320.5

* Yield is not meaningful.

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

(2) Excludes investment income related to prepayment activity.

(3) Subsequent to the Merger, amortization of tax credit investments and the impact of changes in fair value of investments in limited partnerships are recorded in net realized gains (losses) on the consolidated statements of income (loss). The negative impact on pre-tax income from the tax credit investments is offset by U.S. federal income tax benefits. For further discussion, see "— Investments in Limited Partnerships - Tax Credit Investments."

(4) Other income producing assets includes policy loans, other invested assets, and cash and cash equivalents.

As of February 1, 2016, the book values of the Company’s investment portfolio were marked to fair value. Based on interest rates at that time, this resulted in the establishment of a $1.3 billion premium for the Company's investments in fixed maturities and commercial mortgage loans. The resulting amortization of this premium over the life of the assets decreases net investment income for the Successor Company. Because of the application of purchase accounting, it is not meaningful to compare results from the Predecessor and Successor Companies, nor is it meaningful to compare a sum of the twelve months ended December 31, 2016 to the results of the years ended December 31, 2015 and 2014. For further discussion of purchase accounting, see "— Results of Operations - Sumitomo Life Merger."

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

Prepayment-related income shown above includes make-whole payments and consent fees on early calls or tenders of fixed maturities, prepayment speed adjustments on structured securities, and fees on mortgage loan payments received prior to the stated maturity or outside a rate resetting window. Prepayments of our fixed maturities and commercial mortgage loans result in accelerated amortization of the premium or discount associated with the investment, which is recorded in realized gains and losses. For the period February 1 to December 31, 2016, we recognized $38.9 of realized losses related to prepayments, primarily due to accelerated amortization of premiums established at PGAAP. Due to the low interest rate environment, we continue to experience elevated levels of prepayment activity.

Net Realized Gains (Losses)

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Fixed Maturities:				
Gain (loss) on sales, net	$ (3.6)	$ 1.2	$ (8.5)	$ 20.8
Credit loss	(5.0)	—	(16.1)	(2.9)
Intent-to-sell	(5.7)	(3.8)	(22.5)	(11.2)
Total impairments	(10.7)	(3.8)	(38.6)	(14.1)
Alternative investments	15.2	—	—	—
Tax credit investments	(47.1)	(0.6)	(44.8)	(16.7)
Net gains (losses) - FIA (1)	0.7	(4.2)	(16.1)	(5.9)
DAC, VOBA and DSI adjustment	3.7	(0.5)	7.2	1.5
Prepayment-related loss	(38.9)	*	*	*
Other net gains (losses) (2)	(22.1)	3.4	(5.7)	1.1
Marketable equity securities, trading	—	(22.5)	10.0	55.7
Total net realized gains (losses)	$ (102.8)	$ (27.0)	$ (96.5)	$ 42.4

* Not meaningful.
(1) Includes changes in fair value of the FIA embedded derivative (VED) and related options, excluding options related to the old block.
(2) Includes net gains (losses) on changes in the fair value of the Company's convertible securities, derivatives not designated for hedge accounting, and sales of available-for-sale equity securities.

Impairments of Available-for-Sale Securities

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

For the period February 1 to December 31, 2016, credit impairments were mainly related to structured securities (primarily RMBS). In addition, we recorded $3.7 of impairments related to our intent to sell U.S. treasury securities that are held for cash management purposes. These securities generally decreased in value as interest rates rose during the fourth quarter.

For those issuers for which we recorded a credit-related impairment during the period February 1, 2016 to December 31, 2016, we had remaining holdings with an amortized cost of $59.2 and fair value of $61.7. Based on our analysis, including cash flow analysis where appropriate, we believe the amortized cost of these securities is recoverable. As of December 31, 2016, all of these securities were in an unrealized gain position.

Fixed Maturity Securities

Fixed maturities represented 80.3% and 81.9% of invested assets as of December 31, 2016 and 2015, respectively. The majority of our fixed maturities are invested in highly marketable or publicly traded securities. We invest in a small amount of privately placed fixed maturities to enhance the overall value of the portfolio and obtain higher yields than can ordinarily be obtained with comparable securities in public markets. As of December 31, 2016 and 2015, privately placed fixed maturities represented 4.8% and 4.3%, respectively, of our total fixed maturity portfolio at fair value.

Fixed Maturity Securities Credit Quality

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

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

	As of December 31, 2016 (Successor Company)			As of December 31, 2015 (Predecessor Company)		
	Amortized Cost	Fair Value	% of Total Fair Value	Amortized Cost	Fair Value	% of Total Fair Value
NAIC: S&P Equivalent:						
1: AAA, AA, A	$ 14,946.5	$ 14,902.7	52.1%	$ 14,123.6	$ 14,781.4	55.4%
2: BBB	12,222.6	12,408.4	43.3	10,685.1	10,910.0	40.8
Total investment grade	27,169.1	27,311.1	95.4	24,808.7	25,691.4	96.2
3: BB	711.8	756.2	2.6	573.7	568.5	2.1
4: B	443.8	469.0	1.7	421.5	406.6	1.5
5: CCC & lower	69.8	75.4	0.3	81.5	59.5	0.2
6: In or near default	2.0	2.9	—	6.5	4.4	—
Total below investment grade	1,227.4	1,303.5	4.6	1,083.2	1,039.0	3.8
Total	$ 28,396.5	$ 28,614.6	100.0%	$ 25,891.9	$ 26,730.4	100.0%

Fixed Maturity Securities and Unrealized Gains and Losses by Security Sector

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

	As of December 31, 2016 (Successor Company)				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value
Security Sector					
Corporate securities:					
Consumer discretionary	$ 2,988.7	$ 53.6	$ (19.0)	$ 3,023.3	10.5%
Consumer staples	2,815.7	28.1	(19.2)	2,824.6	9.9
Energy	1,693.5	133.7	(3.7)	1,823.5	6.4
Financial	2,268.3	32.1	(19.0)	2,281.4	8.0
Health care	2,897.2	15.7	(33.3)	2,879.6	10.1
Industrial	4,040.5	54.3	(17.1)	4,077.7	14.2
Information technology	579.7	10.6	(6.3)	584.0	2.0
Materials	1,291.4	34.1	(5.0)	1,320.5	4.6
Telecommunication services	718.8	19.9	(1.8)	736.9	2.6
Utilities	2,467.4	46.1	(28.1)	2,485.4	8.7
Total corporate securities	21,761.2	428.2	(152.5)	22,036.9	77.0
U.S. government and agencies	397.3	0.4	(5.6)	392.1	1.4
State and political subdivisions	943.0	1.3	(13.5)	930.8	3.3
Residential mortgage-backed securities:					
Agency	2,386.1	0.6	(49.6)	2,337.1	8.2
Non-agency:					
Prime	244.8	2.2	(2.8)	244.2	0.8
Alt-A	26.8	0.9	(0.1)	27.6	0.1
Total residential mortgage-backed securities	2,657.7	3.7	(52.5)	2,608.9	9.1
Commercial mortgage-backed securities:					
Agency	57.4	0.1	(1.2)	56.3	0.2
Non-agency	873.5	2.6	(5.2)	870.9	3.0
Total commercial mortgage-backed securities	930.9	2.7	(6.4)	927.2	3.2
Collateralized loan obligations	1,198.7	18.7	(3.8)	1,213.6	4.2
Other debt obligations	507.7	4.2	(6.8)	505.1	1.8
Total	$ 28,396.5	$ 459.2	$ (241.1)	$ 28,614.6	100.0%

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

Our fixed maturities holdings are diversified by industry and issuer. As of December 31, 2016, the fair value of our ten largest issuers of corporate securities holdings was $1,684.1, or 7.6%, of total corporate securities. The fair value of our largest exposure to a single issuer of corporate securities was $196.6, or 0.9% of total corporate securities, and all securities of this issuer were rated investment grade. As of December 31, 2015, the fair value of our ten largest issuers of corporate securities holdings was $1,536.9, or 7.6%, of total corporate securities. The fair value of our largest exposure to a single issuer of corporate securities was $165.0, or 0.8% of total corporate securities. Of these holdings, $133.1 were rated investment grade, while the below investment grade securities had NAIC ratings of 3 or 4.

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

As of December 31, 2016 and 2015, the fair value of our state and political subdivision securities included $870.7 and $837.6, respectively, of municipal revenue bonds and $60.1 and $37.5, respectively, of municipal general obligation bonds. We have municipal holdings of $6.1 and $6.0 in Illinois as of December 31, 2016 and 2015, respectively, and no exposure to municipal holdings in Michigan or Puerto Rico.

Exposure to Foreign Fixed Maturities

As part of our strategy to improve portfolio yields, we invest in high-quality foreign corporate securities. The majority of these holdings are denominated in U.S. dollars, and we utilize foreign currency swaps and forwards to hedge our exposure to those denominated in foreign currencies. As of December 31, 2016 and 2015, fixed maturities with fair values of $637.3 and $712.7, respectively, were denominated in a foreign currency and reported in U.S. dollars based on period-end exchange rates.

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

	As of December 31, 2016 (Successor Company)					
	Sovereign Debt	Financial Industry	Other Corporate	Total Fair Value	% of Exposure	Amortized Cost
United Kingdom	$ —	$ 134.6	$ 735.4	$ 870.0	15.5%	$ 850.9
Netherlands	—	24.1	578.5	602.6	10.7	592.2
Luxembourg	—	18.5	321.9	340.4	6.1	337.4
France	—	24.5	256.7	281.2	5.0	271.2
Switzerland	—	112.2	—	112.2	2.0	114.1
Other European countries	28.7	—	415.2	443.9	7.8	438.2
Total European holdings	$ 28.7	$ 313.9	$ 2,307.7	$ 2,650.3	47.1%	$ 2,604.0
Cayman Islands (1)	64.3	1,140.7	88.7	1,293.7	23.0	1,279.8
Canada	12.9	—	1,012.1	1,025.0	18.2	972.6
Mexico	—	1.0	354.5	355.5	6.3	352.9
Australia	—	1.2	208.2	209.4	3.7	195.3
Other foreign countries	—	6.7	85.2	91.9	1.7	92.3
Total foreign holdings	$ 105.9	$ 1,463.5	$ 4,056.4	$ 5,625.8	100.0%	$ 5,496.9

(1) Holdings primarily relate to collateralized loan obligations issued by Cayman Island entities with underlying collateral in the United States.

	As of December 31, 2015 (Predecessor Company)					
	Sovereign Debt	Financial Industry	Other Corporate	Total Fair Value	% of Exposure	Amortized Cost
United Kingdom	$ —	$ 123.3	$ 710.3	$ 833.6	17.9%	$ 823.9
Netherlands	—	23.7	619.3	643.0	13.8	626.2
Luxembourg	—	15.5	379.2	394.7	8.5	396.7
France	—	22.5	239.6	262.1	5.6	256.6
Switzerland	—	114.0	—	114.0	2.4	107.1
Other European countries	0.2	—	217.6	217.8	4.7	218.9
Total European holdings	$ 0.2	$ 299.0	$ 2,166.0	$ 2,465.2	52.9%	$ 2,429.4
Canada	14.4	—	853.5	867.9	18.6	857.2
Cayman Islands (1)	72.2	608.7	49.2	730.1	15.7	744.9
Mexico	—	1.8	283.5	285.3	6.1	291.9
Australia	—	1.7	244.0	245.7	5.3	249.5
Other foreign countries	—	7.8	55.9	63.7	1.4	69.4
Total foreign holdings	$ 86.8	$ 919.0	$ 3,652.1	$ 4,657.9	100.0%	$ 4,642.3

(1) Holdings primarily relate to collateralized loan obligations issued by Cayman Island entities with underlying collateral in the United States.

As of December 31, 2016 and 2015, the fair value of our exposure to foreign fixed maturities was 19.7% and 17.4% of our total fixed maturities portfolio, respectively. Our gross unrealized losses on these securities were $30.6 and $68.8 as of December 31, 2016 and 2015, respectively.

In June 2016 the United Kingdom voted to leave the European Union, and while European markets have stabilized since the decision, there is still uncertainty to the economic outlook for Europe, as the United Kingdom has yet to formally submit its decision to leave the European Union. The Company holds less than 4% of its fixed maturities in United Kingdom issuers, 74% of which are investment grade.

Further, the European banking industry has faced difficulties recently, with increased regulation and the low interest rate environment. We continue to monitor this industry and our exposure to European financial institutions, which was $313.9, or 1.1% of the total fixed maturities portfolio as of December 31, 2016.

The fair value of our total exposure to Ireland, Italy, and Spain was $333.9 and $65.7 as of December 31, 2016 and 2015, respectively. Nearly all of these holdings have investment grade ratings. We have no exposure to issuers in Greece, Portugal, Russia or Ukraine.

The fair value of our ten largest foreign security holdings by issuer was $1,190.9, or 4.2% of the fixed maturities portfolio as of December 31, 2016, and $1,078.2, or 4.0%, as of December 31, 2015. All of the holdings of our ten largest foreign issuers were investment grade investments.

Our largest exposure to a single foreign issuer was $176.4, or 0.6% of the portfolio, as of December 31, 2016. The issuer is based in Ireland and the holdings are investment grade. As of December 31, 2015, our largest exposure to a single foreign issuer was $138.8, or 0.5% of the portfolio. The issuer is based in the Netherlands and the holdings were investment grade.

Mortgage-Backed Securities

Our fixed maturities portfolio included $3.54 billion of residential and commercial mortgage-backed securities at fair value as of December 31, 2016, of which 67.7% were agency securities. Additionally, 24.0% of our mortgage-backed securities are AAA-rated non-agency securities in the most senior tranche of the structure type.

Non-agency mortgage-backed securities issued between 2006 and 2008 were generally the most affected by the financial crisis, due to weaker underwriting standards and issuance dates closest to the market peak in real estate prices. As of December 31, 2016, our non-agency mortgage-backed securities with vintage years 2006 through 2008, which are primarily commercial mortgage-backed securities, had an amortized cost of $196.5 and a fair value of $197.8.

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

Residential Mortgage-Backed Securities (RMBS)

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

As of December 31, 2016, our Alt-A portfolio was collateralized with all fixed rate mortgages. Generally, fixed rate mortgages have had better credit performance than adjustable rate mortgages (ARMs), with lower delinquencies and defaults on the underlying collateral.

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

	As of December 31, 2016 (Successor Company)			
	Highest Rating Agency Rating			
	Investment Grade	Below Investment Grade	Total	December 31, 2015 (Predecessor Company)
Vintage:				
2009-2016	$ 176.5	$ —	$ 176.5	$ 170.5
2006-2008	—	31.2	31.2	44.5
2005 and prior	18.2	45.7	63.9	88.1
Total amortized cost	$ 194.7	$ 76.9	$ 271.6	$ 303.1
Net unrealized gains (losses)	(2.5)	2.7	0.2	8.5
Total fair value	$ 192.2	$ 79.6	$ 271.8	$ 311.6

As of December 31, 2016 and 2015, 74.4% and 75.4%, respectively, of the fair value of our non-agency RMBS had super senior subordination. The super senior class has priority over all principal and interest cash flows and will not experience any loss of principal until subordinate tranches are written down to zero. Therefore, the majority of our RMBS investments have less exposure to defaults and delinquencies in the underlying collateral than if we held the more subordinated classes.

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

	As of December 31, 2016 (Successor Company)					
	Amortized Cost	Unrealized Gains/ (Losses)	Fair Value	Gross Discount	Gross Premium	Average Mortgage Loan Rate
Agency:						
CMO:						
2009-2016	$ 1,743.7	$ (41.8)	$ 1,701.9	$ 3.6	$ (69.9)	4.0%
2006-2008	1.4	—	1.4	—	(0.1)	5.3
2005 and prior	299.2	(2.0)	297.2	—	(30.1)	6.2
Total Agency CMO	$ 2,044.3	$ (43.8)	$ 2,000.5	$ 3.6	$ (100.1)	4.3%
Passthrough:						
2009-2016	$ 305.9	$ (5.0)	$ 300.9	$ 0.3	$ (16.4)	4.2%
2006-2008	16.4	(0.1)	16.3	—	(1.7)	6.3
2005 and prior	19.5	(0.1)	19.4	—	(1.9)	5.8
Total Agency Passthrough	341.8	(5.2)	336.6	0.3	(20.0)	4.4
Total Agency RMBS	$ 2,386.1	$ (49.0)	$ 2,337.1	$ 3.9	$ (120.1)	4.3%
Non-Agency:						
2009-2016	$ 176.5	$ (2.8)	$ 173.7	$ 0.1	$ (2.2)	4.0%
2006-2008	31.2	1.4	32.6	6.4	—	5.1
2005 and prior	63.9	1.6	65.5	2.8	(0.5)	5.3
Total Non-Agency RMBS	271.6	0.2	271.8	9.3	(2.7)	4.4
Total RMBS	$ 2,657.7	$ (48.8)	$ 2,608.9	$ 13.2	$ (122.8)	4.3%

Commercial Mortgage-Backed Securities (CMBS)

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

	As of December 31, 2016 (Successor Company) — Highest Rating Agency Rating			
	Investment Grade	Below Investment Grade	Total	December 31, 2015 (Predecessor Company)
Vintage:				
2009-2016	$ 615.6	$ 24.8	$ 640.4	$ 615.9
2006-2008	165.3	—	165.3	423.1
2005 and prior	67.8	—	67.8	59.4
Total amortized cost	$ 848.7	$ 24.8	$ 873.5	$ 1,098.4
Net unrealized gains (losses)	(3.1)	0.5	(2.6)	25.1
Total fair value	$ 845.6	$ 25.3	$ 870.9	$ 1,123.5

As of December 31, 2016, our CMBS portfolio was highly concentrated in the most senior tranches, with 89.3% of our AAA-rated securities in the most senior tranche, based on amortized cost. The senior class has priority over the mezzanine and junior classes to all principal and interest cash flows and will not experience any loss of principal until both the entire mezzanine and junior tranches are written down to zero.

The weighted-average credit enhancement of our CMBS portfolio was 32.3% as of December 31, 2016. We believe this additional credit enhancement is significant, especially in the event of a deep real estate downturn during which losses would be expected to increase substantially.

Mortgage Loans

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

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

As of December 31, 2016 and 2015, 72.1% and 72.7%, respectively, of our mortgage loans had an outstanding principal under $5.0.

We continue to increase our investments in mortgage loans, as this strategy has resulted in increased net investment yields when compared to fixed maturity investments. We believe a disciplined increase in commercial mortgage loan investments will help maintain the overall quality of our investment portfolio and obtain appropriate yields to match our policyholder liabilities. We originated $1,046.1 of mortgage loans during the twelve months ended December 31, 2016.

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

	Successor Company	Predecessor Company	
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015
Weighted average LTV ratio of loans originated	50.3%	50.6%	51.3%
Maximum LTV ratio of loans originated	77.4	69.5	72.3
Weighted average DSCR of loans originated	1.90	1.92	1.84
Minimum DSCR of loans originated	0.86	1.17	1.00

Credit Quality

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

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

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

	As of December 31, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Loan-to-Value Ratio:				
< or = 50%	$ 2,717.0	49.8%	$ 2,162.4	45.2%
51% - 60%	1,559.4	28.5	1,357.2	28.4
61% - 70%	960.8	17.6	1,037.6	21.7
71% - 75%	148.4	2.7	136.4	2.9
76% - 80%	39.5	0.7	33.2	0.7
81% - 100%	34.2	0.6	48.9	1.0
> 100%	4.0	0.1	6.4	0.1
Total	$ 5,463.3	100.0%	$ 4,782.1	100.0%

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

	As of December 31, 2016 (Successor Company)			As of December 31, 2015 (Predecessor Company)		
	Outstanding Principal	% of Total Value	Weighted Average LTV	Outstanding Principal	% of Total Value	Weighted Average LTV
Origination Year:						
2016	$ 1,128.0	20.6%	50.3%			
2015	999.6	18.3	55.0	$ 1,040.3	21.7%	51.3%
2014	867.4	15.9	52.8	903.1	18.9	56.0
2013	609.0	11.1	49.5	666.0	13.9	52.6
2012	631.0	11.6	49.0	677.6	14.2	50.9
2011	591.8	10.8	47.8	698.3	14.6	51.3
2010	332.0	6.1	45.3	372.1	7.8	47.5
2009 and prior	304.5	5.6	41.7	424.7	8.9	45.5
Total	$ 5,463.3	100.0%	50.3%	$ 4,782.1	100.0%	51.5%

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

	As of December 31, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Debt Service Coverage Ratio:				
> or = 1.60	$ 3,415.7	62.5%	$ 2,867.6	60.0%
1.40 - 1.59	932.5	17.1	923.1	19.3
1.20 - 1.39	697.0	12.8	598.1	12.5
1.00 - 1.19	310.1	5.7	278.6	5.8
0.85 - 0.99	42.2	0.8	50.3	1.1
< 0.85	65.8	1.1	64.4	1.3
Total	$ 5,463.3	100.0%	$ 4,782.1	100.0%

As of December 31, 2016, loans with an aggregate carrying value of $108.0 had a DSCR of less than 1.00. The average outstanding principal balance of these loans was $1.9 with a weighted average LTV of 69.0%.

Composition of Mortgage Loans

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

	As of December 31, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
State:				
California	$ 1,485.9	27.2%	$ 1,392.5	29.1%
Texas	620.1	11.4	528.1	11.0
Washington	398.1	7.3	360.4	7.5
Ohio	226.7	4.1	203.5	4.3
Florida	225.5	4.1	181.4	3.8
Illinois	205.9	3.8	179.6	3.8
Nevada	196.4	3.6	171.7	3.6
New York	195.4	3.6	159.9	3.3
Oregon	174.0	3.2	144.2	3.0
Other	1,735.3	31.7	1,460.8	30.6
Total	$ 5,463.3	100.0%	$ 4,782.1	100.0%

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

	As of December 31, 2016 (Successor Company)		As of December 31, 2015 (Predecessor Company)	
	Outstanding Principal	% of Total	Outstanding Principal	% of Total
Property Type:				
Shopping centers and retail	$ 2,739.7	50.2%	$ 2,440.7	51.0%
Office buildings	1,072.7	19.6	1,015.2	21.2
Industrial	832.3	15.2	758.5	15.9
Multi-family	433.0	7.9	309.7	6.5
Other	385.6	7.1	258.0	5.4
Total	$ 5,463.3	100.0%	$ 4,782.1	100.0%

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

Maturity Date of Mortgage Loans

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

	As of December 31, 2016 (Successor Company)	
	Outstanding Principal	% of Total
Years to Maturity:		
Due in one year or less	$ 53.8	1.0%
Due after one year through five years	754.4	13.8
Due after five years through ten years	1,581.9	29.0
Due after ten years	3,073.2	56.2
Total	$ 5,463.3	100.0%

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

Additionally, our loan terms usually allow borrowers to prepay their mortgage loan prior to the stated maturity or outside specified rate resetting windows. Prepayments are driven by factors specific to the activities of our borrowers as well as the interest rate environment. However, the majority of our mortgage loans contain yield maintenance prepayment provisions that we believe mitigate the impact of such prepayments.

Investments in Limited Partnerships — Tax Credit Investments

We invest in limited partnerships where the primary return on investment is in the form of income tax credits and the tax benefit on the pass-through of partnership activity. These partnerships are established to invest in low-income housing and other qualifying purposes (collectively referred to as "tax credit investments"). Although these investments decrease our income on a pre-tax basis, they provide us with significant tax benefits that decrease our effective tax rate. Refer to Notes 2 and 4 to the audited consolidated financial statements for further discussion related to our investments in affordable housing project investments.

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

	Successor Company	Predecessor Company		
	February 1 to December 31, 2016	January 1 to January 31, 2016	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014
Amortization, net of taxes	$ (24.6)	$ (2.3)	$ (26.2)	$ (18.0)
Write downs, net of taxes	(6.0)	(0.4)	(26.6)	(10.9)
Tax credits, net	52.0	4.1	79.8	56.8
Impact to net income	$ 21.4	$ 1.4	$ 27.0	$ 27.9

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

Liquidity and Capital Resources

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

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

Liquid Assets

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

We define liquid assets to include cash, cash equivalents, short-term investments, and publicly traded and highly-marketable fixed maturities and equity securities. As of December 31, 2016 and 2015, our insurance company subsidiaries had liquid assets of $27.99 billion and $26.07 billion, respectively, and Symetra had liquid assets of $358.7 and $317.7, respectively. The portion of our total liquid assets consisting of cash and cash equivalents and short-term investments was $390.7 and $172.8 as of December 31, 2016 and 2015, respectively.

As of December 31, 2016, we had the ability to borrow, on an unsecured basis, a principal amount of $400.0 under a revolving line of credit arrangement with an expansion feature providing access to up to $100.0, for a total maximum principal amount of $500.0. There have been no borrowings under this line of credit.

Liquidity Requirements

The liquidity requirements of Symetra's insurance company subsidiaries principally relate to the liabilities associated with their insurance and investment products, operating expenses, the payment of dividends to Symetra, and the payment of income taxes. Liabilities associated with insurance and investment products include the payment of benefits, as well as cash payments made in connection with policy and contract surrenders and withdrawals, and policy loans. Historically, Symetra's insurance company subsidiaries have used cash flows from operations, cash flows from invested assets and sales of investment securities to fund their liquidity requirements.

In managing the liquidity of our insurance operations, we consider the risk of policyholder and contract holder withdrawals of funds earlier than assumed when selecting assets to support these contractual obligations. We use surrender charges, market value adjustments (MVAs), and other contract provisions to mitigate the extent, timing and profitability impact of such withdrawals. While certain policy lapses and surrenders occur in the normal course of business, the current low interest rate environment generally has resulted in lower than expected lapses of our fixed annuities, as policyholders have limited alternatives to seek a higher return on their funds. If interest rates rise significantly, we will likely experience an increase in lapses.

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

Capitalization

Our primary sources of capital are through retained income from our operating subsidiaries, capital infusions from our parent, Sumitomo Life, as well as our ability to access debt financing markets. Additionally, we have access to the credit facility discussed above. The following table summarizes our capital structure:

	December 31, 2016 (Successor Company)	December 31, 2015 (Predecessor Company)
Notes payable	$ 707.5	$ 693.1
Stockholder's equity (includes AOCI of **$143.5** and $515.4, respectively)	3,838.2	2,928.8
Total capital	$ 4,545.7	$ 3,621.9

The Company's capital position as of December 31, 2016 reflects the acquisition of the Company by Sumitomo Life.

The payment of dividends and other distributions to Symetra by its insurance subsidiaries is subject to insurance laws and regulations. In general, dividends in excess of prescribed limits are deemed "extraordinary" and require regulatory approval. During the year ended December 31, 2016, Symetra received cash dividends of $80.0 from its insurance subsidiaries. On February 8, 2017, our Board of Directors declared a $180.0 dividend to our parent company, Sumitomo Life. This dividend was paid on February 9, 2017. For a more detailed discussion on dividends, see Note 15 of our December 31, 2016 Consolidated Financial Statements.

The NAIC establishes risk-based capital (RBC) standards for life insurance companies. If an insurer's RBC falls below specified levels, the insurer would be subject to different degrees of regulatory action depending upon the level of deficiency. As of December 31, 2016, Symetra Life Insurance Company, our primary insurance company subsidiary, had an RBC ratio of 413%. Symetra Life Insurance Company's Statutory capital and surplus, including asset valuation reserve, was $2,082.4 as of December 31, 2016.

Debt

The following table summarizes our debt instruments:

		Maximum Amount Available		Amount Outstanding	
		As of December 31,		As of December 31,	
	Maturity Date	2016	2015	2016	2015
Description:					
Senior notes payable, due 2024	7/15/2024	$ 250.0	$ 250.0	$ 250.0	$ 250.0
Capital Efficient Notes (CENts)	10/15/2067	150.0	150.0	150.0	150.0
Revolving credit facility	8/28/2019	400.0	400.0	—	—
Surplus note	12/31/2039	107.2	107.2	—	—
Term loan credit agreement	3/30/2018	300.0	300.0	300.0	—
Senior notes payable, due 2016	4/1/2016	—	300.0	—	300.0
Total		$ 1,207.2	$ 1,507.2	$ 700.0	$ 700.0

See Note 14 of our consolidated financial statements for a more detailed description of these instruments.

Senior Notes Due 2016

On March 30, 2006, we issued $300.0 of 6.125% Senior Notes due April 1, 2016. They were settled on April 1, 2016, using proceeds from borrowings under the term loan credit agreement.

Senior Notes Due 2024

On August 4, 2014, we issued $250.0 of 4.25% Senior Notes due July 15, 2024. Interest on the notes is payable semi-annually, beginning January 15, 2015.

Capital Efficient Notes (CENts) Due 2067

On October 10, 2007, we 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. For the initial ten-year period following the original issuance date 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 London Interbank Offered Rate (LIBOR) plus 4.177%, payable quarterly.

Revolving Credit Facility

On August 28, 2014, we entered into a $400.0 senior unsecured revolving credit facility with a syndicate of lending institutions. The facility also provides access to up to $100.0 of additional financing, subject to the availability of additional commitments from lenders. The facility is set to mature on August 28, 2019. As of December 31, 2016, we have not made any borrowings under the facility.

Surplus Note

On December 12, 2014, in association with a reserve financing transaction, our insurance subsidiary issued a surplus note. The note has no outstanding principal balance as of December 31, 2016.

Term Loan Credit Agreement

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

Sources of Revenues and Expenses

Our revenues generally come from our policyholders in the form of premiums and policy fees, as well as from our investment portfolio. Our main expenses are benefits to our policyholders, as well as expenses for operations, interest, and amortization. These items are discussed in further detail below.

Each of our four business segments maintains its own portfolio of invested assets, which are managed in accordance with specific guidelines. The net investment income and realized gains (losses) are reported in the segment in which they occur. We also allocate net investment income generated by our surplus portfolio to each segment using a risk-based capital formula. The unallocated portion of net investment income is reported in the Other segment. Investment expenses, which are recorded as a reduction of net investment income, are allocated to each segment based on its portfolio of invested assets. We allocate shared service operating expenses to each segment using multiple factors, including employee headcount and time study results.

As a result of the Merger, the reporting of our revenues and expenses were affected by PGAAP. Refer to the Sumitomo Life Merger discussion at the beginning of the Results of Operations, as well as Note 3 of our consolidated financial statements, for a more detailed discussion of the changes to these items.

Revenues

Premiums

Premiums consist primarily of premiums from our medical stop-loss, limited benefit medical, group life and DI, individual term and whole life insurance products, net of reinsurance premiums paid.

Net investment income

Net investment income represents the income earned on our investments, net of investment expenses, including prepayment-related income such as bond make-whole payments.

Policy fees, contract charges and other

Policy fees, contract charges and other includes COI charges primarily on our UL and BOLI policies, surrender and other administrative charges to policyholders, revenues from our non-insurance businesses, and reinsurance allowance fees.

Net realized gains (losses)

Net realized gains (losses) consists mainly of realized gains (losses) from sales of our investments, realized losses from investment impairments, prepayment-related gains (losses), and changes in fair value of our marked-to-market financial instruments. It also includes the portion of DAC and VOBA amortization due to changes in estimated gross profits (EGPs) related to these items. Subsequent to the Merger, net realized gains (losses) also reflects changes in the fair value of our alternative investments and expense from amortization of tax credit investments. For Predecessor company, these items were recorded in net investment income.

Benefits and Expenses

Policyholder benefits and claims

Policyholder benefits and claims consist of benefits paid, net of reinsurance recoveries, and reserve changes on group insurance, annuity products with death benefits, individual life and BOLI products.

Interest credited

Interest credited represents interest credited to policyholder reserves and contract holder general account balances, the impact of mortality and funding services activity within our Income Annuities segment, and the impact of deferred sales inducements.

Other underwriting and operating expenses

Other underwriting and operating expenses represent non-deferrable costs related to the acquisition and the ongoing maintenance of insurance and investment contracts, including certain non-deferrable commissions, policy issuance expenses and other business and administrative operating costs.

Interest expense

Interest expense primarily includes interest on corporate debt, including the amortization of any associated premiums or discounts and related debt issuance costs.

Amortization of deferred policy acquisition costs (DAC) and value of business acquired (VOBA)

We defer as assets certain commissions, distribution costs, new business processing costs, and other underwriting costs that are directly related to the successful acquisition of new and renewal business. In addition, as a result of the Merger, we established a balance for VOBA, which represents the right to receive future gross profits from cash flows and earnings of our existing business. Amortization of previously capitalized DAC and VOBA is recorded as an expense.

Amortization of intangible assets

In conjunction with the Merger, a portion of the purchase price was allocated to specifically identifiable intangible assets, including value of distribution acquired (VODA), value of customer relationships acquired (VOCRA), trade names, and technology. These intangible assets have finite lives and are amortized on a straight-line basis over their estimated useful lives.

Use of non-GAAP Financial Measures

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

We have provided reconciliations between non-GAAP financial measures and their most directly comparable GAAP financial measures in the "—Results of Operations" section of this report. Subsequent to the Merger (Successor Company), we have modified our definitions of Adjusted Operating Income and Pre-tax Adjusted Operating Income. In the following paragraphs we provide the Successor Company definitions of these non-GAAP measures.

Adjusted Operating Income

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

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

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

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

Pre-tax Adjusted Operating Income

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