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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended June 30, 2010

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-33808

SYMETRA FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**20-0978027**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

777 108th Avenue NE, Suite 1200
Bellevue, Washington 98004
(Address of principal executive offices, including zip code)

(425) 256-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No ☑

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

As of August 10, 2010, the Registrant had 118,175,040 common voting shares outstanding, with a par value of $0.01 per share.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains statements, which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of current or historical facts included or referenced in this report that address activities, events or developments that we expect or anticipate will or may occur in the future, are forward-looking statements. The words “will,” “believe,” “intend,” “plan,” “expect,” “anticipate,” “project,” “estimate,” “predict” and similar expressions also are intended to identify forward-looking statements. These forward-looking statements include, among others, statements with respect to Symetra Financial Corporation’s:

- estimates or projections of revenues, net income, net income per share, adjusted operating income, adjusted operating income per share, market share or other financial forecasts;
- trends in operations, financial performance and financial condition;
- financial and operating targets or plans; and
- business and growth strategy.

These statements are based on certain assumptions and analyses made by Symetra in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate under the circumstances. Whether actual results and developments will conform to Symetra’s expectations and predictions is subject to a number of risks, uncertainties and contingencies that could cause actual results to differ materially from expectations, including, among others:

- general economic, market or business conditions, including further economic downturns or other adverse conditions in the global and domestic capital and credit markets;
- the availability of capital and financing;
- potential investment losses;
- the effects of fluctuations in interest rates and a prolonged low interest rate environment;
- recorded reserves for future policy benefits and claims subsequently proving to be inadequate or inaccurate;
- deviations from assumptions used in setting prices for insurance and annuity products;
- market pricing and competitive trends related to insurance products and services;
- changes in amortization of deferred policy acquisition costs;
- financial strength or credit ratings downgrades;
- the continued availability and cost of reinsurance coverage;
- changes in laws or regulations, or their interpretation, including those that could increase Symetra’s business costs and required capital levels;
- the ability of subsidiaries to pay dividends to Symetra;
- the effects of implementation of the Patient Protection and Affordable Care Act;
- the effects of implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and
- the risks that are described in Item 1A — “Risk Factors” in this report and Symetra’s 2009 Annual Report on Form 10-K.

Consequently, all of the forward-looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Symetra will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Symetra or its business or operations. Symetra assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise.

PART I — Financial Information

Item 1. ***Financial Statements***

CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)

	As of June 30, 2010 (Unaudited)	As of December 31, 2009
ASSETS		
Investments:		
Available-for-sale securities:		
Fixed maturities, at fair value (cost: **$19,618.7** and $18,553.7, respectively)	**$ 20,612.2**	$ 18,594.3
Marketable equity securities, at fair value (cost: **$52.6** and $52.6, respectively)	**43.9**	36.7
Trading securities:		
Marketable equity securities, at fair value (cost: **$157.3** and $165.9, respectively)	**141.0**	154.1
Mortgage loans, net	**1,340.3**	1,201.7
Policy loans	**72.3**	73.9
Investments in limited partnerships (includes **$32.1** and $24.7 measured at fair value, respectively)	**136.9**	110.2
Other invested assets	**12.0**	12.2
Total investments	**22,358.6**	20,183.1
Cash and cash equivalents	**322.7**	257.8
Accrued investment income	**251.6**	237.2
Accounts receivable and other receivables	**81.9**	70.1
Reinsurance recoverables	**277.3**	276.6
Deferred policy acquisition costs	**199.0**	250.4
Goodwill	**27.3**	26.3
Current income taxes recoverable	**—**	20.2
Deferred income tax assets, net	**—**	191.2
Other assets	**74.0**	84.5
Separate account assets	**759.0**	840.1
Total assets	**$ 24,351.4**	$ 22,437.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Funds held under deposit contracts	**$ 19,825.7**	$ 18,816.7
Future policy benefits	**397.0**	394.9
Policy and contract claims	**120.7**	125.6
Unearned premiums	**14.0**	12.1
Other policyholders' funds	**99.5**	113.8
Notes payable	**449.0**	448.9
Deferred income tax liabilities, net	**112.0**	—
Other liabilities	**231.7**	252.1
Separate account liabilities	**759.0**	840.1
Total liabilities	**22,008.6**	21,004.2
Commitments and contingencies *(Note 10)*		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 750,000,000 shares authorized; **118,222,920** issued and **118,175,040** outstanding as of June 30, 2010; 92,729,455 issued and outstanding as of December 31, 2009	**1.2**	0.9
Additional paid-in capital	**1,449.5**	1,165.7
Retained earnings	**391.6**	316.4
Treasury stock, at cost; **47,880** and 0 shares as of June 30, 2010 and December 31, 2009, respectively	**(0.6)**	—
Accumulated other comprehensive income (loss), net of taxes	**501.1**	(49.7)
Total stockholders' equity	**2,342.8**	1,433.3
Total liabilities and stockholders' equity	**$ 24,351.4**	$ 22,437.5

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share data)
(Unaudited)

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009
Revenues:				
Premiums	**$ 115.5**	$ 116.8	**$ 234.5**	$ 236.3
Net investment income	**297.1**	283.1	**584.0**	545.8
Policy fees, contract charges, and other	**41.8**	40.7	**82.3**	80.3
Net realized investment gains (losses):				
Total other-than-temporary impairment losses on securities	**(2.7)**	(72.2)	**(20.6)**	(123.8)
Less: portion of losses recognized in other comprehensive income	**1.2**	43.7	**9.4**	67.5
Net impairment losses recognized in earnings	**(1.5)**	(28.5)	**(11.2)**	(56.3)
Other net realized investment gains (losses)	**(8.5)**	31.2	**8.0**	16.0
Total net realized investment gains (losses)	**(10.0)**	2.7	**(3.2)**	(40.3)
Total revenues	**444.4**	443.3	**897.6**	822.1
Benefits and expenses:				
Policyholder benefits and claims	**83.3**	82.1	**169.5**	176.5
Interest credited	**221.5**	213.1	**440.0**	408.7
Other underwriting and operating expenses	**64.2**	62.0	**123.8**	125.0
Interest expense	**7.9**	8.0	**15.9**	15.9
Amortization of deferred policy acquisition costs	**17.0**	11.9	**32.4**	22.6
Total benefits and expenses	**393.9**	377.1	**781.6**	748.7
Income from operations before income taxes	**50.5**	66.2	**116.0**	73.4
Provision (benefit) for income taxes:				
Current	**17.4**	9.6	**27.3**	11.5
Deferred	**(2.7)**	9.6	**6.6**	9.8
Total provision for income taxes	**14.7**	19.2	**33.9**	21.3
Net income	**$ 35.8**	$ 47.0	**$ 82.1**	$ 52.1
Net income per common share:				
Basic	**$ 0.26**	$ 0.42	**$ 0.61**	$ 0.47
Diluted	**$ 0.26**	$ 0.42	**$ 0.61**	$ 0.47
Weighted-average number of common shares outstanding:				
Basic	**137.019**	111.622	**134.035**	111.622
Diluted	**137.038**	111.622	**134.056**	111.622
Cash dividends declared per common share	**$ 0.05**	—	**$ 0.05**	—

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances as of January 1, 2009	$ 0.9	$ 1,165.5	$ 172.4	$ —	$ (1,052.6)	$ 286.2
Cumulative effect adjustment — new accounting guidance (net of taxes: $(8.4))	—	—	15.7	—	(15.7)	—
Comprehensive income, net of taxes:						
Net income	—	—	52.1	—	—	52.1
Other comprehensive income (net of taxes: $229.1)	—	—	—	—	425.4	425.4
Total comprehensive income, net of taxes						477.5
Balances as of June 30, 2009	$ 0.9	$ 1,165.5	$ 240.2	$ —	$ (642.9)	$ 763.7
Balances as of January 1, 2010	**$ 0.9**	**$ 1,165.7**	**$ 316.4**	**$ —**	**$ (49.7)**	**$ 1,433.3**
Common stock issued (net of issuance costs: $**20.6**)	**0.3**	**282.2**	**—**	**—**	**—**	**282.5**
Comprehensive income, net of taxes:						
Net income	**—**	**—**	**82.1**	**—**	**—**	**82.1**
Other comprehensive income (net of taxes: **$296.5**)	**—**	**—**	**—**	**—**	**550.8**	**550.8**
Total comprehensive income, net of taxes						**632.9**
Stock-based compensation	**—**	**1.6**	**—**	**(0.6)**	**—**	**1.0**
Dividends declared	**—**	**—**	**(6.9)**	**—**	**—**	**(6.9)**
Balances as of June 30, 2010	**$ 1.2**	**$ 1,449.5**	**$ 391.6**	**$ (0.6)**	**$ 501.1**	**$ 2,342.8**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	For the Six Months Ended June 30, 2010	2009
Cash flows from operating activities		
Net income	**$ 82.1**	$ 52.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment losses	**3.2**	40.3
Accretion and amortization of invested assets, net	**18.9**	8.5
Accrued interest on bonds	**(21.5)**	(16.6)
Amortization and depreciation	**11.5**	7.4
Deferred income tax provision	**6.6**	9.8
Interest credited on deposit contracts	**440.0**	408.7
Mortality and expense charges and administrative fees	**(51.2)**	(50.2)
Changes in:		
Accrued investment income	**(14.4)**	(24.1)
Deferred policy acquisition costs, net	**(35.1)**	(76.2)
Other receivables	**2.8**	(13.9)
Future policy benefits	**2.1**	2.2
Policy and contract claims	**(4.9)**	(0.8)
Current income taxes recoverable	**22.3**	18.7
Other assets and liabilities	**(27.0)**	(5.5)
Other, net	**1.4**	0.1
Total adjustments	**354.7**	308.4
Net cash provided by operating activities	**436.8**	360.5
Cash flows from investing activities		
Purchases of:		
Fixed maturities and marketable equity securities	**(2,397.7)**	(2,110.7)
Other invested assets and investments in limited partnerships	**(23.4)**	(19.3)
Issuances of mortgage loans	**(179.6)**	(86.0)
Issuances of policy loans	**(8.6)**	(8.9)
Maturities, calls, paydowns, and other	**892.7**	649.5
Securities lending collateral returned, net	**—**	59.6
Sales of:		
Fixed maturities and marketable equity securities	**441.7**	138.4
Other invested assets and investments in limited partnerships	**6.3**	2.9
Repayments of mortgage loans	**37.5**	35.8
Repayments of policy loans	**9.7**	9.3
Other, net	**(1.8)**	3.9
Net cash used in investing activities	**(1,223.2)**	(1,325.5)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	**1,215.9**	1,655.6
Withdrawals	**(621.2)**	(671.4)
Securities lending collateral paid, net	**—**	(59.6)
Proceeds from issuance of common stock	**282.5**	—
Cash dividends paid on common stock	**(6.9)**	—
Acquisition of treasury stock	**(0.6)**	—
Other, net	**(18.4)**	7.4
Net cash provided by financing activities	**851.3**	932.0
Net increase (decrease) in cash and cash equivalents	**64.9**	(33.0)
Cash and cash equivalents at beginning of period	**257.8**	468.0
Cash and cash equivalents at end of period	**$ 322.7**	$ 435.0
Supplemental disclosures of cash flow information		
Non-cash transactions during the period:		
Investments in limited partnerships and capital obligations incurred	**$ 20.2**	$ 9.2
Bond exchanges	**72.7**	27.4

See accompanying notes.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except per share data, unless otherwise stated)
(Unaudited)

1. Description of Business

Symetra Financial Corporation is a Delaware corporation that, through its subsidiaries, offers group and individual insurance products and retirement products, including annuities, marketed through benefits consultants, financial institutions and independent agents and advisors in all states and the District of Columbia. The Company's principal products include medical stop-loss insurance, fixed and variable deferred annuities, single premium immediate annuities and individual life insurance. The accompanying interim financial statements include, on a consolidated basis, the accounts of Symetra Financial Corporation and its subsidiaries, which are collectively referred to as "Symetra Financial" or "the Company."

On January 27, 2010, the Company completed an initial public offering (IPO) of its common stock at an offering price of $12.00 per share. The IPO included 25.260 newly issued shares of common stock sold by the Company, and 9.700 existing shares of common stock sold by selling stockholders. The Company received net proceeds from the offering of $282.5. The Company did not receive any proceeds from the sale of shares by the selling stockholders.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The interim consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP), including the rules and regulations of the Securities and Exchange Commission (SEC), for interim reporting. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that may affect the amounts reported in the interim consolidated financial statements and accompanying notes. These interim consolidated financial statements are unaudited but in management's opinion include all adjustments, consisting of normal recurring adjustments and accruals, necessary for a fair presentation.

The interim consolidated financial statements include the accounts of Symetra Financial Corporation and its subsidiaries that are wholly owned, directly or indirectly. All significant intercompany transactions and balances have been eliminated. Certain reclassifications have been made to prior year financial information to conform to the current period presentation. For the three and six months ended June 30, 2009, this included reclassifications of $25.8 and $51.8, respectively, related to cost of insurance charges on universal life-type (UL) contracts from premium revenues to policy fees, contract charges and other revenues on the consolidated statements of income. These reclassifications did not change total revenues or amounts previously reported as other revenues that are now included in policy fees, contract charges and other.

These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC. The consolidated balance sheet as of December 31, 2009 was derived from audited consolidated financial statements as of that date but certain information and footnotes required by GAAP for complete financial statements have been excluded. Operating results for the three- and six-month periods ended June 30, 2010 are not necessarily indicative of the results that may be expected for the twelve months ended December 31, 2010.

During the first quarter of 2010, the Company revised its estimate for bonus interest reserves on one of its universal life products. This bonus interest is not earned by the contractholder if the policy's credited rate is equal to the guaranteed minimum. Due to the negative impact the low interest rate environment has had on investment yields, the credited interest rate is being adjusted downward to the guaranteed minimum rate over the next nine months. As a result, for the six months ended June 30, 2010, income from operations before income taxes increased $7.4. The impact on net income for the same period was $4.8, or $0.03 per share of common stock.

Adoption of New Accounting Pronouncements

ASC 810-10 (formerly SFAS No. 167), Amendments to FASB Interpretation No. 46(R)

In June 2009, the FASB issued SFAS No. 167 (ASC 810-10), *Amendments to FASB Interpretation No. 46(R)*, which provides guidance for determining whether an entity is a variable interest entity (VIE); assessing which enterprise, if any, has a controlling financial interest in a VIE; and providing additional disclosures about involvement with such entities. This guidance changed the basis for determining the primary beneficiary of a VIE from a quantitative analysis to a primarily qualitative analysis and requires reassessment of this determination at each reporting period. The Company adopted this guidance on January 1, 2010, and it did not change the Company's previous conclusions regarding its VIEs, which consist primarily of investments in limited partnerships.

Based on the analysis of its investments in VIEs, the Company does not meet the definition of "primary beneficiary" for any of these VIEs, as it lacks the power to direct the activities of its VIEs, and therefore has not consolidated these entities. The maximum exposure to loss as a result of the Company's involvement in its VIEs, which includes unfunded commitments, was $166.3 and $147.3 as of June 30, 2010 and December 31, 2009, respectively.

ASU 2010-6, Improving Disclosures about Fair Value Measurement

In January 2010, the FASB issued ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820) — Improving Disclosures about Fair Value Measurement*. The guidance in this ASU requires additional disclosures about an entity's fair value measurements, including information about inputs to Level 2 measurements, gross transfers into and out of Levels 1 and 2, and information about activity for Level 3 measurements on a gross basis. It also clarifies the level of disaggregation required for existing fair value disclosures. The Company adopted this guidance on January 1, 2010, except for the provisions regarding activity for Level 3 measurements presented on a gross basis, which will be adopted on January 1, 2011, as provided for in the guidance. See Note 5 for the Company's disclosures related to fair value measurements.

Accounting Pronouncements Not Yet Adopted

ASU 2010-15, How Investments Held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments

In April 2010, the FASB issued ASU 2010-15, *Financial Services — Insurance (Topic 944) — How Investments Held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments*. This guidance clarifies that an insurer should only consider its ownership interests held within its general account when determining if it holds a controlling interest, thus excluding interests held in a separate account from the analysis. It does not change the guidance for consolidating investments when the general account holds a controlling interest. The Company will adopt this guidance on January 1, 2011, which will not change the Company's current practice of excluding ownership interests held in its separate account from its consolidation analysis.

ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB issued ASU 2010-20, *Receivables (Topic 310) — Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. This guidance requires increased disclosure about financing receivables, including credit risk exposures and the allowance for credit losses; however, it does not change how credit losses are measured or recognized. It requires, on a disaggregated basis, new disclosures regarding allowances for credit losses, the credit quality of financing receivables, and loan impairments. The Company is evaluating the new disclosure requirements to determine the extent to which they will impact its financial statements. The Company's mortgage loans are considered financing receivables. The Company will include the required disclosures in its financial statements for the year ended December 31, 2010.

3. Earnings Per Share

Basic earnings per share represents the amount of earnings for the period available to each share of common stock outstanding during the reporting period. Diluted earnings per share represents the amount of earnings for the period available to each share of common stock outstanding during the reporting period, adjusted for the potential issuance of common stock, if dilutive.

The outstanding warrants, exercisable for 18.976 common shares, are considered participating securities or potential common stock securities that are included in weighted-average common shares outstanding for purposes of computing basic and diluted earnings per share using the two-class method. The warrants are considered participating securities or potential common stock securities because the terms of the agreements entitle the holders to receive any dividends declared on the common stock concurrently with the holders of outstanding shares of common stock, on a one-to-one basis.

The Company has issued restricted stock to certain employees that are included in the computation of earnings per share, weighted for the portion of the period the shares were outstanding. Certain of the restricted shares are considered participating securities because the terms of the agreements entitle the holders to receive any dividends declared on the common stock concurrently with the holders of outstanding shares of common stock, on a one-to-one basis. Participating restricted stock is included in basic and diluted earnings per share based on the application of the two-class method. Non-participating restricted stock is included in diluted earnings per share based on the application of the treasury stock method.

(All amounts in millions, except per share data, unless otherwise stated)

For the three and six months ended June 30, 2010, 1.750 stock options were excluded from the computation of diluted earnings per share, based on the application of the treasury stock method, because they were antidilutive.

The following table presents information relating to the Company's calculations of basic and diluted earnings per share:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Numerator:				
Net income, as reported	**$ 35.8**	$ 47.0	**$ 82.1**	$ 52.1
Denominator:				
Weighted-average common shares outstanding — basic	**137.019**	111.622	**134.035**	111.622
Add: Dilutive effect of restricted stock	**0.019**	—	**0.021**	—
Weighted-average common shares outstanding — diluted	**137.038**	111.622	**134.056**	111.622
Net income per common share:				
Basic	**$ 0.26**	$ 0.42	**$ 0.61**	$ 0.47
Diluted	**$ 0.26**	$ 0.42	**$ 0.61**	$ 0.47

4. Investments

The following tables summarize the Company's available-for-sale fixed maturities and marketable equity securities. The other-than-temporary impairments (OTTI) in accumulated other comprehensive income (loss) (AOCI) represent the amount of cumulative non-credit OTTI losses transferred to, or recorded in, AOCI for securities that also had a credit-related impairment.

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI
As of June 30, 2010					
Fixed maturities:					
U.S. government and agencies	**$ 116.3**	**$ 6.7**	**$ —**	**$ 123.0**	**$ (0.1)**
State and political subdivisions	**482.7**	**7.0**	**(17.9)**	**471.8**	**(0.7)**
Corporate securities	**13,426.8**	**987.4**	**(237.8)**	**14,176.4**	**(25.5)**
Residential mortgage-backed securities	**3,667.7**	**195.5**	**(57.0)**	**3,806.2**	**(42.2)**
Commercial mortgage-backed securities	**1,722.4**	**116.8**	**(9.7)**	**1,829.5**	**(3.7)**
Other debt obligations	**202.8**	**17.0**	**(14.5)**	**205.3**	**(3.9)**
Total fixed maturities	**19,618.7**	**1,330.4**	**(336.9)**	**20,612.2**	**(76.1)**
Marketable equity securities, available-for-sale	**52.6**	**0.2**	**(8.9)**	**43.9**	**—**
Total	**$ 19,671.3**	**$ 1,330.6**	**$ (345.8)**	**$ 20,656.1**	**$ (76.1)**

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI
As of December 31, 2009					
Fixed maturities:					
U.S. government and agencies	$ 41.6	$ 2.4	$ (0.1)	$ 43.9	$ (0.1)
State and political subdivisions	518.4	1.9	(37.3)	483.0	(1.3)
Corporate securities	12,454.8	487.5	(393.7)	12,548.6	(32.8)
Residential mortgage-backed securities	3,532.1	105.3	(101.0)	3,536.4	(39.9)
Commercial mortgage-backed securities	1,805.6	44.5	(60.7)	1,789.4	(4.0)
Other debt obligations	201.2	9.4	(17.6)	193.0	(3.8)
Total fixed maturities	18,553.7	651.0	(610.4)	18,594.3	(81.9)
Marketable equity securities, available-for-sale	52.6	0.1	(16.0)	36.7	—
Total	$ 18,606.3	$ 651.1	$ (626.4)	$ 18,631.0	$ (81.9)

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except per share data, unless otherwise stated)
(Unaudited)

The following tables summarize gross unrealized losses and fair values of the Company's available-for-sale investments. For fixed maturities, gross unrealized losses include the portion of OTTI recorded in AOCI. The tables are aggregated by investment category and present separately those securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more.

	Less Than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Losses	# of Securities	Fair Value	Gross Unrealized Losses	# of Securities
As of June 30, 2010						
Fixed maturities:						
State and political subdivisions	**$ —**	**$ —**	**—**	**$ 283.9**	**$ (17.9)**	**43**
Corporate securities	**560.5**	**(45.1)**	**104**	**1,567.2**	**(192.7)**	**175**
Residential mortgage-backed securities	**50.6**	**(0.7)**	**12**	**350.7**	**(56.3)**	**58**
Commercial mortgage-backed securities	**6.6**	**(0.2)**	**5**	**86.9**	**(9.5)**	**22**
Other debt obligations	**—**	**—**	**—**	**26.8**	**(14.5)**	**7**
Total fixed maturities	**$ 617.7**	**$ (46.0)**	**121**	**$ 2,315.5**	**$ (290.9)**	**305**
Marketable equity securities, available-for-sale	—	—	—	**22.9**	**(8.9)**	**4**
Total	**$ 617.7**	**$ (46.0)**	**121**	**$ 2,338.4**	**$ (299.8)**	**309**

	Less Than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Losses	# of Securities	Fair Value	Gross Unrealized Losses	# of Securities
As of December 31, 2009						
Fixed maturities:						
U.S. government and agencies	$ 2.2	$ (0.1)	1	$ —	$ —	—
State and political subdivisions	67.7	(1.9)	18	299.7	(35.4)	49
Corporate securities	1,404.0	(33.4)	151	2,504.0	(360.3)	291
Residential mortgage-backed securities	579.9	(9.4)	30	404.6	(91.6)	65
Commercial mortgage-backed securities	94.9	(1.4)	11	622.8	(59.3)	44
Other debt obligations	11.4	(0.2)	3	28.2	(17.4)	8
Total fixed maturities	$ 2,160.1	$ (46.4)	214	$ 3,859.3	$ (564.0)	457
Marketable equity securities, available-for-sale	—	—	—	36.3	(16.0)	5
Total	$ 2,160.1	$ (46.4)	214	$ 3,895.6	$ (580.0)	462

Based on National Association of Insurance Commissioners (NAIC) ratings, as of June 30, 2010 and December 31, 2009, the Company held below-investment-grade fixed maturities with fair values of $1,030.8 and $1,032.1, respectively, and amortized costs of $1,129.5 and $1,165.1, respectively. These holdings amounted to 5.0% and 5.6% of the Company's investments in fixed maturities at fair value as of June 30, 2010 and December 31, 2009, respectively.

The following table summarizes the amortized cost and fair value of fixed maturities as of June 30, 2010, by contractual years to maturity. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

	Amortized Cost	Fair Value
One year or less	**$ 706.4**	**$ 717.1**
Over one year through five years	**3,181.3**	**3,380.9**
Over five years through ten years	**5,008.8**	**5,403.3**
Over ten years	**5,193.8**	**5,328.6**
Residential mortgage-backed securities	**3,667.7**	**3,806.2**
Commercial mortgage-backed securities.	**1,722.4**	**1,829.5**
Other asset-backed securities	**138.3**	**146.6**
Total fixed maturities	**$ 19,618.7**	**$ 20,612.2**

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The following table summarizes the Company's net investment income:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Fixed maturities	**$ 280.4**	$ 263.6	**$ 551.4**	$ 514.4
Marketable equity securities, available-for-sale	**1.1**	1.3	**1.7**	1.7
Marketable equity securities, trading	**0.8**	0.6	**1.5**	1.2
Mortgage loans	**20.9**	16.1	**39.7**	32.1
Policy loans	**1.1**	1.1	**2.2**	2.2
Investments in limited partnerships	**(2.6)**	4.1	**(3.8)**	2.6
Other	**0.7**	1.1	**1.8**	1.3
Total investment income	**302.4**	287.9	**594.5**	555.5
Investment expenses	**(5.3)**	(4.8)	**(10.5)**	(9.7)
Net investment income	**$ 297.1**	$ 283.1	**$ 584.0**	$ 545.8

The following table summarizes the Company's net realized investment gains (losses):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Fixed maturities:				
Gross gains on sales	**$ 7.0**	$ 5.8	**$ 17.4**	$ 6.2
Gross losses on sales	**(0.2)**	(1.6)	**(1.3)**	(2.2)
Other-than-temporary impairments	**(1.5)**	(28.5)	**(11.2)**	(56.3)
Other(1)	**(0.1)**	3.6	**2.2**	(0.6)
Total fixed maturities	**5.2**	(20.7)	**7.1**	(52.9)
Marketable equity securities, trading(2)	**(8.8)**	19.6	**(1.2)**	4.3
Other invested assets	**(4.8)**	0.1	**(6.2)**	(1.5)
Deferred policy acquisition costs adjustment	**(1.6)**	3.7	**(2.9)**	9.8
Net realized investment gains (losses)	**$ (10.0)**	$ 2.7	**$ (3.2)**	$ (40.3)

(1) This includes gains (losses) on calls and redemptions. Also included are changes in the fair value of the Company's convertible securities held as of period end totaling $(2.9), $(0.6), $3.0 and $3.0 for the three and six months ended June 30, 2010 and 2009, respectively.

(2) This includes $(7.4), $(2.7), $19.2 and $4.4 of gains (losses) for the three and six months ended June 30, 2010 and 2009, respectively, related to changes in fair value of trading securities held as of period end.

Other-Than-Temporary Impairments

The Company's review of investment securities for OTTI includes both quantitative and qualitative criteria. Quantitative criteria include the length of time and amount that each security is in an unrealized loss position (i.e., is underwater) and, for fixed maturities, whether expected future cash flows indicate a credit loss exists.

While all securities are monitored for impairment, the Company's experience indicates that securities for which the cost or amortized cost exceeds fair value by less than 20% do not represent a significant risk of impairment and, often, fair values recover over time as the factors that caused the declines improve. If the estimated fair value has declined and remained below cost or amortized cost by 20% or more, the Company further analyzes the decrease in fair value to determine whether it is an other-than-temporary decline. To make this determination for each security, the Company considers, among other factors:

- Extent and duration of the decline in fair value below cost or amortized cost;
- The financial condition and near-term prospects of the issuer of the security, including any specific events that may affect its operations, earnings potential or compliance with terms and covenants of the security;
- Changes in the financial condition of the security's underlying collateral;
- Any downgrades of the security by a rating agency;

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- Any reduction or elimination of dividends or nonpayment of scheduled interest payments;
- Other indications that a credit loss has occurred; and
- The Company's intent to sell a fixed maturity or whether it is more likely than not the Company will be required to sell the fixed maturity prior to recovery of its amortized cost, considering any regulatory developments and the Company's liquidity needs.

For fixed maturities, if the Company determines that the present value of the cash flows expected to be collected is less than the amortized cost of the security (i.e., a credit loss exists), the Company concludes that an OTTI has occurred. In order to determine the amount of the credit loss, the Company calculates the recovery value by performing a discounted cash flow analysis based on the current expectations of future cash flows it expects to recover. The discount rate is the effective interest rate implicit in the underlying fixed maturity. The effective interest rate is the original yield for corporate securities, or current yield for mortgage-backed securities.

Determination of Credit Losses on Corporate Securities

To determine the recovery value, credit loss and intent to sell for a corporate security, the Company performs an analysis related to the underlying issuer including, but not limited to, the following:

- Fundamentals of the issuer to determine what the Company would recover if the issuer were to file for bankruptcy, compared to the price at which the market is trading;
- Fundamentals of the industry in which the issuer operates;
- Earnings multiples for the given industry or sector of the industry that the issuer operates within, divided by the outstanding debt to determine an expected recovery value of the security in the case of a liquidation;
- Expected cash flows of the issuer;
- Expectations regarding defaults and recovery rates;
- Changes to the rating of the security by a rating agency; and
- Additional market information.

Determination of Credit Losses on Mortgage-backed Securities

To determine the recovery value, credit loss and intent to sell for a mortgage-backed security, including residential-, commercial- and other asset-backed securities, the Company performs an analysis related to the underlying issuer including, but not limited to, the following:

- Discounted cash flow analysis based on the current and future cash flows the Company expects to recover;
- Level of creditworthiness;
- Delinquency ratios and loan-to-value ratios;
- Average cumulative collateral loss, vintage year and level of subordination;
- Susceptibility to fair value fluctuations due to changes in the interest rate environment;
- Susceptibility to reinvestment risk in cases where market yields are lower than the book yield earned;
- Susceptibility to reinvestment risk in cases where market yields are higher than the book yields earned and the Company's expectation of the sale of such security; and
- Susceptibility to variability of prepayments.

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The following table presents the severity and duration of the gross unrealized losses on the Company's underwater available-for-sale securities:

	As of June 30, 2010		As of December 31, 2009	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturities				
Underwater by 20% or more:				
Less than 6 consecutive months	**$ 137.6**	**$ (43.8)**	$ 103.4	$ (28.4)
6 consecutive months or more	**187.6**	**(93.2)**	517.9	(229.5)
Total underwater by 20% or more	**325.2**	**(137.0)**	621.3	(257.9)
All other underwater fixed maturities	**2,608.0**	**(199.9)**	5,398.1	(352.5)
Total underwater fixed maturities	**$ 2,933.2**	**$ (336.9)**	$ 6,019.4	$ (610.4)
Marketable equity securities, available-for-sale				
Underwater by 20% or more:				
6 consecutive months or more	**$ 1.7**	**$ (4.4)**	$ 35.6	$ (15.9)
Total underwater by 20% or more	**1.7**	**(4.4)**	35.6	(15.9)
All other underwater marketable equity securities, available-for-sale	**21.2**	**(4.5)**	0.7	(0.1)
Total underwater marketable equity securities, available-for-sale	**$ 22.9**	**$ (8.9)**	$ 36.3	$ (16.0)

As of June 30, 2010 and December 31, 2009, investment grade securities totaled $38.2 and $136.9, respectively, which composed 41.0%, and 59.7%, respectively, of the gross unrealized losses on fixed maturities underwater by 20% or more for six months or more. Unrealized losses on investment grade securities are principally related to changes in interest rates or changes in the issuer and the sector-related credit spreads since the securities were acquired.

The Company reviewed its investments in fixed maturities with unrealized losses as of June 30, 2010 in accordance with its impairment policy. The Company's evaluation determined, after the recognition of other-than-temporary impairments, that the remaining declines in fair value were temporary, as the Company did not intend to sell these fixed maturities and it was not more likely than not that the Company will be required to sell the fixed maturities before recovery of amortized cost. This conclusion is supported by the Company's spread analysis, cash flow modeling and expected continuation of contractually required principal and interest payments.

As of June 30, 2010, the Company did not intend to sell its underwater available-for-sale marketable equity securities, primarily consisting of non-redeemable preferred stock, and it had the intent and ability to hold them until recovery. Based on this analysis, including an evaluation of the near term prospects of the issuers, the Company concluded that the declines in fair value of these securities were temporary.

Changes in the amount of credit-related OTTI recognized in net income where the portion related to other factors was recognized in other comprehensive income (loss) were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Balance, beginning of period	**$ 69.5**	$ 86.1	**$ 69.6**	$ 73.0
Increases recognized in the current period:				
For which an OTTI was not previously recognized	**0.5**	11.1	**6.5**	21.3
For which an OTTI was previously recognized	**0.9**	2.2	**2.4**	10.6
Decreases attributable to:				
Securities sold or paid down during the period	**(2.4)**	(7.6)	**(10.0)**	(7.7)
Previously recognized credit losses on securities impaired during the period due to a change in intent to sell(1)	**—**	(17.4)	**—**	(22.8)
Balance, end of period	**$ 68.5**	$ 74.4	**$ 68.5**	$ 74.4

(1) Represents circumstances where the Company determined in the current period that it intends to sell the security or it is more likely than not that it will be required to sell the security prior to recovery of its amortized cost.

5. Fair Value of Financial Instruments

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The Company determines the fair value of its financial instruments based on the fair value hierarchy, which requires an entity to maximize its use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into the three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest-level input that is significant to the fair value measurement. The Company's financial assets recorded at fair value on the consolidated balance sheets are categorized as follows:

- *Level 1* — Unadjusted quoted prices in active markets for identical instruments. This level primarily consists of exchange-traded marketable equity securities and actively traded mutual fund investments.
- *Level 2* — Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable. This level includes those financial instruments that are valued using industry-standard pricing methodologies, models or other valuation methodologies. All significant inputs are observable, derived from observable information in the marketplace or are supported by observable levels at which transactions are executed in the market place. Financial instruments in this category primarily include certain public and private corporate fixed maturities, government or agency securities and certain mortgage-backed securities.
- *Level 3* — Instruments whose significant value drivers are unobservable. This comprises financial instruments for which fair value is estimated based on industry-standard pricing methodologies and internally developed models utilizing significant inputs not based on or corroborated by readily available market information. In limited circumstances, this category may also utilize non-binding broker quotes. This category primarily consists of certain less liquid fixed maturities, including corporate private placement securities, investments in private equity and hedge funds and trading securities where the Company cannot corroborate the significant valuation inputs with market observable data.

The following tables present the financial instruments carried at fair value under the valuation hierarchy described above for assets accounted for at fair value on a recurring basis. The Company has no financial liabilities accounted for at fair value on a recurring basis:

	As of June 30, 2010				
	Fair Value	Level 1	Level 2	Level 3	Level 3 Percent
Types of Investments					
Fixed maturities, available-for-sale:					
U.S. government and agencies	$ 123.0	$ —	$ 123.0	$ —	—
State and political subdivisions	471.8	—	464.2	7.6	0.0%
Corporate securities	14,176.4	—	13,268.4	908.0	4.2
Residential mortgage-backed securities	3,806.2	—	3,729.1	77.1	0.4
Commercial mortgage-backed securities	1,829.5	—	1,797.9	31.6	0.1
Other debt obligations	205.3	—	194.6	10.7	0.1
Total fixed maturities, available-for-sale	20,612.2	—	19,577.2	1,035.0	4.8
Marketable equity securities, available-for-sale	43.9	42.1	—	1.8	0.0
Marketable equity securities, trading	141.0	140.3	—	0.7	0.0
Investments in limited partnerships(1)	32.1	—	—	32.1	0.2
Other invested assets	5.2	2.7	—	2.5	0.0
Total investments	20,834.4	185.1	19,577.2	1,072.1	5.0
Separate account assets	759.0	759.0	—	—	—
Total	$ 21,593.4	$ 944.1	$ 19,577.2	$ 1,072.1	5.0%

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	As of December 31, 2009				
	Fair Value	Level 1	Level 2	Level 3	Level 3 Percent
Types of Investments					
Fixed maturities, available-for-sale:					
U.S. government and agencies	$ 43.9	$ —	$ 43.9	$ —	—
State and political subdivisions	483.0	—	475.8	7.2	0.0%
Corporate securities	12,548.6	—	11,657.4	891.2	4.5
Residential mortgage-backed securities	3,536.4	—	3,285.9	250.5	1.3
Commercial mortgage-backed securities	1,789.4	—	1,765.4	24.0	0.1
Other debt obligations	193.0	—	182.4	10.6	0.1
Total fixed maturities, available-for-sale	18,594.3	—	17,410.8	1,183.5	6.0
Marketable equity securities, available-for-sale	36.7	34.9	—	1.8	0.0
Marketable equity securities, trading	154.1	153.8	—	0.3	0.0
Investments in limited partnerships(1)	24.7	—	—	24.7	0.2
Other invested assets	6.7	2.1	—	4.6	0.0
Total investments	18,816.5	190.8	17,410.8	1,214.9	6.2
Separate account assets	840.1	840.1	—	—	—
Total	$ 19,656.6	$ 1,030.9	$ 17,410.8	$ 1,214.9	6.2%

(1) As of June 30, 2010 and December 31, 2009, this amount consisted of investments in private equity and hedge funds.

Fixed Maturities

The vast majority of the Company's fixed maturities have been classified as Level 2 measurements. To make this assessment, the Company determines whether the market for a security is active and if significant pricing inputs are observable. The Company predominantly utilizes third party independent pricing services to assist management in determining the fair value of its fixed maturity securities. As of June 30, 2010 and December 31, 2009, pricing services provided prices for 95.0% and 93.6% of the Company's fixed maturities, respectively. Prices received from the pricing services are not adjusted and multiple prices for these securities are not obtained. The pricing services provide prices where observable inputs are available. If sufficient objectively verifiable information about a security's valuation is not available, the pricing services will not provide a valuation for the security until they are able to obtain such information.

The Company analyzes the prices received from the pricing services to ensure that they represent a reasonable estimate of fair value and to gain assurance on the overall reasonableness and consistent application of input assumptions, valuation methodologies and compliance with accounting standards for fair value determination. This process includes evaluation of pricing methodologies and inputs, analytical reviews of certain prices between reporting periods, and back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sales prices.

In situations where the Company is unable to obtain sufficient market-observable information upon which to estimate the fair value of a particular security, fair values are determined using internal pricing models that typically utilize significant, unobservable market inputs or inputs that are difficult to corroborate with observable market data. Such measurements are classified as Level 3 and typically include private placements and other securities that the pricing services are unable to price. As of June 30, 2010 and December 31, 2009, the Company had $893.0, or 4.3%, and $901.3, or 4.8%, of its fixed maturities invested in private placement securities, respectively, most of which are corporate securities. The use of significant unobservable inputs in determining the fair value of the Company's investments in private placement securities resulted in the classification of $819.3, or 91.7%, and $819.8, or 91.0%, of these privately placed securities as Level 3 measurements, as of June 30, 2010 and December 31, 2009, respectively.

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Corporate Securities

As of June 30, 2010 and December 31, 2009, the fair value of the Company's corporate securities classified as Level 2 measurements was $13,268.4 and $11,657.4, respectively. The following table presents additional information about the composition of the Level 2 corporate securities:

	As of June 30, 2010			As of December 31, 2009		
	Amount	% of Total	# of Securities	Amount	% of Total	# of Securities
Significant Security Sectors:						
Industrials	**$ 2,400.9**	**18.1%**	**212**	$ 1,974.9	16.9%	227
Consumer staples	**2,003.9**	**15.1**	**141**	1,731.0	14.8	150
Utilities	**1,849.3**	**13.9**	**196**	1,771.6	15.2	216
Financials	**1,746.5**	**13.2**	**246**	1,760.2	15.1	286
Weighted-average coupon rate	**6.44%**			6.55%		
Weighted-average remaining years to contractual maturity	**12.5**			13.3		

Corporate securities classified as Level 2 measurements are priced by independent pricing services, who utilize evaluated pricing models. The significant inputs for security evaluations include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and other reference data, including market research publications. Because many corporate securities do not trade on a daily basis, evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations.

As of June 30, 2010, 87.9% of the Level 3 corporate securities were privately placed securities. These securities were issued by entities primarily in the financial sector, 24.9%, the industrial sector, 22.8%, and the materials sector, 14.4%.

As of December 31, 2009, 89.6% of the Level 3 corporate securities were privately placed securities. These securities were issued by entities primarily in the financial sector, 22.4%, the industrial sector, 22.7%, and the materials sector, 15.2%.

The following table presents additional information about the quality of the Level 3 privately placed corporate securities:

		As of June 30, 2010		As of December 31, 2009	
NAIC Rating	Comparable Standard & Poor's rating	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
1	AAA, AA, A	**$ 163.9**	**20.5%**	$ 153.5	19.2%
2	BBB	**555.1**	**69.6**	557.4	69.8
3 — 6	BB & below	**78.8**	**9.9**	87.3	11.0
Total		**$ 797.8**	**100.0%**	$ 798.2	100.0%

The valuation of these privately placed Level 3 corporate securities requires significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the duration of such assets. The fair values of these securities were determined using a discounted cash flow approach. The discount rate was based on the current Treasury curve, adjusted for credit and liquidity factors. The credit factor adjustment, which is based on credit spreads to the Treasury curve for similar securities, varies for each security based on its quality and industry or sector. The appropriate illiquidity adjustment is estimated based on illiquidity spreads observed in transactions involving similar securities. As of June 30, 2010, the range of illiquidity adjustments varied from 0 to 50 basis points.

Residential Mortgage-backed Securities

As of June 30, 2010 and December 31, 2009, the fair value of the Company's residential mortgage-backed securities (RMBS) classified as Level 2 measurements was $3,729.1 and $3,285.9, respectively. These securities were primarily fixed-rate, with a weighted-average coupon rate of 5.27% and 5.36% as of June 30, 2010 and December 31, 2009, respectively.

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Agency securities composed 87.2% and 84.7% of the Company’s Level 2 RMBS as of June 30, 2010 and December 31, 2009, respectively. The following table presents additional information about the composition of the Level 2 non-agency RMBS securities:

	As of June 30, 2010		As of December 31, 2009	
	Amount	% of Total	Amount	% of Total
Standard & Poor’s equivalent rating:				
AAA	**$ 178.8**	**37.4%**	$ 200.8	39.9%
AA through BBB	**102.8**	**21.5**	140.2	27.8
BB & below	**196.7**	**41.1**	162.7	32.3
Total Non-agency RMBS	**$ 478.3**	**100.0%**	$ 503.7	100.0%
Non-agency RMBS with super senior subordination	**$ 285.9**	**59.8%**	$ 300.3	59.6%

As of June 30, 2010 and December 31, 2009, the Company’s non-agency Level 2 RMBS had a weighted-average credit enhancement of 9.8%, and $191.1 and $191.3, or 40.0% and 38.0%, respectively, had an origination or vintage year of 2004 and prior.

Level 2 RMBS securities are priced by independent pricing services, who utilize evaluated pricing models. The significant inputs for security evaluations include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and other reference data, including market research publications. Because many RMBS do not trade on a daily basis, evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations. In addition, the pricing services use models and processes to develop prepayment and interest rate scenarios. The pricing services monitor market indicators, industry and economic events, and their models take into account market convention.

Commercial Mortgage-backed Securities

As of June 30, 2010 and December 31, 2009, the fair value of the Company’s commercial mortgage-backed securities (CMBS) classified as Level 2 measurements was $1,797.9 and $1,765.4, respectively. These were primarily non-agency securities, which composed 71.5% and 76.8% of Level 2 CMBS as of June 30, 2010 and December 31, 2009, respectively. The non-agency CMBS had an estimated weighted-average credit enhancement of 28.5% and 27.8% as of June 30, 2010 and December 31, 2009, respectively, and 93.0% and 92.4%, respectively, were in the most senior tranche.

The Company’s Level 2 CMBS had a weighted-average coupon rate of 5.56% and 5.55% as of June 30, 2010 and December 31, 2009, respectively. As of June 30, 2010, 18.6% of the underlying collateral for these securities was located in New York, 13.6% was located in California, and 7.0% was located in Texas. The underlying collateral primarily consisted of shopping centers/retail and office buildings, comprising 33.5% and 31.2%, respectively, as of June 30, 2010.

Level 2 CMBS securities are priced by independent pricing services, who utilize evaluated pricing models. The significant inputs for security evaluations include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, new issues, monthly payment information and other reference data, including market research publications. Because many CMBS do not trade on a daily basis, evaluated pricing applications apply available information through processes, such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing, to prepare evaluations.

Marketable Equity Securities

Marketable equity securities are primarily investments in common stock and certain nonredeemable preferred stocks and mutual fund assets, which consist of investments in publicly traded companies and actively traded mutual fund investments. The fair values of the Company’s marketable equity securities are based on quoted market prices in active markets for identical assets and are primarily classified as Level 1.

The Company manages a trading portfolio of marketable equity securities, comprised mostly of investments in common stock. Certain nonredeemable preferred stock are reported as available-for-sale. Investment gains and losses on trading securities, including changes in fair value, are reported in the consolidated statements of income as net realized investment gains (losses). The

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Company believes this presents its investment results for these securities on a basis that is consistent with management's operating principles, as the Company considers changes in fair value on its marketable equity securities when evaluating its performance.

Investments in Limited Partnerships

Investments in limited partnerships recorded at fair value are investments in private equity and hedge funds. The Company utilizes the fair value option for these investments, regardless of ownership percentage, to standardize the related accounting and reporting.

The fair value for the Company's investments in private equity and hedge funds is based upon the Company's proportionate interest in the underlying partnership or fund's net asset value (NAV), which is deemed to approximate fair value. The Company is generally unable to liquidate these investments during the term of the partnership or fund, which range from five to twelve years. As such, the Company classifies these securities as Level 3 measurements.

Other Invested Assets

Other invested assets recorded at fair value primarily consist of life settlement investments, short-term investments and S&P 500 Index options. The carrying value of these assets approximates fair value.

Separate Accounts

Separate account assets are primarily invested in mutual funds with published NAVs, which are included in Level 1.

Rollforward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The following table presents additional information about assets measured at fair value on a recurring basis and for which the Company has utilized significant unobservable inputs (Level 3) to determine fair value for the three and six months ended June 30, 2010:

						Unrealized Gain (Loss) Included in:			
	Balance as of April 1, 2010	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(3)	Net Income(2)	Other Comprehensive Income	Realized Gains (Losses)(2)	Balance as of June 30, 2010
Types of Investments:									
State and political subdivisions	$ 7.4	$ —	$ —	$ —	$ —	$ —	$ 0.2	$ —	$ 7.6
Corporate securities	906.8	15.7	—	4.7	(35.9)	—	14.4	2.3	908.0
Residential mortgage-backed securities	260.8	17.4	—	(202.6)	0.7	—	0.8	—	77.1
Commercial mortgage-backed securities	23.1	10.1	—	(1.3)	(1.0)	—	0.7	—	31.6
Other debt obligations	10.8	—	—	—	(0.2)	—	0.2	(0.1)	10.7
Total fixed maturities, available-for-sale	1,208.9	43.2	—	(199.2)	(36.4)	—	16.3	2.2	1,035.0
Marketable equity securities, available-for-sale	1.8	—	—	—	—	—	—	—	1.8
Marketable equity securities, trading	0.5	—	—	—	0.1	0.1	—	—	0.7
Investments in limited partnerships	25.2	8.6	(1.4)	—	0.1	(1.1)	—	0.7	32.1
Other invested assets	3.8	—	—	—	—	(1.3)	—	—	2.5
Total Level 3	$ 1,240.2	$ 51.8	$ (1.4)	$ (199.2)	$ (36.2)	$ (2.3)	$ 16.3	$ 2.9	$ 1,072.1

						Unrealized Gain (Loss) Included in:			
	Balance as of January 1, 2010	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(3)	Net Income(2)	Other Comprehensive Income	Realized Gains (Losses)(2)	Balance as of June 30, 2010
Types of Investments:									
State and political subdivisions	$ 7.2	$ —	$ —	$ —	$ —	$ —	$ 0.4	$ —	$ 7.6
Corporate securities	891.2	31.7	(17.3)	12.8	(38.4)	—	27.4	0.6	908.0
Residential mortgage-backed securities	250.5	17.4	—	(194.6)	1.4	—	2.4	—	77.1
Commercial mortgage-backed securities	24.0	10.1	—	(1.3)	(2.8)	—	1.6	—	31.6
Other debt obligations	10.6	—	—	—	(0.5)	—	0.7	(0.1)	10.7
Total fixed maturities, available-for-sale	1,183.5	59.2	(17.3)	(183.1)	(40.3)	—	32.5	0.5	1,035.0
Marketable equity securities, available-for-sale	1.8	—	—	—	—	—	—	—	1.8
Marketable equity securities, trading	0.3	—	—	—	0.3	0.1	—	—	0.7
Investments in limited partnerships	24.7	9.2	(2.4)	—	—	(0.2)	—	0.8	32.1
Other invested assets	4.6	—	(0.3)	—	(0.8)	(1.1)	—	0.1	2.5
Total Level 3	$ 1,214.9	$ 68.4	$ (20.0)	$ (183.1)	$ (40.8)	$ (1.2)	$ 32.5	$ 1.4	$ 1,072.1

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(1) Transfers into and/or out of Level 3 are reported at the value as of the beginning of the period in which the transfer occurs. Gross transfers into Level 3 were $4.7 and $14.9 for the three and six months ended June 30, 2010, respectively. Gross transfers out of Level 3 were $(203.9) and $(198.0) for the three and six months ended June 30, 2010, respectively, as public market information on many of our RMBS securities became available and third party independent pricing services began to provide prices. Such securities are now classified as Level 2.

(2) Realized and unrealized gains and losses for investments in limited partnerships are included in net investment income. All other realized and unrealized gains and losses are included in net realized investment gains (losses).

(3) Other is comprised of transactions such as pay downs, calls, amortization and redemptions.

The following table presents additional information about assets measured at fair value on a recurring basis and for which the Company has utilized significant unobservable inputs (Level 3) to determine fair value for the three and six months ended June 30, 2009:

	Balance as of April 1, 2009	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(3)	Unrealized Gain (Loss) Included in: Net Income(2)	Unrealized Gain (Loss) Included in: Other Comprehensive Loss	Realized Gains (Losses)(2)	Balance as of June 30, 2009
Types of Investments:									
State and political subdivisions	$ 6.5	$ —	$ —	$ —	$ —	$ —	$ 0.6	$ —	$ 7.1
Corporate securities	664.7	61.6	(0.1)	(19.9)	(23.0)	—	66.9	(3.1)	747.1
Residential mortgage-backed securities	—	56.9	—	4.4	(0.2)	—	—	—	61.1
Commercial mortgage-backed securities	22.6	—	—	—	(0.6)	—	1.1	—	23.1
Other debt obligations	12.9	—	—	—	(0.3)	—	0.1	—	12.7
Total fixed maturities, available-for-sale	706.7	118.5	(0.1)	(15.5)	(24.1)	—	68.7	(3.1)	851.1
Marketable equity securities, available-for-sale	1.8	—	—	—	—	—	—	—	1.8
Marketable equity securities, trading	0.1	—	—	—	—	0.1	—	—	0.2
Investments in limited partnerships	59.0	—	(2.2)	—	—	8.3	—	(1.9)	63.2
Other invested assets	0.9	—	—	—	—	0.3	—	—	1.2
Total Level 3	$ 768.5	$ 118.5	$ (2.3)	$ (15.5)	$ (24.1)	$ 8.7	$ 68.7	$ (5.0)	$ 917.5

	Balance as of January 1, 2009	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(3)	Unrealized Gain (Loss) Included in: Net Income(2)	Unrealized Gain (Loss) Included in: Other Comprehensive Loss	Realized Gains (Losses)(2)	Balance as of June 30, 2009
Types of Investments:									
State and political subdivisions	$ 6.3	$ —	$ —	$ —	$ —	$ —	$ 0.8	$ —	$ 7.1
Corporate securities	631.6	113.8	(0.1)	(23.7)	(25.8)	—	55.4	(4.1)	747.1
Residential mortgage-backed securities	—	56.9	—	4.5	(0.3)	—	—	—	61.1
Commercial mortgage-backed securities	24.4	—	—	(0.7)	(1.6)	—	1.0	—	23.1
Other debt obligations	12.0	—	—	—	(0.8)	—	1.5	—	12.7
Total fixed maturities, available-for-sale	674.3	170.7	(0.1)	(19.9)	(28.5)	—	58.7	(4.1)	851.1
Marketable equity securities, available-for-sale	—	—	—	5.2	—	—	(3.4)	—	1.8
Marketable equity securities, trading	0.2	—	—	—	—	—	—	—	0.2
Investments in limited partnerships	56.3	2.4	(2.9)	—	—	9.2	—	(1.8)	63.2
Other invested assets	2.4	—	—	—	—	(1.2)	—	—	1.2
Total Level 3	$ 733.2	$ 173.1	$ (3.0)	$ (14.7)	$ (28.5)	$ 8.0	$ 55.3	$ (5.9)	$ 917.5

(1) Transfers into and/or out of Level 3 are reported at the value as of the beginning of the period in which the transfer occurs. Gross transfers into Level 3 were $4.4 and $9.7 for the three and six months ended June 30, 2009, respectively. Gross transfers out of Level 3 were $(19.9) and $(24.4) for the three and six months ended June 30, 2009, respectively.

(2) Realized and unrealized gains and losses for investments in limited partnerships are included in net investment income. All other realized and unrealized gains and losses are included in net realized investment gains (losses).

(3) Other is comprised of transactions such as pay downs, calls, amortization, and redemptions.

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The following table summarizes the carrying or reported values and corresponding fair values of financial instruments subject to fair value disclosure requirements:

	As of June 30, 2010		As of December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Fixed maturities	**$ 20,612.2**	**$ 20,612.2**	$ 18,594.3	$ 18,594.3
Marketable equity securities, available-for-sale	**43.9**	**43.9**	36.7	36.7
Marketable equity securities, trading	**141.0**	**141.0**	154.1	154.1
Mortgage loans	**1,340.3**	**1,360.6**	1,201.7	1,190.1
Investments in limited partnerships:				
Hedge funds and private equity funds	**32.1**	**32.1**	24.7	24.7
Affordable housing	**104.8**	**102.8**	85.5	89.9
Other invested assets	**12.0**	**12.0**	12.2	12.2
Cash and cash equivalents	**322.7**	**322.7**	257.8	257.8
Separate account assets	**759.0**	**759.0**	840.1	840.1
Financial liabilities:				
Funds held under deposit contracts:				
Deferred annuities	**8,121.8**	**8,017.3**	7,212.1	7,128.2
Immediate annuities	**6,732.9**	**7,211.9**	6,724.4	6,937.8
Notes payable:				
Capital Efficient Notes (CENts)	**149.8**	**127.2**	149.8	118.5
Senior notes	**299.2**	**302.7**	299.1	276.8

Other Financial Instruments

Cash and cash equivalents are reported at cost, which approximates fair value. Cash equivalents were $304.3 and $244.4 as of June 30, 2010 and December 31, 2009, respectively. As of June 30, 2010 and December 31, 2009, $300.5 and $223.8 of total cash equivalents, respectively, were held at a single highly rated financial institution.

The fair values of the Company’s mortgage loans were measured by discounting the projected future cash flows using the current rate at which the loans would be made to borrowers with similar credit ratings and for the same maturities.

Investments in limited partnerships associated with affordable housing projects and state tax credit funds are carried at amortized cost. Fair value was estimated based on the discounted cash flows over the remaining life of the tax credits.

The Company estimates the fair values of funds held under deposit contracts related to investment-type contracts using an income approach based on the present value of the discounted cash flows. Cash flows were projected using best estimates for lapses, mortality and expenses, and discounted at a risk-free rate plus a nonperformance risk spread. The carrying value of this balance excludes $4,971.0 and $4,880.2 of liabilities related to insurance contracts as of June 30, 2010 and December 31, 2009, respectively.

The fair values of the Company’s notes payable were based on quoted prices for similar instruments. The fair value measurement assumes that liabilities were transferred to a market participant of equal credit standing and without consideration for any optional redemption feature.

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6. Deferred Policy Acquisition Costs

The following table provides a reconciliation of the beginning and ending balance for deferred policy acquisition costs:

	For the Six Months Ended June 30, 2010	For the Year Ended December 31, 2009
Unamortized balance at beginning of period	**$ 325.7**	$ 219.5
Deferral of acquisition costs	**69.7**	148.3
Adjustments related to investment (gains) losses	**(2.2)**	9.3
Amortization	**(32.4)**	(51.4)
Unamortized balance at end of period	**360.8**	325.7
Accumulated effect of net unrealized investment gains	**(161.8)**	(75.3)
Balance at end of period	**$ 199.0**	$ 250.4

7. Deferred Sales Inducements

The following table provides a reconciliation of the beginning and ending balance for deferred sales inducements, which are included in other assets:

	For the Six Months Ended June 30, 2010	For the Year Ended December 31, 2009
Unamortized balance at beginning of period	**$ 67.6**	$ 33.0
Capitalizations	**28.0**	42.5
Adjustments related to investment (gains) losses	**(0.7)**	2.4
Amortization	**(8.3)**	(10.3)
Unamortized balance at end of period	**86.6**	67.6
Accumulated effect of net unrealized investment gains	**(46.0)**	(18.4)
Balance at end of period	**$ 40.6**	$ 49.2

8. Stockholders' Equity

The components of comprehensive income are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Net income	**$ 35.8**	$ 47.0	**$ 82.1**	$ 52.1
Other comprehensive income, net of taxes:				
Changes in unrealized gains and losses on available-for-sale securities(1)	**380.0**	561.3	**624.9**	448.7
Reclassification adjustment for net realized investment (gains) losses included in net income(2)	**2.4**	0.7	**(3.7)**	31.6
Adjustment for deferred policy acquisition costs and deferred sales inducements valuation allowance(3)	**(42.8)**	(16.3)	**(74.2)**	(11.9)
Other-than-temporary-impairments on fixed maturities not related to credit losses(4)	**2.0**	(27.5)	**3.8**	(43.0)
Other comprehensive income	**341.6**	518.2	**550.8**	425.4
Total comprehensive income	**$377.4**	$565.2	**$632.9**	$477.5

(1) Net of taxes of $204.5, $336.4, $302.2 and $241.6 for the three and six months ended June 30, 2010 and 2009, respectively.

(2) Net of taxes of $1.3, $(2.0), $0.4 and $17.0 for the three and six months ended June 30, 2010 and 2009, respectively. For the three and six months ended June 30, 2010, $2.8 (net of taxes of $1.4) and $9.9 (net of taxes of $5.3) of the reclassification adjustment is related to losses previously classified as OTTI not related to credit losses. For the three and six months ended June 30, 2009, $0.9 (net of taxes of $0.4), of the reclassification adjustment is related to losses previously classified as OTTI not related to credit losses.

(3) Net of taxes of $(23.0), $(39.9), $(8.8) and $(6.3) for the three and six months ended June 30, 2010 and 2009, respectively.

(4) Net of taxes of $1.0, $2.0, $(14.8) and $(23.2) for the three months ended June 30, 2010 and 2009 and the six months ended June 30, 2010 and 2009, respectively.

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The following table provides a reconciliation of changes in outstanding shares of common stock, in whole shares:

	Common Shares
Balance at January 1, 2009	92,646,295
Restricted shares(1)	83,160
Balance at December 31, 2009	92,729,455
Balance at January 1, 2010	92,729,455
Common stock, issued in initial public offering	25,259,510
Restricted shares(1)	233,955
Treasury stock acquired(2)	(47,880)
Balance at June 30, 2010	118,175,040

(1) Represents restricted shares issued pursuant to the Company's Equity Plan.

(2) Represents shares repurchased to satisfy employee income tax withholding, pursuant to the Company's Equity Plan.

9. Stock-Based Compensation

As of June 30, 2010, the Company has two share-based compensation plans: the Symetra Financial Corporation Equity Plan (amended and restated on August 11, 2010) (the "Equity Plan") and the Symetra Financial Corporation Employee Stock Purchase Plan (amended and restated on May 11, 2010) (the "Stock Purchase Plan"). Under the Equity Plan, the Company is authorized to issue various types of share-based compensation to employees, directors and consultants. A total of 7.830 shares are authorized for issuance under the Equity Plan, and 5.763 equity instruments are available for future issuance as of June 30, 2010. The Stock Purchase Plan allows eligible employees to purchase shares of the Company's common stock at a 15% discount from the market price. A total of 0.870 shares are authorized for issuance under this plan. As of June 30, 2010, no shares have been issued pursuant to the Stock Purchase plan, which began in August 2010.

Compensation Cost

The Company measures compensation cost for all stock awards at fair value on the date of grant and recognizes it over the service period for awards expected to vest. Restricted shares are valued based on the number of shares granted and the Company's closing stock price on the grant date. Stock options are valued using the Black-Scholes valuation model. The Company recognizes such compensation cost as expense over the service period, net of estimated forfeitures, using the straight-line method. The estimation of equity awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differs from current estimates, the Company records such amounts as a cumulative adjustment in the period estimates are revised. Many factors are considered when estimating forfeitures, including types of awards, employee class and historical experiences.

Share-based compensation expense, which is recorded in other operating expense, for the three and six months ended June 30, 2010 was $1.4 and $1.6, respectively. This included compensation expense of $1.2 for the three months ended June 30, 2010 related to the modification and accelerated vesting of certain restricted shares. No awards had been issued under the Equity Plan as of June 30, 2009.

Restricted Stock Activity

The Company issued 0.137 and 0.234 shares of restricted stock for the three and six months ended June 30, 2010, respectively. These awards vest on December 31, 2012. The weighted average fair value of restricted stock granted for the three and six months ended June 30, 2010 was $12.31 and $12.49 per share, respectively. The Company did not issue any restricted stock for the three and six months ended June 30, 2009.

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The following table summarizes the Company's restricted stock activity for the six months ended June 30, 2010:

	Number of Shares	Weighted-Average Fair Value
Outstanding as of January 1, 2010	0.083	$ 13.08
Shares granted	0.234	$ 12.49
Shares vested	(0.131)	$ 12.40
Shares forfeited	—	$ —
Outstanding at June 30, 2010	0.186	$ 12.44

Stock Option Activity

The Company issued 1.750 options for the three and six months ended June 30, 2010, with an exercise price of $28.00. These options vest at the end of the seven year service period and expire one year thereafter. The weighted average fair value of awards granted during the quarter was $3.04 per share. The Company did not issue any option awards for the three and six months ended June 30, 2009.

The following table summarizes the weighted average assumptions used to value stock options issued:

	For the Three and Six Months Ended June 30, 2010
Expected term	7.5years
Risk-free interest rate	2.7%
Dividend yield	1.6%
Volatility	45.6%

10. Commitments and Contingencies

Investments in Limited Partnerships

In March 2010, the Company invested in a new limited partnership interest related to federal affordable housing projects. The Company unconditionally committed to provide capital contributions totaling $25.0. As of June 30, 2010, the Company contributed $3.4 and is expected to contribute the remaining $21.6 by the end of 2012. The present value of these unfunded contributions is recorded in other liabilities.

Litigation

Because of the nature of its business, the Company is subject to legal actions filed or threatened in the ordinary course of its business operations. The Company does not expect that any such litigation, pending or threatened, as of June 30, 2010, will have a material adverse effect on its consolidated financial condition, future operating results or liquidity.

Other Commitments

As of June 30, 2010 and December 31, 2009, unfunded mortgage loan commitments were $40.0 and $4.5, respectively. The Company had no other material commitments or contingencies as of June 30, 2010 and December 31, 2009.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. Segment Information

The following tables present selected financial information by segment and reconcile segment pre-tax adjusted operating income (loss) to amounts reported in the consolidated statements of income.

	For the Three Months Ended June 30, 2010					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 105.8	$ —	$ —	$ 9.7	$ —	$ 115.5
Net investment income	4.8	115.3	104.7	68.3	4.0	297.1
Policy fees, contract charges, and other	3.0	4.8	0.2	29.8	4.0	41.8
Net investment losses on fixed index annuity (FIA) options	—	(1.3)	—	—	—	(1.3)
Total operating revenues	113.6	118.8	104.9	107.8	8.0	453.1
Benefits and expenses:						
Policyholder benefits and claims	67.4	0.6	—	15.3	—	83.3
Interest credited	—	70.4	92.9	59.1	(0.9)	221.5
Other underwriting and operating expenses	26.0	13.6	5.2	13.4	6.0	64.2
Interest expense	—	—	—	—	7.9	7.9
Amortization of deferred policy acquisition costs	2.0	13.6	0.4	1.0	—	17.0
Total benefits and expenses	95.4	98.2	98.5	88.8	13.0	393.9
Segment pre-tax adjusted operating income (loss)	$ 18.2	$ 20.6	$ 6.4	$ 19.0	$ (5.0)	$ 59.2
Operating revenues	$ 113.6	$ 118.8	$ 104.9	$ 107.8	$ 8.0	$ 453.1
Add: Net realized investment gains (losses), excluding FIA options	—	2.6	(13.8)	2.4	0.1	(8.7)
Total revenues	113.6	121.4	91.1	110.2	8.1	444.4
Total benefits and expenses	95.4	98.2	98.5	88.8	13.0	393.9
Income (loss) before income taxes	$ 18.2	$ 23.2	$ (7.4)	$ 21.4	$ (4.9)	$ 50.5

	For the Three Months Ended June 30, 2009					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 107.9	$ —	$ —	$ 8.9	$ —	$ 116.8
Net investment income	4.3	95.3	107.1	67.0	9.4	283.1
Policy fees, contract charges, and other	4.4	4.0	0.1	29.4	2.8	40.7
Net investment gains on FIA options	—	0.2	—	—	—	0.2
Total operating revenues	116.6	99.5	107.2	105.3	12.2	440.8
Benefits and expenses:						
Policyholder benefits and claims	71.3	(0.4)	—	11.2	—	82.1
Interest credited	—	61.1	91.3	61.8	(1.1)	213.1
Other underwriting and operating expenses	26.2	14.2	5.2	12.7	3.7	62.0
Interest expense	—	—	—	—	8.0	8.0
Amortization of deferred policy acquisition costs	1.9	8.5	0.4	1.1	—	11.9
Total benefits and expenses	99.4	83.4	96.9	86.8	10.6	377.1
Segment pre-tax adjusted operating income	$ 17.2	$ 16.1	$ 10.3	$ 18.5	$ 1.6	$ 63.7
Operating revenues	$ 116.6	$ 99.5	$ 107.2	$ 105.3	$ 12.2	$ 440.8
Add: Net realized investment gains (losses), excluding FIA options	(1.3)	(5.1)	12.8	0.4	(4.3)	2.5
Total revenues	115.3	94.4	120.0	105.7	7.9	443.3
Total benefits and expenses	99.4	83.4	96.9	86.8	10.6	377.1
Income (loss) before income taxes	$ 15.9	$ 11.0	$ 23.1	$ 18.9	$ (2.7)	$ 66.2

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	For the Six Months Ended June 30, 2010					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 214.6	$ —	$ —	$ 19.9	$ —	$ 234.5
Net investment income	9.4	223.1	208.7	134.4	8.4	584.0
Policy fees, contract charges, and other	5.9	9.6	0.4	58.9	7.5	82.3
Net investment losses on FIA options	—	(1.2)	—	—	—	(1.2)
Total operating revenues	229.9	231.5	209.1	213.2	15.9	899.6
Benefits and expenses:						
Policyholder benefits and claims	142.4	0.7	—	26.4	—	169.5
Interest credited	—	138.9	184.9	117.6	(1.4)	440.0
Other underwriting and operating expenses	49.7	27.2	10.5	26.1	10.3	123.8
Interest expense	—	—	—	—	15.9	15.9
Amortization of deferred policy acquisition costs	3.9	26.8	0.9	0.8	—	32.4
Total benefits and expenses	196.0	193.6	196.3	170.9	24.8	781.6
Segment pre-tax adjusted operating income (loss)	$ 33.9	$ 37.9	$ 12.8	$ 42.3	$ (8.9)	$ 118.0
Operating revenues	$ 229.9	$ 231.5	$ 209.1	$ 213.2	$ 15.9	$ 899.6
Add: Net realized investment gains (losses), excluding FIA options	(0.2)	5.6	(9.1)	2.6	(0.9)	(2.0)
Total revenues	229.7	237.1	200.0	215.8	15.0	897.6
Total benefits and expenses	196.0	193.6	196.3	170.9	24.8	781.6
Income (loss) before income taxes	$ 33.7	$ 43.5	$ 3.7	$ 44.9	$ (9.8)	$ 116.0
As of June 30, 2010:						
Total assets	$ 249.6	$ 9,482.2	$ 6,952.5	$ 5,430.5	$ 2,236.6	$ 24,351.4

	For the Six Months Ended June 30, 2009					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 217.6	$ —	$ —	$ 18.7	$ —	$ 236.3
Net investment income	8.8	178.3	213.4	131.1	14.2	545.8
Policy fees, contract charges, and other	8.5	7.8	0.3	58.6	5.1	80.3
Net investment losses on FIA options	—	(1.2)	—	—	—	(1.2)
Total operating revenues	234.9	184.9	213.7	208.4	19.3	861.2
Benefits and expenses:						
Policyholder benefits and claims	148.2	(0.9)	—	29.2	—	176.5
Interest credited	—	116.7	178.0	115.7	(1.7)	408.7
Other underwriting and operating expenses	54.1	27.7	10.2	26.2	6.8	125.0
Interest expense	—	—	—	—	15.9	15.9
Amortization of deferred policy acquisition costs	3.9	16.3	0.8	1.6	—	22.6
Total benefits and expenses	206.2	159.8	189.0	172.7	21.0	748.7
Segment pre-tax adjusted operating income (loss)	$ 28.7	$ 25.1	$ 24.7	$ 35.7	$ (1.7)	$ 112.5
Operating revenues	$ 234.9	$ 184.9	$ 213.7	$ 208.4	$ 19.3	$ 861.2
Add: Net realized investment losses, excluding FIA options	(1.4)	(17.2)	(11.2)	(4.4)	(4.9)	(39.1)
Total revenues	233.5	167.7	202.5	204.0	14.4	822.1
Total benefits and expenses	206.2	159.8	189.0	172.7	21.0	748.7
Income (loss) before income taxes	$ 27.3	$ 7.9	$ 13.5	$ 31.3	$ (6.6)	$ 73.4
As of June 30, 2009:						
Total assets	$ 289.5	$ 7,617.7	$ 6,296.4	$ 4,911.9	$ 1,997.9	$ 21,113.4

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in millions, except per share data, unless otherwise stated)
(Unaudited)

12. Subsequent Events

On August 11, 2010, the Company declared a dividend of $0.05 per common share, or approximately $6.9 in total, to shareholders and warrant holders of record as of August 25, 2010. The dividend will be paid on or about September 8, 2010.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Unless the context otherwise requires, references in this report on Form 10-Q to "Symetra" refer to Symetra Financial Corporation on a stand-alone, non-consolidated basis. References to "we," "our," "us" and "the Company" are to Symetra Financial Corporation together with its subsidiaries.

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by any of the forward-looking statements as a result of various factors, including but not limited to those listed under "Forward-Looking Statements." You should read the following discussion in conjunction with the unaudited interim consolidated financial statements and accompanying condensed notes included in Item 1 — "Financial Statements" included in this Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 8, 2010 ("2009 10-K"), as well as our current reports on Form 8-K and other publicly available information. Our fiscal year ends on December 31 of each calendar year.

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

All amounts, except per share data, are in millions unless otherwise stated.

Overview

We are a financial services company in the life insurance industry focused on profitable growth in selected group health, retirement, life insurance and employee benefits markets. Our operations date back to 1957 and many of our agency and distribution relationships have been in place for decades.

Our Operations

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

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

Current Outlook

The pace of improvement in capital and credit markets slowed and in some areas retreated during the second quarter. During the quarter, equity markets became volatile and the major indexes dropped; treasury yields declined; the tight fixed income spreads widened slightly to partially offset the decline in treasury yields; and new bond issuances were sporadic.

The prolonged low interest rate environment and tight credit spreads have been a challenge for our various asset-based businesses as demand for investments with the necessary yields and quality that meet our investment requirements, and which we believe have an attractive risk-return profile, continues to exceed supply. As a result, we continue to find it challenging to fully invest our cash, specifically in our Retirement Services and our surplus portfolios. The overall yield on our portfolio dropped as we generally reinvested in assets with lower yields than we were earning previously.

Despite widespread concerns regarding commercial real estate lending, we believe our high quality mortgage loan portfolio and commercial mortgage-backed securities (CMBS) have significant credit enhancement and will continue to generate strong cash flows. While we do not anticipate being immune to commercial real estate losses, given the structure of our mortgage loan and CMBS portfolios, we believe our strategies in this area, including disciplined underwriting, will minimize our exposure to future losses. In fact, we are prudently increasing our investments in mortgage loans in our Income Annuities segment to improve our interest spread.

On June 7, 2010, we announced Tom Marra as president and chief executive officer. We intend to leverage Mr. Marra’s industry experience and leadership as we continue to concentrate on our strategic objectives of:

— developing new distribution partnerships, especially with financial institutions and financial planners;

— adding additional products with existing partners;

— expanding our less interest-rate sensitive products, including life insurance in the Individual and Group segments, while maintaining our solid position in fixed deferred and income annuities;

— developing transparent products that capitalize on favorable demographic trends such as the need for retirement savings, life insurance and employers’ need to provide affordable health care to employees; and

— disciplined balance sheet management.

However, the success of these and other strategies may be affected by the factors discussed in Item 1A — “Risk Factors” and other factors as discussed herein.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the unaudited interim consolidated financial statements. The following accounting policies are those we consider to be particularly critical to understanding our financial statements because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on our financial results:

- Valuation of investments at fair value;
- The evaluation of OTTI of investments;
- The balance, recoverability and amortization of deferred policy acquisition costs;
- The liabilities for funds held under deposit contracts, future policy benefits, and policy and contract claims; and
- The recoverability of deferred tax assets.

In applying the Company’s accounting policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company’s businesses and operations. For all of these policies, we caution that future events rarely develop exactly as forecast, and our best estimates may require adjustment.

There have been no material changes to the above critical accounting estimates, which are described in Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” and Note 2 of the notes to the audited financial statements included in the 2009 10-K.

New Accounting Standards

For a discussion of recently adopted and not yet adopted accounting pronouncements, see Note 2 in the accompanying unaudited interim consolidated financial statements.

Sources of Revenues and Expenses

Our primary sources of revenues from our insurance operations are premiums and net investment income. Our primary sources of expenses from our insurance operations are policyholder benefits and claims, interest credited to policyholder reserves and account balances and general business and operating expenses, net of deferred policy acquisition costs (DAC). We also generate net realized investment gains (losses) on sales or impairment of our investments and changes in fair value of our equity trading portfolio.

Each of our four operating segments maintains its own portfolio of invested assets, which are centrally managed. The net investment income and net realized investment gains (losses) are reported in the segment in which they occur. We also allocate surplus net investment income to each segment using a risk-based capital formula. The unallocated portion of net investment income is reported in our Other segment. In addition, we allocate certain corporate expenses to each operating segment using multiple factors, including employee headcount, allocated investments, account values and time study results.

Revenues

Premiums

Premiums consist primarily of premiums from our group life and health and individual life insurance products.

Net investment income

Net investment income represents the income earned on our investments, net of investment expenses, including gains or losses from changes in the fair value of our investments in limited partnerships, primarily private equity and hedge funds.

Policy fees, contract charges and other

Policy fees, contract charges and other includes mortality expense, surrender and other administrative charges to policyholders, revenues from our non-insurance businesses, reinsurance allowance fees, and cost of insurance (COI) charges on our universal life insurance and BOLI policies.

Net realized investment gains (losses)

Net realized investment gains (losses) mainly consists of realized gains (losses) from sales of our investments, realized losses from investment impairments and changes in fair value of our trading portfolio and fixed index annuity (FIA) options.

Benefits and Expenses

Policyholder benefits and claims

Policyholder benefits and claims consist of benefits paid and reserve activity on group life and health and individual life products. In addition, in accordance with the purchase method of accounting (referred to as PGAAP), we record, as a reduction of this expense, PGAAP reserve amortization related to our BOLI policies. PGAAP reserve amortization related to our fixed deferred annuities was recorded in this line item until it was fully amortized as of September 30, 2009.

Interest credited

Interest credited represents interest credited to policyholder reserves and contractholder general account balances.

Other underwriting and operating expenses

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

Interest expense

Interest expense primarily includes interest on corporate debt, the impact of interest rate hedging activities and amortization of debt issuance costs.

Amortization of deferred policy acquisition costs

We defer as assets certain costs, generally commissions, distribution costs and other underwriting costs, that vary with, and are primarily related to, the production of new and renewal business. Amortization of previously capitalized DAC is recorded as an expense.

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 to investors in evaluating our financial performance or condition. In addition, our management and board of directors use these measures to gauge the historical performance of our operations and for business planning purposes. In the tables below, we present these measures and provide reconciliations to the nearest GAAP financial measure. In the following paragraphs, we provide definitions of these non-GAAP measures and explain how we believe investors will find them useful, how we use them, what their limitations are, and how we compensate for such limitations.

	As of June 30, 2010	As of December 31, 2009
Total stockholders' equity	$ 2,342.8	$ 1,433.3
Less: AOCI	501.1	(49.7)
Adjusted book value*	1,841.7	1,483.0
Add: Assumed proceeds from exercise of warrants	218.1	218.1
Adjusted book value, as converted*	$ 2,059.8	$ 1,701.1
Book value per common share	$ 17.08	$ 12.83
Adjusted book value per common share*	$ 15.58	$ 15.99
Adjusted book value per common share, as converted*	$ 15.02	$ 15.23

	For the Twelve Months Ended June 30, 2010	For the Twelve Months Ended December 31, 2009
Return on stockholders' equity, ROE	9.9%	15.4%
Average stockholders' equity	$1,598.4	$ 832.4
Operating return on average equity, or ROAE*	9.6%	10.5%
Average adjusted book value*	$1,598.8	$1,407.8

* Represents non-GAAP measures.

Adjusted Operating Income

Adjusted operating income is a non-GAAP measure of our performance. Adjusted operating income consists of net income, less after-tax net realized investment gains (losses), plus after-tax net investment gains (losses) on our FIA options.

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 investment gains (losses). 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 the activities reported through net realized investment gains (losses), with the exception of our FIA options, to be reflective of the performance of our insurance operations, as discussed below.

We believe investors find it useful to review a measure of the results of our insurance operations separate from the net realized gain and loss activity attributable to most of our investment portfolio because it assists an investor 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.

In presenting adjusted operating income, we are excluding after-tax net realized investment gains (losses). Even though these gains and losses recur in most periods, the timing and amount are driven by investment decisions and external economic developments unrelated to our management of the insurance and underwriting aspects of our business. Thus, because our insurance operations are not dependent on the following, we exclude from adjusted operating income the following items which are recorded in after-tax net realized investment gains (losses):

- OTTI related to available-for-sale securities, which depend on the timing and severity of market credit cycles and management judgments regarding recoverability;
- Net gains (losses) on changes in fair value of our trading securities, which depend on equity market performance and broader market conditions; and
- Net realized gains (losses) on sales of securities, which are subject to our discretion and influenced by market opportunities.

The one exception to the exclusion of net realized investment gains (losses) is the gains (losses) on our FIA options in our Retirement Services segment. Each year, we use the realized gains from our FIA options, similar to the way we use investment income, to meet our obligations associated with our FIA product, which credits interest to policyholder accounts based on equity market performance.

In addition to using adjusted operating income to evaluate our insurance operations, our management and board of directors have other uses for this measure, including managing our insurance liabilities and assessing achievement of our financial plan. For instance, we use adjusted operating income to help determine the renewal interest rates we can afford to credit to policyholders. We also develop a financial plan that includes our expectation of adjusted operating income. We review our achievement of our financial plan by understanding variances between actual and planned adjusted operating income. We use this information to make decisions on how to manage our consolidated insurance operations, including making decisions regarding expense budgets, product prices and the purchase of tax-advantaged affordable housing limited partnerships.

Adjusted operating income is not a substitute for net income determined in accordance with GAAP. The adjustments made to derive adjusted operating income are important to understanding our overall results from operations and, if evaluated without proper context, adjusted operating income possesses material limitations. As an example, we could produce a low level of net income in a given period, despite strong operating performance, if in that period we generate significant net realized losses from our investment portfolio. We could also produce a high level of net income in a given period, despite poor operating performance, if in that period we generate significant net realized gains from our investment portfolio. As an example of another limitation of adjusted operating income, it does not include the decrease in cash flows expected to be collected as a result of credit loss OTTI. Further, it includes changes to net investment income as a result of OTTI, which are not directly related to our insurance operations, and does not adjust for any negative impact to cash flows that we may experience in future periods as a result of such changes in net investment income. Therefore, our management and board of directors also separately review net realized investment gains (losses) and analyses of our net investment income, including impacts related to OTTI write-downs, in connection with their review of our investment portfolio. In addition, our management and board of directors examine net income as part of their review of our overall financial results. For a reconciliation of adjusted operating income to net income, see “— Results of Operations” below.

Adjusted Book Value, Adjusted Book Value per Common Share and Adjusted Book Value per Common Share, as Converted

Adjusted book value

Adjusted book value is a non-GAAP financial measure of our financial condition. Adjusted book value consists of stockholders’ equity, less accumulated other comprehensive income (loss), or AOCI.

Stockholders’ equity is the most directly comparable GAAP measure to adjusted book value. AOCI, which is primarily composed of the net unrealized gains (losses) on our fixed maturities, net of taxes, is a component of stockholders’ equity.

We purchase fixed maturities with durations and cash flows that match our estimate of when our insurance liabilities and other obligations will come due. We typically expect to hold our fixed maturities to maturity, using the principal and interest cash flows to pay our obligations over time. Since we expect to collect the contractual cash flows on these fixed maturities, we do not expect to realize the unrealized gains (losses) that are included in our AOCI balance as of any particular date. AOCI primarily fluctuates based on changes in the fair value of our fixed maturities, which is driven by factors outside of our control, including the impact of credit market conditions and the movement of interest rates and credit spreads. These fluctuations do not reflect any change in the cash flows we expect to receive. As an example, an increase in the fair value of our fixed maturities improved AOCI by $550.8 to a $501.1 gain as of June 30, 2010, from a $49.7 loss as of December 31, 2009, due to bond market improvements and tightening of interest spreads. This contributed to a related increase in stockholders' equity over the same period of $909.5, or 63%; however, this increase did not impact our estimates regarding collection of cash flows on the underlying fixed maturities.

We believe investors find it useful if we present them with a financial measure that removes from stockholders' equity these temporary and unrealized changes in the fair values of our investments, and the related effects on AOCI. By evaluating our adjusted book value, an investor can assess our financial condition based on our general practice of holding our fixed investments to maturity. For example, we believe it is important that an investor not assume that an increase in stockholders' equity driven by unrealized gains means our company has grown in value and, alternatively, it is important that an investor not assume that a decrease in stockholders' equity driven by unrealized losses means our company's value has decreased.

In addition to using adjusted book value to evaluate our financial condition, our management and board of directors have other uses for this measure, including reviewing debt levels as a percentage of adjusted book value to monitor compliance with revolving credit facility covenants and helping to maintain and improve our ratings from rating agencies. Our management also compares adjusted book value to regulatory capital to assess our ability to maintain regulatory capital ratios and ratings. Finally, our board of directors uses adjusted book value as a basis to measure the success of our company over historical periods and reviews management's financial plans with consideration to adjusted book value.

Adjusted book value is not a substitute for stockholders' equity determined in accordance with GAAP and considering adjusted book value on its own would present material limitations to an analysis of our financial condition. For example, AOCI may deteriorate due to higher interest rates, credit spreads and issues specific to particular investments. By not considering the size of gross unrealized losses within AOCI, an investor may fail to appreciate the size of potential losses or the amount of potential gains based on the fair value of our fixed maturities. As a result, when evaluating our financial condition, we compensate for these limitations by also considering stockholders' equity and the unrealized gains (losses) on invested assets, which are provided in our investment disclosures (see "— Investments" for further information).

Adjusted book value should not be considered a substitute for stockholders' equity. For a reconciliation of adjusted book value to stockholders' equity, see above.

Adjusted book value per common share

Adjusted book value per common share is a non-GAAP financial measure of our financial condition. Adjusted book value per common share is calculated as adjusted book value, divided by outstanding common shares. This measure does not include the 18.976 shares subject to outstanding warrants for all periods presented because the warrant holders only participate in dividends and would not be entitled to proceeds in the event of a liquidation or winding down of our company should such event precede the exercise of the outstanding warrants.

Book value per common share is the most directly comparable GAAP measure to adjusted book value per common share. Book value per common share is calculated as stockholders' equity divided by the sum of our common shares outstanding and shares issuable pursuant to outstanding warrants.

We believe investors find it useful if we present them with adjusted book value (discussed above), a financial measure that removes AOCI from stockholders' equity, and then translate it into another measure, adjusted book value per common share, that allows the investor to understand the value of its investment on the adjusted book value basis. By evaluating this measure, an investor will be able to assess its proportionate stake in our adjusted book value as of the dates presented, and the change in such measure over time, based on our practice of holding our fixed maturities to maturity. In addition, this measure allows an investor to understand the value of its investment based on current shares outstanding because it represents our future share count in the event that the outstanding warrants are not exercised before they expire.

In addition to using adjusted book value to evaluate our financial condition on a per common share basis, our management and board of directors use this measure to assess the cost of obtaining new equity capital and to compare the value and the change in value over time of our common shares to that of our peer companies. For example, our board of directors takes into account the expected market price of our common shares relative to adjusted book value per common share when considering raising new equity capital.

Adjusted book value per common share is not a substitute for book value per common share determined in accordance with GAAP and only considering adjusted book value per common share on its own would present material limitations similar to those discussed above with respect to adjusted book value.

Adjusted book value per common share should not be considered a substitute for book value per common share. For a reconciliation of adjusted book value per common share to book value per common share, see above.

Adjusted book value per common share, as converted

Adjusted book value per common share, as converted, is a non-GAAP financial measure of our financial condition and gives effect to the exercise of our outstanding warrants. Adjusted book value per common share, as converted, is calculated as adjusted book value plus the assumed proceeds from the warrants, divided by the sum of outstanding common shares and shares subject to outstanding warrants. Our shares issuable pursuant to outstanding warrants were 18.976 for all periods presented.

Book value per common share is the most directly comparable GAAP measure to adjusted book value per share, as converted. Book value per common share is calculated as stockholders' equity divided by the sum of our common shares outstanding and shares issuable pursuant to our outstanding warrants.

We believe investors find it useful if we present them with adjusted book value (discussed above), a financial measure that removes AOCI from stockholders' equity and then translate it into another measure, adjusted book value per common share, as converted, which gives effect to the exercise of our outstanding warrants. By evaluating this measure, an investor will be able to assess its proportionate stake in our adjusted book value for the periods presented, on a fully diluted basis. We believe it is most meaningful for investors to compare this measure to adjusted book value per common share as this will allow the investor to understand the dilutive effect if the warrant holders exercise our outstanding warrants.

As discussed above, our management and board of directors use adjusted book value per common share to compare the value of a share of our common stock to that of our peer companies, and also to measure the cost of new equity capital. To further this analysis, our management and board of directors also make these comparisons and judgments after taking into account the potential dilutive effect of the exercise of our outstanding warrants.

Adjusted book value per common share, as converted, is not a substitute for book value per common share determined in accordance with GAAP and only considering adjusted book value per common share, as converted, on its own would present material limitations similar to those discussed above with respect to adjusted book value.

Adjusted book value per common share, as converted, should not be considered a substitute for book value per common share. For a reconciliation of adjusted book value per common share, as converted, to book value per common share, see above.

Operating ROAE

Operating return on average equity, or operating ROAE, is a non-GAAP measure of our performance. Operating ROAE consists of adjusted operating income for the most recent four quarters, divided by average adjusted book value, both of which are non-GAAP measures as described above. We measure average adjusted book value by averaging adjusted book value for the most recent five quarters.

Return on stockholders' equity, or ROE, is the most directly comparable GAAP measure. Return on stockholders' equity is calculated as net income for the most recent four quarters, for such period divided by the average stockholders' equity for the most recent five quarters.

As discussed above under "— Adjusted operating income," we believe investors find it useful to review the results of our insurance operations separate from the gain and loss activity attributable to most of our investment portfolio because it highlights trends in the performance of our insurance operations. In addition, as discussed above under "— Adjusted Book Value, Adjusted Book Value per Common Share and Adjusted Book Value per Common Share, as Converted," we believe investors find it useful if we present them with a financial measure that removes from stockholders' equity the temporary and unrealized changes in the fair values of our investments, and the related effects on AOCI, because we do not expect to realize the unrealized gains (losses) that are included in our AOCI balance as of any particular date. By referring to operating ROAE, an investor can form a judgment as to how effectively our management uses funds invested by our stockholders to generate adjusted operating income growth. Thus, we present operating ROAE for a period to measure the rate of return produced by our adjusted operating income in such period based on our average adjusted book value for such period.

In addition to using operating ROAE to evaluate how effectively our management uses funds invested in our company, our management and board of directors have additional uses for operating ROAE. These include comparing our operating ROAE to those of our peer companies, comparing our operating ROAE against our target return objectives, and determining if our insurance and annuity products are priced to achieve our long-term targets.

However, because operating ROAE excludes realized and unrealized gains (losses) on our investment portfolio, it has material limitations as a financial measure of performance and should not be considered on its own. As an example, we could produce a high operating ROAE in a given period, despite poor net income, if in that period we generated significant net realized losses from our investment portfolio. To compensate for such limitations, we also consider ROE to assess financial performance and return on total equity.

Operating ROAE should not be considered a substitute for ROE. The numerator and denominator of operating ROAE have been reconciled to net income and stockholders' equity, respectively, their most comparable GAAP financial measures, see above.

Results of Operations

Total Company

The following discussion should be read in conjunction with our unaudited interim consolidated financial statements and the related condensed notes. Set forth below is a summary of our consolidated financial results. The variances noted in the total company and segment tables should be interpreted as increases or (decreases), respectively.

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009	QTD Variance (%) 2010 vs. 2009	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009	YTD Variance (%) 2010 vs. 2009
Revenues:						
Premiums	$ 115.5	$ 116.8	(1.1)%	$ 234.5	$ 236.3	(0.8)%
Net investment income	297.1	283.1	4.9	584.0	545.8	7.0
Policy fees, contract charges, and other	41.8	40.7	2.7	82.3	80.3	2.5
Net realized investment gains (losses):						
Net impairment losses recognized in earnings	(1.5)	(28.5)	94.7	(11.2)	(56.3)	80.1
Other net realized investment gains (losses)	(8.5)	31.2	*	8.0	16.0	(50.0)
Total net realized investment gains (losses)	(10.0)	2.7	*	(3.2)	(40.3)	92.1
Total revenues	444.4	443.3	0.2	897.6	822.1	9.2
Benefits and expenses:						
Policyholder benefits and claims	83.3	82.1	1.5	169.5	176.5	(4.0)
Interest credited	221.5	213.1	3.9	440.0	408.7	7.7
Other underwriting and operating expenses	64.2	62.0	3.5	123.8	125.0	(1.0)
Interest expense	7.9	8.0	(1.3)	15.9	15.9	—
Amortization of deferred policy acquisition costs	17.0	11.9	42.9	32.4	22.6	43.4
Total benefits and expenses	393.9	377.1	4.5	781.6	748.7	4.4
Income from operations before income taxes	50.5	66.2	(23.7)	116.0	73.4	58.0
Provision for income taxes:						
Current	17.4	9.6	81.3	27.3	11.5	*
Deferred	(2.7)	9.6	*	6.6	9.8	(32.7)
Total provision for income taxes:	14.7	19.2	(23.4)	33.9	21.3	59.2
Net income	$ 35.8	$ 47.0	(23.8)	$ 82.1	$ 52.1	57.6
Net income per common share(1):						
Basic	$ 0.26	$ 0.42	(38.1)	$ 0.61	$ 0.47	29.8
Diluted	$ 0.26	$ 0.42	(38.1)	$ 0.61	$ 0.47	29.8
Weighted-average common shares outstanding:						
Basic	137.019	111.622	*	134.035	111.622	*
Diluted	137.038	111.622	*	134.056	111.622	*
Non-GAAP Financial Measures(2):						
Adjusted operating income	$ 41.5	$ 45.3	(8.4)%	$ 83.4	$ 77.5	7.6%
Reconciliation to net income:						
Net income	$ 35.8	$ 47.0	(23.8)	$ 82.1	$ 52.1	57.6
Less: Net realized investment gains (losses) (net of taxes of $(3.4), $0.9, $(1.1) and $(14.1))	(6.6)	1.8	*	(2.1)	(26.2)	92.0
Add: Net investment gains (losses) on FIA options (net of taxes of $(0.4), $0.1, $(0.4) and $(0.4))	(0.9)	0.1	*	(0.8)	(0.8)	—
Adjusted operating income	$ 41.5	$ 45.3	(8.4)%	$ 83.4	$ 77.5	7.6%

* Represents percentage variances that are not meaningful or are explained through the discussion of other variances.

(1) For further information on the calculation of basic and diluted net income per common share, see Note 3 to the accompanying unaudited interim financial statements.

(2) For a definition and discussion of the uses and limitations of this non-GAAP measure and other metrics used in our analysis, see "— Use of non-GAAP Financial Measures" above.

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Summary of Results

Net income decreased $11.2 as a result of a decrease in adjusted operating income and net realized investment losses in the current quarter, versus net realized gains in the prior year. Adjusted operating income decreased $3.8, primarily driven by a lower interest spread on reserves in Income Annuities and a reduction in private equity and hedge fund income. These unfavorable drivers were partially offset by an increased investment margin in our Retirement Services segment and an improved loss ratio in our Group segment.

Net realized investment gains and losses decreased $12.7, to a $10.0 loss from a $2.7 gain. This was primarily driven by a decline in our equity portfolio during the second quarter of 2010, though these losses were offset by a reduction in impairments. Our equity portfolio produced $8.8 of losses in the second quarter of 2010 compared to gains of $19.6 for the same period of 2009, a $28.4 reduction. Impairments were $1.5 for the second quarter 2010 compared to $28.5 for the second quarter 2009, a $27.0 improvement. For further discussion of our investment results and portfolio, including a discussion of our impairment charges, refer to "— Investments" below.

The provision for income taxes decreased $4.5 primarily due to lower income from operations before income taxes during the three months ended June 30, 2010, compared to the same period in 2009. Our effective tax rate, which was essentially flat, was 29.1% and 29.0%, for the three months ended June 30, 2010 and 2009, respectively.

Further discussion of adjusted operating income drivers described above:

Our Group segment's loss ratio improved to 63.8% for the three months ended June 30, 2010 compared to 66.1% for the same period in 2009, driving the $1.0 increase in pre-tax adjusted operating income. Rate increases on medical stop-loss policy renewals drove this improvement.

Our Retirement Services segment's investment margin increased $10.7 as a result of a $1.5 billion increase in our fixed annuity account values and an increase in the interest spread. Strong sales of fixed deferred annuity products over the past year drove the increased account values. Partially offsetting the increase in the investment margin was a $5.1 increase in DAC amortization on a growing DAC balance.

Our Income Annuities segment's interest spread decreased to 0.49% for the three months ended June 30, 2010 compared to 0.62% for the same period in 2009, decreasing pre-tax adjusted operating income $2.2. This was driven by reduced investment yields, the result of changes in prepayment speeds on mortgage-backed securities and the negative impacts of prepayments and maturities leading to reinvestment in lower yielding assets. To help address this situation, we are prudently increasing our investments in mortgage loans which generate relatively higher yields. In addition to the decreased interest spread, we experienced mortality losses of $1.8 in the current quarter compared to losses of $0.5 for the same period of 2009.

Our Other segment's results were negatively impacted by a $6.9 reduction in investment income from investments in private equity and hedge funds. We began liquidating our hedge fund holdings in the second half of 2009 with minimal holdings remaining as of June 30, 2010. In addition, included in our Other segment's current period results were charges of $1.3 related to our CEO transition.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Summary of Results

Net income increased $30.0 as a result of an increase in adjusted operating income and lower net realized investment losses. Adjusted operating income increased $5.9, which was primarily due to an increase in the investment margin in our Retirement Services segment, an increase in the universal life (UL) margin in our Individual segment, and improvement in our Group segment's loss ratio. The loss ratio, improved to 66.4% for the six months ended June 30, 2010, compared to 68.1% for the same period in 2009. These favorable drivers were partially offset by a decrease in the investment margin and mortality losses in our Income Annuities segment, an increase in DAC amortization in our Retirement Services segment, and decreased gains on our private equity and hedge fund investments in our Other segment.

Net realized investment losses decreased $37.1, or 92.1%, to $3.2 from $40.3. This is primarily driven by a reduction in impairments, which were $11.2 for the six months ended June 30, 2010, versus $56.3 for the same period in 2009, an improvement of $45.1. Partially offsetting the improvement in impairments was a decline in the performance of our equity portfolio, which produced losses of $1.2 for the six months ended June 30, 2010, versus gains of $4.3 for the same period in 2009, a decrease of $5.5. For further discussion of our investment results and portfolio, including a discussion of our impairment charges, refer to "— Investments" below.

The provision for income taxes increased $12.6 primarily due to higher income from operations before income taxes during the six months ended June 30, 2010, compared to the same period in 2009. Our effective tax rate, which was essentially flat, was 29.2% and 29.0%, for the six months ended June 30, 2010 and 2009, respectively.

Further discussion of adjusted operating income drivers described above:

Our Retirement Services segment's investment margin increased $22.6 on an increase in our fixed account values of $1.5 billion, and an increase in interest spreads. Spreads improved as we lowered crediting rates due to the low interest rate environment and lowered average cash balances. Partially offsetting the increase in the investment margin was a $10.5 increase in DAC amortization on a growing DAC balance.

Our Income Annuities segment's interest spread decreased to 0.45% for the six months ended June 30, 2010 compared to 0.61% for the same period in 2009, decreasing pre-tax adjusted operating income $4.6. This was driven by reduced investment yields, the result of changes in prepayment speeds on mortgage-backed securities and the negative impacts of prepayments and maturities leading to reinvestment in lower yielding assets. In addition, we experienced mortality losses of $1.9 in the first half of 2010, compared to mortality gains of $3.8 for the same period of 2009.

Our Individual segment's UL margin increased $6.5. This was driven primarily by the first quarter release of bonus interest reserve and decreased amortization of deferred acquisition costs as the credited interest rate on one of our universal life products is being adjusted downward to the guaranteed minimum over the next nine months.

Our Other segment's results were negatively impacted by a $6.8 decrease in private equity and hedge funds income, as discussed in the quarterly results above.

Segment Operating Results

The results of operations and selected operating metrics for our five segments (Group, Retirement Services, Income Annuities, Individual and Other) for the three and six months ended June 30, 2010 and 2009 are set forth in the following respective sections.

Group

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

	For the Three Months Ended June 30,		QTD Variance (%)	For the Six Months Ended June 30,		YTD Variance (%)
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Operating revenues:						
Premiums	$ 105.8	$ 107.9	(1.9)%	$ 214.6	$ 217.6	(1.4)%
Net investment income	4.8	4.3	11.6	9.4	8.8	6.8
Policy fees, contract charges, and other	3.0	4.4	(31.8)	5.9	8.5	(30.6)
Total operating revenues	113.6	116.6	(2.6)	229.9	234.9	(2.1)
Benefits and expenses:						
Policyholder benefits and claims	67.4	71.3	(5.5)	142.4	148.2	(3.9)
Other underwriting and operating expenses	26.0	26.2	(0.8)	49.7	54.1	(8.1)
Amortization of deferred policy acquisition costs	2.0	1.9	5.3	3.9	3.9	—
Total benefits and expenses	95.4	99.4	(4.0)	196.0	206.2	(4.9)
Segment pre-tax adjusted operating income	$ 18.2	$ 17.2	5.8%	$ 33.9	$ 28.7	18.1%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Group loss ratio(1)	63.8%	66.1%	66.4%	68.1%
Expense ratio(2)	25.4%	23.9%	24.3%	24.3%
Combined ratio(3)	89.2%	90.0%	90.7%	92.4%
Medical stop-loss — loss ratio(4)	65.4%	67.7%	67.8%	69.7%
Total sales(5)	$ 20.6	$ 14.0	$ 62.0	$ 50.8

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

(2) Expense ratio is equal to other underwriting and operating expenses of our insurance operations and amortization of DAC divided by premiums earned.

(3) Combined ratio is equal to the sum of the loss ratio and the expense ratio.

(4) Medical stop-loss — loss ratio represents medical stop-loss policyholder benefits and incurred claims divided by medical stop-loss premiums earned.

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

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $1.0, primarily the result of an improved loss ratio on a slightly smaller block of business. For second quarter 2010, the loss ratio was 63.8%, down from 66.1% for the same period in 2009. We experienced fewer medical stop-loss claims as a function of better underwriting results.

In addition to the drivers discussed above, we consider the following information regarding operating revenues and benefits and expenses useful in understanding our results.

Operating Revenues

Policy fees, contract charges, and other decreased $1.4 primarily due to a reduction in revenue from our third party administrator, which was sold in the third quarter of 2009. This reduction in revenue was fully offset by a corresponding reduction in operating expenses.

Benefits and Expenses

The slight reduction in other underwriting and operating expenses was the result of the sale of our third party administrator, as noted above, partially offset by an increase in the expense ratio. Commissions increased $1.5 due mainly to commission adjustments during the three months ended June 30, 2010, including annual producer profit bonus estimates and other commission adjustments.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $5.2 primarily the result of an improved loss ratio on a slightly smaller block of business, as discussed above. For the six months ended June 30, 2010, the loss ratio was 66.4%, down from 68.1% for the same period in 2009. We have seen our loss ratio come down closer to target levels as a result of pricing action taken on 2010 policy year renewals.

In addition to the drivers discussed above, we consider the following information regarding operating revenues and benefits and expenses useful in understanding our results.

Benefits and Expenses

The $4.4 decrease in other underwriting and operating expenses was due in part to decreased distribution expenses driven by lower incentive compensation expense and lower distribution employee headcounts. In addition, $3.3 of the decrease was attributable to a reduction in expenses as a result of the sale of our third party administrator described above.

Retirement Services

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	QTD Variance (%) 2010 vs. 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	YTD Variance (%) 2010 vs. 2009
Operating revenues:						
Net investment income	$ 115.3	$ 95.3	21.0%	$ 223.1	$ 178.3	25.1%
Policy fees, contract charges, and other	4.8	4.0	20.0	9.6	7.8	23.1
Net investment gains (losses) on FIA options	(1.3)	0.2	*	(1.2)	(1.2)	—
Total operating revenues	118.8	99.5	19.4	231.5	184.9	25.2
Benefits and expenses:						
Policyholder benefits and claims	0.6	(0.4)	*	0.7	(0.9)	*
Interest credited	70.4	61.1	15.2	138.9	116.7	19.0
Other underwriting and operating expenses	13.6	14.2	(4.2)	27.2	27.7	(1.8)
Amortization of deferred policy acquisition costs	13.6	8.5	60.0	26.8	16.3	64.4
Total benefits and expenses	98.2	83.4	17.7	193.6	159.8	21.2
Segment pre-tax adjusted operating income	$ 20.6	$ 16.1	28.0%	$ 37.9	$ 25.1	51.0%

* Represents percentage variances that are not meaningful or are explained through the discussion of other variances.

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Account values — Fixed annuities	$ 8,574.0	$ 7,025.6		
Account values — Variable annuities	682.3	664.1		
Interest spread on average account values(1)	1.97%	1.82%	1.91%	1.73%
Total sales(2)	$ 623.9	$ 568.5	$ 1,001.4	$ 1,479.6

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

(2) Total sales represent deposits for new policies.

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $4.5 driven by an increase of $10.7 in the investment margin from a higher interest spread on record high account values driven by strong sales in 2009 and 2010. Our interest spread increased mainly due to decreased credited rates reflecting the low interest rate environment and more effective investment of cash in the second quarter of 2010 compared to the second quarter of 2009. This was partially offset by a $5.1 increase in DAC amortization on a growing DAC balance.

In addition to the drivers discussed above, we consider the following information regarding operating revenues and benefits and expenses useful in understanding our results.

Operating Revenues

Net investment income increased $20.0, which was driven by a $1.4 billion increase in average invested assets. Further growth of net investment income was limited as fixed deferred annuity sales during a tight credit market have resulted in us carrying higher levels of cash than during normal economic periods.

Net investment gains (losses) on FIA options decreased $1.5 with losses of $1.3 in the second quarter of 2010 compared to gains of $0.2 for the same period in 2009. The S&P 500 index decreased 11.9% in the second quarter of 2010, as compared to a 15.2% increase in the second quarter of 2009.

Benefits and Expenses

Interest credited increased $9.3 primarily due to a 23% increase in average account value driven by strong sales of fixed deferred annuity products in 2009 and 2010.

Amortization of DAC increased $5.1, which was primarily driven by a growing block of business and corresponding growth in our DAC asset from strong sales.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $12.8 driven by an increase of $22.6 in the investment margin from a higher interest spread on record high account values. This was partially offset by a $10.5 increase in DAC amortization.

In addition to the drivers discussed above, we consider the following information regarding operating revenues and benefits and expenses useful in understanding our results.

Operating Revenues

Net investment income increased $44.8, which was driven by a $1.6 billion increase in average invested assets. Further growth of net investment income was limited as fixed deferred annuity sales during a tight credit market have resulted in us carrying higher levels of cash than during normal economic periods, which earn lower yields.

Benefits and Expenses

Interest credited increased $22.2 primarily due to a 31% increase in average account value driven by strong sales of fixed deferred annuity products in 2009 and 2010.

Amortization of DAC increased $10.5, which was primarily driven by a growing block of business and corresponding growth in our DAC asset from strong sales.

Income Annuities

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Variance (%) 2010 vs. 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Variance (%) 2010 vs. 2009
Operating revenues:						
Net investment income	$ 104.7	$ 107.1	(2.2)%	$ 208.7	$ 213.4	(2.2)%
Policy fees, contract charges, and other	0.2	0.1	*	0.4	0.3	33.3
Total operating revenues	104.9	107.2	(2.1)	209.1	213.7	(2.2)
Benefits and expenses:						
Interest credited	92.9	91.3	1.8	184.9	178.0	3.9
Other underwriting and operating expenses	5.2	5.2	—	10.5	10.2	2.9
Amortization of deferred policy acquisition costs	0.4	0.4	—	0.9	0.8	12.5
Total benefits and expenses	98.5	96.9	1.7	196.3	189.0	3.9
Segment pre-tax adjusted operating income	$ 6.4	$ 10.3	(37.9)%	$ 12.8	$ 24.7	(48.2)%

* Represents percentage variances that are not meaningful or are explained through the discussion of other variances.

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Reserves(1)	$ 6,716.8	$ 6,722.6		
Interest spread on reserves(2)	0.49%	0.62%	0.45%	0.61%
Mortality gains (losses)(3)	$ (1.8)	$ (0.5)	$ (1.9)	$ 3.8
Prepayment speed adjustment on mortgage-backed securities(4)	(0.1)	1.8	(0.3)	2.5
Total sales(5)	67.8	56.9	134.1	97.3

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

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

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

(4) Prepayment speed adjustment on mortgage-backed securities is the impact to net investment income due to the change in prepayment speeds on the underlying collateral of mortgage-backed securities.

(5) Sales represent deposits for new policies.

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income decreased $3.9 due to a lower interest spread driven by reduced investment yields. Investment yields were negatively impacted by changes in payment speeds on mortgage-backed securities, the negative impacts of prepayments, and the reinvestment of prepayments and maturities in lower yielding assets. To help address this situation, we prudently increased our originations of mortgage loans, generating relatively higher yields. In addition, we experienced mortality losses of $1.8 in the current quarter compared with losses of $0.5 in the second quarter of 2009.

Reserves, while relatively stable, fell slightly as benefit payments exceeded deposits and interest credited. Income Annuities sales are up 19.2% over the second quarter of 2009, driven by an increase in sales of structured settlements.

In addition to the drivers discussed above, we consider the following information regarding operating revenues and benefits and expenses useful in understanding our results.

Operating Revenues

Net investment income decreased $2.4 primarily driven by a reduction in our return on invested assets. Yields decreased to 6.02% from 6.13%, which was primarily due to reduced investment yields, the result of changes in payment speeds on mortgage-backed securities and the negative impacts of prepayments and the reinvestment of prepayments and maturities in lower yielding assets.

Benefits and Expenses

Interest credited increased $1.6 primarily driven by a $1.3 fluctuation in our mortality experience. We experienced mortality losses of $1.8 in the second quarter of 2010 versus $0.5 in the second quarter of 2009. In addition, we had a $0.9 decrease in gains from funding services' activities.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income decreased $11.9 due to mortality losses of $1.9 for the six months ended June 30, 2010 compared to gains of $3.8 for the same period in 2009, and a lower interest spread driven by lower yields on our invested assets. In addition, we had a $2.2 decrease in gains from funding services' activities.

In addition to the drivers discussed above, we consider the following information regarding operating revenues and benefits and expenses useful in understanding our results.

Operating Revenues

Net investment income decreased $4.7 primarily driven by a reduction in our return on invested assets. Yields decreased to 5.99% from 6.11%, which was primarily due to reduced investment yields, as discussed in the quarterly analysis above.

Benefits and Expenses

Interest credited increased $6.9 primarily driven by a $5.7 fluctuation in our mortality experience as we experienced unusually high mortality gains of $3.8 in the first half of 2009 versus mortality losses of $1.9 in the first half of 2010. The gains from the first quarter of 2009 were highest we experienced over the past five years, while current period mortality losses were below average historic levels.

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Individual

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Variance (%) 2010 vs. 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Variance (%) 2010 vs. 2009
Operating revenues:						
Premiums	$ 9.7	$ 8.9	9.0%	$ 19.9	$ 18.7	6.4%
Net investment income	68.3	67.0	1.9	134.4	131.1	2.5
Policy fees, contract charges, and other	29.8	29.4	1.4	58.9	58.6	0.5
Total operating revenues	107.8	105.3	2.4	213.2	208.4	2.3
Benefits and expenses:						
Policyholder benefits and claims	15.3	11.2	36.6	26.4	29.2	(9.6)
Interest credited	59.1	61.8	(4.4)	117.6	115.7	1.6
Other underwriting and operating expenses	13.4	12.7	5.5	26.1	26.2	(0.4)
Amortization of deferred policy acquisition costs	1.0	1.1	(9.1)	0.8	1.6	(50.0)
Total benefits and expenses	88.8	86.8	2.3	170.9	172.7	(1.0)
Segment pre-tax adjusted operating income	$ 19.0	$ 18.5	2.7%	$ 42.3	$ 35.7	18.5%

* Represents percentage variances that are not meaningful or are explained through the discussion of other variances.

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Insurance in force(1)	$ 49,912.3	$ 50,475.8		
Mortality ratio(2)	79.5%	79.0%	81.3%	80.6%
BOLI account value(3)	$ 3,886.0	$ 3,741.2		
UL account value(3)	588.9	580.0		
BOLI ROA(4)	1.28%	1.24%	1.17%	1.29%
UL interest spread(5)	1.59%	1.26%	1.47%	1.22%
Total sales, excluding BOLI(6)	$ 2.4	$ 2.4	$ 5.2	$ 4.9
BOLI sales(7)	—	—	2.7	2.5

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

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

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

(4) BOLI ROA is a measure of the gross margin on our BOLI book of business. This metric is calculated as the difference between our BOLI revenue earnings rate and our BOLI policy benefits rate. The revenue earnings rate is calculated as revenues divided by average invested assets. The policy benefits rate is calculated as total policy benefits divided by average account value. The policy benefits used in this metric do not include expenses.

(5) UL interest spread is the difference between net investment yield earned and the credited interest rate to policyholders. The investment yield is the approximate yield on invested assets in the general account attributed to the UL policies. The credited interest rate is the approximate rate credited on UL policyholder fixed account values. Interest credited to UL policyholders' account values is subject to contractual terms, including minimum guarantees. Interest credited tends to move gradually over time to reflect actions by management to respond to competitive pressures and profit targets. The credited rate to policyholders for the six months ended June 30, 2010 was adjusted to exclude a bonus interest reserve release. Without this adjustment the UL interest spread would have been 3.49%.

(6) Total sales, excluding BOLI represents annualized first year premiums, and 10% of single premium new deposits.

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

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income remained relatively flat quarter-over-quarter. This slight $0.5 increase was primarily due to an increase in premiums and an increase in BOLI ROA, which was partially offset by an increase in other underwriting and operating expenses.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $6.6 due to a $6.5 increase in the gross margin on our UL products, and a decrease in DAC amortization. The increase in the UL gross margin is related to a 2010 first quarter credited rate reduction, discussed in further detail below.

In addition to the drivers discussed above, we consider the following information regarding operating revenues and benefits and expenses useful in understanding our results.

Benefits and Expenses

Due to the continued low interest rate environment, the credited interest rate on a universal life product is being adjusted downward to the guaranteed minimum rate over the next nine months. For these policies, bonus interest is not earned if the credited rate is equal to the guaranteed minimum. As a result, during the first quarter of 2010, we released bonus interest reserves recorded in policyholder benefits and claims, which was reflected in the $6.5 increase in UL gross margin.

Other

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Variance (%) 2010 vs. 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Variance (%) 2010 vs. 2009
Operating revenues:						
Net investment income	$ 4.0	$ 9.4	(57.4)%	$ 8.4	$ 14.2	(40.8)%
Policy fees, contract charges, and other	4.0	2.8	42.9	7.5	5.1	47.1
Total operating revenues	8.0	12.2	(34.4)	15.9	19.3	(17.6)
Benefits and expenses:						
Interest credited	(0.9)	(1.1)	18.2	(1.4)	(1.7)	17.6
Other underwriting and operating expenses	6.0	3.7	62.2	10.3	6.8	51.5
Interest expense	7.9	8.0	(1.3)	15.9	15.9	—
Total benefits and expenses	13.0	10.6	22.6	24.8	21.0	18.1
Segment pre-tax adjusted operating loss	$ (5.0)	$ 1.6	*	$ (8.9)	$ (1.7)	*

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Summary of Results

Our Other segment reported pre-tax adjusted operating losses of $5.0 for the second quarter of 2010 compared with gains of $1.6 for the same period in 2009 due to a decrease in private equity and hedge funds income, the result of liquidating our hedge fund holdings. We began liquidating our hedge fund holdings in the second half of 2009, with minimal holdings remaining as of June 30, 2010. Also contributing to the current period loss were charges totaling $1.3 related to our CEO transition.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Summary of Results

Our Other segment reported pre-tax adjusted operating losses of $8.9 and $1.7, for the six months ended June 30, 2010 and 2009, respectively. This was due to a decrease in private equity and hedge funds income, the result of liquidating our hedge fund holdings, primarily in the second half of 2009. Also contributing to the current period loss were charges totaling $1.3 related to our CEO transition.

Investments

Our investment portfolio is structured with the objective of supporting the expected cash flows of our liabilities and to produce stable returns over the long term. The composition of our portfolio reflects our asset management philosophy of protecting principal and receiving appropriate reward for credit risk. Our investment portfolio mix as of June 30, 2010, consisted in large part of high quality fixed maturities and commercial mortgage loans, as well as a smaller allocation of high yield fixed maturities, marketable equity securities, investments in limited partnerships (which includes affordable housing, private equity and hedge funds) and other investments. We believe that prudent levels of investments in marketable equity securities within our investment portfolio offer enhanced long term, after-tax total returns to support a portion of our longest duration liabilities.

The following table presents the composition of our investment portfolio:

	As of June 30, 2010		As of December 31, 2009	
Types of Investments	**Amount**	**% of Total**	**Amount**	**% of Total**
	(Dollars in Millions)			
Fixed maturities, available-for-sale:				
Public	$ 19,719.2	88.2%	$ 17,693.0	87.6%
Private	893.0	4.0	901.3	4.5
Marketable equity securities, available-for-sale(1)	43.9	0.2	36.7	0.2
Marketable equity securities, trading(2)	141.0	0.6	154.1	0.7
Mortgage loans, net	1,340.3	6.0	1,201.7	6.0
Policy loans	72.3	0.3	73.9	0.4
Investments in limited partnerships(3)				
Private equity and hedge funds	32.1	0.1	24.7	0.1
Affordable housing projects	104.8	0.5	85.5	0.4
Other invested assets	12.0	0.1	12.2	0.1
Total	$ 22,358.6	100.0%	$ 20,183.1	100.0%

(1) Amount primarily represents non-redeemable preferred stock.

(2) Amount represents investments in common stock.

(3) Investments in private equity and hedge funds are carried at fair value, while our investments in affordable housing projects and state tax credits are carried at amortized cost. In 2009, we submitted liquidation notices to all of our hedge fund partnerships. As of June 30, 2010, our remaining investment in hedge funds was $3.6.

The increase in invested assets during the first six months of 2010 is primarily due to a net increase in the fair value of our fixed maturities, and portfolio growth generated by sales of fixed deferred annuities and net proceeds from our IPO. As of June 30, 2010, the fair value of our fixed maturities increased $952.9 from a $40.6 net unrealized gain as of December 31, 2009 to a $993.5 net unrealized gain as of June 30, 2010. The equity markets rallied in March and April of 2010 driven by receding concerns over Europe; however, those worries returned in May and June leading to increased volatility, increased investor skepticism, and a weakening of the equity markets.

Investment Returns

Net Investment Income

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

	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009	
	Yield(1)	Amount	Yield(1)	Amount
	(Dollars in millions)			
Types of Investments				
Fixed maturities, available-for-sale	5.79%	$ 280.4	5.97%	$ 263.6
Marketable equity securities, available-for-sale	8.46	1.1	10.16	1.3
Marketable equity securities, trading	2.05	0.8	1.57	0.6
Mortgage loans, net	6.47	20.9	6.28	16.1
Policy loans	5.94	1.1	5.83	1.1
Investments in limited partnerships:				
Private equity and hedge funds	(4.74)	(0.4)	36.60	6.5
Affordable housing(2)	(6.62)	(2.2)	(9.18)	(2.4)
Other income producing assets(3)	0.70	0.7	0.78	1.1
Gross investment income before investment expenses	5.62	302.4	5.85	287.9
Investment expenses	(0.10)	(5.3)	(0.10)	(4.8)
Net investment income	5.52%	$ 297.1	5.75%	$ 283.1

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

(2) The negative yield from affordable housing investments is offset by U.S. federal income tax benefits. The resulting impact to net income was $1.3 and $0.9 for the three months ended June 30, 2010 and 2009, respectively.

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

For the three months ended June 30, 2010, net investment income increased 4.9% compared to the same period in 2009, driven by an increase in invested assets on strong sales of our fixed deferred annuities in 2009 and 2010. This was partially offset by a decrease in net investment yields, which decreased to 5.52% in 2010 from 5.75% in 2009. The reduction in yields was primarily driven by lower yields on recent purchases of fixed maturities and negative impacts from prepayments of higher yielding mortgage-backed securities. The low interest rate environment is driving down the overall yields on our fixed maturities. Also contributing to decreased investment income is a $6.9 decrease in private equity and hedge funds income, with losses of $0.4 in the second quarter of 2010 compared with gains of $6.5 in the second quarter of 2009, primarily the result of the ongoing liquidation of our hedge fund holdings.

For the three months ended June 30, 2010, and 2009 the Company had an average cash balance of $301.2 and $448.0, respectively. Carrying these higher cash balances limited our growth in net investment income as these cash balances provided an average yield of below 50 basis points (bp) for both periods.

	Six Months Ended June 30, 2010		Six Months Ended June 30, 2009	
	Yield(1)	Amount	Yield(1)	Amount
	(Dollars in millions)			
Types of Investments				
Fixed maturities, available-for-sale	5.77%	$ 551.4	5.94%	$ 514.4
Marketable equity securities, available-for-sale	6.44	1.7	6.44	1.7
Marketable equity securities, trading	1.86	1.5	1.57	1.2
Mortgage loans, net	6.31	39.7	6.31	32.1
Policy loans	5.96	2.2	5.79	2.2
Investments in limited partnerships:				
Private equity and hedge funds	3.55	0.5	20.82	7.3
Affordable housing(2)	(6.84)	(4.3)	(9.09)	(4.7)
Other income producing assets(3)	0.82	1.8	0.47	1.3
Gross investment income before investment expenses	5.60	594.5	5.75	555.5
Investment expenses	(0.10)	(10.5)	(0.10)	(9.7)
Net investment income	5.50%	$ 584.0	5.65%	$ 545.8

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

(2) The negative yield from affordable housing investments is offset by U.S. federal income tax benefits. The resulting impact to net income was $2.8 and $1.8 for the six months ended June 30, 2010 and 2009, respectively.

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

For the six months ended June 30, 2010, net investment income increased 7.0% compared to the same period in 2009, driven by an increase in invested assets on strong sales of our fixed deferred annuities in 2009 and 2010. This was partially offset by a decrease in net investment yields, which decreased to 5.50% in 2010 from 5.65% in 2009. The reduction in yields was primarily driven by lower yields on recent purchases of fixed maturities, and negative impacts from prepayments of higher yielding mortgage-backed securities. In addition, investment income decreased due to a $6.8 decrease in private equity and hedge funds income, with gains of $0.5 compared to $7.3 for the six months ended June 30, 2010 and 2009, respectively, primarily the result of the ongoing liquidation of our hedge fund holdings.

The increase in our net investment income was limited as a result of us carrying higher levels of cash. Our higher cash balances were the result of cash from sales of our products and our IPO proceeds during a tight credit market. For the six months ended June 30, 2010 and 2009, the Company had an average cash balance of $334.8 and $440.4, respectively. Carrying these higher cash balances limited our growth in net investment income as these average cash balances provided an average yield of below 50 bp for both periods.

Net Realized Investment Gains (Losses)

In the second quarter 2010, market volatility returned and caused net losses on our trading securities, as compared to net gains in the second quarter of 2009, as illustrated in the following table. Despite this regression in the equity markets, total net realized losses improved for the six months ended June 30, 2010 when compared to the same period in 2009, due to a reduction in impairments.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Gross realized gains on sales of fixed maturities	7.0	5.8	17.4	6.2
Gross realized losses on sales of fixed maturities	(0.2)	(1.6)	(1.3)	(2.2)
Impairments:				
Public fixed maturities(1)	(1.4)	(10.2)	(3.8)	(27.9)
Private fixed maturities	—	(3.2)	(5.1)	(4.1)
Total credit-related	(1.4)	(13.4)	(8.9)	(32.0)
Other	(0.1)	(15.1)	(2.3)	(24.3)
Total impairments	(1.5)	(28.5)	(11.2)	(56.3)
Net gains (losses) on trading securities	(8.8)	19.6	(1.2)	4.3
Other net investment gains (losses)(2):				
Other gross gains	4.6	8.0	8.4	15.2
Other gross losses	(11.1)	(0.6)	(15.3)	(7.5)
Net realized investment gains (losses) before taxes	$ (10.0)	$ 2.7	$ (3.2)	$ (40.3)

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

(2) This primarily consists of changes in fair value on derivatives instruments, gains (losses) on calls and redemptions, and the impact of net realized investment gains (losses) on DAC and deferred sales inducements.

Impairments

We monitor our investments for indicators of possible credit-related impairments, with a focus on securities that represent a significant risk of impairment, primarily securities for which the fair value has declined below amortized cost by 20% or more for a period of six months or more, or for which we have concerns about the creditworthiness of the issuer based on qualitative information. When evaluating a security for possible impairment, we consider several factors, which are described in more detail in Note 4 to the accompanying unaudited interim consolidated financial statements.

Impairments for the three months ended June 30, 2010 and 2009 were $1.5 and $28.5, respectively. This decrease was primarily attributable to reduced credit concerns as credit-related impairments decreased $12.0. Impairments for the six months ended June 30, 2010 and 2009 were $11.2 and $56.3, respectively. This decrease was largely due to improved bond markets and reduced credit concerns as credit-related impairments decreased $23.1. For those issuers in which we recorded an impairment, we had remaining holdings with an amortized cost of $184.7 and a fair value of $178.5 as of June 30, 2010.

Fixed Maturity Securities

Fixed maturities represented approximately 92% of invested assets as of both June 30, 2010 and December 31, 2009. As of June 30, 2010, publicly traded and privately placed fixed maturities represented 95.7% and 4.3%, respectively, of our total fixed maturity portfolio at fair value. We invest in privately placed fixed maturities to enhance the overall value of the portfolio, increase diversification and obtain higher yields than can ordinarily be obtained with comparable public market securities.

Fixed Maturity Securities Credit Quality

The Securities Valuation Office, or SVO, of the NAIC, evaluates the investments of insurers for regulatory reporting purposes and assigns fixed maturities to one of the six categories called “NAIC Designations.” NAIC designations of “1” or “2” include fixed maturities considered investment grade, which generally include securities rated BBB- or higher by Standard & Poor’s. NAIC designations of “3” through “6” are referred to as below investment grade, which generally include securities rated BB+ or lower by Standard & Poor’s. As a result of time lags between the funding of investments, the finalization of legal documents and the completion of the SVO filing process, the fixed maturities portfolio generally includes securities that have not yet been rated by the SVO as of each balance sheet date. Pending receipt of SVO ratings, the categorization of these securities by NAIC designation is based on the expected ratings indicated by internal analysis. As of June 30, 2010 and December 31, 2009, 11 securities with an amortized cost of $93.2 and a fair value of $94.8, and 14 securities with an amortized cost of $99.1 and a fair value of $101.9, respectively, were categorized based on expected NAIC designations, pending receipt of SVO ratings.

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 June 30, 2010			As of December 31, 2009		
NAIC	S&P Equivalent	Amortized Cost	Fair Value	% of Total Fair Value	Amortized Cost	Fair Value	% of Total Fair Value
1	AAA, AA, A	$ 11,413.7	$ 12,116.4	58.8%	$ 10,917.3	$ 11,031.3	59.3%
2	BBB	7,075.5	7,465.0	36.2	6,471.3	6,530.9	35.1
	Total investment grade	18,489.2	19,581.4	95.0	17,388.6	17,562.2	94.4
3	BB	692.1	642.0	3.1	717.9	641.3	3.5
4	B	296.6	264.6	1.3	251.0	219.2	1.2
5	CCC & lower	110.2	105.4	0.5	128.0	113.5	0.6
6	In or near default	30.6	18.8	0.1	68.2	58.1	0.3
	Total below investment grade	1,129.5	1,030.8	5.0	1,165.1	1,032.1	5.6
Total		$ 19,618.7	$ 20,612.2	100.0%	$ 18,553.7	$ 18,594.3	100.0%

As of June 30, 2010 and December 31, 2009, securities with an amortized cost of $834.0 and $898.2, and fair value of $888.7 and $925.8, respectively, had no rating from a nationally recognized securities rating agency. We derived the equivalent S&P credit quality rating for these securities based on the securities' NAIC rating designation.

For securities where we recorded a credit-related OTTI, the amortized cost as of June 30, 2010 and December 31, 2009 in the table above represents management's estimated recovery value, based on our best estimate of discounted cash flows for the security. As of June 30, 2010 and December 31, 2009, we did not have the intent to sell these securities or consider it more likely than not that we would be required to sell the securities prior to recovery of their amortized cost. Furthermore, based upon our cash flow modeling and the expected continuation of contractually required principal and interest payments, we considered these securities to be temporarily impaired as of June 30, 2010 and December 31, 2009.

Below investment grade securities comprised 5.0% and 5.6% of our fixed maturities portfolio as of June 30, 2010 and December 31, 2009, respectively. Most of these securities were corporate securities that were purchased while classified as below investment grade, high yield investments. We had NAIC 5 and 6 designated securities with gross unrealized losses of $24.4 as of June 30, 2010, of which $20.7, or 84.8%, related to two issuers. These issuers are current on their contractual payments and our analysis supports the recoverability of amortized cost.

Certain of our fixed maturities are supported by guarantees from monoline bond insurers. As of June 30, 2010, fixed maturities with monoline guarantees had an amortized cost of $556.0 and a fair value of $550.0, with gross unrealized losses of $20.5. As of December 31, 2009, fixed maturities with monoline guarantees had an amortized cost of $599.7 and a fair value of $559.8, with gross unrealized losses of $45.2. The majority of these securities were municipal bonds.

The credit ratings of our fixed maturities set forth in the table above reflect, where applicable, the guarantees provided by monoline bond insurers. As of June 30, 2010, $521.8, or 94.9%, of the fair value of fixed maturities supported by guarantees from monoline bond insurers had investment grade credit ratings both when including and excluding the effect of the monoline insurance.

Fixed Maturity Securities and Unrealized Gains and Losses by Security Sector

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

	As of June 30, 2010					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value	Other-than-Temporary Impairments in AOCI
Security Sector						
Corporate Securities:						
Consumer discretionary	$ 1,386.7	$ 84.9	$ (14.6)	$ 1,457.0	7.1%	$ (2.4)
Consumer staples	1,912.0	179.7	(7.7)	2,084.0	10.1	(1.4)
Energy	662.3	48.6	(8.3)	702.6	3.4	—
Financials	2,034.2	68.7	(130.1)	1,972.8	9.6	(4.7)
Health care	1,073.0	111.2	(1.6)	1,182.6	5.7	(1.9)
Industrials	2,370.0	224.2	(7.0)	2,587.2	12.6	(0.8)
Information technology	367.6	40.4	(1.3)	406.7	2.0	—
Materials	1,117.5	72.5	(27.4)	1,162.6	5.6	(8.4)
Telecommunication services	608.0	35.0	(13.4)	629.6	3.1	(1.1)
Utilities	1,822.4	121.1	(20.2)	1,923.3	9.3	(0.4)
Other	73.1	1.1	(6.2)	68.0	0.3	(4.4)
Total corporate securities	13,426.8	987.4	(237.8)	14,176.4	68.8	(25.5)
U.S. government and agencies	116.3	6.7	—	123.0	0.6	(0.1)
State and political subdivisions	482.7	7.0	(17.9)	471.8	2.3	(0.7)
Residential mortgage-backed securities:						
Agency	3,141.2	187.7	(1.0)	3,327.9	16.1	—
Non-agency:						
Prime	397.4	4.5	(46.2)	355.7	1.7	(33.7)
Alt-A	129.1	3.3	(9.8)	122.6	0.6	(8.5)
Total residential mortgage-backed securities	3,667.7	195.5	(57.0)	3,806.2	18.4	(42.2)
Commercial mortgage-backed securities	1,722.4	116.8	(9.7)	1,829.5	8.9	(3.7)
Other debt obligations	202.8	17.0	(14.5)	205.3	1.0	(3.9)
Total	$ 19,618.7	$ 1,330.4	$ (336.9)	$ 20,612.2	100.0%	$ (76.1)

During the six months ended June 30, 2010 we increased our investments in corporate securities with cash generated from sales, primarily fixed deferred annuities, and the proceeds from our IPO. We have purchased new issues of investment grade corporate securities with a focus on obtaining appropriate yields to match our policyholder liabilities while retaining quality.

Our fixed maturities holdings are diversified by industry and issuer. The portfolio does not have significant exposure to any single issuer. As of June 30, 2010 and December 31, 2009, the fair value of our ten largest holdings of corporate securities was $1,283.8 and $1,138.3, or approximately 9.1% for both periods. The fair value of our largest exposure to a single issuer of corporate securities was $151.1, or 1.1%, and $141.9, or 1.1%, of our investments in corporate securities, as of June 30, 2010 and December 31, 2009, respectively. As of June 30, 2010, we had no direct exposure to the sovereign and local debt of Portugal, Ireland, Italy, Greece, and Spain; our exposure to companies that may be associated with the April 2010 oil spill in the Gulf of Mexico consists of fixed maturity securities with a fair value of $69.6 and an amortized cost of $81.8; and we had municipal bond holdings with a fair value of $513.0 and an amortized cost of $499.8.

	As of December 31, 2009					
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	% of Total Fair Value	Other-than-Temporary Impairments in AOCI
Security Sector						
Corporate Securities:						
Consumer discretionary	$ 1,093.3	$ 41.9	$ (29.6)	$ 1,105.6	5.9%	$ (7.9)
Consumer staples	1,736.6	84.7	(17.6)	1,803.7	9.7	(1.4)
Energy	651.4	28.3	(8.8)	670.9	3.6	—
Financials	2,122.9	39.8	(193.2)	1,969.5	10.6	(5.8)
Health care	861.1	59.1	(4.1)	916.1	4.9	(1.9)
Industrials	2,091.7	92.6	(28.1)	2,156.2	11.6	(1.4)
Information technology	357.2	27.9	(0.3)	384.8	2.1	—
Materials	1,111.7	39.1	(49.0)	1,101.8	5.9	(12.7)
Telecommunication services	583.4	21.3	(16.7)	588.0	3.2	(1.2)
Utilities	1,837.5	52.4	(46.3)	1,843.6	9.9	(0.5)
Other	8.0	0.4	—	8.4	0.1	—
Total corporate securities	12,454.8	487.5	(393.7)	12,548.6	67.5	(32.8)
U.S. government and agencies	41.6	2.4	(0.1)	43.9	0.2	(0.1)
State and political subdivisions	518.4	1.9	(37.3)	483.0	2.6	(1.3)
Residential mortgage-backed securities:						
Agency	2,936.8	102.6	(6.7)	3,032.7	16.3	—
Non-agency:						
Prime	449.8	0.6	(72.4)	378.0	2.0	(31.7)
Alt-A	145.3	2.1	(21.9)	125.5	0.7	(8.2)
Subprime	0.2	—	—	0.2	—	—
Total residential mortgage-backed securities	3,532.1	105.3	(101.0)	3,536.4	19.0	(39.9)
Commercial mortgage-backed securities	1,805.6	44.5	(60.7)	1,789.4	9.7	(4.0)
Other debt obligations	201.2	9.4	(17.6)	193.0	1.0	(3.8)
Total	$ 18,553.7	$ 651.0	$ (610.4)	$ 18,594.3	100.0%	$ (81.9)

Fixed Maturity Securities by Contractual Maturity Date

As of June 30, 2010 and December 31, 2009, approximately 27% and 29% of the fair value of our fixed maturity portfolio was held in mortgaged-backed securities, and 26% and 27% of our portfolio was due after ten years, which we consider to be longer duration assets. Fixed maturities in these categories primarily back long duration reserves in our Income Annuities segment, which can exceed a period of 30 years. As of June 30, 2010 and December 31, 2009, approximately 79% and 82%, respectively, of the gross unrealized losses on our investment portfolio related to these longer duration assets, which are more sensitive to interest rate fluctuations and credit spreads.

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 are loans to the most credit-worthy customers with high quality credit profiles.

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

	As of June 30, 2010		As of December 31, 2009	
	Fair Value	% of Total Invested Assets	Fair Value	% of Total Invested Assets
Agency	$ 3,327.9	14.9%	$ 3,032.7	15.0%
Non-agency:				
Prime	355.7	1.6	378.0	1.9
Alt-A	122.6	0.5	125.5	0.6
Subprime	—	—	0.2	—
Subtotal non-agency	478.3	2.1	503.7	2.5
Total	$ 3,806.2	17.0%	$ 3,536.4	17.5%

We classified certain non-agency RMBS securities as Alt-A because we viewed each security to have overall collateral credit quality between prime and subprime, based on a review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios.

The following table sets forth the total fair value, and amortized cost of our non-agency RMBS by credit quality and year of origination (vintage). There were nine securities with a total amortized cost of $96.0 that were rated below investment grade by either Moody's, S&P or Fitch, while the others rated them investment grade.

	As of June 30, 2010 Highest Rating Agency Rating						
Vintage	AAA	AA	A	BBB	BB and Below	Total	Total as of December 31, 2009
2007	$ —	$ —	$ —	$ —	$ 66.3	$ 66.3	$ 91.0
2006	—	1.4	—	24.6	126.6	152.6	177.0
2005	0.5	9.2	11.7	59.1	28.3	108.8	113.6
2004 & prior	183.6	14.5	—	—	0.7	198.8	213.7
Total amortized cost	$ 184.1	$ 25.1	$ 11.7	$ 83.7	$ 221.9	$ 526.5	$ 595.3
Total unrealized losses	(5.3)	(6.5)	—	(11.2)	(25.2)	(48.2)	(91.6)
Total fair value	$ 178.8	$ 18.6	$ 11.7	$ 72.5	$ 196.7	$ 478.3	$ 503.7

On a fair value basis as of June 30, 2010, our Alt-A portfolio was 86.0% fixed rate collateral and 14.0% hybrid adjustable rate mortgages, or ARM, with no exposure to option ARM mortgages. Generally, fixed rate mortgages have performed better with lower delinquencies and defaults on the underlying collateral than both option ARMs and hybrid ARMs in the current economic environment. As of June 30, 2010 and December 31, 2009, respectively, $62.2 or 50.7% and $73.9 or 58.9% of the total Alt-A portfolio had an S&P equivalent credit rating of AAA.

As of June 30, 2010, our Alt-A, prime and total non-agency RMBS had an estimated weighted-average credit enhancement of 13.9%, 8.5% and 9.8%, respectively. Credit enhancement refers to the weighted-average percentage of the outstanding capital structure that is subordinate in the priority of cash flows and absorbs losses first. As of June 30, 2010 and December 31, 2009, 59.8% and 59.6%, respectively, of the fair value of our RMBS had super senior subordination. The super senior class has priority over all principal and interest cash flows and will not experience any loss of principal until lower levels are written down to zero. Therefore, the majority of our RMBS investments have less exposure to defaults and delinquencies in the underlying collateral than if we held the more subordinated classes.

Commercial Mortgage-Backed Securities (CMBS)

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

	As of June 30, 2010		As of December 31, 2009	
	Fair Value	% of Total Invested Assets	Fair Value	% of Total Invested Assets
Agency	$ 538.9	2.4%	$ 425.6	2.1%
Non-agency	1,290.6	5.8	1,363.8	6.8
Total	$ 1,829.5	8.2%	$ 1,789.4	8.9%

There have been disruptions in the CMBS market that continued in the first six months of 2010 due to weakness in commercial real estate market fundamentals, and previously reduced underwriting standards by some originators of commercial mortgage loans within the more recent vintage years (2006 through 2008). This has reduced market liquidity and availability of capital, increased market belief that default rates will increase, and increased spreads and the repricing of risk. However, as discussed below, the quality of our CMBS portfolio, which is predominately in the most senior tranche of the structure type, has a weighted-average estimated credit enhancement of 28.5% on the entire portfolio, as of June 30, 2010, which is significant in a deep commercial real estate downturn during which expected losses may increase substantially. As of June 30, 2010, on an amortized cost basis, 97.2% of our entire CMBS portfolio were rated AAA, 1.4% were rated AA or A, and 1.4% were rated B and below.

The following table sets forth the total fair value, and amortized cost of our non-agency CMBS by credit quality and year of origination (vintage). There were 12 securities having a fair value of $286.3 and an amortized cost of $277.4 that were rated A by S&P, while Moody's and/or Fitch rated them AAA.

	As of June 30, 2010						
	Highest Rating Agency Rating						
Vintage	AAA	AA	A	BBB	BB and Below	Total	As of December 31, 2009
2008	$ 47.8	$ 18.3	$ —	$ —	$ —	$ 66.1	$ 66.0
2007	449.6	—	—	—	1.3	450.9	471.0
2006	136.3	—	—	—	11.3	147.6	148.0
2005	292.7	—	—	—	—	292.7	311.4
2004 & prior	241.6	—	5.8	—	10.7	258.1	391.9
Total amortized cost	$ 1,168.0	$ 18.3	$ 5.8	$ —	$ 23.3	$ 1,215.4	$ 1,388.3
Total unrealized gains (losses)	83.1	(2.8)	(0.4)	—	(4.7)	75.2	(24.5)
Total fair value	$ 1,251.1	$ 15.5	$ 5.4	$ —	$ 18.6	$ 1,290.6	$ 1,363.8

U.S. CMBS securities have historically utilized a senior/subordinate credit structure to allocate cash flows and losses, which includes super-senior, mezzanine and junior AAA tranches. The credit enhancement on the most senior tranche (super-senior) is 30%. The mezzanine AAAs typically have 20% credit enhancement and the junior AAAs generally have 14% credit enhancement. Credit enhancement refers to the weighted-average percentage of outstanding capital structure that is subordinate in the priority of cash flows and absorbs losses first. Credit enhancement does not include any equity interest or principal in excess of outstanding debt. The super senior class has priority over the mezzanine and junior classes to all principal and interest cash flows and will not experience any loss of principal until both the entire mezzanine and junior tranches are written down to zero. We believe this additional credit enhancement is significant in a deep real estate downturn during which losses are expected to increase substantially.

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

	As of June 30, 2010						
	Super Senior (Post 2004)			Other Structures (2005 and Prior)			
Vintage	Super Senior	Mezzanine	Junior	Other Senior	Other Subordinate	Other	Total AAA Securities at Amortized Cost
2008	$ 47.8	$ —	$ —	$ —	$ —	$ —	$ 47.8
2007	449.6	—	—	—	—	—	449.6
2006	136.3	—	—	—	—	—	136.3
2005	136.2	31.2	—	125.3	—	—	292.7
2004 & prior	—	—	—	197.3	42.0	2.3	241.6
Total	$ 769.9	$ 31.2	$ —	$ 322.6	$ 42.0	$ 2.3	$ 1,168.0

	As of December 31, 2009						
	Super Senior (Post 2004)			Other Structures (2005 and Prior)			
Vintage	Super Senior	Mezzanine	Junior	Other Senior	Other Subordinate	Other	Total AAA Securities at Amortized Cost
2008	$ 66.0	$ —	$ —	$ —	$ —	$ —	$ 66.0
2007	469.7	—	—	—	—	—	469.7
2006	135.7	—	—	—	—	—	135.7
2005	147.4	31.1	—	132.8	—	—	311.3
2004 & prior	—	—	—	310.6	42.1	19.4	372.1
Total	$ 818.8	$ 31.1	$ —	$ 443.4	$ 42.1	$ 19.4	$ 1,354.8

As the tables above indicate, our CMBS holdings are predominantly in the most senior tranche of the structure type. As of June 30, 2010, on an amortized cost basis, 93.5% of our AAA-rated CMBS were in the most senior tranche. Adjusted to remove defeased loans, which are loans whose cash flows have been replaced by U.S. Treasury securities, the weighted-average credit enhancement of our CMBS as of June 30, 2010 was 30.0%.

Asset-Backed Securities

The following table provides the amortized cost and fair value of our asset-backed securities, by underlying collateral type, as of June 30, 2010 and December 31, 2009. Our other asset-backed securities are presented as part of other debt obligations in the security sector tables above.

	As of June 30, 2010		As of December 31, 2009	
Other asset-backed securities	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Auto	$ 27.6	$ 28.1	$ 24.1	$ 24.6
Credit cards	75.5	83.5	73.0	78.5
Manufactured homes	19.0	17.7	19.2	15.6
Utility	10.8	12.0	10.9	11.7
Other	5.4	5.3	5.8	5.0
Total other asset-backed securities	$ 138.3	$ 146.6	$ 133.0	$ 135.4

Return on Equity-Like Investments

Prospector manages a portfolio of equity and equity-like investments, including publicly traded common stock and convertible securities. Previously, our relationship with Prospector had been through our investment advisor, White Mountains Advisors, LLC, with Prospector serving in a sub-advisory role. As of June 29, 2010, we entered into an investment management agreement, effective July 1, 2010, directly with Prospector under which they will continue to supervise and direct our equity and equity-like investment portfolio. The following table compares our total return to the benchmark S&P 500 Total Return Index for the three and six months ended June 30, 2010 and 2009. We believe that these equity and equity-like investments are suitable for funding certain long duration liabilities in our Income Annuities segment.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Public equity	(4.7)%	16.0%	0.5%	6.2%
S&P 500 Total Return Index	(11.4)	15.9	(6.6)	3.2
Difference	6.7%	0.1%	7.1%	3.0%

Mortgage Loans

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

As of June 30, 2010 and December 31, 2009, 77.4% and 77.7%, respectively, of our mortgage loans were under $5.0 and our average loan balance was $2.0, and $1.9, respectively. As of June 30, 2010, our highest loan balance was $13.2.

Composition of Mortgage Loans

The stress experienced in the U.S. financial markets and unfavorable credit market conditions led to a decrease in overall liquidity and availability of capital in the commercial mortgage loan market, which has led to greater opportunities for more selective loan originations. As noted previously, we believe a disciplined increase in our mortgage loan portfolio will help maintain the overall quality of our investment portfolio and obtain appropriate yields to match our policyholder liabilities. We are prudently increasing our investments in mortgage loans in our Income Annuities segment to help stabilize our interest spread on reserves.

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

	As of June 30, 2010		As of December 31, 2009	
Loan-to-Value Ratio	Carrying Value	% of Total	Carrying Value	% of Total
< or = 50%	$ 483.7	36.0%	$ 484.2	40.1%
51% — 60%	355.2	26.4	348.5	28.9
61% — 70%	289.5	21.5	195.8	16.2
71% — 75%	74.2	5.5	68.2	5.6
76% — 80%	48.3	3.6	17.7	1.5
81% — 100%	81.8	6.1	85.1	7.1
> 100%	12.4	0.9	7.4	0.6
	$ 1,345.1	100.0%	$ 1,206.9	100.0%

We use the loan-to-value ratio as our primary metric to assess the quality of our mortgage loans. The loan-to-value ratio, which is expressed as a percentage, compares the amount of the loan to the estimated fair value of the underlying property collateralizing the loan. In the year of funding, loan-to-value ratios are calculated using independent appraisals performed by Member of the Appraisal Institute, or MAI, designated appraisers. Subsequent to the year of funding, loan-to-value ratios are updated annually using internal valuations based on property income and market capitalization rates. Loan-to-value ratios greater than 100% indicate that the loan amount is greater than the collateral value. A smaller loan-to-value ratio generally indicates a higher quality loan. As of June 30, 2010 and December 31, 2009, our mortgage loan portfolio had weighted-average loan-to-value ratios of 55.0% and 53.5%, respectively.

For loans originated in the three and six months ended June 30, 2010, 34.0% and 39.3%, respectively, had a loan-to-value ratio of 50% or less, and no loans had a loan-to-value ratio of more than 67%. For loans originated in the year ended December 31, 2009, 44.8% had a loan-to-value ratio of 50% or less, and no loans had a loan-to-value ratio of more than 70%.

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

	As of June 30, 2010		As of December 31, 2009	
Region	Carrying Value	% of Total	Carrying Value	% of Total
California	$ 409.6	30.4%	$ 346.0	28.6%
Washington	248.3	18.5	222.9	18.5
Texas	132.0	9.8	125.6	10.4
Oregon	83.8	6.2	88.0	7.3
Colorado	45.7	3.4	44.5	3.7
Arizona	37.6	2.8	37.1	3.1
Virginia	32.1	2.4	25.5	2.1
Minnesota	30.9	2.3	32.3	2.7
Other	325.1	24.2	285.0	23.6
Total	$ 1,345.1	100.0%	$ 1,206.9	100.0%

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

	As of June 30, 2010		As of December 31, 2009	
Property Type	Carrying Value	% of Total	Carrying Value	% of Total
Shopping Centers and Retail	$ 528.7	39.3%	$ 472.9	39.2%
Office Buildings	383.0	28.5	339.2	28.1
Industrial	379.1	28.2	345.7	28.6
Multi-Family	38.3	2.8	34.9	2.9
Other	16.0	1.2	14.2	1.2
Total	$ 1,345.1	100.0%	$ 1,206.9	100.0%

Maturity Date of Mortgage Loans

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

	As of June 30, 2010		As of December 31, 2009	
Years to Maturity	Carrying Value	% of Total	Carrying Value	% of Total
Due in one year or less	$ 5.3	0.4%	$ 2.4	0.2%
Due after one year through five years	102.9	7.7	100.0	8.3
Due after five years through ten years	685.0	50.9	541.8	44.9
Due after ten years	551.9	41.0	562.7	46.6
Total	$ 1,345.1	100.0%	$ 1,206.9	100.0%

Mortgage Loan Quality

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

During the second quarter of 2010, we foreclosed and took possession of a property. The fair value at the time of possession was $1.7, which has been classified as real estate held for use and included in other invested assets on our consolidated balance sheets.

Our total allowance for losses on mortgage loans was $6.7 and $8.2 as of June 30, 2010 and December 31, 2009, respectively. The allowance as of December 31, 2009 included a specific reserve of $2.2 related to the foreclosed property noted above.

Investments in Limited Partnerships — Affordable Housing Investments

We invest in tax-advantaged federal affordable housing investments through limited liability partnerships. These affordable housing investments are typically 15-year investments that provide tax credits in years one through ten. As of June 30, 2010, we were invested in eight limited partnership interests related to the federal affordable housing projects and other various state tax credit funds. These investments are accounted for under the equity method and are recorded at amortized cost in investments in limited partnerships, with the present value of unfunded contributions recorded in other liabilities.

Although these investments decrease our net investment income over time on a pre-tax basis, they provide us with significant tax benefits, which decrease our effective tax rate. The following table sets forth the impact the amortization of our investments and the related tax credits had on net income.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Amortization related to affordable housing investments	$ (1.5)	$ (1.5)	$ (2.8)	$ (3.0)
Affordable housing tax credits	2.8	2.4	5.6	4.8
Impact to net income	$ 1.3	$ 0.9	$ 2.8	$ 1.8

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

	Estimated Impact to Net Income
Remainder of 2010	$ 2.6
2011	7.8
2012	8.9
2013 and beyond	26.1
Estimated impact to net income	$ 45.4

Liquidity and Capital Resources

We conduct all our operations through our operating subsidiaries, and our liquidity requirements primarily have been and will continue to be met by funds from our subsidiaries. Dividends and permitted tax sharing payments from our subsidiaries are Symetra's principal sources of cash to pay stock and warrant holder dividends and meet its obligations, including payments of principal and interest on notes payable and tax obligations. On January 27, 2010, we completed an initial public offering of our common stock and received net proceeds of $282.5, which further enhanced our liquidity and capital resources.

We intend to pay quarterly cash dividends on our common stock and warrants at a rate of approximately $0.05 per share. We paid the first of such dividends during the second quarter of 2010. On August 11, 2010, our board of directors declared a $0.05 per share dividend to shareholders and warrant holders of record as of August 25, 2010. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our board of directors. See "— Dividends" below for further discussion.

Over the past few years, the global financial markets experienced unprecedented disruption, adversely affecting the business environment in general, and financial services companies in particular. During the second quarter of 2010, the credit and equity markets regressed slightly after showing positive growth during the first quarter. As a result, the credit markets remain tight, and we continue to experience a low interest rate environment, which we expect to continue during 2010. In managing these challenging market conditions over the past couple of years, we benefited from the strength of our management philosophy, diversification of our business and strong financial fundamentals. We actively manage our liquidity in light of changing market, economic and business conditions and we believe that our liquidity levels are more than adequate to cover our exposures, as evidenced by the following:

- Sales for the six months ended June 30, 2010 were good across all distribution channels. Although below the record levels for the same period in 2009, sales continued to generate strong cash inflows on our deposit contracts (annuities and universal life policies, including BOLI).
- While certain lapses and surrenders occur in the normal course of business, these lapses and surrenders have not deviated materially from management expectations.
- The amount of accumulated other comprehensive income (loss), net of taxes, on our consolidated balance sheets increased to income of $501.1 as of June 30, 2010, from a loss of $49.7 as of December 31, 2009. The primary driver was an increase in the fair value of our available-for-sale securities, due to the bond markets showing signs of stabilization and credit spreads tightening.
- As of June 30, 2010, we had the ability to borrow, on an unsecured basis, up to a maximum principal amount of $200.0 under a revolving line of credit arrangement.
- To support the growing sales of our products and maintain financial strength ratings, we target a risk-based capital level of at least 350% in our life insurance company, Symetra Life Insurance Company. As of June 30, 2010, Symetra Life Insurance Company had an estimated risk-based capital ratio of 486%.

Liquidity Requirements and Sources of Liquidity

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

In managing the liquidity of our insurance operations, we also consider the risk of policyholder and contractholder withdrawals of funds earlier than our assumptions when selecting assets to support these contractual obligations. We use surrender charges and other contract provisions to mitigate the extent, timing and profitability impact of withdrawals of funds by customers from annuity contracts and deposit liabilities. The following table sets forth withdrawal characteristics of our general account policyholder liabilities, composed of annuity reserves, deposit liabilities and policy and contract claim liabilities, net of reinsurance recoverables. The total represents the sum of funds held under deposit contracts, future policy benefits and policy and contract claims on the consolidated balance sheets, excluding other policyholder related liabilities and reinsurance recoverables of $235.4 and $247.2 as of June 30, 2010 and December 31, 2009, respectively.

	As of June 30, 2010		As of December 31, 2009	
	Amount	% of Total	Amount	% of Total
Illiquid Liabilities				
Structured settlements & other SPIAs(1)	$ 6,708.8	33.4%	$ 6,703.6	35.1%
Deferred annuities with 5-year payout provision or MVA(2)	376.6	1.9	381.0	2.0
Traditional insurance (net of reinsurance)(3)	186.2	0.9	185.8	1.0
Group health & life (net of reinsurance)(3)	101.7	0.5	97.2	0.5
Total illiquid liabilities	7,373.3	36.7	7,367.6	38.6
Somewhat Liquid Liabilities				
Bank-owned life insurance (BOLI)(4)	3,963.2	19.7	3,865.1	20.2
Deferred annuities with surrender charges of 5% or higher	5,632.1	28.0	4,788.2	25.1
Universal life with surrender charges of 5% or higher	164.4	0.8	152.5	0.8
Total somewhat liquid liabilities	9,759.7	48.5	8,805.8	46.1
Fully Liquid Liabilities				
Deferred annuities with surrender charges of:				
3% up to 5%	388.5	1.9	412.4	2.2
Less than 3%	201.3	1.0	87.6	0.5
No surrender charges(5)	1,926.5	9.6	1,950.7	10.2
Universal life with surrender charges less than 5%	438.9	2.2	441.7	2.3
BOLI(6)	1.3	0.0	3.7	0.0
Traditional insurance (net of reinsurance)(6)	2.0	0.0	2.1	0.0
Group health & life (net of reinsurance)(6)	16.5	0.1	18.4	0.1
Total fully liquid liabilities	2,975.0	14.8	2,916.6	15.3
Total	$ 20,108.0	100.0%	$ 19,090.0	100.0%

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

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

(3) The surrender value on these contracts is generally zero. Represents incurred but not reported claim liabilities.

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

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

(6) Represents reported claim liabilities.

Liquid Assets

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

We define liquid assets to include cash, cash equivalents, short-term investments, publicly traded fixed maturities and public equity securities. As of June 30, 2010 and December 31, 2009, our insurance subsidiaries had liquid assets of $20.1 billion and $18.1 billion, respectively, and Symetra had liquid assets of $1.7 and $16.4, respectively. The portion of total company liquid assets comprised of cash and cash equivalents and short-term investments was $325.4 and $259.9 as of June 30, 2010 and December 31, 2009, respectively. Our liquid assets increased as a result of sales of deferred annuities in the first six months of 2010 and our IPO proceeds.

We 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 current liquidity requirements, including under foreseeable stress scenarios.

Given the size and liquidity profile of our investment portfolio, we believe that claim experience varying from our projections does not constitute a significant liquidity risk. Our asset/liability management process takes into account the expected maturity of investments and expected claim payments as well as the specific nature and risk profile of the liabilities. Historically, there has been limited variation between the expected maturities of our investments and the payment of claims.

Capitalization

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

	As of June 30, 2010	As of December 31, 2009
Notes payable	$ 449.0	$ 448.9
Stockholders' equity	2,342.8	1,433.3
Total capital	$ 2,791.8	$ 1,882.2

Our capitalization increased $909.6 as of June 30, 2010, as compared to December 31, 2009 due to an increase in stockholders' equity. This increase was driven by an increase in AOCI, the net proceeds received from our IPO, and the generation of net income of $82.1. AOCI improved primarily due to an increase in net unrealized gains on available-for-sale corporate securities. We believe our capital levels position us well to capitalize on organic growth as well as pursue any potentially favorable acquisition opportunities.

Dividends

On May 12, 2010 we declared a dividend of $0.05 per common share to shareholders and warrant holders of record as of May 26, 2010 for a total of $6.9, which was paid by June 11, 2010.

On August 11, 2010 we declared a dividend of $0.05 per common share to shareholders and warrant holders of record as of August 25, 2010, for an approximate total of $6.9, to be payable on or about September 8, 2010.

Cash Flows

The following table sets forth a summary of our consolidated cash flows for the dates indicated.

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net cash flows from operating activities	$ 436.8	$ 360.5
Net cash flows from investing activities	(1,223.2)	(1,325.5)
Net cash flows from financing activities	851.3	932.0

Operating Activities

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

Net cash provided by operating activities for the six months ended June 30, 2010 increased $76.3 over the same period in 2009. This increase was primarily the result of increased net investment income driven by an increase in account values, a decline in paid commissions related to our deferred annuity products on lower sales, and a decrease in medical stop-loss paid claims.

Investing Activities

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

Net cash used in investing activities for the six months ended June 30, 2010 decreased $102.3 over the same period in 2009. This decrease was primarily the result of cash received from prepayments, maturities and calls on fixed maturities, and strategic sales of fixed maturities at a gain in the current period. This was partially offset by higher fixed maturities purchases.

Financing Activities

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

Net cash provided by financing activities for the six months ended June 30, 2010 decreased $80.7 over the same period in 2009. This was primarily due to a $439.7 decrease in policyholder deposits primarily related to lower sales of fixed deferred annuities. This was partially offset by IPO proceeds received during the first quarter of 2010.

Off-Balance Sheet Transactions

We do not have off-balance sheet transactions.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Market risk is the risk of change in the value of financial instruments as a result of absolute or relative changes in interest rates, foreign currency exchange rates, or equity or commodity prices. To varying degrees, the investment and trading activities supporting all of our products and services generate market risks. There have been no material changes in our market risk exposures from December 31, 2009, a description of which may be found in Part II, Item 7A — “Quantitative and Qualitative Disclosures about Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2009. See Item 1A — “Risk Factors” for a discussion of how changes to the operating and investing markets may materially adversely affect our business and results of operations.

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

We carried out an evaluation required by the 1934 Act, under the supervision and with the participation of our principal executive and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a—15(e) of the 1934 Act, as of June 30, 2010. Based on this evaluation our principal executive officer and principal financial officer concluded that, as of June 30, 2010, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Limitations on Controls

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all errors or fraud. Any control system, no matter how well designed and operated, is based on certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — Other Information

Item 1. ***Legal Proceedings***

Disclosure concerning material legal proceedings, if any, can be found in Item 1 "Financial Statements, Notes to Consolidated Financial Statements, Note 10, Commitments and Contingencies" under the caption, "Litigation," which is incorporated here by this reference.

Item 1A. ***Risk Factors***

In addition to the other information set forth in this report, consideration should be given to the factors discussed in Part I, Item 1A — "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009. If any of those factors were to occur, they could materially adversely affect our business, financial condition or future results and could cause actual results to differ materially from those expressed in forward-looking statements in this report. Other than as set forth below, there have been no material changes to the risk factors set forth in the above-referenced filing as of June 30, 2010.

The implementation of The Patient Protection and Affordable Care Act could have a material adverse effect on the profitability or marketability of the health insurance products that we sell.

On March 23, 2010, President Obama signed into law The Patient Protection and Affordable Care Act (The PPACA), which brings substantial change to the insurance coverage for medical costs. Some of these changes apply primarily to fully insured group health plans (which we do not currently provide), but some provisions apply to self-funded plans, and thus, the medical stop—loss coverage offered by us. While many of the changes do not take effect until January 1, 2014, some take effect for benefit plan years beginning on or after September 23, 2010.

We believe that the most significant impacts of The PPACA to the Company's medical stop—loss product will result from the elimination of lifetime benefit maximums and significant restrictions on annual benefit maximums. These maximums serve to cap the amounts for which we could be liable under our medical stop-loss product. Historically, our reinsurance agreements have had limitations on the amount of medical benefit costs for which we could be reimbursed by our reinsurance carriers, introducing the risk, with the change in benefit maximums that we may not have been fully reimbursed for medical benefits costs above our stated retention level.

While certain provisions of The PPACA could adversely affect us, many of its provisions need to be clarified through additional legislation, rulemaking, and interpretation. It is difficult to predict the impact to the profitability or marketability of the health insurance products and services we sell. Similarly, it is difficult to predict the effect The PPACA will have on our financial condition, results of operations or cash flows. We will continue to monitor the implementation of The PPACA and reassess our business strategies accordingly.

The implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act could have a material adverse effect on our profitability and growth.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which expands the economic oversight of financial institutions and brings reforms to corporate governance, consumer and investor protection, rating agency regulation, and mortgage and anti-predatory lending practices. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations to implement its provisions and to prepare numerous studies and reports for Congress. These federal agencies are given significant discretion in drafting the implementing rules and regulations. Consequently, at this time it is difficult to predict the impact, if any, of the Dodd-Frank Act on our business. To the extent the Dodd-Frank Act limits the operations of banks and other financial services companies, it could adversely affect the market value of their securities, which, in turn, could decrease the market value of any holdings we have in such companies. We will continue to monitor the implementation of the Dodd-Frank Act and reassess our business strategies and governance practices accordingly.

Prolonged periods of low interest rates could have a material adverse effect on our profitability, growth, investment, and business strategies.

A prolonged low interest rate environment may subject us to reinvestment risk, particularly as it relates to investment yields on invested assets backing existing liabilities. In addition, low interest rates would have a negative impact on our ability to sell new products that are dependent on interest earnings.

The performance of our long-term income annuities and BOLI products is sensitive to the investment yields on our invested assets backing such products. Sustained declines in interest rates may subject us to lower investment income on these invested assets. As interest rates decline, borrowers may prepay investments, such as mortgage-backed securities and other investments with embedded call options. If unanticipated, such prepayments may require us to accelerate amortization on prepayments of investments purchased at a premium, which could result in a decrease in our investment income. Further, this may force us to reinvest the proceeds at lower interest rates, resulting in a decline in investment income and spread compression (i.e., the difference between the interest rates earned on our investments and the interest rates credited to our customers could decrease). In extreme situations, the investment yield earned could be lower than the credited rates guaranteed to the customers. We may not be able to successfully manage interest rate spreads or the potential negative impact of those risks.

Prolonged periods of low interest rates may also result in decreased sales as consumers look for other higher-yielding investment vehicles to fund retirement. We might also be forced to discontinue offering some of our interest-sensitive products if the investment yields do not support the guaranteed minimum interest rates within the contracts.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Purchases of common stock made by or on behalf of the Company during the quarter ended June 30, 2010 are set forth in whole shares below:

Period	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2010 — April 30, 2010	—	—	—	—
May 1, 2010 — May 31, 2010	—	—	—	—
June 1, 2010 — June 30, 2010	47,880	$ 12.40	—	—
Total	47,880	$ 12.40	—	—

(1) Restricted shares withheld to offset tax withholding obligations related to the vesting of the former CEO’s restricted shares.

Item 6. ***Exhibits***

Exhibit Number	Description
10.1	Amendment No. 1 to Master Services Agreement by and between Symetra Life Insurance Company and Affiliated Computer Services, Inc., dated August 1, 2009*†
10.7	Investment Management Agreement by and between Prospector Partners, LLC and Symetra Financial Corporation, dated July 1, 2010*
10.16	Symetra Financial Corporation Equity Plan (amended and restated on August 11, 2010)*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

† An application for confidential treatment of selected portions of this agreement has been filed with the Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYMETRA FINANCIAL CORPORATION

Date: August 12, 2010	By: /s/ Thomas M. Marra Name: Thomas M. Marra Title: President and Chief Executive Officer
Date: August 12, 2010	By: /s/ Margaret A. Meister Name: Margaret A. Meister Title: Executive Vice President and Chief Financial Officer

Portions marked [***] have been omitted pursuant to a Confidential Treatment Request by Symetra Financial Corporation, this information has been filed separately with the Securities and Exchange Commission.

AMENDMENT NO. 1 TO
MASTER SERVICES AGREEMENT

This Amendment No. 1 (this "Amendment") to the Master Services Agreement dated August 1, 2009 (the "Agreement") is hereby entered into as of August 9, 2010 by and between Symetra Life Insurance Company, a Washington corporation (including its successors and permitted assigns, "***Symetra***"), and Affiliated Computer Services, Inc., a Delaware corporation (including its successors and permitted assigns, "***ACS***"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

NOW THEREFORE, in consideration of the representations, warranties, promises and covenants contained herein, and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the Parties, intending to be legally bound, agree to the foregoing and as follows:

1. **Amendment to Schedule 5**. The following **Section 3.4** is added to **Schedule 5** of the Agreement:

3.4 Digital Certificate Management. For each Critical Certificate that expires prior to a proactive renewal by ACS, such that the expiry impacted Symetra external users during the in-scope business hours identified herein, Symetra will assess a [***] Corrective Assessment per failed Critical Certificate. Only those certificates identified as Critical Certificates will be subject to this Critical Milestone. The Critical Milestone will only be assessed if a Critical Certificate renewal failure is between [***] Pacific Standard Time, Monday — Friday.

"Critical Certificate" is defined as a digital certificate that supports access to Symetra web properties and web enabled applications from any external user via the Internet and is marked as "critical" on the certificate inventory list.

The calculation of the overall Corrective Assessment will be performed annually, at the conclusion of each Contract Year. For the avoidance of doubt, for the year 2010 the review will cover April 2010 to August 1, 2010, then annually thereafter.

Critical Milestone	Due Date	Corrective Assessment
For each Critical Certificate that expires prior to a proactive renewal by ACS, such that the expiry impacted Symetra external users during the in-scope business hours identified herein.	August 1 for each Contract Year.	[***] per failed Critical Certificate.

2. **Amendment to Schedule 2A, Table 24**. The following "Role and Responsibility" is added to **Schedule 2A**, **Table 24**:

	ACS	Symetra
Procure, maintain, manage, and perform SSL/Digital Certificate inventory, expiration management and installation as needed to provide continuous access to application(s).	X	

3. **Amendment to Schedule 2B, Table 8 System Availability SLAs**. The first paragraph in **Table 8** System Availability SLAs of **Schedule 2B** is deleted in its entirety and replaced with the following:

System availability is defined as the availability of in-scope infrastructure components required to conduct the normal business operations of Symetra application systems; including mainframes and local and remote servers (e.g., CPU, memory, and internal storage), external storage, system software, digital certificates (this includes procurement, installation and expiration management of certificates) and network connection.

4. **Amendment to Attachment P, Definitions**. The following definition is added to **Attachment P, Definitions**:

"Critical Certificate" is defined in **Section 3.4 of Schedule 5** of the Agreement.

5. **Deletion and Replacement of Attachment L Software Schedule**. **Attachment L** is deleted in its entirety and replaced with the **Attachment L** attached herewith.

5. **Remainder of Agreement Unaffected**. The Agreement remains in full force and effect, except as specifically amended by this Amendment.

6. **General**. This Amendment shall be construed and governed in accordance with the laws of the State of Washington, without regard to conflict of laws principles. This Amendment and the Agreement embody the entire agreement between the parties hereto with respect to the transactions contemplated herein and therein. This Amendment shall otherwise be subject to the terms of the Agreement. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be executed in either original or electronically transmitted form (e.g., faxed form or emailed portable document format (PDF) form), and the Parties hereby adopt as original any signatures received via electronically transmitted form.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 as of the date and year first above written.

SYMETRA LIFE INSURANCE COMPANY

By: ____________________________
Title: ____________________________
Date: ____________________________

AFFILIATED COMPUTER SERVICES, INC.

By: ____________________________
Title: ____________________________
Date: ____________________________

ATTACHMENT L
SOFTWARE SCHEDULE

As described in and subject to the terms in the MSA including but not limited to **Sections 2.5.1, 3.1 and 4.3.1** of the Agreement, the following table categorizes all Software used to provide Services.

Supplier Name	Product Name	Category
Allen Systems Group	ASG-TMON for CICS/ESA	1
Allen Systems Group	ASG-TMON for DB2 (CA insite for DB2)	1
Allen Systems Group	ASG-TMON for z/os	1
Allen Systems Group	JCLPREP	1
Altiris	WISE	1
AVAYA	CMS Release 12	1
AVAYA	CMS Supervisor (was Lucent CentreVu Supervisor	1
AVAYA	IP Agent	1
AVAYA	IP Office	1
AVAYA	IP Softphone	1
AVAYA	Modular Messaging (Voicemail)	1
AVAYA	Telephony Server (includes S8700 hardware)	1
AVAYA	Voice Mail Pro	1
Biscom Inc.	FAXCOM Server	1
BMC	Catalog Manager for DB2 (CA R/C Compare)	1
BMC	Change Manager for DB2 (CA R/C Migrator)	1
BMC	CM/Pilot for DB2	1
BMC	Control-D	1
BMC	CONTROL-D WebAccess Server	1
BMC	DASD Manager for DB2 (CA Data Analyser)	1
BMC	DASD MANAGER PLUS for DB2 (CA Data Analyzer)	1
BMC	DATABASE INTEGRITY PLUS (IMS)	1
BMC	FAST REORG FACIILITY for IMS (MAX Reorg / online for IMS)	1
BMC	POINT CHECKER PLUS for IMS	1
BMC	Remedy (AKA AR System)	1
BMC	Remedy Base Framework	1
BMC	ULTRAOPT/IMS	1
CA	ACF2	1
CA	ACF2/DB2	1
CA	Argis — Application uses SQL 2000 Database	1
CA	CA-1 [Tape Management]	1
CA	Detector(DB2)	1

Supplier Name	Product Name	Category
CA	Endevor/MVS	1
CA	ESP Agent for Windows	1
CA	MII	1
CA	Netspy	1
CA	Unicenter CA-OPS/MVS Event Management and Automation for JES2	1
CA	View [Sysout Archive Retrieval]	1
CA	Vision DYL interface for DB2	1
CA	Vision: Interface for DB2	1
CA	Vision: Report	1
CA	Vision: Results [DYL280, DYL260]	1
Candle CL (IBM)	Supersession (VTAMPLUS)	1
Cisco	Cisco CSS	1
Cisco	Cisco PIX Firewall	1
Cisco	Cisco VPN (replaces Contivity)	1
Citrix	50 user pack Citrix Metaframe xPE Presentation (350 users)	1
Citrix	Citrix ICA Client	1
Citrix	Citrix MF Xpe 1.0-10 User Conn. Pack w/Sub Adv	1
Citrix	Citrix MF XPe 1.0-20 User Conn. Pack w/Sub Adv	1
Citrix	Citrix MF XPe 1.0-Starter Sys. w/20 User w/Sub Adv	1
Citrix	MetaFrame Access Suite Console	1
Citrix	MetaFrame Presentation Server Client	1
Citrix	MetaFrame Presentation Server Web Client for Win32	1
Citrix Systems, Inc.	Citrix MetaFrame	1
Computware	XPEDITER/IMS	1
Compuware	File-Aid for MVS	1
Compuware	File-Aid for IMS IMS	1
Compuware	XPEDITER/CICS	1
Compuware	XPEDITER/TSO	1
DTS	The Space Recovery System (SRS)	1
EMC	DISKXTENDER 2000 FOR CENTERA	1
EMC	EMAILXAMINER SERVER	1
EMC	EMAILXAMINER USER MAILBOX QTY 1 MAILBX	1
EMC	EMAILXTENDER SRVR	1
EMC	EMAILXTENDER TIER 2 QTY 26- 5000 USER MAILBOXES	1
EMC	Legato Gold Care Premier support agreement	1
EMC	Legato Networker Client Connection	1
EMC	Legato NetWorker Module for MS Exchange Server Tier 2	1

Supplier Name	Product Name	Category
EMC	Legato NetWorker Module for SQL Tier 2	1
EMC	Legato NetWorker Power Ed Dedicated Storage Node	1
EMC	Legato NetWorker Power Edition Storage Node for Windows	1
EMC	Legato NetWorker Server Network Edition for Windows	1
EMC	Legato Silo Software Module 1-256 slot	1
EMC	Networker	1
F5	BigIP	1
FileNet	P8 (FileNet)	1
IBM	ACF/NCP V7	1
IBM	AFP2PDF	1
IBM	ASM High Level Assembler/MVS	1
IBM	BATCH TERMINAL SIMULATOR	1
IBM	Candle Command Center	1
IBM	CICS Application Security (subroutine DSS15600)	1
IBM	CICS Library Management System (CLM)	1
IBM	CICS/TS	1
IBM	CMF	1
IBM	COBOL Called/Copied Cross Reference (ISPF A.P)	1
IBM	COBOL Enterprise for z/OS (370/390)	1
IBM	COBOL II	1
IBM	COBOL Level 2 Report Writer for OS/390	1
IBM	COBOL OS/VS	1
IBM	COMPAREX (ISPF D.CX)	1
IBM	CPK (related to FDR/ABR)	1
IBM	DB2	1
IBM	DB2 Application Development Client	1
IBM	DB2 Connect Enterprise Edition	1
IBM	DB2 Connect Personal Edition	1
IBM	DB2 DATABASE ADMIN	1
IBM	DB2 DATABASE SYSTEM ADMINISTRATION	1
IBM	DB2 Enterprise Server Edition	1
IBM	DB2 Relational Tools	1
IBM	DfHSM	1
IBM	Enterprise COBOL for z/OS	1
IBM	EPILOG/IMS	1
IBM	GDDM [included in z/OS]	1
IBM	High Level Assembler/MVS	1
IBM	IBM HTTP Server	1
IBM	IBM WebSphere Application Server Network Deployment	1

Supplier Name	Product Name	Category
IBM	IBM WebSphere MQ (client)	1
IBM	IBM WebSphere MQ Integrator (Client)	1
IBM	IMS & DB2 Utility Tools S&S	1
IBM	IMS/ESA	1
IBM	IMS/ESA BTS	1
IBM	IMS/ESA MRQ	1
IBM	IND$FILE	1
IBM	ISPF (IPF)	1
IBM	ISPF/PDF [included in z/OS]	1
IBM	JES2 [included in z/OS]	1
IBM	MVS TCP/IP	1
IBM	Netcool	1
IBM	NJE (Network Job Entry)	1
IBM	NTUNEMON	1
IBM	PSF/OS390	1
IBM	QMF	1
IBM	SAMS Compress for IMS	1
IBM	SDF II/MVS	1
IBM	Softaudit	1
IBM	TCP/IP (HIP6140)	1
IBM	TME 10 NETVIEW OS/390	1
IBM	TSO/E [included in z/OS]	1
IBM	Version Merger	1
IBM	VS FORTRAN	1
IBM	VTAM (HVT6140)	1
IBM	WebSphere Application Server	1
IBM	WebSphere Application Server	1
IBM	Websphere BIMB MQ with Rules & Formatting Extensions	1
IBM	WebSphere Business Integration Message Broker	1
IBM	Websphere Business Intergration Message Broker with Rules and formatting Extentions	1
IBM	WebSphere MQ	1
IBM	Websphere Transformation Extender (TX)	1
IBM	z/OS	1
Innovation	ABR/FDR [Application Backup function of FDR (or equivalent product) needed to support Archive/Restore of Control-D reports]	1
Innovation Data	DSF (Part of FDR product)	1
Innovation Data	FDR (DASD DUMP RESTORE SYSTEM)	1
Legato	Legato EmailXtender Archive Edition	1

Supplier Name	Product Name	Category
Legato	Legato EmailXtender Server	1
Legato	Legato NetWorker Ed Dedicated Storage Node	1
McAfee	Active VirusScan for Desktop	1
McAfee	GroupShield for Exchange	1
McAfee	Host Intrusion Prevention for Server	1
McAfee	McAfee ePolicy Orchestrator	1
Merrill	MXG	1
Microsoft	IIS (Included with MS OS)	1
NICE	NICE Record	1
Novell	Novell Identity Manager	1
Pitney Bowes	Code 1 Plus	1
Pitney Bowes	DOC1 Archive	1
Pitney Bowes	Doc1 iProof	1
Pitney Bowes	Streamweaver	1
RedSky	E911	1
SAS	SAS Base	1
SAS	SAS/IT	1
Sterling	Connect:Direct OS/390 with 2 concurrent sessions (SNA and TCP/IP Protocols)	1
StorageTek	EXLM	1
Veramark	ECAS	1
VMWare	VMWare	1
Chicago-Soft	MVS/QuickRef	2
Cybermation	ESP Workload Manager	2
InfoExpress	CyberArmor	2
InfoExpress	CyberGatekeeper Server	2
Infogix Inc	ACR/Workbench for ACR/Detail	2
Infogix Inc	ACR/Workbench for ACR/Summary	2
INFOTEL	INFOPAK/IMS	2
LRS Software	LRS server (VSV)	2
LRS Software	VMCF for TSO	2
LRS Software	VPS	2
LRS Software	VPS / TCPIP	2
Macro 4	Dumpmaster MVS	2
Macro 4	Insync MVS	2
McAfee	eBusiness Server (Encryption Software)	2
McAfee	McAfee Active Virus Defense Perpetual	2
Microsoft	Antigen (Antivirus for Microsoft Exchange)	2
Microsoft	Exchange 2003 Enterprise	2
Microsoft	Exchange 2003 Standard	2
Microsoft	Internet Security and Acceleration (ISA)	2

Supplier Name	Product Name	Category
Microsoft	Microsoft Operations Manager	2
Microsoft	Microsoft Operations Manager (MOM) Reporting	2
Microsoft	Office Communications Server 2007	2
Microsoft	Sharepoint Server	2
Microsoft	SharePoint Server 2007	2
Microsoft	SMS 2003 Client Access Licenses	2
Microsoft	SMS 2003 Enterprise Server	2
Microsoft	SMS Enterprise Server Disk Kit	2
Microsoft	SQL Server 2005 Reporting Services	2
Microsoft	SQL Server Database Enterprise Edition	2
Microsoft	SQL Server Database Standard	2
Microsoft	Systems Management server ENT	2
Microsoft	Terminal server (Included with Citrix)	2
Microsoft	Windows 2003 Enterprise Edition	2
Microsoft	Windows 2003 Standard Edition	2
Microsoft	Windows Server 2000 Enterprise Edition	2
Microsoft	Windows Server 2003 Active Directory Application Mode (ADAM)	2
Microsoft	Windows SharePoint Services 2.0	2
Microsoft	Windows SharePoint Services 3.0	2
M-Tech	P-Sync	2
Net IQ	NetIQ Mail Mashal	2
Net IQ	Webtrends	2
NetIQ	NetIQ Mail Marshal Spam Filter	2
Oracle	Core ID	2
PGP	Encryption Software	2
Quailstone Software	USCCopy [aka COPYMACS]	2
Research In Motion	Blackberry Enterprise Server	2
RIM	RIM T-Support for Blackberry	2
RSA	SecureID	2
SAS	BASE	2
Secure Computing	SmartFilter (Replacement for WebSense)	2
Syncsort	SYNCSORT for z/OS	2
Tone Software	DYNA-STEP	2
Tone Software	Flasher (OS/390 Spool Display)	2
Tumbleweed	Tumbleweed SecureTransport	2
A.M. Best Company, Inc.	BestSRQ Services Workstation	4
ACL Services Ltd.	ACL	4
Acro Software	CutePDF Writer	4
activePDF, Inc.	activePDF Toolkit	4
Adobe	Acrobat	4
Adobe	ColdFusion	4

Supplier Name	Product Name	Category
Adobe	Framemaker	4
Adobe	Illustrator	4
Adobe	InDesign	4
Adobe	Macromedia Dreamweaver	4
Adobe	Macromedia Fireworks	4
Adobe	Macromedia Flash	4
Adobe	Pagemaker	4
Adobe	Photoshop	4
Adobe	Photoshop Elements	4
Altova	XMLSpy	4
Amdoc Software Systems Limited	Clarify ClearConfigurator	4
AmDocs	ClarifyCRM	4
APL2000, Inc.	APL+Win	4
Attachmate	Extra!	4
Autodesk, Inc.	AutoCAD LT	4
Autodesk, Inc.	Autodesk DWF Viewer	4
AutomatedQA Corporation	AutomatedQA TestComplete	4
Bloomberg, L.P.	Bloomberg L.P. Smart Client	4
Blue Sky Software	RoboHelp Office 2000	4
Broker Dealer Solutions	Back Office Network User System (Bonus)	4
Btrieve Technologies Inc.	Btrieve for Windows	4
CheckFree	APECS	4
Checkfree	CAPS — Corporate Automated Payment System	4
CheckFree Corporation	RECON-Plus (Application — Retained)	4
CMS	Bond Edge	4
Cognos Inc.	ReportNet	4
Cognos, Inc.	Cognos	4
Computer Sciences Corp (CSC)	CK4/CyberLife	4
Computer Sciences Corp (CSC)	DSS	4
Computer Sciences Corp (CSC)	JETS	4
Computer Sciences Corp (CSC)	Plan Advisor	4
Computer Sciences Corp (CSC)	Vantage-One	4
Concur Technologies, Inc.	Concur Expense Reimbursement	4
Convergyc	Edify	4
Convergyc	Edify — Telephony (Application — Retained)	4
Convergyc	Edify — Web (Application — Retained)	4
Convergyc	Edify-Data Integration (Application — Retained))	4
Crystal Decisions, Inc.	Crystal Reports (Application — Retained)	4
CSC SoftwareConsult GmbH & Co	VP/MS Workbench	4
Datawatch Corporation	Monarch	4
DST Systems	FAN Mail (Financial Advisor Network) (To be supplied by Symetra	4

Supplier Name	Product Name	Category
DST Systems	TA2000	4
DST Systems	TRAC2000	4
DST Systems Inc.	AWD ViewStation	4
DST Systems, Inc.	ROSTER — DST GUI	4
Duxbury Systems	Duxbury Braille Translator	4
DYMO Corporation	DYMO Label Software	4
DynaComp Software	DynaComp	4
Economic Analysis Group, Ltd.	CaseTrack	4
e-Copy Inc	eCopy Desktop	4
Entrust Technologies Limited	Entrust Entelligence (5c) — JPMorgan Chase	4
Ernst & Young	EY/Options	4
Fiserv Insurance Solutions	Fiserv Lifeline Direct	4
FiServ Insurance Solutions	Freedom 2000	4
Franklin Covey Co.	Franklin Covey Co. Franklin Planner	4
Freedom Scientific	JAWS	4
Gadwin Systems	Gadwin PrintScreen	4
Global360	Insight360	4
Global360	Process360	4
HP	Quality Center	4
HP	Quick Test Pro	4
HP	TestDirector	4
Hyperion	Analyzer (Application — Retained)	4
Hyperion	Essbase (Application — Retained)	4
Hyperion	Hyperion Analytic Services Server	4
Hyperion	Hyperion System 9 BI+ Analytic Integration Service	4
Hyperion	Hyperion System 9 BI+ Client	4
Hyperion	Hyperion System 9 Planning	4
Hyperion	Hyperion System 9 Smart View for Office	4
Hyperion	Hyperion System 9+	4
IA Corp???	CheckVision Inquiry	4
IBM-Cognos	Impromptu	4
Infogix Inc	ACR/Detail® for Windows	4
Infogix Inc	ACR/Summary® for Windows	4
InsMark Inc.	InsMark Illustration System	4
Insurance Technologies	Foresight Illustration Software	4
Intuit	Quicken	4
IPSwitch	WS_FTP Pro	4
JP Morgan Chase	JP Morgan Chase CD Search	4
Lab1, Inc.	Lab1 Net	4
Lawson	Lawson Add-ins for Microsoft® Office	4

Supplier Name	Product Name	Category
Lawson	Lawson General Ledger	4
Lawson	Lawson Interface Desktop Client	4
Lawson	Lawson ProcessFlow Designer	4
LexisNexis	LexisNexis Download and Print for IE	4
Matthew Bender & Company, Inc.,	HotDocs	4
McAfee	Safeboot Security System	4
McAfee	Actove VirusScan for Desktop	4
McAfee	AntiSpyware for Desktop	4
McAfee	EndPoint Encryption for Desktop	4
Medical Information Bureau	Knowledge Now	4
Medical Information Bureau	MIB-Link/Plus (To be supplied by Symetra)	4
Mercury Interactive	Winrunner (To be supplied by Symetra)	4
Microsoft	Access (Application — Retained)	4
Microsoft	CDONTS — Collaboration Data Objects for Windows NT Server	4
Microsoft	Collaborative Data Objects (CDO)	4
Microsoft	COM+	4
Microsoft	FoxPro 2.6 Runtime	4
Microsoft	Identity Integration Server (MIIS)	4
Microsoft	Internet Explorer	4
Microsoft	Microsoft Access	4
Microsoft	Microsoft Data Access Components (MDAC)	4
Microsoft	Microsoft Developer Network (MSDN) Library	4
Microsoft	Microsoft Enterprise Learning Library	4
Microsoft	Microsoft Excel	4
Microsoft	Microsoft Expression Web	4
Microsoft	Microsoft Java Virtual Machine	4
Microsoft	Microsoft Office Business Scorecard Builder	4
Microsoft	Microsoft Office Business Scorecard Manager	4
Microsoft	Microsoft Office FrontPage	4
Microsoft	Microsoft Office Groove	4
Microsoft	Microsoft Office InfoPath	4
Microsoft	Microsoft Office Live Meeting	4
Microsoft	Microsoft Office OneNote	4
Microsoft	Microsoft Office Publisher	4
Microsoft	Microsoft Office SharePoint Designer	4
Microsoft	Microsoft Outlook	4
Microsoft	Microsoft PowerPoint	4
Microsoft	Microsoft PowerPoint Viewer	4
Microsoft	Microsoft Project	4
Microsoft	Microsoft SQL Server Express Edition	4
Microsoft	Microsoft SQL Server Desktop Engine	4

Supplier Name	Product Name	Category
Microsoft	Microsoft Streets & Trips	4
Microsoft	Microsoft Virtual PC	4
Microsoft	Microsoft Virtual Server	4
Microsoft	Microsoft Visio	4
Microsoft	Microsoft Visio Viewer	4
Microsoft	Microsoft Visual Basic	4
Microsoft	Microsoft Visual FoxPro	4
Microsoft	Microsoft Visual SourceSafe	4
Microsoft	Microsoft Visual Studio .NET	4
Microsoft	Microsoft Word	4
Microsoft	MIIS	4
Microsoft	MSDN Subscription (Application Tool — Retained)	4
Microsoft	NetMeeting	4
Microsoft	NT Scheduler (AT)	4
Microsoft	NTP	4
Microsoft	QuickBASIC	4
Microsoft	RoboCopy for Web Applications	4
Microsoft	SOAP Toolkit	4
Microsoft	UrlScan Security Tool	4
Microsoft	XML Notepad	4
Microsoft	MapPoint 2004	4
Milliman USA	ALFA	4
Morningstar	Morningstar Direct	4
Mozilla	Firefox	4
NcFTP Software	NcFTP	4
NCH Software	Express Burn	4
NCH Software	NCH Toolbox	4
NERO	Nero	4
Netscape	Netscape Communicator	4
nomoreforms, inc.	nomoreforms	4
NSCC	Fund/Serve	4
NSCC	IPS	4
Onyx	Onyx	4
OpenText	Hummingbird Exceed	4
OPERA	Opera	4
Patton & Patton Software Corporation	Flow Charting 4 for Windows	4
Paymentech	eCommerce Solutions — (Application — Retained)	4
Paymentech, L.P.	Select Merchant Payment Card Processing (To be supplied by Symetra)	4
PaymentTech	PaymentTech	4
PeachWare Software	Password Genie	4

Supplier Name	Product Name	Category
Performance Technologies Inc.,	Centerpiece	4
PGP Corporation	PGP	4
PKWARE	ZIP Reader	4
Polysystems, Inc.	Annuity Master	4
Polysystems, Inc.	Life Master	4
Polysystems, Inc.	UL Master	4
Quark	QuarkXPress	4
Red Hat or Open Source	JBoss Application Server	4
Roxio	Easy CD & DVD Creator	4
Roxio	Roxio	4
Sage Software	FAS Asset Accounting	4
SanDisk	U3Launcher	4
Scooter Software	Beyond Compare	4
Sharebuilder Corp	Sharebuilder (formerly Netstock)	4
Shareware/Freeware/Open Source products	Click'N Design 3D	4
Shareware/Freeware/Open Source products	CommandBurner	4
Shareware/Freeware/Open Source products	Core FTP LE	4
Shareware/Freeware/Open Source products	DeepBurner	4
Shareware/Freeware/Open Source products	DesignPro	4
Shareware/Freeware/Open Source products	EDGARLink	4
Shareware/Freeware/Open Source products	FileZilla	4
Shareware/Freeware/Open Source products	FileZilla Server	4
Shareware/Freeware/Open Source products	Hardcopy	4
Shareware/Freeware/Open Source products	Jxplorer	4
Shareware/Freeware/Open Source products	LeechFTP	4
Shareware/Freeware/Open Source products	MetaEdit	4
Shareware/Freeware/Open Source products	Mr. Snappy	4
Shareware/Freeware/Open Source products	MWSnap	4

Supplier Name	Product Name	Category
Shareware/Freeware/Open Source products	NIOC Service	4
Shareware/Freeware/Open Source products	PDFCreator	4
Shareware/Freeware/Open Source products	PDFLib	4
Shareware/Freeware/Open Source products	PDF-Xchange	4
Shareware/Freeware/Open Source products	PrimoPDF	4
Shareware/Freeware/Open Source products	PrintCommander	4
Shareware/Freeware/Open Source products	PrintKey2000	4
Shareware/Freeware/Open Source products	PureEdge Viewer	4
Shareware/Freeware/Open Source products	SMART Board software	4
Shareware/Freeware/Open Source products	SmartFTP	4
Shareware/Freeware/Open Source products	SnagIt	4
Shareware/Freeware/Open Source products	SnapShot Express	4
Shareware/Freeware/Open Source products	Softerra LDAP Browser	4
Shareware/Freeware/Open Source products	SolidConverterPDF	4
Shareware/Freeware/Open Source products	Stuffit	4
Shareware/Freeware/Open Source products	Stylus Studio 2007 XML Enterprise Suite	4
Shareware/Freeware/Open Source products	Swift 3D	4
Shareware/Freeware/Open Source products	Symtrax — Compleo Explorer 3	4
Shareware/Freeware/Open Source products	Synthis Process Modeler	4
Shareware/Freeware/Open Source products	TIFFSurfer	4
Shareware/Freeware/Open Source products	Trillian	4

Supplier Name	Product Name	Category
Shareware/Freeware/Open Source products	URL Assistant	4
Shareware/Freeware/Open Source products	VNC	4
Shareware/Freeware/Open Source products	Volo View Express	4
Shareware/Freeware/Open Source products	WinRAR archiver	4
Snap Surveys	Snap!	4
Software995	OmniFormat	4
Software995	PDF995	4
Software995	PDFEdit995	4
Sonic	Sonic	4
SourceForge	Source Offsite (Application Tool — Retained)	4
Sowedoo	Easy PDF Converter Professional	4
Sun	Java Runtime Environment	4
SunGard	EAS (Application — Retained)	4
Sungard (formerly FDP)	Pension Administration Recordkeeping Investment System (PARIS)	4
SunGard Systems International	CDS	4
Symetra	entBaseServices	4
TechSmith Corporation	Camtasia	4
Thales ATM GmbH	GBAS	4
Thoughworks	CruiseControl.NET	4
Trilogy Consulting Group	Trilogy Claims Administrative Handbook	4
Tritech Software	Premium Pro	4
Filmore	Fillmore Application Framework	4
Filmore	Fillmore BPI Wrapper	4
Insmark	InsMark PDF Creator	4
Inapplicable	Literature	4
Inapplicable	Loan Mortgage Services	4
Inapplicable	Loan Payment Estimate	4
Inapplicable	QuickStaff	4
Tableau	Tableau Desktop	4
DST	TRAC 2000 PLAN (TRAC Desktop Plan)	4
Stoneriver	Tracker	4
Stoneriver	Unclaimed Property Reporting System	4
US Bank	US Bank CD Viewer	4
Veritas	Veritas RecordNow	4
WebEx	WebEx	4
Winzip Computing (Corel)	Winzip	4

Supplier Name	Product Name	Category
ZBSoft	Flash Saver Maker	4
ZBSoft	Flash Video Exporter	4
IBM	InfoPrint Manager	4
ACS	MCP2	1
ACS	WEBDE	1
SimpleSoftware	TwainScan	4
SUN	DocuSP	4
Aspose	Aspose.Total.For.Net	4
Kofax	Kofax Capture	4
ACS	*i*-Star Portal	5
Symetra	COP (Control Online Processing for IMS)	6
Symetra	DATA SHARING FACILITY [app only — no data]	6
Symetra	Utility Systems (UTY, LUT)	6
Symetra	Automated Library Management (ALM)	6
Symetra	Data Security System	6
Symetra	Help System (Online IMS)	6
Symetra	JCL Cross-Reference (ISPF A.JO)	6
Symetra	Oncall Dialog (ISPF J.O)	6
Symetra	RESTORE Dataset Dialog (ISPF D.R)	6
Symetra	RUNBOOKS (ISPF J.R)	6
Symetra	SFS (Screen Formatting Service)	6
Symetra	TIME SHARING OPTION SUPPORT [logon procs]	6
Symetra	TMS (Table Management System)	6

PROSPECTOR PARTNERS, LLC

INVESTMENT MANAGEMENT AGREEMENT

PROSPECTOR PARTNERS, LLC, a Delaware limited liability company (the "Adviser"), having an address at 370 Church Street, Guilford, Connecticut 06437, and Symetra Financial Corporation, a Delaware corporation ("Symetra"), having an address at 777 108th Avenue N.E., Suite 1200, Bellevue, WA 98004-5135, hereby enter into this Investment Management Agreement, effective as of July 1, 2010 (this "Agreement"), and hereby agree that the Adviser shall act as discretionary adviser with respect to the specified assets of Symetra and/or each of its subsidiaries who are signatories to this Agreement (each, a "Client") on the following terms and conditions:

1) Investment Accounts. The investment account of each Client (each an "Investment Account") shall consist of cash and securities in an amount equal to at least $50,000,000 (the "Minimum Account Amount"), or such other amount as may be agreed to by the Adviser, initially furnished by the Client for investment pursuant to this Agreement, as well as all other assets which become part of each Investment Account as a result of trading therein or additions thereto, except for amounts withdrawn therefrom and paid to the Client. Each Client may make additions to the Investment Account in amounts exceeding $100,000, or in such other amount as may be agreed to by the Adviser; provided that the Adviser shall have received prompt written notice of such additions. Each Client may make withdrawals from its Investment Account in such amounts as it shall determine upon not less than 30 days prior written notice thereof to the Adviser and provided that the withdrawal shall not cause the assets in the Investment Account to fall below the Minimum Account Amount, unless otherwise agreed to by the Adviser.

2) Services of Adviser. By execution of this Agreement the Adviser accepts appointment as adviser for each Investment Account with full discretion and agrees to supervise and direct the investments of each Investment Account in accordance with the investment objective, policies and restrictions attached hereto as Schedule 1, and as may be modified from time to time ("Investment Guidelines"). Adviser acknowledges that Clients are bound by state insurance laws regarding permissible investments and Clients' own adopted Statement of Investment Policy, including any Addendums, attached hereto as Schedule 2, and as may be modified from time to time, applicable to Clients' aggregate investable assets (the "Investment Policy"). Adviser has read the Investment Policy and understands that Clients' Investment Guidelines, to be furnished to Adviser from time to time, will not deviate from the Investment Policy but will only summarize the provisions and limitations applicable to each Investment Account. In the performance of its services, the Adviser will not be liable for any error in judgment or any acts or omissions to act except those resulting from the Adviser's gross negligence, willful misconduct or malfeasance. Nothing herein shall in any way constitute a waiver or limitation of any right of any person under the federal securities laws. The Adviser shall have no responsibility whatsoever for the management of any assets of Clients other than such entities' Investment Account.

3) Discretionary Authority. Subject to the Investment Guidelines, the Adviser shall have full discretion and authority, without obtaining any prior approval, as the Client's agent and attorney-in-fact: (a) to make all investment decisions in respect of each Investment Account on the Client's behalf and at the sole risk of the Client; (b) to buy, sell, exchange, convert, liquidate or otherwise trade in any stock, bond and other securities or financial instruments in respect of each Investment Account; (c) to place orders with respect to, and to arrange for, any of the foregoing; and (d) in furtherance of the foregoing, to do anything which the Adviser shall deem requisite, appropriate or advisable in connection therewith, including, without limitation, the selection of such brokers, dealers, and others as the Adviser shall determine in its absolute discretion.

4) Custody. The assets of each Investment Account shall be held in one or more separately identified accounts in the custody of one or more banks, trust companies, brokerage firms or other entities designated by the Client and acceptable to the Adviser. The Adviser will communicate its investment purchase, sale and delivery instructions directly with the party identified by the Client or other qualified depositories. The Client shall be responsible for all custodial arrangements and the payment of all custodial charges and fees, and the Adviser shall have no responsibility or liability with respect to custody arrangements or the acts, omissions or other conduct of the custodians.

5) Brokerage. When placing orders for the execution of transactions for an Investment Account, the Adviser may allocate all transactions to such brokers or dealers, for execution on such markets, at such prices and commission rates, as are selected by the Adviser in its sole discretion. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, and, in negotiating commission rates, the Adviser shall take into account the financial stability and reputation of brokerage firms and brokerage and research services provided by such brokers. An Investment Account may be deemed to be paying for research provided or paid for by the broker which is included in the commission rate although the Investment Account may not, in any particular instance, be the direct or indirect beneficiary of the research services provided. Research furnished by brokers may include, but is not limited to, written information and analyses concerning specific securities, companies or sectors; market, finance and economic studies and forecasts; financial publications; statistics and pricing services; discussions with research personnel; and software and data bases utilized in the investment management process. Symetra acknowledges on behalf of each Client that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. The Adviser is hereby authorized to, and Symetra acknowledges on behalf of each Client that the Adviser may aggregate orders on behalf of each Investment Account with orders on behalf of other clients of the Adviser. In such event, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, shall be made in a manner which the

Adviser considers to be the most fair and equitable to all of its clients, including the Clients.

6) Representations and Warranties

a) Symetra represents, warrants and agrees that:

i) it has full legal power and authority to enter into this Agreement;

ii) the appointment of the Adviser hereunder is permitted by each Client's governing documents and any investment management agreement between Symetra and the Clients to this Agreement and has been duly authorized by all necessary corporate or other action; and

iii) it will indemnify the Adviser and hold it harmless against any and all losses, costs, claims and liabilities which the Adviser may suffer or incur arising out of any material breach of these representations and warranties of Symetra.

b) The Adviser represents, warrants and agrees that:

i) it has full legal power and authority to enter into this Agreement;

ii) it is registered as an investment adviser with the Securities and Exchange Commission pursuant to the Investment Advisers Act of 1940, as amended (the "Advisers Act");

iii) entering into this Agreement has been duly authorized by all necessary action; and

iv) it will indemnify Symetra and hold it harmless against any and all losses, costs, claims and liabilities which Symetra or any Client may suffer or incur arising out of any material breach of any representations and warranties of the Adviser.

7) Reports. The Adviser shall provide Symetra with reports containing the status of the Investment Account at least monthly (i.e. "Flash Report"), and will provide written advisory report letters on a quarterly basis. All records maintained pursuant to this Agreement shall be subject to examination by Symetra and by persons authorized by it, or by appropriate governmental authorities, at all times upon reasonable notice. The Adviser shall provide copies of trade tickets, custodial reports and other records Symetra reasonably requires for accounting, tax, regulatory, or audit purposes.

8) Management Fee and Expenses

a) The Adviser will be paid a quarterly management fee (the "Management Fee") for its investment advisory services provided hereunder, determined in accordance with Exhibit A to this Agreement. During the term of this Agreement, the Management Fee shall be billed and payable in arrears on a quarterly basis within 10 days after the last day of each calendar quarter based upon the value of the Investment Accounts as of the last day of the immediately preceding calendar quarter, and showing that portion of the Management Fee attributable to each Investment Account. The Management Fee shall be pro-rated for any partial quarter. It is understood that, in the event that the Management Fee is to be paid by the custodian out of the Investment Accounts, Symetra or the Clients will provide written authorization to the custodian to pay the Management Fee directly from the Investment Accounts.

b) Each Investment Account shall be responsible for all expenses incurred directly in connection with transactions effected on behalf of the Investment Account pursuant to this Agreement and shall include: custodial fees; PAM accounting service fees, investment expenses such as commissions; Infomediary transactions fees and other expenses reasonably related to the purchase, sale or transmittal of Investment Account assets (other than research fees and expenses with respect to the Investment Account).

9) Confidential Relationship.

a) The Parties hereby agree that all of the information provided to Symetra by the Adviser and to the Adviser by Symetra shall be considered proprietary and confidential in nature (hereinafter, the “Confidential Information”) and, as such, shall not be disclosed or revealed or caused to be disclosed or revealed, in any manner, to any non-party to this Agreement, except:

i) as may be required by law or any judicial, regulatory or self-regulatory authority (including without limitation any required filing with the SEC or any state insurance regulator), provided that notice of any such disclosure is at the time sent to the other party, except that no notice will be required for routine SEC or department of insurance filings,

ii) as either party may consent to specifically in advance in writing; provided, however, that

iii) any such Confidential Information may be disclosed to each party’s officers, directors, employees, consultants, contractors, advisors, and fiduciaries (“Representatives”) who need to know such information in order to carry out the purpose of the disclosure and so long as they agree to keep it confidential;

iv) “Confidential Information” does not include any information which (A) is or subsequently becomes published or available to the public other than by breach of this Agreement, (B) is received by receiving party from a non-party not in breach of any obligation of confidentiality, (C) is independently developed by receiving party, or (D) was in receiving party’s possession or known to receiving party before disclosing party disclosed it to receiving party; and

v) Adviser Confidential Information does not include the identification of Symetra as a Client or a Client's investments as of a given point in time (which is consistent with (iv) (A) above).

b) Symetra agrees that:

i) Adviser may disclose that Symetra (and each of the Clients) is a client of the Adviser and to the inclusion of Symetra on a list of representative clients of the Adviser or in other marketing materials;

ii) Adviser shall be permitted to retain copies of all documentation necessary under the Advisers Act to support the track record or otherwise required to be retained under the Advisers Act and related rules, but only for such period as required to be retained; and

iii) Symetra shall not allow the Confidential Information to be used to purchase, sell, trade or invest in any securities, instruments or other investments owned by the Account without obtaining the prior written consent of the Adviser, unless such consent is impossible or impractical due to an event of force majeure that interferes with Adviser's performance under this Agreement; and further acknowledges that:

iv) the provisions of (b) are reasonable and necessary for the protection of the Adviser and its affiliates, and

v) the Adviser or its affiliates will be irrevocably damaged if the covenants herein are not specifically enforced and, accordingly, Symetra hereby further agrees that, in addition to any other relief or remedies available to the Adviser, the Adviser shall be entitled to seek and obtain an appropriate injunction or other equitable remedy from a court with proper jurisdiction for the purposes of restraining Symetra from any actual or threatened breach of such covenant, and no bond or security will be required in connection therewith. In any event, Symetra shall be responsible for any breach of this Agreement by any of Symetra's Representatives, and Symetra agrees, at its sole expense, to take all reasonable measures (including, without limitation, court proceedings) to restrain its Representatives from prohibited or unauthorized disclosure or use of the Confidential Information or any other breach of the terms of this Agreement.

c) Adviser agrees that:

i) Symetra shall be permitted to report the Investment Track Record (on a stand-alone basis, as part of its total portfolio return or otherwise) with respect to the Investment Accounts in any internal or external reports of it or its affiliates; and

ii) Symetra and/or its affiliates will be irrevocably damaged if the covenants herein are not specifically enforced and, accordingly, Adviser hereby further agrees that, in addition to any other relief or remedies available to Symetra, Symetra shall be entitled to seek and obtain an appropriate injunction or other equitable remedy from a court with proper jurisdiction for the purposes of restraining Adviser from any actual or threatened breach of such covenant, and no bond or security will be required in connection therewith. In any event, Adviser shall be responsible for any breach of this Agreement by any of its Representatives, and Adviser agrees, at its sole expense, to take all reasonable measures (including, without limitation, court proceedings) to restrain its Representatives from prohibited or unauthorized disclosure or use of the Confidential Information or any other breach of the terms of this Agreement.

10) Non-Assignability. No "assignment", as that term is defined in the Advisers Act, of this Agreement shall be made by the Adviser or Symetra without the written consent of the other party.

11) Directions to the Adviser. All directions by Symetra by or on behalf of the Clients to the Adviser shall be in writing signed by or on behalf of Symetra. The Adviser shall be fully protected in relying upon any such writing which the Adviser believes to be genuine and signed or presented by the proper person or persons, shall be under no duty to make any investigation or inquiry as to any statement contained therein and may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

12) Consultation with Counsel. The Adviser may consult with legal counsel (who may be counsel to Symetra) concerning any question that may arise with reference to its duties under this Agreement, and the opinion of such counsel shall be full and complete protection in respect of any action taken or omitted by the Adviser hereunder in good faith and in accordance with such opinion.

13) Services to Other Clients. It is understood that the Adviser acts as investment adviser to other clients and may give advice and take action with respect to such clients that differs from the advice given or the action taken with respect to the Investment Accounts. Nothing in this Agreement shall restrict the right of the Adviser, its members, managers, officers, employees or affiliates to perform investment management or advisory services for any other person or entity, and the performance of such service for others shall not be deemed to violate or give rise to any duty or obligation to the Client.

14) Investment by the Adviser for Its Own Account. Nothing in this Agreement shall limit or restrict the Adviser or any of its members, managers, officers, employees or affiliates from buying, selling or trading any securities for its or their own account or accounts. Symetra on behalf of each Client acknowledges that the Adviser and its members, managers, officers, employees, affiliates and other clients may at any time have, acquire, increase, decrease or dispose of securities which are at or about the same time acquired or disposed of for the account of a Client. The Adviser shall have no obligation to purchase or sell for the Investment Accounts or to recommend for purchase or sale by the Investment Accounts any security that the Adviser or its members, managers,

officers, employees or affiliates may purchase or sell for itself or themselves or for any other client.

15) Proxies. Subject to any other written instructions of Symetra, the Adviser is hereby appointed Symetra's agent and attorney-in-fact in its discretion to vote, convert or tender in an exchange or tender offer any securities in the Investment Accounts, to execute proxies, waivers, consents and other instruments with respect to such securities, to endorse, transfer or deliver such securities and to participate in or consent to any plan of reorganization, merger, combination, consolidation, liquidation or similar plan with reference to such securities.

16) Sarbanes-Oxley Compliance. Symetra is subject to certain regulations ("SOX") that require management to assess the effectiveness of its internal controls over financial reporting and state in its annual report whether such internal controls are effective. Because Adviser will perform trading execution functions for Symetra's Investment Accounts as described in this Agreement, certain procedures performed by Adviser are relevant to Symetra's evaluation of its internal controls. Having acknowledged the foregoing, Adviser agrees to cooperate with Symetra as reasonably necessary to facilitate Symetra's ability to comply with its regulatory obligations.

17) Operational Audits. Upon Symetra's request, but no more often than once annually except (a) as necessary for Symetra or Client to respond to any regulatory requirement or inquiry, or (b) as deemed reasonably necessary by Symetra as a result of Symetra's good faith belief that Adviser has breached any of its obligations hereunder, Adviser shall allow Symetra and/or any independent third party ("Third Party Representatives") selected by Symetra to perform operational audits with respect to Adviser's performance of its obligations hereunder. Adviser shall grant Symetra and its Third Party Representatives access to Adviser's facilities, personnel, and all books, records and other documents of Adviser related to trade execution it performs for Symetra under this Agreement (not otherwise provided under section 7) ("Documentation") as may be required in order for Symetra to ascertain that trades (i) are conducted by authorized personnel, (ii) are completed, and (iii) reconcile to the accounting and custody records of Symetra and its other service providers, and such other facts relative to Adviser's performance hereunder. Symetra acknowledges that to the extent such Documentation contains aggregated data for multiple clients of Adviser, Adviser may redact certain information contained in the Documentation as reasonably necessary to meet its confidential obligations to other clients. Adviser shall provide Symetra, or its Third Party Representatives, such information and assistance as requested in order to perform such audits, including access to Adviser's personnel to explain the control environment by means of operational walk throughs or other means; provided, however, that the Parties shall endeavor to arrange such assistance in such a way that it does not interfere with Adviser's performance of the Agreement. Notwithstanding anything to the contrary in section 17, no amendment to this Agreement shall be required where the Parties mutually agree to change the scope of audits under this section to permit Symetra to comply with SOX and related laws as enacted or amended from time to time.

18) Notices. All notices and instructions with respect to securities transactions or any other matters contemplated by this Agreement shall be deemed duly given when delivered in writing or deposited by first-class mail to the following addresses: (a) if to the Adviser, at its address set forth above, Attention: Peter N. Perugini, CFO, or (b) if to Symetra, at its address set forth above, Attention: Margaret Meister, CFO. The Adviser or the Client may change its address or specify a different manner of addressing itself by giving notice of such change in writing to the other party.

19) Entire Agreement; Amendment. This Agreement sets forth the entire agreement of the parties with respect to management of the Investment Account and shall not be amended except by an instrument in writing signed by the parties hereto.

20) Termination. This Agreement shall continue in force from the date hereof for an initial fixed term of three years (“initial term”), which may be extended by Symetra in its sole discretion for an additional one year (“fourth year extension”) at/prior to the end of the second year of the initial term, and if so extended, then, again in Symetra’s sole discretion, for an additional year (“fifth year extension”) at/prior to the end of the initial term. Notwithstanding the foregoing, during the initial term and any extensions, this Agreement shall be terminable without penalty by Symetra upon written notice to the Adviser at least thirty (30) days prior to the date upon which such termination is to become effective (i) for cause (including material non-performance by the Adviser), (ii) if either John Gillespie or Richard Howard are no-longer affiliated with the Adviser, or (iii) if there is a change in control of the Adviser. Following the end of the initial term and any extensions, this Agreement may be terminated without penalty by either party on 60 days written notice. Each Client shall honor any trades executed but not settled before the date of any termination under this Agreement. The fee for the calendar quarter during which any termination of this Agreement shall occur shall be paid as of the date of termination and prorated if the effective date does not coincide with the end of the quarter.

21) Governing Law. To the extent that the interpretation or effect of this Agreement shall depend on state law, this Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut.

22) Effective Date. This Agreement shall become effective on the date first written above.

23) Receipt of Disclosure Statement. Symetra acknowledges receipt of a copy of Part II of the Adviser’s Form ADV in compliance with Rule 204-3(b) under the Advisers Act more than 48 hours prior to the date of execution of this Agreement. The Adviser shall annually and without charge, upon request by Symetra, deliver to Symetra the current version of such form or a written document containing at least the information then required to be contained in such form.

24) Counterparts. This Agreement may be executed in two counterparts, each one of which shall be deemed to be an original.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized representatives as of the date first written above.

ADVISER:

PROSPECTOR PARTNERS, LLC

By: /s/ John D. Gillespie

John D. Gillespie

Title: Managing Member

Date: June 29, 2010

CLIENT:

SYMETRA FINANCIAL CORPORATION

By: /s/ Margaret A. Meister

Margaret A. Meister

Executive Vice President, Chief Financial Officer

Date: 06/29/2010

SYMETRA LIFE INSURANCE COMPANY

By: /s/ Margaret A. Meister

Margaret A. Meister

Executive Vice President, Chief Financial Officer

Date: 06/29/2010

EXHIBIT A

FEE SCHEDULE TO THE INVESTMENT MANAGEMENT AGREEMENT,

EFFECTIVE JULY 1, 2010 BETWEEN PROSPECTOR PARTNERS, L.L.C. AND

SYMETRA FINANCIAL CORPORATION

Each term used in this Exhibit A but not defined herein shall have the meaning assigned to that term in the Investment Management Agreement, effective July 1, 2010 (the "Agreement"), between Symetra Financial Corporation ("Symetra") and Prospector Partners, L.L.C., the adviser (the "Adviser").

1. The Adviser shall be paid a Management Fee (pro rated for periods less than a full calendar quarter) computed in accordance with the table below based on the value of the aggregate net assets (including cash and cash equivalents) of all Investment Accounts and the net assets of each Client (such collective aggregate net assets shall be referred to as the "Aggregate Net Assets"), determined in accordance with paragraph Section 2 below. Each Client will bear and be billed its proportionate share of the Management Fee.

Aggregate Net Assets	Annual Fee	Quarterly Fee
Up to $200 million	100 basis points (1.00% or 0.0100)	25 basis points (0.25% or 0.00250)
Greater than $200 million	50 basis points	12.50 basis points

2. For all purposes under the Agreement, including the determination of the Management Fee, the market value of securities shall be as follows: securities that are listed on a national securities exchange shall be valued at their last sales price on the date of determination and securities that are not so listed shall be valued at their last sales price on the date of determination, or if no sales of such securities occurred on the date of determination, such securities shall be valued at the last "bid" price at the close of business on such day (or if sold short at the last "asked" price at the close of business on such day) quoted by the National

Association of Securities Dealers, Inc.'s Automatic Quotation System or, if not quoted on such system, by one of the principal market makers in such securities selected by the Adviser. Notwithstanding the foregoing, if the securities to be valued constitute a block which, in the judgment of the Adviser, could not be liquidated in a reasonable time without depressing the market, such block shall then be valued by the Adviser but not at a unit value in excess of the quoted market price for such security. All other assets of the Investment Accounts shall be assigned such value as the Adviser may reasonably determine.

Schedule 1

**TO INVESTMENT MANAGEMENT AGREEMENT, EFFECTIVE JULY 1, 2010
BETWEEN PROSPECTOR PARTNERS, L.L.C. AND SYMETRA FINANCIAL
CORPORATION**

Investment Guidelines

Investment Objective

The Adviser’s objective is to achieve consistent positive returns and to maximize long-term total returns within prudent levels of risk through capital appreciation on a diversified portfolio of investments.

Performance Objectives

The Adviser will report to Symetra on a quarterly basis to review the Adviser’s total investment performance. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on performance comparisons with investment managers employing similar styles. The overall performance of the Adviser’s Investment Accounts will be measured by referencing broad equity market indices over a 3-year rolling period.

Guidelines

The Adviser must remain a registered adviser under the Investment Advisors Act of 1940. Whenever these guidelines contain a limitation expressed as a percentage of the portfolio assets, that percentage shall be measured solely with reference to the assets that are under the Adviser’s control. Subject to these guidelines, the Adviser shall have full discretion, subject to Symetra’s written notice of limitation constraints, to manage each Investment Account’s assets.

1) The Adviser may not purchase securities on margin, sell short, or enter into derivative transactions in an Investment Account without the written consent of Symetra.

2) The Adviser may purchase Rule 144A securities provided such securities are judged by the Adviser to be liquid and do not in the aggregate exceed 20% of the market value of each Investment Account. The Adviser shall also be able to purchase securities if such securities are convertible into publicly traded securities.

3) At least 95% of each Investment Account will consist of securities of companies having a market capitalization of $100 million or greater.

4) Each Investment Account may include domestic and non-domestic securities (common stocks, bonds, securities that are convertible to common stocks, preferred stocks, warrants and rights to subscribe to common stocks) that are listed on registered exchanges or actively traded in the over-the-counter market.

5) Issuers of securities located in countries other than the United States, including emerging market countries, shall not exceed 40% of the market value of each Investment Account.

6) In terms of diversification, investments shall be allocated with the intent to minimize the risk of large losses to each Investment Account. The maximum total investment in any one security shall be limited to 10% of an Investment Account at the time of purchase, and 25% of the market value of such Investment Account.

7) If the aggregate investment in an Investment Account of the equity securities of any one company exceeds 5% of that company's outstanding shares of all classes of stock of that issuer, the Adviser will notify Symetra.

Additional State Law Guidelines for Insurance Company Investment Accounts

1) Investment in preferred stock with voting rights plus common stock in the same issuer is limited to 15% of the issuer's outstanding shares having voting rights.

2) Investment is limited to 10% of the outstanding common stock of the same issuer.

3) No investment in the securities issued by an insolvent corporation is permitted. For purposes of this section 3, "insolvent corporation" is a corporation for which bankruptcy, receivership, insolvency, reorganization or other similar proceedings have been instituted by or against such corporation under any section or chapter of the United States Bankruptcy Code, as amended, or under any similar laws or statutes of the United States (or any state thereof).

SECURITIES LENDING PROGRAM

First Symetra National Life Insurance Company of New York, Symetra Life Insurance Company, and Symetra National Life Insurance Company (collectively "the Companies") have adopted this Securities Lending Program to supplement the Companies' Statement of Investment Policy. The Companies and their agents will adhere to the following procedures under the Program to govern their securities lending practices:

(1) The Companies shall receive collateral having a fair value as of the transaction date at least equal to 102 percent (or as otherwise established by the Statements of Statutory Accounting Principles ("SSAP")) of the fair value of the loaned securities at that date. If at any time the fair value of the collateral is less than 100 percent of the fair value of the loaned securities, the counterparty shall be obligated to deliver additional collateral, the fair value of which, together with the fair value of all collateral then held in connection with the transaction at least equals 102 percent (or as otherwise established by the SSAP) of the fair value of the loaned securities. The collateral may consist of cash, letters of credit from authorized banks, or securities issued or guaranteed by the United States government or one of its agencies or instrumentalities, or any combination thereof. The collateral will be received by the Companies' custodian concurrently with delivery of the loaned securities and kept in a segregated account. The Companies will monitor collateral levels via reports provided by the custodian on a monthly basis. Any non-compliance issues will be elevated to the Chief Financial Officer or his designee and to the custodian for corrective action.

(2) Loans may be made only to reputable borrowers that, in the Companies' opinion, are of sound financial condition. The custodian will maintain a list of approved borrowers and will monitor the creditworthiness of such approved borrowers on an on-going basis. The Companies will obtain an updated borrower list on a quarterly basis. Any deletions required will be communicated to the custodian using the agreed upon methodology as outlined in the agreement.

(3) No loan of securities may be made to any borrower if, within the meaning of the Insurance Company Holding Act, such borrower would be an affiliated person of the Companies.

(4) Loans must be callable at any time. If a loan is terminated by the Companies, the borrower must return the loaned securities within five business days. If the borrower fails to deliver the loaned securities within five days after receipt of notice of termination, the Companies may use the collateral to replace the securities and hold the borrower liable for the excess of replacement cost exceeding the collateral.

(5) The Companies may pay fees to a lending agent or other intermediary for the following: (a) reasonable custodial fees; and (b) fees for the arranging of portfolio loans, provided that the Companies have determined in each case that the fee is reasonable and based solely on the services rendered. In addition, the Companies must receive a reasonable fee for lending their securities.

(6) Loans of securities must be made pursuant to written contracts which have been approved and executed on behalf of each Company by a duly authorized officer and which are designed to assure that these procedures will be complied with in connection with such loans. Information concerning each loan will be provided by the custodian upon request.

(7) The Companies' board will periodically review lending activities affecting the Companies' portfolios.

Board of Directors' Approval:
SFC: 8/24/2004
SLIC and SNLIC: 12/6/2004
FSNLIC: 4/8/2005

Schedule 2

Statement of Investment Policy
Symetra Financial

Overview

This investment policy and its associated guidelines apply in aggregate to the investable general account and guaranteed separate account assets of Symetra Financial Corporation and its subsidiaries ("Symetra Financial"). These guidelines are established by the boards of directors, or their designated committees, of Symetra Financial companies. These guidelines should be used in conjunction with any specific supplementary guidelines established for each major business line, as well as any additional investment guidelines for certain separate account contracts (e.g. BOLI). Any deviations from these guidelines must be approved by the appropriate company's board of directors or by its designee and reported to the Symetra Financial Corporation board of directors quarterly.

Investment Objective

Support optimizing the economic value of the company across a broad range of interest rate and economic environments, while complying with applicable regulations, management initiatives and rating agency requirements.

The management of the portfolio will be primarily driven by asset/liability management, regulatory and general management considerations rather than total return benchmarks or other measures. However, to aid in the assessment of investment performance, the total return for the overall portfolio will be compared over multiple timeframes with relevant customized benchmarks having duration and yield characteristics consistent with the liabilities.

Duration/Convexity

Duration and convexity management are particularly important for liabilities with cash flows that can not be adjusted to reflect investment experience, but whose profitability is driven by the net interest spread ("fixed liabilities"). For example, fixed liabilities include structured settlements, income annuities, and fixed annuities with a set crediting rate for a specified period of time (not including annuities with regular credited rate resets). Many other Retirement Services and Life liabilities require less precise, although still fairly constrained, duration and convexity characteristics. Many of these other liabilities have regular credited rate resets, minimum credited rate guarantees as well as the option to withdraw the cash value at book value, with or without a fixed surrender charge.

For fixed liabilities (defined above) other than the very long duration structured settlements/income annuities, the effective asset duration should be within +/- 0.5 of the effective liability duration. For parallel yield curve shocks of +/- 1%, this difference should be no more than +/- 0.75. Larger parallel yield curve shocks will also be monitored for potential dislocations. Also, although there are currently no set guidelines, partial asset and liability durations at significant points along the yield curve will be monitored to ensure a reasonable balance. For non-fixed Retirement Services and Life liabilities as well as for structured settlements and income annuities, the effective asset duration should be within +/- 1.0 of the target portfolio duration for each major liability group (determined in conjunction with each business line and summarized in a separate document). For parallel yield curve shocks of +/- 1%, this difference should be no more than +/- 1.25.

Unlike most of the Company's other liabilities, the products in the Group business line are driven by underwriting rather than investment results. Also, projected liability cash flows (including new premium) are positive in most plausible scenarios. Because of these attributes, additional flexibility around portfolio duration is reasonable. The effective asset duration should be within +/- 2.0 of the Group portfolio's target duration. As with other business lines, parallel and non-parallel yield curve shock analysis will be performed to test for possible dislocations.

The Corporate Surplus portfolio will not have pre-set duration targets. It will be driven by overall corporate requirements and any additional needs of the business lines.

Asset Allocation

Asset allocation is driven by the interest sensitive or guaranteed nature of many of the company's liabilities, regulatory and rating agency requirements as well as the need for reasonably consistent income and surplus growth. Given these considerations, the portfolio will consist mostly of a diversified mix of investment grade fixed income securities. As capital levels and rating agency considerations permit, relatively small allocations to equities, alternatives and high yield will be used to increase expected returns, diversify risks and better match very long duration liabilities (e.g. structured settlements). The following asset allocation limits are based on market values.

Asset Type	Maximum Allocation	Illustrative Long-term Target*
Fixed Income	**100%**	**96%**
Corporate Bonds	70%	55%
MBS/CMO	20%	10%
Asset Backed Securities	15%	12%
CMBS	12%	7%
Commercial Mortgages	10%	7%
Other Investment Grade	10%	2%
Below Investment Grade	7%	3%
Equity/Alternatives	**5%**	**4%**
Public/Private Equity	3%	1.5%
Hedge Funds	3%	1.5%
Real Estate	2%	0.5%
Other	2%	0.5%
Cash & short-term purchases	2%	0%

* Illustrative long-term targets are based on the 2004 liability mix.

Liquidity

Cash on hand plus projected asset cash flows will be greater in aggregate than projected cash flows on current liabilities over the next 12 months. In addition, reasonable overall portfolio liquidity will be maintained to cover unanticipated liability cash flows and portfolio rebalancing needs. Specifically, liquid assets will comprise at least 50% of the Corporate Surplus and Structured Settlement/Income Annuity portfolios. All other portfolios will have at least 75% liquid assets (except BOLI separate accounts, which will have at least 90% liquid assets), recognizing the surrenderable nature of many of the other liabilities. Liquid assets are defined as government/agency, public investment grade fixed income and public equity securities which are sellable within 90 days for at least 95% of the most recently traded price.

Asset Quality

Fixed income investments will be focused on investment grade securities. The market value of BBB-rated fixed income securities (excluding commercial mortgage whole loans) will not exceed 40% of the aggregate market value of the portfolio. Similarly, the market value BB and B-rated (and lower) fixed income securities will not exceed 5% and 2%, respectively, of the aggregate market value of the portfolio. Purchases will not be made which either cause a quality limit to be violated or increase exposure in cases where the limit is already exceeded. In the event that quality downgrades cause a limit to be exceeded, the investment manager will use reasonable judgment in reducing exposure below the limit as market conditions permit.

Ratings used in these guidelines are from Moody’s if available, then S&P, Fitch and the NAIC, in that order. If none of these ratings are available, an internal rating generally consistent with the methodology used by these major rating agencies will be used.

Concentration Limits

The following concentration limits deal with diversification by individual entity. As with the asset quality limits, purchases will not be made which either cause a concentration limit to be violated or increase exposure in cases where the limit is already exceeded. In the event that a quality downgrade causes a limit to be exceeded, the investment manager will use reasonable judgment in reducing exposure below the limit as market conditions permit.

Issuer — Fixed Income

Management will closely monitor firm-wide investment concentrations in individual issuers (U.S. Government and GSE securities excepted) to ensure adequate diversification. The limits below apply to the senior debt rating of the issuer, and are based on the aggregate market value of all fixed income securities from a single issuer as a percentage of the Company’s Statutory Surplus plus Asset Valuation Reserve (AVR). In addition, any fixed income securities of an issuer rated below its senior debt rating (“junior securities”) must also comply with the limits below, based on the ratings of the junior securities. Also, in the case of securitized investments backed by collateral pools, the credit rating of each individual security will be used in the table below, provided that the aggregate market value of fixed income securities backed by any single pool of collateral does not exceed the AAA limit below. Ratings are defined as described in the Asset Quality section above.

Senior Debt Rating	Market Value as a % Surplus + AVR	Approximate % of Total Market Value *
AAA	12%	0.7%
AA	10%	0.6%
A	8%	0.5%
BBB	6%	0.4%
BB	3%	0.2%
< BB	2%	0.1%

* As of 12/2003

Issuer — Equity

Equity securities of a single issuer are limited by the table below, which varies by the senior debt rating class of the issuer.

Senior Debt Rating	Market Value as a % Surplus + AVR	Approximate % of Total Market Value *
Investment Grade	3%	0.2%
Below Inv. Grade	1%	0.1%

* As of 12/2003

Insurer

The aggregate market value of securities insured by a single entity is limited to 4 times the fixed income issuer limit (above), based on the senior debt rating of the insurer. In the event that any of the insured securities would not have an investment grade rating on a stand-alone basis (without the insurance), the insurer's fixed income issuer limit (before multiplying by the factor of 4) will be reduced by the market value of such securities.

Servicer

The market value of non-US Government/GSE securities serviced by one servicing agent is limited to 25% of Statutory Surplus plus AVR.

Funds

Private fund investments such as private equity or hedge funds will be limited as follows.

Type	Market Value as a % Surplus + AVR
Single Fund	5%
Single Manager	10%

Other Diversification

Within the corporate bond portfolio, the market value of securities within a single major industry class will not exceed 20%. Although there are no pre-set limits, asset backed and commercial mortgage backed securities will be reasonably diversified by collateral type. Also, commercial mortgage exposure (CMBS and whole loan in aggregate) will be reasonably diversified by geographic region.

Currency

The currency denomination of the assets (incorporating any currency hedges) will be the same as the denomination of the associated liabilities, which in most if not all cases will be U.S. dollars. The Surplus portfolio will also be denominated in U.S. dollars. However, up to an aggregate market value of 1% of total assets may be denominated in un-hedged G-7 currencies.

Derivatives

The use of derivatives will be governed by the Derivatives Use Plan filed with, and approved by, any appropriate insurance regulatory agencies as well as the boards of directors of Symetra Financial companies.

Investment Managers

White Mountains Advisors LLC ("WMA") will be the primary investment manager for Symetra Financial and its affiliates. WMA may engage other investment managers to manage discrete portions of the Symetra Financial portfolios. However, WMA will be responsible for engaging, monitoring and terminating such managers, and for ensuring the overall portfolio is invested in accordance with this investment policy. All transactions will be promptly and accurately recorded as they occur.

ADDENDUM

TO

SYMETRA FINANCIAL CORPORATION

STATEMENT OF INVESTMENT POLICY

DERIVATIVES USE PLAN

Adopted by the Board of Directors on November 14, 2006

TABLE OF CONTENTS

I. POLICY

The purpose of this Plan is to set forth the guidelines and parameters for the use of derivative transactions by Symetra Financial Corporation, a state of Delaware-domiciled corporation, and each of its subsidiaries identified on Exhibit B hereto (each a "Company" or collectively the "Companies"). As contemplated in this Plan, the Companies' use of derivative transactions shall be in conformance with applicable law and with the Companies' general philosophy of managing their investments and overall balance sheet in a prudent and conservative manner, with the goals of preserving the capital and financial strength of the Companies, while seeking adequate returns on their investments and operations. In that regard, the Companies' use of derivative transactions under this Plan is expected to help manage the Companies' investments. Derivatives, however, will not be used for speculative purposes.

The Companies recognize that, while derivative transactions are useful risk and portfolio management tools, as with any investment practice, the use of derivative transactions exposes the Companies to certain risks. Nevertheless, the risks associated with derivative transactions are not inherently different than those present in other, more traditional forms of investments, and, with proper use and careful management, such derivative transactions can be utilized safely, as part of the overall investment and risk management strategy of the Companies. Therefore, in order to ensure the proper use of derivative transactions and to mitigate the risks associated with such use, this Plan establishes internal controls and reporting with respect to the use of derivative transactions.

II. DERIVATIVE INSTRUMENTS AND STRATEGIES

A. <u>Derivative Instrument Definitions</u>.

Derivative instruments and transactions can be structured in numerous forms with various characteristics. For the purposes of this Plan, the Companies recognize the two following industry definitions of "derivative instrument":

1. The definition according to Generally Accepted Accounting Principles (GAAP):[1]

   A financial instrument or other contract with **all three** of the following characteristics:

- It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

2. The regulatory definition:[2]

An agreement, option, instrument or a series or combination thereof:

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[1] FASB statement No. 133 "Accounting for Derivative Instruments and Hedging Activities."

[2] Based on the NAIC's Derivative Instruments Model Regulation and Statements of Statutory Accounting Principals ("SSAPs").

(a) To make or take delivery of, or assume or relinquish, a specified amount of one or more underlying interests, or to make a cash settlement in lieu thereof; or

(b) That has a price, performance, value or cash flow based primarily upon the actual or expected price, level, performance, value or cash flow of one or more underlying interests.

Examples of derivative instruments include, but are not limited to, options, warrants used in a hedging transaction and not attached to another financial instrument, caps, floors, collars, swaps, swaptions, forwards, futures and other agreements, options or instruments substantially similar thereto or any series or combination thereof. The following are regulatory definitions[3] with respect to each of the foregoing instruments:

"Cap" means an agreement obligating the seller to make payments to the buyer with each payment based on the amount by which a reference price or level or the performance or value of one or more underlying interests exceeds a predetermined number, sometimes called the strike rate or strike price.

"Collar" means an agreement to receive payments as the buyer of an option, cap or floor and to make payments as the seller of a different option, cap or floor.

"Floor" means an agreement obligating the seller to make payments to the buyer in which each payment is based on the amount by which a predetermined number, sometimes called the floor rate or price, exceeds a reference price, a level, or the performance or value of one or more underlying interests.

"Forward" means an agreement (other than a future) to make or take delivery of, or effect a cash settlement based on the actual or expected price, level, performance or value of, one or more underlying interests, but shall not mean or include spot transactions effected within customary settlement periods, when-issued purchases, or other similar cash market transactions.

"Future" means an agreement, traded on a qualified exchange or qualified foreign exchange, to make or take delivery of, or effect a cash settlement based on the actual or expected price, level, performance or value of, one or more underlying interests.

"Option" means an agreement giving the buyer the right to buy or receive (a "call option"), sell or deliver (a "put option"), enter into, extend or terminate or effect a cash settlement based on the actual or expected price, level, performance or value of one or more underlying interests.

"Swap" means an agreement to exchange or to net payments at one or more times based on the actual or expected price, level, performance or value of one or more underlying interests.

"Swaption" means an option to enter into a Swap.

"Warrant" means an instrument that gives the holder the right to purchase an underlying financial instrument at a given price and time or at a series of prices and times outlined in the warrant agreement. Warrants may be issued alone or in connection with the sale of other securities, for example, as part of a merger or recapitalization agreement, or to facilitate divestiture of the securities of another business entity.

B. <u>Exchange Traded versus Over-the-Counter Transactions</u>.

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3 These definitions are based in whole or in part on definitions found in Washington state insurance laws as may be amended from time to time.

Derivative transactions may be traded through an exchange or through the more specialized over-the-counter ("OTC") market. While derivative exchanges provide ease of access to a ready market for derivative transactions, a higher degree of liquidity and the mitigation or elimination of counterparty credit risk, exchanges require uniformity of terms among transactions and therefore, may not always accomplish the underlying investment objective. In contrast, while OTC transactions are generally less liquid and expose the parties to counterparty credit risk, they allow counterparties to structure more customized transactions to accomplish more closely the objective for entering into the derivative transaction. In addition, the wide use of standardized documentation, such as the forms of Master Agreements published by the International Swaps and Derivatives Association, Inc. ("ISDA"), has created a certain degree of uniformity and standardization in OTC transactions. The Investment Manager shall evaluate the characteristics of an exchange-traded versus OTC derivative transaction, including underlying counterparty credit exposure, before engaging in a derivative transaction.

As a general rule, the Investment Manager will emphasize the use of exchange-traded derivatives and reasonably liquid OTC derivatives, while taking advantage of less liquid, customized OTC derivatives only when appropriate.

C. Strategies (All life insurance company strategies will conform to applicable state statutes).

Derivative instruments can be used in conjunction with various strategies to affect a desired purpose or objective; however, as a general rule, derivative transactions are primarily focused on three basic strategies: hedging (including replication), income generation, and speculation. The Companies will be focused on hedging (including replication) strategies to manage exposure to changes in interest rates, spreads, equity returns, currencies, and credit quality and on income generation.

1. Derivative Transactions for Hedging Purposes

Derivative transactions are widely used as a tool to reduce and hedge against risks faced by companies in the marketplace. In that regard, the use of hedging transactions is an important and essential part of the Companies' overall risk management program.

For purposes of this Plan, the definition of "hedging transaction" is a derivative transaction which is entered into and maintained to reduce:

(a) The risk of a change in the value, yield, price, cash flow, or quantity of assets or liabilities that the insurer has acquired or incurred or anticipates acquiring or incurring; or

(b) The currency exchange rate risk or the degree of exposure as to assets or liabilities that the insurer has acquired or incurred or anticipates acquiring or incurring.

The Companies' use of derivative transactions for hedging purposes may also include replication transactions. For purposes of this Plan, the definition of "replication transaction" is "a derivative transaction or combination of derivative transactions effected either separately or in conjunction with cash market investments included in the insurer's investment portfolio in order to replicate the investment characteristic of another authorized transaction, investment or instrument and/or operate as a substitute for cash market transactions." In certain circumstances, replication transactions can provide a more cost-effective means of investing in a given asset or group of assets, in effect, by synthetically replicating the characteristics and performance of the assets. Replication transactions can also be used to replicate certain desired, rather than all, characteristics of an asset. The Investment Manager shall structure the Companies' replication transactions so that the potential exposure with respect to a replication transaction is directly related to the risks associated with the asset characteristics being replicated.

Given the nature and purpose of a hedging transaction, the potential exposure associated with such transactions is generally limited. If a hedging transaction is structured properly as an effective hedge, any losses realized with respect to the asset or activity that was the subject of the hedge should be matched or offset, entirely or in part, by gains in the transaction. In that regard, a crucial element of the Companies maintaining a successful hedging program using derivative transactions is the Companies' implementation of appropriate procedures and guidelines to evaluate the effectiveness or efficacy of specific hedging transactions (see Section IV G Accounting and Financial Reporting for specific guidance).

2. Income Generation

Income generation transactions allow the Companies to earn income through the use of derivative transactions. However, income generation for the purposes of this Plan will only be permitted through the sale of call options on securities, provided that the Companies hold, or can immediately acquire through the exercise of options, warrants or conversion rights already owned during the entire period the option is outstanding (i.e., covered options).

D. Duty to Consider Risks Inherent in Derivative Transactions.

As with any investment, the use of derivatives entails certain risks. At a minimum, the following significant risks shall be considered by the Investment Manager prior to engaging in a particular derivative transaction.

1. Basis Risk

The effectiveness of any hedging strategy is dependent upon the matching of the risks being hedged with the instruments and strategies used to mitigate such risks, creating a corresponding offsetting position. "Basis risk" is the risk of loss resulting from a hedging transaction that is imperfectly matched or correlated to the subject risk exposure. The Investment Manager will continuously monitor the Companies' hedging transactions to ensure that they continue to be effective. Should the effectiveness of the hedge position shift significantly the Investment Manager will seek to either modify or terminate the transaction. The foregoing concept can also apply to replication transactions, where basis risk can exist between the subject derivative transaction and the asset/assets intended to be replicated.

2. Counterparty Exposure Risk

Counterparty exposure risk relates to the risk of loss resulting from a default by a counterparty of its obligations under a derivative transaction. Where a derivative transaction is entered into through a qualified exchange, the counterparty exposure risk is limited by the financial stability of the exchange and its clearing system. Conversely, if a derivative transaction is an OTC transaction, the counterparty exposure amount will depend largely upon the creditworthiness of the counterparty to the transaction.

With respect to OTC transactions and transactions entered through non-qualified exchanges, the Investment Manager shall seek to mitigate counterparty exposure by (i) evaluating and monitoring the financial qualifications of counterparties to ensure that they meet the counterparty requirements set forth in Section IV.A of this Plan, and (ii) to the extent appropriate, requiring counterparties to provide the Companies with sufficient collateral security and other financial assurances, such as the posting of collateral or letters of credit. Specifically, the Investment Manager shall request collateral in the event that total net exposure to such counterparty exceeds an amount based on the following schedule:

- $25 million for a counterparty with a AAA rating
- $20 million for a counterparty with a AA rating

- $15 million for a counterparty with a A rating
- $5 million for a counterparty with a BBB+ rating
- $2.5 million for a counterparty with a BBB rating
- $0 for BBB- and lower

In the event that collateral is required, the Investment Manager will request either a letter of credit from an acceptable bank or collateral consisting of cash or high quality securities for at least 100% of the amount of net exposure exceeding the amount outlined above.

3. Liquidity Risk

As with any form of investment, derivative instruments pose a certain degree of liquidity risk. Although exchange-traded derivatives are generally considered liquid instruments, certain specialized or customized OTC derivatives may be relatively illiquid. The liquidity of a derivative instrument also generally decreases during volatile market conditions, with the liquidity of certain investments, such as OTC derivatives, being affected more severely during such volatile market conditions, particularly when one wants to sell or close a position. While this is a risk in the market, it can also be exploited as an opportunity.

4. Systemic Risk

Systemic risk is the risk that a major failure or disruption in one institution or segment of the market will affect other institutions, leading ultimately to a breakdown of the financial system. The use of derivative transactions and the potential of failures within the derivatives markets can contribute to this overall systemic risk. Given the continued and increasing oversight of the derivatives markets, this risk is fairly remote.

5. Operational Risk

The use of derivative instruments is also subject to the risk of human error, mismanagement and system and control failures. To minimize its operational risks, the Companies and the Investment Manager shall have in force at all times the internal control procedures set forth in Section IV hereof, which provide multiple levels of oversight, appropriate checks and balances, and periodic audits and reviews of specific transactions and the system. Furthermore, the Companies and the Investment Manager shall utilize the knowledge of suitably qualified individuals who have knowledge and experience in the use of derivative instruments.

E. Risk/Exposure Measurement.

In order to quantify the various types of risks associated with derivative transactions, the Investment Manager shall apply industry-accepted models to every applicable derivative transaction. In that regard, the Investment Manager is authorized to use the models available through systems such as Bloomberg, Derivative Solutions or other similar industry-accepted models.

III. LIMITATIONS AND PARAMETERS

A. Quantitative and Other Limitations.

The Companies recognize the importance of diversification and credit quality. Unless otherwise provided for under the applicable law, the Companies’ limits for different derivative strategies and instruments are as follows:

1. Limitations Relating to Strategies and Instruments (to be applied on a per-Company basis)

In addition to the limitations relating to counterparties and the other limitations set forth in subsection 2 below, the Companies and the Investment Manager shall comply with the limitations set forth in subsections 1(a)-(c) below specifically applicable to the strategies of hedging, replication and income generation. In addition, while the Companies do not have any guidelines limiting the maximum allowed term for derivative transactions, to the extent possible, the Investment Manager generally will have the term of the derivative transaction be less than or equal to the anticipated duration of the risk.

(a) Hedging.

The Companies may engage in hedging transactions, provided that the hedge continues to be effective according to the Companies' evaluation procedures (which will incorporate certain derivative related information provided by the Investment Manager) and each Company complies with the following quantitative limitations:

- The aggregate financial statement value of options, swaptions, caps, floors and warrants not attached to another financial instrument that are *purchased* by a Company and used in hedging transactions shall not exceed 7.5% of the market value of such Company's invested assets (admitted assets for life insurance companies).
- The aggregate financial statement value of options, swaptions, caps and floors *written* by a Company for hedging transactions shall not exceed 3% of the market value of the such Company's invested assets (admitted assets for life insurance companies).
- The aggregate potential exposure of collars, swaps, swaptions, forwards and futures used in hedging transactions shall not exceed 6.5% of a Company's invested assets (admitted assets for life insurance companies).

(b) Replication.

The Companies may engage in replication transactions provided that the Companies would otherwise be authorized to invest their funds in the assets being replicated, the replication continues to be effective and each Company complies with the following quantitative limitations:

- A Company shall aggregate all replicated investment positions with their direct investments as if such Company had invested in the replicated asset directly in determining its compliance with applicable quantitative limitations.
- The aggregate financial statement value of assets being replicated shall not exceed 10% of the market value of a Company's invested assets (admitted assets for life insurance companies).

(c) Income Generation.

A Company may engage in income generation transactions provided that such transactions may only involve the sale of call options on securities that such Company holds (or can immediately acquire through the exercise of options, warrants or conversion rights already owned) during the entire period the option is outstanding (i.e., covered options), and each Company complies with the following quantitative limitations:

- The aggregate financial statement value of options *written* by a Company for income generation transactions shall not exceed 1% of the market value of such Company's invested assets (admitted assets for life insurance companies).

2. Limitations Relating to Counterparties

The Investment Manager shall monitor the credit quality of counterparties and regularly analyze and review the Companies' counterparty exposure. The Investment Manager shall use a mark-to-market value to determine a Company's counterparty exposure, net of any collateral held. The Investment Manager will also analyze "expected values" to determine total exposure. Furthermore, a Company shall limit its individual counterparty exposure under one or more derivative transactions to (a) 1% of its market value of invested assets (admitted assets for life insurance companies) for any single counterparty rated less than AA-/Aa3 and (b) 3% of its market value of invested assets for counterparties AA-/Aa3 or better. In addition, a Company's counterparty exposure shall be deemed to be an obligation of the institution to which such Company is exposed to credit risk and shall be included in determining compliance with any single or quantitative limitation applicable to such Company's investments.

B. Documentation of OTC Derivative Transactions.

All OTC derivative transactions entered into by the Companies shall be documented on an appropriate form of the ISDA Master Agreement ("Master Agreement"). Each transaction shall be based upon the Master Agreement and include negotiated schedules. Prior to the execution of any OTC derivative transaction, a Master Agreement between the Company(ies) and the subject counterparty must be in place. Each derivative transaction shall be documented on a standard confirmation which references the Master Agreement between the Company(ies) and the counterparty.

IV. OVERSIGHT, INTERNAL CONTROL PROCEDURES AND REPORTING

A. Delegation of Responsibility.

The ultimate responsibility for the use of derivative transactions is vested in each Company's Board of Directors ("Board"). In discharging its duties with regard to derivative transactions, each Board shall act in good faith with that degree of care that an ordinary, prudent person in like circumstances would use under similar circumstances. This Plan may be amended only by the Board.

The Board may delegate the day-to-day oversight regarding the Company's use of derivative instruments as outlined in this Plan to an Investment Manager. The Board shall choose an Investment Manager that possesses such expertise and experience necessary to appropriately manage the day-to-day derivative operations in a prudent manner, in compliance with this Plan.

B. Day-to-Day Responsibility — Investment Manager.

All oversight of day-to-day decisions regarding a Company's use of derivative instruments will be vested in the Investment Manager. In overseeing the day-to-day derivative activities of the Companies, the Investment Manager will comply with all the terms of this Plan and the investment policy established by each Company's Board. In addition, the Investment Manager will provide certain trade date documentation and derivative modeling results (described below) to help support each Company's accounting and reporting policies and responsibilities related to derivative investments, both on a GAAP and Statutory accounting basis.

1. Review and Documentation of Derivative Transactions

A member of the Investment Manager authorized to initiate derivative transactions will review each potential derivative transaction entered into by the Companies in accordance with the terms of this Plan.

The Investment Manager shall prepare reports pursuant to Section D hereof for the purpose of facilitating the Companies' review of such derivative transactions.

C. Internal Control Procedures — Process for Approval and Monitoring of Individual Transactions.

The Investment Manager will maintain a list of personnel authorized to initiate derivative transactions. In examining whether a Company should engage in a particular derivative transaction, an authorized member of the Investment Manager will consider (i) the guidelines set forth herein, (ii) the intended purpose of the transaction, (iii) the incremental risk to the Company caused by engaging in such derivative transaction, and (iv) alternative mechanisms for achieving the same purpose. All proposed derivative transactions will be documented on the trade date on a Derivative Transaction Control Sheet ("Control Sheet"), substantially in the form attached hereto as Exhibit A. The Control Sheet may be updated from time to time to reflect changing information requirements from regulators or as best practices evolve. A Control Sheet will not be deemed complete unless a draft of the underlying confirmation is attached thereto and the Control Sheet contains the following information:

- type of derivative instrument(s) to be used;
- type of strategy to be undertaken;
- underlying investment position or other balance sheet or income statement item to which the derivative transaction relates;
- description of the transaction, its purpose and its intended effect, including a precise identification of the risks being hedged or replicated, if applicable;
- identity of the counterparty or, with respect to exchange-traded transactions, the identity of the exchange and the name of the firm that handled the trade;
- notional amount of the transaction;
- consideration for the transaction;
- any additional collateral or other credit support taken or provided; and

- Investment Manager’s recommendation for the most appropriate method for assessing effectiveness based on acceptable choices provided by a Company in the event hedge accounting is to be used (final determination to be made by a Company for accounting/tax purposes).

On the date of a derivative transaction, two members of the Investment Manager must sign the Control Sheet, one of whom is authorized by the Investment Manager to initiate derivative transactions and the other of whom is in the Operations area responsible for settling all derivative transactions. Prior to the end of the day on which a derivative transaction has occurred, the Investment Manager will ascertain that:

- the Control Sheet is complete;
- the derivative transaction complies with this Plan, including a Company’s established quantitative and qualitative limits/parameters;
- the transaction is reasonably expected to perform as intended, as demonstrated through stress testing and other techniques designed to vary market performance and conditions as appropriate;
- the counterparty is included on the Investment Manager’s list of approved derivative counterparties for such Company;
- Such Company has received a copy of the completed Control Sheet so that it can complete any additional required hedge designation documentation, including the anticipated accounting and tax treatment for such derivative transactions. In the event that the transaction is not of the type where standard language has been provided to the Investment Manager by such Company, a minimum of 1 day prior notice must be given to such Company to allow adequate time to complete the derivative documentation in a timely manner. In all other cases the Control Sheet will be provided to such Company by noon on the transaction date.

The Investment Manager will be responsible for ensuring the proper monitoring of the performance of each derivative transaction during its duration to make certain that each derivative transaction continues to perform as originally intended and each such transaction remains in compliance with (i) all applicable laws and regulations, (ii) the terms of this Plan, and (iii) the underlying transaction documentation. A derivatives committee established by the Investment Manager will review the performance, potential risk and overall compliance of each derivative transaction on at least a monthly basis. Committee meeting minutes will be kept with copies provided to the Investment Manager and to the Companies. Any derivative transaction that is no longer performing in a manner consistent with its original purpose or is no longer in compliance with the aforementioned laws, regulations, Plan or underlying documentation will be terminated as soon as practicable.

The Investment Manager will be responsible for reviewing and approving its summary report information generated with respect to all derivative transactions. The Investment Manager will ensure information provided in such reports agrees with supporting documentation and systems backup information used in its risk measurement. The Investment Manager will be responsible for ensuring and assessing the effectiveness of internal controls over any models or system software used in the derivative transactions.

The Investment Manager will be responsible for providing certain information relating to derivative transactions necessary for the Companies’ assessment of the effectiveness of internal controls over investment accounting and financial reporting (see Section IV.G Accounting and Financial Reporting).

Every quarter, the Investment Manager will be responsible to report any internal control weaknesses or significant deficiencies as they relate to internal controls over the derivative transaction process. The Investment Manager shall prepare and deliver to the Companies a detailed plan that is reasonably acceptable to the Companies for promptly correcting all such deficiencies and exceptions ("***Corrective Plan***"). The Investment Manager shall deliver such Corrective Plan to the Companies promptly following the identification of the internal control weakness.

In the event that either the Companies or Investment Manager identify any weaknesses in the internal controls and procedures involving any material aspect of its respective derivative responsibilities, such weaknesses will be promptly communicated to the other party and no incremental derivative exposure effected by such weaknesses will be added until both the Investment Manager and the Companies are satisfied that the weaknesses have been sufficiently addressed.

D. Management Oversight of Derivatives Program.

In order to enable the Companies and the Investment Manager to meet the Companies' management and oversight standards as set forth in this Plan or required by law, the Companies and the Investment Manager shall be responsible, through their designated personnel, for generating a detailed Derivatives Report containing information pertaining to a Company's derivative activities during the prior quarter or other relevant period. The Report will contain a summary of each derivative transaction and a copy of each Control Sheet with respect to each derivative transaction effected during the relevant period. In addition, the Report will contain the following information:

- outstanding derivative positions and unrealized gains or losses on such positions, if any;
- derivative transactions opened and/or closed during the quarter and realized gains and losses on such transactions, if any;
- a performance review of the derivative transactions;
- an evaluation of the risks and benefits of the derivative transactions, including whether a derivative transaction entered into for hedging purposes continues to be an effective hedging tool;
- an assessment of future or "potential" risk exposure;
- a review of all counterparty exposure amounts outstanding;
- a valuation of the derivative transactions, including a mechanism for compensating for any lack of independence in valuing trading positions;
- any other reports, documentation or analysis deemed necessary by a Company or the Investment Manager to ascertain whether all derivative transactions have been made in accordance with the delegations, standards, limitations and objectives contained in this Plan.

E. Records and Documentation.

The Investment Manager will ensure that original documentation is maintained with respect to each derivative transaction prior to and following the termination of each such transaction, in accordance with a Company's record retention policies and procedures. All reports and documentation maintained by a Company regarding its derivative transactions will be available for (i) review by its Board, and (ii) independent audit and regulatory examination. The Investment Manager, under Company direction, will use such records to prepare and maintain summary report information with respect to all derivative transactions, in sufficient form and detail to allow the preparation of the Companies' Annual and Quarterly Statements in compliance with applicable laws and regulations.

F. Separation of Trading and Settlement Functions.

The Investment Manager will maintain a clear separation of the trading and settlement functions as another control measure. These two functions will be performed by separate areas and personnel.

G. Accounting and Financial Reporting.

The Companies will have responsibility for Accounting and Financial Reporting relating to derivatives. The Companies will provide the Investment Manager with accounting and tax wording for some of the more probable types of derivatives that will be used. This information will be included in the Control Sheet. The Investment Manager will provide certain derivative related information to the Companies to support these activities as outlined below:

- The Investment Manager will prepare and provide the Companies, on the trade date, with copies of the completed Control Sheet (see Exhibit A) relating to each derivative transaction. The Companies will use the information on the Control Sheet as part of their hedge designation documentation. The designation documentation supporting the hedge must be formal, be contemporaneous (i.e., prepared at inception of the hedge), identify the hedged item, the hedging instrument, the nature of the hedging relationship (e.g. fair value, cash flow, net investment), the Companies' overall risk management objectives and strategy for undertaking the hedge. The Investment Manager will suggest the most appropriate method for determining how hedge effectiveness will be assessed. As part of the Financial Reporting designated documentation, a statement must be included that identifies the hedging transaction for tax purposes. This will be provided by the Companies.
- The designation documentation must include support provided by the Investment Manager (e.g., correlation statistics such as r-squared using statistical analysis or observations of how effectively the hedging instrument achieved the dollar offset with the hedged item in the income statement) for why the hedge is expected to be "highly effective" at inception and on a go-forward basis.
- To be determined to be a "highly effective" hedging transaction, such transaction must be measured on a dollar offset approach and recorded within an **80-125%** effectiveness range.
- The designation documentation must define and document the method the Companies (provided by the Companies) will use to assess the hedge effectiveness for both prospective considerations and retrospective considerations: either a dollar-offset approach or a regression or other statistical analysis approach. However, when it comes to actually recording the amount of ineffectiveness during a period, the dollar-offset method must be used.
- Investment Manager will provide the Companies with the data supporting the amount of ineffectiveness and the ongoing assessment.

- The Companies will prepare a summary similar to Exhibit C summarizing the measurement of hedge effectiveness / ineffectiveness on quarterly basis. See Exhibit C.
- Investment Manager will provide the Companies, when reasonably requested, a quantitative and sensitivity analysis of the hedge transaction and market risk (equity and interest risks) as required in Management Discussion and Analysis.

EXHIBIT A

SAMPLE DERIVATIVE TRANSACTION CONTROL SHEET

Attached Documentation

Attach a copy of the draft confirmation (attach final as soon as it is available) of the derivative transaction to this Control Sheet. Also attach any documentation specific to this transaction that is in addition to the Master Agreement, schedule thereto and any credit support agreement.

Description of the Transaction

Please provide an appropriate answer to the information requested below regarding the subject derivative transaction

1. Describe the derivative transaction, including the purpose (i.e., strategy) for engaging in the derivative transaction and the intended effect.

   a. Describe the underlying investment position or other balance sheet or income statement item to which the derivative transaction relates.

   b. If the derivative transaction is entered into for hedging purposes, describe the precise risk being hedged or replicated.

2. Indicate the type of derivative instrument(s) used.

3. Indicate the notional amount of the derivative transaction.

4. Indicate the consideration paid/received in connection with the derivative transaction.

5. Identify the counterparty to the derivative transaction, or, if the derivative instrument is exchange traded, identify the exchange and the brokerage firm that handled the trade.

6. Describe any collateral or credit support given or received in relation to the derivative transaction that is in addition to collateral required by the standard CSA.

7. Investment Manager’s recommendation for most appropriate method for assessing hedge effectiveness from Companies’ list of approved methods (Companies will make the final determination of the method to be used for accounting/tax purposes)

Performance of the Derivative Transaction

Attach any analysis or testing performed regarding the anticipated performance of the derivative transaction.

Investment Manager Approval

The undersigned (i) certify that, to the best of his/her knowledge, all of the statements provided herein are true and correct in all material respects, (ii) certifies that the derivative transaction is within the undersigned’s authority level to approve, and (iii) approves the derivative transaction described herein and set forth in the documentation attached hereto.

Authorized Trader’s signature

Member of Operations/Compliance Area

EXHIBIT B

LIST OF COMPANIES	DATE ADOPTED BY THE BOARD
Symetra Life Insurance Company	December 5, 2006

EXHIBIT C

SAMPLE EFFECTIVENESS SUMMARY

Company reporting date:				
(Effectiveness must be assessed whenever financial statements or earnings are reported, but at least every 3 months)				
Company Calculation of:				
Hedged Item Fair Value	$	$	$	$
Hedging Instrument Fair Value	$	$	$	$
Retrospective Effectiveness				
Prospective Effectiveness				
For cash flow hedge of a forecasted transaction, is the hedged item still probable of occurring? (yes or no)				
Company performed and documented assessment of hedge effectiveness in accordance with the method defined in the hedge designation documentation? (yes or no)				
Company concluded that hedge meets criteria for hedge accounting? (yes or no)				
Comments/working paper reference				

Supplementary Investment Guidelines
Symetra Life Insurance Company
Adopted by the Board of Directors on December 6, 2005, as last amended 1/20/2009

This supplement to the Company's Statement of Investment Policy is to promote compliance with statutory requirements for purchases or acquisitions of investments by life insurers domiciled in the state of Washington and to incorporate other Company investment policies as may be approved from time to time by the Company's Board of Directors. Statutory restrictions or investment limits are in addition to any restrictions or limitations already required under the Company's general investment policies.

Chart of Statutory Investment Limits:

The Chart is intended as a summary only of the laws currently in force and does not obviate the Company's obligation to comply fully with all applicable laws at the time of each transaction.

Security	Requirement/Restriction	RCW
General Qualifications: Interest bearing or accruing or dividend or income paying securities that are not in default and not priced above market value.	100% of securities purchased or acquired must satisfy these requirements. (Limited exceptions may apply.)	48.13.020
One Entity: Any combination of investments in or loans upon the security of the obligations, property, and securities of any one person, institution, or municipal corporation.	Limited to 4% of assets without prior consent from OIC. (Limit does not apply to general obligations of the U.S. government or U.S. state governments.)	48.13.030(1) (See 48.13.273 for limits on medium and lower grade obligations.)
Depository Institutions: Voting securities of a depository institution or any company which controls a depository institution.	Limited to 5% of admitted assets without prior consent from OIC.	48.13.030(2)
Public Obligations: Bonds or other evidences of debt, not in default as to principal or interest, that are obligations issued, assumed or guaranteed by the U.S. or by any U.S. state or by any U.S. territory or possession, or by the District of Columbia or by any county, city, town, village, municipality or district therein or by any political subdivision thereof or by any civil division or public instrumentality of one or more of the foregoing.	Funds may be invested in public obligations payable (1) from taxes levied or required to be levied upon all taxable property or all taxable income within the jurisdiction of such governmental unit or, (2) from adequate special revenues, but not including any obligation payable solely out of special assessments on properties benefited by local improvements unless adequate security is evidenced.	48.13.040
Corporate Obligations: Obligations issued, assumed, or guaranteed by any solvent institution created or existing under the laws of the U.S. or of any state, district or territory thereof, and are qualified under any of the following: **(1)** Obligations which are secured by adequate collateral security and bear fixed interest. **(2)** Fixed interest bearing obligations. **(3)** Adjustment, income or other contingent interest obligations.	Section not applicable to mortgage related investments authorized under RCW 48.13.110. In determining the adequacy of collateral security, not more than 1/3 of the total value of such required collateral shall consist of stock other than stock meeting the requirements of RCW 48.13.080 (preferred or guaranteed stocks). Eligible corporate obligations are subject to issuer earnings requirements under RCW 48.13.050(1), (2) or (3).	48.13.050 See limits under 48.13.273, for medium and lower grade obligations. See 48.13.060 and .070 for definition of "net earnings" and application of net earnings test on securities of merged/reorganized institutions.
Preferred or Guaranteed Stocks: Qualified preferred or guaranteed stocks or shares (other than common stock) of solvent U.S. institutions. Stocks or shares are qualified if they meet the requirements of RCW 48.13.080(1)(a) for preferred stocks, or (b) for guaranteed stocks. In addition, as of the date of acquisition, all of the prior obligations and prior preferred stocks of the institution must be eligible investments.	Limited to 10% of assets. Institutions must satisfy net earnings requirements for preferred stock and RCW 48.13.050 for guaranteed stock. Subject to limitations of RCW 48.13.030 (single issuer), investment in preferred stock with voting rights plus common stock in same issuer (other than investment in certain subsidiaries of the insurer) is limited to 15% of issuer's outstanding shares having voting rights.	48.13.080

Security	Requirement/Restriction	RCW
Trustees' or Receivers' Obligations: Certificates, notes or other obligations issued by trustees or receivers of U.S. institutions which, or the assets of which, are court administered and which are adequately secured as to principal and interest.	Limited to 2% of assets.	48.13.090
Equipment Trust Certificates: Equipment trust obligations or certificates which are adequately secured, or in other adequately secured instruments evidencing an interest in transportation equipment wholly or in part within the U.S. and the right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such transportation equipment.	Limited to 10% of assets.	48.13.100
Mortgages, Deeds of Trust, Mortgage Bonds, Notes, Contracts: (1)(a) Bonds or evidences of debt which are secured by first mortgages or deeds of trust on improved unencumbered real property located in the U.S.; (1)(b) chattel mortgages in connection therewith; (1)(c) the equity of the seller of any such property in the contract for a deed, covering the entire balance due on a bona fide sale of such property. (2) Money mortgages or like securities received upon the sale or exchange of real property acquired pursuant to RCW 48.13.160. (3) Bonds or notes secured by mortgage or trust deed guaranteed or insured by the FHA. (4) Bonds or notes secured by mortgage or trust deed guaranteed or insured as to principal in whole or in part by the VA. (5) Evidences of debt secured by first mortgages or deeds of trust upon leasehold estates, except agricultural leaseholds executed pursuant to RCW 79.11.010. (6) Evidences of debt secured by first mortgages or deeds of trust upon agricultural leasehold estates executed pursuant to RCW 79.11.010.	(1)(b) Chattel mortgages are subject to requirements of RCW 48.13.150. (1)(c) Seller's equity in any one such deed covering the balance due on sale of such property is limited to the greater of $10,000 or the amount permissible under RCW 48.13.030. (5) Leasehold estates must run for at least 15 years beyond the maturity of the loan as made or as extended, in improved real property, be otherwise unencumbered, and the mortgagee must be entitled to be subrogated to all the rights under the leasehold. (6) Agricultural leasehold estates must be otherwise unencumbered, and the mortgagee must be entitled to be subrogated to all the rights under the leasehold. Except for investments made under (3) and (4) and guaranteed by FHA or VA, investments are limited to 75% of the fair value of the property as of the date of investment (80% of market value for certain loans secured by first mortgages on single-family residential buildings). RCW 48.13.120 Exceptions for certain securities received on the sale or exchange of real property acquired under RCW 48.13.160.	48.13.110 See 48.13.125 for limitation on amortization of loans on one-family dwellings. See 48.13.130 for definition of encumbrance. See 48.13.140 for appraisal of property, insurance requirements and the limit on loans upon the security of any one parcel of real property (the greater of $25,000 or the amount permissible under 48.13.030. See 48.13.265 for limits on investments secured by real estate.
Real Property Owned – Home Office Building: (1) insurer home and branch office buildings; (2) real property acquired in satisfaction or on account of loans, mortgages etc. previously owing to the insurer in the course of its business; (3) real property (a) required for convenient transaction of business;(b) acquired by gift or devise; (c) acquired in exchange for real property owned by insurer; (d) acquired through a lawful merger or consolidation with it of another insurer, (e) requisite or desirable for the protection or	(1) OIC approval required if investment in home office etc. exceeds 10% of assets. (3) Investment in real property can include repair, alteration, furnishing, or improvement thereof and is subject to the requirements of RCW 48.13.160(3). See statute for complete description, including when OIC approval may be required. (4) Investment in income producing	48.13.160

Security	Requirement/Restriction	RCW
enhancement of the value of other real property owned by the insurer; (4) income-producing property.	property is subject to the requirements of RCW 48.13.160(4). See statute for complete description with respect to insurer asset size, capital and surplus, and other conditions for investment that must be met.	
Disposal of Real Property — Time Limit: Real property acquired by an insurer pursuant to loans, mortgages, liens, judgments, or other debts, or under RCW 48.13.160(3)(a);(b), (c), (d), and (e).	Property acquired under RCW 48.13.160(3)(a) must be disposed of within 5 years of ceasing to be of use in the transaction of business. Property acquired pursuant to loans, mortgages, liens, judgments, or other debts, or under RCW 48.13.160(3)(b), (c), (d), and (e) must be disposed of within 5 years of acquisition, unless OIC approves a longer time.	48.13.170
Foreign Securities: Obligations of foreign governments including provinces, counties, municipalities, or similar entities, and obligations and securities of foreign corporations, which have not been in default during the five years next preceding date of acquisition, and if the foreign jurisdiction has a sovereign debt rating of SVO 1.	Limited to 10% of assets. Investment made in any one foreign country is limited to 5% of assets.	48.13.180
Policy Loans: Loans to policyholders upon the pledge of the policy as collateral.	Amount of respective loan cannot exceed the legal reserve maintained on the policy.	48.13.190
Savings and Share Accounts: Share or savings accounts of savings and loan associations or savings accounts of banks.	Amount deposited in any one institution is limited to amount insured by FSLIC or FDIC.	48.13.200
Insurance Stocks: Stocks of U.S. domiciled insurers that also meet the qualifications for stocks under RCW 48.13.220.	Limited to the lesser of 5% of assets or 25% of surplus over its capital stock and other liabilities. Unless a subsidiary, investment is limited to 5% of the voting stock of any one insurer and RCW 48.13.030.	48.13.210 Note: Limits do not apply to OIC approved mergers and stock dividends on shares already owned.
Limitation on Insurer Loans or Investments (Investment in Non-Insurer Subsidiaries): Common stock, preferred stock, debt obligations, and other securities of one or more subsidiaries as defined in RCW 48.31B.005.	Limited to the lesser of 10% of assets, or 50% of its surplus as regards policyholders.	48.13.218 Note: Subsidiaries that are insurers, healthcare service providers and HMOs are excluded.
Common Stocks: Common shares of stock in solvent U.S. corporations that qualify as a "sound investment."	Must first satisfy requirements of RCW 48.13.260 for investment of capital and reserves. Limited to 50% of surplus over the minimum required surplus. Subject to limitations of RCW 48.13.030 (single issuer), investment is limited to 10% of the outstanding common stock of same issuer (exception for stock of certain subsidiaries of the insurer).	48.13.220 Note: 90 days notice to OIC is required prior to acquisition of a majority of the total outstanding common shares of any corporation.
Collateral Loans: Loans upon the pledge of securities or evidences of debt eligible for investment.	Limited to 90% of the market value of such collateral pledged, except that loans upon pledges of U.S. government bonds may be equal to the market value of the bonds pledged, subject to the maximums under RCW 48.13.030.	48.13.230

Security	Requirement/Restriction	RCW
Miscellaneous Investments: Loans or investments not otherwise eligible for investment and not specifically prohibited by RCW 48.13.270 and not described in RCW 48.12.020 (non-allowable assets).	Limited to the lesser of 10% of assets or 50% of surplus over capital and other liabilities. Investment in or loan upon the security of any one entity is limited to the lesser of the limit described above or 1% of assets. [Exceptions require special consent order from OIC.]	48.13.240 Note: The insurer shall keep a separate record of all "miscellaneous" investments.
Special Consent Investments: Investments not otherwise eligible, but still qualified under RCW 48.13.020 (general qualifications) and for which advance approval from the OIC is obtained.	The approval from the OIC will specify whether the investment may be credited to required minimum capital or surplus investments, or to investments of reserves.	48.13.250
Required Investments for Capital and Reserves: **for Capital:** Cash or investments eligible under RCW 48.13.040 (public obligations), and mortgage loans on real property located within this state, pursuant to RCW 48.13.110. **for Reserves:** Cash or premiums in course of collection or investments under RCW 48.13: .040 (public obligations), .050 (corporate obligations), .080 (preferred or guaranteed stocks), .090 (trustees' or receivers' obligations), .100 (equipment trust certificates), .110 (mortgages, loans and contracts), .150 (auxiliary chattel mortgages), .160 (real property home office bldg. etc.), .180 (foreign securities), .190 (policy loans), .200 (savings and share accounts), .220 (common stocks), .230 (collateral loans), .250 (special consent investments).	Not less than 100% of the investments required for capital and reserves.	48.13.260
Investments Secured by Real Estate – Amount Restricted: real estate, real estate contracts, and notes, bonds and other evidences of debt secured by mortgage on real estate as described in RCW 48.13.110 and .160.	Limited to 65% of assets-all investments in mortgage-backed securities qualifying under the secondary mortgage market enhancement act of 1984 are included in determining if an insurer has exceeded the 65% limit.	48.13.265
Acquisition of Medium and Lower Grade Obligations: Medium obligations are rated 3 by the NAIC's securities valuation office. Lower grade obligations are rated 4, 5 or 6 by the NAIC's securities valuation office.	Investment in medium and lower grade obligations is limited to 20% of admitted assets. (Limited to 1% in obligations issued, guaranteed, or insured by one institution.) Investment in lower grade obligations is limited to 10% of admitted assets. (Limited to 0.5% in obligations issued, guaranteed, or insured by 1 institution.) Investment in lower grade obligations rated 5 or 6 is limited to 3% of admitted assets. Investment in lower grade obligations rated 6 is limited to 1% of admitted assets.	48.13.273 Note: If insurer intends to invest more than 2% of admitted assets in medium and lower grade obligations, the BOD must approve a written plan for making those investments.
Obligations Rated by the Securities Valuation Office: Obligations rated 1 or 2 by the NAIC's securities valuation office.	Investment subject to the limitations under RCW 48.13.030 (single issuer).	48.13.275

Security	Requirement/Restriction	RCW
<u>Derivative Transactions:</u> Options, warrants used in hedging transactions and not attached to another financial instrument, caps, floors, collars, swaps, forwards, futures, and any other agreements, options, or instruments substantially similar thereto or any series or combination thereof and any agreements, options, or instruments permitted under rules adopted by the OIC. Income generation transactions: (1) Sales of covered call options on noncallable fixed income securities, callable fixed income securities; (2) Sales of covered call options on equity securities, (3) Sales of covered puts on investments that the insurer is permitted to acquire under Chapter 13, (4) Sales of covered caps or floors.	Aggregate statement value ("ASV") of options, caps, floors, and warrants not attached to a financial instrument purchased and used in hedging transactions is limited to 7.5% of admitted assets. (ASV of options, caps, and floors written in hedging transactions is limited to 3% of admitted assets.) The aggregate potential exposure of collars, swaps, forwards, and futures used in hedging transactions is limited to 6.5% of admitted assets. For income generation transactions, the ASV of fixed income assets subject to call or that generate cash flows for payments under the caps or floors, plus the face value of fixed income securities underlying a derivative instrument subject to call, plus the amount of the purchase obligations under the puts, is limited to 10% of admitted assets. (1) Permitted if the option expires by its terms prior to the end of the noncallable period, or derivative instruments based on fixed income securities. (2) Permitted if the insurer holds or can immediately acquire through the exercise of options, warrants, or conversion rights already owned, the equity securities subject to call during the complete term of the call option sold. (3) Permitted if the insurer has escrowed, or entered into a custodian agreement segregating, cash or cash equivalents with a market value equal to the amount of its purchase obligations under the put during the complete term of the put option sold. (4) Permitted if the insurer holds the investments generating the cash flow to make the required payments under the caps or floors during the complete term that the cap or floor is outstanding.	48.13.285 <u>Note:</u> Permitted only to engage in hedging transactions and certain income generation transactions, not for speculation. Insurer must be able to demonstrate to the OIC the intended hedging characteristics and the ongoing effectiveness of the derivative transaction(s) through cash flow testing or other appropriate analysis.
<u>Prohibited Investments:</u> (1) Issued shares of its own capital stock. (2) Securities issued by any corporation if a majority of its stock having voting power is owned directly or indirectly by or for the benefit of any one or more of the insurer's officers and directors. (3) Any investment or loan ineligible under the provisions of RCW <u>48.13.030</u> (single issuer or depository institution). (4) Securities issued by any insolvent corporation. (5) Obligations contrary to the provisions of RCW <u>48.13.273</u> (medium and lower grade obligations). (6) Any investment or security found by the OIC to be designed to evade prohibition of the Insurance Code.		48.13.270
<u>Securities Underwriting, Agreements to Withhold or Repurchase – Prohibited:</u> No insurer shall: (1) participate in the underwriting of the marketing of securities in advance of their issuance or enter into any transaction for such underwriting for the account of such insurer jointly with any other person; or (2) enter into any agreement to withhold from sale any of its property, or to repurchase any property sold by it.		48.13.280

Security	Requirement/Restriction	RCW
Disposal of Ineligible Property or Securities: (1) Any ineligible personal property or securities acquired by an insurer may be required to be disposed of within the time not less than six months specified by order of the commissioner, unless before that time it attains the standard of eligibility, if retention of such property or securities would be contrary to the policyholders or public interest in that it tends to substantially lessen competition in the insurance business or threatens impairment of the financial condition of the insurer. (2) Any personal property or securities acquired by an insurer contrary to RCW 48.13.270 shall be disposed of forthwith or within any period specified by order of the commissioner. (3) Any property or securities ineligible only because of being excess of the amount permitted under Chapter 13 to be invested in the category to which it belongs shall be ineligible only to the extent of such excess.		48.13.290
Authorization of Investments: No investment, loan, sale or exchange thereof shall, except as to the policy loans of a life insurer, be made unless authorized or approved by the insurer's board of directors or by a committee charged by the board of directors or the bylaws with the duty of making such investment, loan, sale or exchange. The minutes of any such committee shall be recorded and reports thereof shall be submitted to the board of directors for approval or disapproval.		48.13.340
Record of Investments: A written record in permanent form showing the authorization of each investment or loan shall be made and signed by an officer of the insurer or by the chair of such committee authorizing the investment or loan. Records shall contain: (a) In the case of loans: the name of the borrower; the location and legal description of the property; a physical description, and the appraised value of the security; the amount of the loan, rate of interest and terms of repayment. (b) In the case of securities: the name of the obligor; a description of the security and the record of earnings; the amount invested, the rate of interest or dividend, the maturity and yield based upon the purchase price. (c) In the case of real estate: the location and legal description of the property; a physical description and the appraised value; the purchase price and terms. (d) In the case of all investments: (i) the amount of expenses and commissions if any incurred on account of any investment or loan and by whom and to whom payable if not covered by contracts with mortgage loan representatives or correspondents which are part of the insurer's records; (ii) the name of any officer or director of the insurer having any direct, indirect, or contingent interest in the securities or loan representing the investment, or in the assets of the person in whose behalf the investment or loan is made, and the nature of such interest.		48.13.350

Policy for Investment in Affiliates:

The Company will not invest in affiliates to the extent that such investment would be reportable under the Insurer Holding Company Act or the Disclosure of Material Transactions Model Law, or to the extent that such investment might, in the opinion of management, materially affect the overall liquidity of the Company's assets.

Approval Procedures for Mortgage Loans:

Subject to any statutory restrictions, any two members of the Mortgage Loan Committee may approve mortgage loans less than or equal to $10 million.

Mortgage loans greater than $10 million and less than or equal to $20 million require the approval of all Committee members.

Loans in excess of $20 million must be approved by the Company's shareholder (in addition to the general requirement of Board approval for all investments).

Exhibit 10.16

Amended and Restated
August 11, 2010

Symetra Financial Corporation Equity Plan

1. PURPOSE

The purpose of the Symetra Financial Corporation Equity Plan (the "Plan") is to advance the interests of Symetra Financial Corporation (the "Company") and its stockholders by providing long-term incentives to certain employees, directors and consultants of the Company and its subsidiaries.

2. ADMINISTRATION

The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company; provided that, following the initial public offering of the Company' common shares (the "IPO"), each member of the Committee shall qualify as (a) a "non-employee director" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (b) an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and (c) otherwise meets the independence requirements of the New York Stock Exchange (the "NYSE"). In the event that, following the IPO, any member of the Committee does not so qualify, the Plan shall, to the extent practicable, be administered by a sub-committee of Committee members who do so qualify. If it is later determined that one or more members of the Committee do not so qualify, actions taken by the Committee prior to such determination shall be valid despite such failure to qualify.

The Committee shall have exclusive authority to select the employees, directors and consultants to be granted awards under the Plan ("Awards"), to determine the type, size and terms of the Awards and to prescribe the form of the instruments embodying Awards. With respect to Awards made to directors and consultants, the Committee shall, and with respect to employees may, specify the terms and conditions applicable to such Awards in an Award agreement (each, an "Award Agreement"). The Committee is hereby authorized to interpret the Plan, Award Agreements and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. In connection with any Award, the Committee in its sole discretion may provide for vesting provisions that are different from the default vesting provisions that are contained in the Plan and such alternative provisions shall not be deemed to conflict with the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent the Committee deems desirable to carry it into effect. Any decision of the Committee in the administration of the Plan, as described herein, shall be final and conclusive. The Committee may act only by a majority of its members, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee. No member of the Committee shall be liable for anything done or omitted to be done by him or her or by any other member of the Committee in connection with the Plan, except for his or her own willful misconduct or as expressly provided by statute.

The Committee may delegate, on such terms and conditions as it determines in its sole and plenary discretion, to one or more executive officers of the Company the authority to make grants of Awards to officers (other than executive officers), employees and consultants of the Company and its affiliates (including any prospective officer, employee or consultant) and all necessary and appropriate decisions and determinations with respect thereto.

3. PARTICIPATING SUBSIDIARIES

If a subsidiary of the Company wishes to participate in the Plan and its participation shall have been approved by the Board, the Board of Directors of the subsidiary (the "Subsidiary Board") shall adopt a resolution in form and substance satisfactory to the Committee authorizing participation by the subsidiary in the Plan. As used herein, "subsidiary" shall mean a "subsidiary corporation" as defined in Section 424(f) of the Code.

A subsidiary may cease to participate in the Plan at any time by action of the Board or by action of the Subsidiary Board, which latter action shall be effective not earlier than the date of delivery to the Secretary of the Company of a certified copy of a resolution of the Subsidiary Board taking such action. Termination of participation in the Plan shall not relieve a subsidiary of any obligations theretofore incurred by it under the Plan.

4. AWARDS

(a) **Eligible Participants**. Any employee, director or consultant of the Company or any of its subsidiaries is eligible to receive an Award hereunder. The Committee shall select which eligible employees, directors or consultants shall be granted Awards hereunder. No employee, director or consultant shall have a right to receive an Award hereunder and the grant of an Award to an employee, director or consultant shall not obligate the Committee to continue to grant Awards to such employee, director or consultant in subsequent periods or to grant Awards to any other person at any time.

(b) **Type of Awards.** Awards shall be limited to the following seven types: (i) "Stock Options," (ii) "Stock Appreciation Rights," (iii) "Restricted Stock," (iv) "Restricted Stock Units," (v) "Performance Shares," (vi) "Performance Units" and (vii) other stock-based awards.

(c) **Maximum Number of Shares That May Be Issued.** A maximum of seven million, eight hundred and thirty thousand (7,830,000)[1] shares of common stock of the Company, $0.01 par value ("Shares"), may be issued by the Company in satisfaction of its obligations with respect to Award grants. The maximum aggregate number of Shares with respect to which Awards may be issued to any participant in any fiscal year of the Company is one million three hundred and twenty-five

1 Increased from 900,000 to reflect the Company's stock dividend effective October 26, 2007.

thousand (1,325,000)[2], subject to adjustment as provided in Section 17. For purposes of the foregoing, the exercise of a Stock Appreciation Right shall constitute the issuance of Shares equal to the Shares delivered under such Stock Appreciation Right. If any Shares issued as Restricted Stock shall be repurchased pursuant to the Company's option described in Section 6 below, or if any Shares issued under the Plan shall be reacquired pursuant to restrictions imposed at the time of issuance or pursuant to the satisfaction of tax withholding or related obligations, such Shares may again be issued under the Plan.

(d) **Rights With Respect to Shares**.

(i) A participant to whom Restricted Stock has been issued shall have, prior to the expiration of the Restricted Period or the earlier repurchase of such Shares as herein provided, ownership of such Shares, including the right to vote the same and to receive dividends thereon, subject, however, to the options, restrictions and limitations imposed thereon pursuant hereto.

(ii) A participant to whom Stock Options, Stock Appreciation Rights, Restricted Stock Units, Performance Shares or Performance Units are granted (and any person succeeding to such participant's rights pursuant to the Plan) shall have no rights as a shareholder with respect to any Shares issuable pursuant thereto until the date of the issuance of a stock certificate (whether or not delivered) therefor. Except as provided in Section 17, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities or other property) the record date for which is prior to the date such stock certificate is issued.

(iii) The Company, in its discretion, may hold custody during the Restricted Period of any Shares of Restricted Stock.

5. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

(a) Stock Options, which include "Incentive Stock Options" and other stock options or combinations thereof, are rights to purchase shares of Common Stock of the Company. A Stock Appreciation Right is an unfunded and unsecured promise to deliver Shares, cash, other securities, other Awards or other property equal in value to the excess, if any, of the Fair Market Value per Share over the exercise price per Share of the Stock Appreciation Right, subject to the terms of the applicable Award Agreement. The maximum number of Shares with respect to which Incentive Stock Options may be issued to a participant in one year is, four hundred and thirty-five thousand (435,000)[3] subject to adjustment pursuant to Section 17. Each Stock Option shall comply with the following terms and conditions:

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2 Increased from 435,000 by action of the Board August 11, 2010. Previously increased from 50,000 to reflect the Company's stock dividend effective October 26, 2007.

3 Increased from 50,000 to reflect the Company's Stock dividend effective October 26, 2007.

(i) The Committee shall determine the participants to whom Stock Options shall be granted, the number of shares to be covered by each Stock Option, whether the Stock Option will be an Incentive Stock Option and the conditions and limitations applicable to the vesting and exercise of the Option. Unless otherwise set forth in the applicable Award Agreement, the per share exercise price shall not be less than the greater of (i) the Fair Market Value per Share at the time of grant and (ii) the par value per Share. However, the exercise price of an Incentive Stock Option granted to a participant who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or of a subsidiary (a "Ten Percent Participant") shall not be less than 110% of the greatest of (i) the Fair Market Value per share at the time of grant, and (ii) the par value per Share.

(ii) The Stock Option shall not be transferable by the optionee otherwise than by will or the laws of descent and distribution, and shall be exercisable during such optionee's lifetime only by such optionee, unless otherwise set forth in the applicable Award Agreement.

(iii) The Stock Option shall not be exercisable unless payment in full is made for the Shares being acquired thereunder at the time of exercise (including any Federal, state or local income or other taxes which the Committee determines are required to be withheld in respect of such Shares), and such payment shall be made in United States dollars by cash or check or, if permitted by the Committee, (A) by tendering to the Company Shares owned by the person exercising the Stock Option and having an aggregate Fair Market Value equal to the aggregate cash exercise price thereof, (B) if there shall be a public market for the Shares at such time, subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell a number of Shares otherwise deliverable upon the exercise of the Stock Option and to deliver promptly to the Company an amount equal to the aggregate exercise price, or (C) by a combination of United States dollars and Shares pursuant to (A) and/or (B) above.

(iv) The aggregate Fair Market Value of Shares (determined at the time of grant of the Stock Option pursuant to Section 5(a)(i) of the Plan) with respect to which Incentive Stock Options granted to any participant under the Plan are exercisable for the first time by such participant during any calendar year may not exceed the maximum amount permitted under Section 422(d) of the Code at the time of the Award grant. In the event this limitation would be exceeded in any year, the optionee may elect either (i) to defer to a succeeding year the date on which some or all of such Incentive Stock Options would first become exercisable (but no longer than the term specified in Section 5(c)(i) herein) or (ii) to convert some or all of such Incentive Stock Options into non-qualified Stock Options.

(b) Each Stock Appreciation Right shall comply with the following terms and conditions:

(i) The Committee shall determine the participants to whom Stock Appreciation Rights shall be granted, the number of shares to be covered by each Stock Appreciation Right and the conditions and limitations applicable to the vesting and exercise of the Stock Appreciation Right. Unless otherwise set forth in the applicable Award Agreement, the per share exercise price shall not be less than the greater of (i) the Fair Market Value per Share at the time of grant and (ii) the par value per Share.

(ii) The Stock Appreciation Right shall not be transferable by the awardee otherwise than by will or the laws of descent and distribution, and shall be exercisable during such awardee's lifetime only by such awardee, unless otherwise set forth in the applicable Award Agreement.

(iii) A Stock Appreciation Right shall entitle the Participant to receive an amount equal to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the Stock Appreciation Right over the exercise price thereof. The Committee shall determine, in its sole and plenary discretion, whether a Stock Appreciation Right shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(iv) No fractional Shares shall be delivered under this Section 5(b), but in lieu thereof a cash adjustment may be made as determined by the Committee.

(c) Each Stock Option or Stock Appreciation Right shall not be exercisable:

(i) after the expiration of ten years from the date it is granted (or such earlier date specified in the grant of the Stock Option or Stock Appreciation Right or applicable Award Agreement) and may be exercised during such period only at such time or times as the Committee may establish; or

(ii) unless otherwise set forth in the applicable Award Agreement, by participants who were employees of the Company or one of its subsidiaries at the time of the grant of the Stock Option or Stock Appreciation Right unless such participant has been, at all times during the period beginning with the date of grant of the Stock Option or Stock Appreciation Right and ending on the date three months prior to such exercise, an officer or employee of the Company or any of its subsidiaries, or of a corporation, or a parent or subsidiary of a corporation, issuing or assuming the Stock Option or Stock Appreciation Right in a transaction to which Section 424(a) of the Code is applicable, except that:

(A) unless otherwise set forth in the applicable Award Agreement, if such person shall cease to be an officer or employee of the Company or one of its subsidiaries solely by reason of a period of Related Employment (as defined in Section 12), he or she may, during such period of Related Employment (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof), exercise such Stock Option or Stock Appreciation Right as if he or she continued to be such an officer or employee; or

(B) unless otherwise set forth in the applicable Award Agreement, if an optionee shall become Disabled (as defined in Section 10) he or she may, at any time within three years of the date he or she becomes disabled (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof), exercise the Stock Option or Stock Appreciation Right with respect to (i) any Shares as to which he or she could have exercised the Stock Option or Stock Appreciation Right on the date he or she became disabled and (ii) if the Stock Option or Stock Appreciation Right is not fully exercisable on the date he or she becomes disabled, the number of additional Shares as to which the Stock Option or Stock Appreciation Right would have become exercisable had he or she remained an employee through the next date on which additional Shares were scheduled to become exercisable under the Stock Option or Stock Appreciation Right; or

(C) unless otherwise set forth in the applicable Award Agreement, if an optionee shall die while holding a Stock Option or Stock Appreciation Right, his executors, administrators, heirs or distributees, as the case may be, at any time within one year after the date of such death (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof), may exercise the Stock Option or Stock Appreciation Right with respect to any Shares as to which the decedent could have exercised the Stock Option or Stock Appreciation Right at the time of his or her death, and if the Stock Option or Stock Appreciation Right is not fully exercisable on the date of his or her death, the number of additional Shares as to which the Stock Option or Stock Appreciation Right would have become exercisable had he or she remained an employee through the next date on which additional Shares were scheduled to become exercisable under the Stock Option or Stock Appreciation Right; provided, however, that if death occurs during the three-year period following a Disability as described in Section 5(c)(ii)(B) hereof or any period following a voluntary termination (including retirement) in respect of which the Committee has exercised its discretion to grant continuing exercise rights as provided in Section 5(c)(ii)(D) hereof, the Stock Option or Stock Appreciation Right shall not become exercisable as to any Shares in addition to those as to which the decedent could have exercised the Stock Option or Stock Appreciation Right at the time of his or her death; or

(D) unless otherwise set forth in the applicable Award Agreement, if such person shall voluntarily terminate his or her employment with the Company (including retirement), the Committee, in its sole discretion, may determine that such optionee may exercise the Stock Option or Stock Appreciation Right with respect to some or all of the Shares subject to the Stock Option or Stock Appreciation Right as to which it would not otherwise be exercisable on the date of his or her voluntary termination provided, however, that in no event may such exercise take place after the Stock Option or Stock Appreciation Right has expired under the provisions of Section 5(c)(i) hereof.

(E) notwithstanding anything herein to the contrary and subject to Section 13, unless otherwise set forth in the applicable Award Agreement, in the event a Change in Control (as defined in Section 13(a)) occurs and within 12 months thereafter: (A) there is a Termination Without Cause (as defined in Section 14) of an optionee's or awardee's employment or (B) there is a Constructive Termination (as defined in Section 15) of an optionee's or awardee's employment (any such Termination Without Cause or Constructive Termination, a "Trigger Event"), the optionee or awardee may exercise the entire Stock Option or Stock Appreciation Right at any time within 30 days following such Trigger Event (but in no event after the Stock Option or Stock Appreciation Right has expired under the provisions of Sections 5(c)(i)).

6. RESTRICTED STOCK

Each Award of Restricted Stock shall comply with the following terms and conditions, unless otherwise set forth in the applicable Award Agreement:

(a) The Committee shall determine the number of Shares to be issued to a participant pursuant to the Award.

(b) Shares issued may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, for such period from the date on which the Award is granted as the Committee shall determine (the "Restricted Period"). The Company shall have the option to repurchase the Shares subject to the Award at such price as the Committee shall have fixed (including zero consideration), in its sole discretion, when the Award was made, which option will be exercisable on such terms, in such manner and during such period as shall be determined by the Committee when the Award is made (which may include, for illustration, the participant's cessation of continuous employment or the failure to satisfy performance conditions). Certificates for Shares issued pursuant to Restricted Stock Awards shall bear an appropriate legend referring to the foregoing option and other restrictions. Any attempt to dispose of any such Shares in contravention of the foregoing option and other restrictions shall be null and void and without effect. If Shares issued pursuant to a Restricted Stock Award shall be repurchased pursuant to the option described above, the participant to whom the Award was granted, or in the event of his or her death after such option became exercisable, his or her executor or administrator, shall forthwith deliver to the Secretary of the Company any certificates for the Shares awarded to the participant, accompanied by such instruments of transfer, if any, as may reasonably be required by the Secretary of the Company. If the option described above is not exercised by the Company, such option and the restriction imposed pursuant to the first sentence of this Section 6(b) shall terminate and be of no further force and effect.

(c) Unless otherwise set forth in the applicable Award Agreement, if a participant who has been in the continuous employment of the Company or of a subsidiary shall:

(i) die or become Disabled during the Restricted Period, the option of the Company to repurchase (and any and all other restrictions on) a pro rata portion of the Shares awarded to such participant under such Award shall lapse and cease to be effective as of the date on which his or her death or disability occurs which shall be determined as follows: (A) the number of Shares awarded under the Award multiplied by (B) a percentage, the numerator of which is equal to the number of months elapsed in the Restricted Period as of the date of death or disability (counting the month in which the death or disability occurred as a full month) and the denominator of which is equal to the number of months in the Restricted Period; or

(ii) voluntarily terminate his or her employment with the Company (including retirement) during the Restricted Period, the Committee may determine that all or any portion of the option to repurchase and any and all other restrictions on some or all of the Shares awarded to him or her under such Award, if such option and other restrictions are still in effect, shall lapse and cease to be effective as the date on which such voluntary termination or retirement occurs.

(d) Unless otherwise set forth in the applicable Award Agreement, in the event within 12 months after a Change in Control and during the Restricted Period there is a Trigger Event, then the option to repurchase (and any and all other restrictions on) all Shares awarded to the participant under his or her Restricted Stock Award shall lapse and cease to be effective as of the date on which such Trigger Event occurs.

7. RESTRICTED STOCK UNITS

The grant of a Restricted Stock Unit Award to a participant will entitle him or her to receive, without payment to the Company, an amount equal to the number of Shares underlying such Restricted Stock Unit Award multiplied by the Fair Market Value of a

Share on the date of vesting of the Restricted Stock Unit Award, if the terms and conditions specified herein and in the Award are satisfied. Payment in respect of a Restricted Stock Unit Award shall be made as provided in Section 7(e). Each Restricted Stock Unit Award shall be subject to the following terms and conditions:

(a) The Committee shall determine the number of Shares underlying the Restricted Stock Units to be granted to a participant.

(b) Restricted Stock Unit Awards shall be subject to the vesting schedule determined by the Committee and set forth in the applicable Award Agreement. Payment in respect of a vested Restricted Stock Unit may be made in cash, stock or any combination thereof, as specified in the applicable Award Agreement.

(c) Except as otherwise determined by the Committee or in an Award Agreement, Restricted Stock Units shall be cancelled if the participant's continuous employment with the Company or any of its subsidiaries shall terminate for any reason prior to the vesting of the Restricted Stock Units, except solely by reason of a period of Related Employment, and except as otherwise specified in this Section 7(c) or in Section 7(d). Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, if an employee participant shall:

(i) while in such employment, die or become Disabled prior to the vesting of the Restricted Stock Units, such Restricted Stock Units shall be immediately canceled and the participant, or the participant's legal representative, as the case may be, shall receive a payment in respect of such canceled Restricted Stock Units equal to the product of (A)(i) the number of Shares underlying such Restricted Stock Units multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months within the period commencing on the grant date of such Restricted Stock Units and such death or Disability (including, for this purpose, the month in which the death or Disability occurs), and the denominator of which is equal to the total number of months from the grant date to the date when such Restricted Stock Units were intended to vest; or

(ii) retire with the approval of the Committee in its sole discretion prior to the vesting of the Restricted Stock Units, the Restricted Stock Units shall be immediately canceled; provided that the Committee in its sole discretion may determine to make a payment to the participant in respect of some or all of such canceled Restricted Stock Units.

(d) Unless otherwise set forth in the applicable Award Agreement, if within 12 months after a Change in Control there is a Trigger Event, then with respect to Restricted Stock Unit Awards that were outstanding on the date of the Trigger Event (each, an "Applicable Award"), each such Applicable Award shall be immediately canceled and, in respect thereof, such participant shall be entitled to receive a cash payment equal to the product of (A) the number of Shares underlying such Applicable Awards and (B) the Fair Market Value of a Share on the date the applicable Trigger Event occurs.

(e) Unless payment is deferred in accordance with an election made by the participant in accordance with procedures adopted by the Company in its sole discretion (if any), payment of any amount in respect of any Restricted Stock Units shall be made by the Company no later than 60 days after the end of the calendar year in which such Restricted Stock Units vest or become payable.

8. PERFORMANCE SHARES

The grant of a Performance Share Award to a participant will entitle such participant to receive, without payment to the Company, all or part of the value (the "Actual Value") of a specified number of hypothetical Shares ("Performance Shares") determined by the Committee, if the terms and conditions specified herein and in the Award are satisfied. Payment in respect of a Performance Share Award shall be made as provided in Section 8(h). Each Performance Share Award shall be subject to the following terms and conditions:

(a) The Committee shall determine the target number of Performance Shares to be granted to a participant. Performance Share Awards may be granted in different classes or series having different terms and conditions.

(b) The Actual Value of a Performance Share Award shall be the product of (i) the target number of Performance Shares subject to the Performance Share Award, (ii) the Performance Percentage (as determined below) applicable to the Performance Share Award and (iii) the Fair Market Value of a Share on the date the Award is paid or becomes payable to the participant. The "Performance Percentage" applicable to a Performance Share Award shall be a percentage of no less than 0% and no more than 200%, which percentage shall be determined by the Committee based upon the extent to which the Performance Objectives (as determined below) established for such Award are achieved during the Award Period (as defined below). The method for determining the applicable Performance Percentage shall also be established by the Committee.

(c) At the time each Performance Share Award is granted, the Committee shall establish performance objectives ("Performance Objectives") to be attained within the Award Period as the means of determining the Performance Percentage applicable to such Award. The Performance Objectives shall be approved by the Committee (i) while the outcome for that Award Period is substantially uncertain and (ii) no more than 90 days after the commencement of the Award Period to which the Performance Objective relates or, if less than 90 days, the number of days which is equal to 25 percent of the relevant Award Period. The Performance Objectives established with respect to a Performance Share Award shall be specific performance targets established by the Committee with respect to one or more of the following criteria selected by the Committee: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on stockholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) share price; (xi) combined ratio; (xii) operating ratio; (xiii) profitability of an identifiable business unit or product; (xiv) maintenance or improvement of profit margins; (xv) market share; (xvi) revenues or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) return on assets; (xxi) customer satisfaction; (xxii) employee satisfaction; (xxiii) economic value per Share, (xxiv) underwriting return on capital and (xxv) underwriting return on equity. The foregoing criteria may relate to the Company, one or more of its subsidiaries or one or more of its divisions, units, partnerships, joint ventures or minority investments, product lines or products or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the Performance Objectives may be calculated without regard to extraordinary items.

(d) The award period (the "Award Period") in respect of any grant of a Performance Share Award shall be such period as the Committee shall determine commencing as of the beginning of the fiscal year of the Company in which such grant is made. An Award Period may contain a number of performance periods; each performance period shall commence on or after the first day of the Award Period and shall end no later than the last day of the Award Period. If the Committee does not specify in a Performance Share Award agreement or elsewhere the performance periods contained in an Award Period, each 12-month period beginning with the first day of such Award Period shall be deemed to be a performance period.

(e) Except as otherwise determined by the Committee or in an Award Agreement, Performance Shares shall be canceled if the participant's continuous employment with the Company or any of its subsidiaries shall terminate for any reason prior to the end of the Award Period, except by reason of a period of Related Employment as defined in Section 11, and except as otherwise specified in this Section 8(e) or in Section 8(f). Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, if an employee participant shall:

(i) while in such employment, die or become Disabled prior to the end of an Award Period, the Performance Share Award for such Award Period shall be immediately canceled and he or she, or his or her legal representative, as the case may be, shall receive a payment in respect of such canceled Performance Share Award equal to the product of (A)(i) the target number of Performance Shares for such Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months within the Award Period during which employee was continuously employed by the Company or its subsidiaries (including, for this purpose, the month in which the death or Disability occurs), and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the Fair Market Value of a Share on the last day of the performance period in which the death or Disability occurred, multiplied by (C) the Performance Percentage determined by the Board to have been achieved through the end of the performance period in which the death or Disability occurred (but which in no event shall be less than 50%); or

(ii) retire with the approval of the Committee in its sole discretion prior to the end of the Award Period, the Performance Share Award for such Award Period shall be immediately canceled; provided that the Committee in its sole discretion may determine to make a payment to the participant in respect of some or all of such canceled Performance Share Award.

(f) Unless otherwise set forth in the applicable Award Agreement, if within 12 months after a Change in Control there is a Trigger Event, then with respect to Performance Share Awards that were outstanding on the date of the Trigger Event (each, an "Applicable Award"), each such Applicable Award shall be immediately canceled and, in respect thereof, such participant shall be entitled to receive a payment equal to the product of (A) (i) the target number of Performance Shares for such Applicable Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full months within the Award Period during which the participant was continuously employed by the Company or its subsidiaries, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the Fair Market Value of a Share on the date the applicable Trigger Event occurs, multiplied by (C) a Performance Percentage equal to 100%. Unless otherwise set forth in the applicable Award Agreement, if following a Change in Control, a Participant's employment remains continuous through the end of an Award Period, then the Participant shall be paid with respect to such Awards for which he would have been paid had there not been a Change in Control and the Actual Value shall be determined in accordance with Section 8(g) below.

(g) Except as otherwise provided in Section 8(f), as soon as practicable after the end of the Award Period or such earlier date as the Committee in its sole discretion may designate, the Committee shall (i) determine, based on the extent to which the applicable Performance Objectives have been achieved, the Performance Percentage applicable to an Award of Performance Shares, (ii) calculate the Actual Value of the Performance Share Award and (iii) shall certify the foregoing to the Board. The Committee shall cause an amount equal to the Actual Value of the Performance Shares earned by the participant to be paid to him or his beneficiary. The Committee shall determine, in its sole and plenary discretion, whether Performance Shares shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(h) Unless payment is deferred in accordance with an election made by the participant in accordance with procedures adopted by the Company in its sole discretion (if any), payment of any amount in respect of any Performance Shares shall be made by the Company no later than 60 days after the end of the calendar year in which such Performance Shares are earned.

9. PERFORMANCE UNITS

The grant of a Performance Unit Award to a participant will entitle such participant to receive, without payment to the Company, all or part of a specified amount (the "Earned Value") determined by the Committee, if the terms and conditions specified herein and in the Award are satisfied. Payment in respect of a Performance Unit Award shall be made as provided in Section 9(h). Each Performance Unit Award shall be subject to the following terms and conditions:

(a) The Committee shall determine the target number of Performance Units to be granted to a participant. The maximum Earned Value that may be earned by a participant for Performance Units for any single Award Period of one year or longer shall not exceed $25,000,000. Performance Unit Awards may be granted in different classes or series having different terms and conditions.

(b) The Earned Value of an Award of Performance Units shall be the product of (i) the target number of Performance Units subject to the Performance Unit Award, (ii) the Performance Percentage (as determined below) applicable to the Performance Unit Award and (iii) the Value (as defined below) of a Performance Unit on the date the Award is paid or becomes payable to the employee. The "Performance Percentage" applicable to a Performance Unit Award shall be a percentage of no less than 0% and no more than 200%, which percentage shall be determined by the Committee based upon the extent to which the Performance Objectives (as determined below) established for such Award are achieved during the Award Period (as defined below). The method for determining the applicable Performance Percentage shall also be established by the Committee. The "Value" of a Performance Unit shall be a fixed dollar value (or a dollar value determined pursuant to a formula or similar process) specified by the Committee and set forth in the applicable Award Agreement.

(c) At the time each Performance Unit Award is granted the Committee shall establish performance objectives ("Performance Objectives") to be attained within the Award Period as the means of determining the Performance Percentage applicable to such Award. The Performance Objectives shall be approved by the Committee (i) while the outcome for that Award Period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance objective relates or, if less than 90 days, the number of days which is equal to 25 percent of the relevant performance period. The Performance Objectives established with respect to a Performance Unit Awards shall be specific performance targets established by the Committee with respect to one or more of the following criteria selected by the Committee: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on stockholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) share price; (xi) combined ratio; (xii) operating ratio; (xiii) profitability of an identifiable business unit or product; (xiv) maintenance or improvement of profit margins; (xv) market share; (xvi) revenues or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) return on assets; (xxi) customer satisfaction; (xxii) employee satisfaction; (xxiii) economic value per Share, (xxiv) underwriting return on capital and (xxv) underwriting return on equity. The foregoing criteria may relate to the Company, one or more of its subsidiaries or one or more of its divisions, units, partnerships, joint ventures or minority investments, product lines or products or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the Performance Objectives may be calculated without regard to extraordinary items.

(d) The award period (the "Award Period") in respect of any grant of a Performance Unit Award shall be such period as the Committee shall determine commencing as of the beginning of the fiscal year of the Company in which such grant is made. An Award Period may contain a number of performance periods; each performance period shall commence on or after the first day of the Award Period and shall end no later than the last day of the Award Period. If the Committee does not specify in a Performance Unit Award Agreement or elsewhere the performance periods contained in an Award Period, each 12-month period beginning with the first day of such Award Period shall be deemed to be a performance period.

(e) Except as otherwise determined by the Committee or in an Award Agreement, Performance Units shall be cancelled if the participant's continuous employment with the Company or any of its subsidiaries shall terminate for any reason prior to the end of the Award Period, except solely by reason of a period of Related Employment, and except as otherwise specified in this Section 9(e) or in Section 9(f). Notwithstanding the foregoing, unless otherwise set forth in the applicable Award Agreement, if an employee participant shall:

(i) while in such employment, die or become Disabled prior to the end of an Award Period, the Performance Unit Award for such Award Period shall be immediately canceled and the participant, or his or her legal representative, as the case may be, shall receive a payment in respect of such canceled Performance Unit Award equal to the product of (A)(i) the target number of Performance Units for such Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full or partial months within the Award Period during which employee was continuously employed by the Company or its subsidiaries (including, for this purpose, the month in which the death or disability occurs), and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the value of a Performance Unit on the last day of the performance period in which the death or disability occurred, multiplied by (C) the Performance Percentage determined by the Board to have been achieved through the end of the performance period in which the death or disability occurred; or

(ii) retire with the approval of the Committee in its sole discretion prior to the end of the Award Period, the Performance Unit Award for such Award Period shall be immediately canceled; provided that the Committee in its sole discretion may determine to make a payment to the participant in respect of some or all of such canceled Performance Unit Award.

(f) Unless otherwise set forth in the applicable Award Agreement, if within 12 months after a Change in Control there is a Trigger Event, then with respect to

Performance Unit Awards that were outstanding on the date of the Trigger Event (each, an "Applicable Award"), each such Applicable Award shall be immediately canceled and, in respect thereof, such participant shall be entitled to receive a payment equal to the product of (A) (i) the target number of Performance Units for such Applicable Award multiplied by (ii) a fraction, the numerator of which is equal to the number of full months within the Award Period during which the participant was continuously employed by the Company or its subsidiaries, and the denominator of which is equal to the total number of months within such Award Period, multiplied by (B) the Value of a Performance Unit on the date the applicable Trigger Event occurs, multiplied by (C) a Performance Percentage equal to 100%. If following a Change in Control, unless otherwise set forth in the applicable Award Agreement, a Participant's employment remains continuous through the end of an Award Period, then the Participant shall be paid with respect to such Awards for which he or she would have been paid had there not been a Change in Control and the Earned Value shall be determined in accordance with Section 9(g) below.

(g) Except as otherwise provided in Section 9(f), as soon as practicable after the end of the Award Period or such earlier date as the Committee in its sole discretion may designate, the Committee shall (i) determine, based on the extent to which the applicable Performance Objectives have been achieved, the Performance Percentage applicable to an Award of Performance Units, (ii) calculate the Earned Value of the Performance Unit Award and (iii) shall certify all of the foregoing to the Board of Directors. The Committee shall cause an amount equal to the Earned Value of the Performance Units earned by the participant to be paid to him or her or his or her beneficiary. The Committee shall determine, in its sole and plenary discretion, whether a Performance Unit shall be settled in cash, Shares, other securities, other Awards, other property or a combination of any of the foregoing.

(h) Unless payment is deferred in accordance with an election made by the participant in accordance with procedures adopted by the Company in its sole discretion (if any), payment of any amount in respect of any Performance Units shall be made by the Company no later than 60 days after the end of the calendar year in which such Performance Units are earned.

10. OTHER STOCK-BASED AWARDS

Subject to the provisions of the Plan, the Committee shall have the sole and plenary authority to grant to participants other equity-based or equity-related Awards (including, but not limited to, fully-vested Shares) in such amounts and subject to such terms and conditions as the Committee shall determine.

11. DISABILITY

For the purposes of this Plan, unless otherwise specified in the applicable Award Agreement, a participant shall be deemed to be "Disabled" if the Committee shall determine that the physical or mental condition of the participant is such as would entitle him or her to payment of long-term disability benefits under any disability plan of the Company or a subsidiary in which he or she is a participant.

12. RELATED EMPLOYMENT

For the purposes of this Plan, Related Employment shall mean the employment of a participant by an employer which is neither the Company nor a subsidiary provided: (i) such employment is undertaken by the participant and continued at the request of the Company or a subsidiary; (ii) immediately prior to undertaking such employment, the participant was an officer or employee of the Company or a subsidiary, or was engaged in Related Employment as herein defined; and (iii) such employment is recognized by the Committee, in its sole discretion, as Related Employment for the purposes of this Section 12. The death or Disability of a participant during a period of Related Employment as herein defined shall be treated, for purposes of this Plan, as if the death or onset of disability had occurred while the participant was an officer or employee of the Company.

13. CHANGE IN CONTROL

(a) For purposes of this Plan, unless otherwise specified in the applicable Award Agreement, a "Change in Control" within the meaning of this Section 13(a) shall occur if:

(i) Any person or group (within the meaning of Section 13(d) and 14(d)(2) of the Exchange Act), other than (x) White Mountains Insurance Group, Ltd., Berkshire Hathaway, Inc. or the respective wholly owned subsidiaries thereof, as applicable (the "Significant Investors"), (y) an underwriter temporarily holding Shares in connection with a public issuance thereof or (z) an employee benefit plan of the Company or its affiliates, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of thirty-five percent (35%) or more of the Company's then outstanding Shares and such ownership percentage exceeds the beneficial ownership percentage of the Significant Investors in the Company's then outstanding Shares;

(ii) the Continuing Directors, as defined in Section 13(b), cease for any reason to constitute a majority of the Board of the Company; or

(iii) the business of the Company and its subsidiaries is disposed of by the Company pursuant to a sale or other disposition of all or substantially all of the business or business-related assets of the Company and its subsidiaries.

(b) For the purposes of this Plan, "Continuing Director" shall mean a member of the Board who either was a member of the Board on the Effective Date (as defined below) or subsequently became a director of the Company and whose election, or nomination for election, by the Company's shareholders was approved by a vote of a majority of the Continuing Directors then on the Board (which term, for purposes of this definition, shall mean the whole Board and not any committee thereof), but excluding any such individual whose initial assumption of office occurred pursuant to an actual or threatened proxy contest or consent solicitation with respect to the election or removal of directors.

(c) In the event of a Change in Control, the Committee as constituted immediately prior to the Change in Control shall determine the manner in which "Fair Market Value" of Shares will be determined following the Change in Control.

14. TERMINATION WITHOUT CAUSE

For purposes of this Plan, unless otherwise specified in the applicable Award Agreement, "Termination Without Cause" shall mean a termination of the participant's employment with the Company or subsidiary or business unit of the Company by the Company (or subsidiary or business unit, as applicable) or, by a purchaser of the participant's subsidiary or business unit after a Change in Control as described in Subsection 13(a)(iii), other than (i) for death or Disability or (ii) for Cause. "Cause" shall mean, unless otherwise set forth in the applicable Award Agreement, (a) an act or omission by the participant that constitutes a felony or any crime involving moral turpitude; or (b) willful gross negligence or willful gross misconduct by the participant in connection with his employment which causes, or is likely to cause, material loss or damage to the Company, subsidiary or business unit. Notwithstanding anything herein to the contrary, if the participant's employment with the Company, subsidiary or business unit shall terminate due to a Change in Control as described in Subsection 13(a)(iii), where the purchaser (the "Purchaser"), as described in such subsection, formally assumes the Company's obligations under this Plan or places the participant in a similar or like plan with no diminution of the value of the awards, such termination shall not be deemed to be a "Termination Without Cause."

15. CONSTRUCTIVE TERMINATION

"Constructive Termination" shall mean, unless otherwise set forth in the applicable Award Agreement, a termination of employment with the Company or a subsidiary at the initiative of the participant that the participant declares by prior written notice delivered to the Secretary of the Company to be a Constructive Termination by the Company or a subsidiary and which follows (a) a material decrease in his total compensation opportunity or (b) a material diminution in the authority, duties or responsibilities of his position with the result that the participant makes a determination in good faith that he or she cannot continue to carry out his or her job in substantially the same manner as it was intended to be carried out immediately before such diminution. Notwithstanding anything herein to the contrary, Constructive Termination shall not occur within the meaning of this Section 15 until and unless (a) the participant provides 30 days written notice of termination to the company of the occurrence of the circumstances described in this Section 15 within 30 days following such occurrence and (b) 30 days have elapsed from the date the Company receives such written notice from the participant without the Company curing or causing to be cured the circumstance or circumstances described in this Section 15 on the basis of which the declaration of Constructive Termination is given.

16. [RESERVED]

17. DILUTION AND OTHER ADJUSTMENTS

(a) In the event of any change in the outstanding Shares of the Company by reason of any stock split, stock or extraordinary cash dividend, recapitalization, merger, consolidation, reorganization, combination or exchange of Shares or other similar event, and if the Committee shall determine, in its sole discretion, that such change equitably requires an adjustment in the number or kind of Shares that may be issued under the Plan pursuant to Section 4, in the number or kind of Shares subject to, or the Stock Option or Stock Appreciation Right price per Share under, any outstanding Award, in the number or kind of Shares which have been awarded as Restricted Stock or in the repurchase option price per share relating thereto, in the target number of Performance Shares or Performance Units which have been awarded to any participant, or in any measure of performance, then such adjustment shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

(b) The Committee is hereby authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, any extraordinary dividend or other extraordinary distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, split-up or spin-off, merger, consolidation, stock sale, asset sale or the occurrence of a Change of Control) affecting the Company, any affiliate, or the financial statements of the Company or any affiliate, or of changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange, accounting principles or law (i) whenever the Committee, in its sole and plenary discretion, determines that such adjustments are appropriate or desirable, including, without limitation, providing for a substitution or assumption of Awards, accelerating the exercisability of, lapse of restrictions on, or termination of, Awards or providing for a period of time for exercise prior to the occurrence of such event, (ii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by providing for a cash payment to the holder of an Award in consideration for the cancelation of such Award, including, in the case of an outstanding Option or Stock Appreciation Right, a cash payment to the holder of such Option or Stock Appreciation Right in consideration for the cancelation of such Option or Stock Appreciation Right in an amount equal to the excess, if any, of the Fair Market Value (as of a date specified by the Committee) of the Shares subject to such Option or Stock Appreciation Right over the aggregate Exercise Price of such Option or Stock Appreciation Right and (iii) if deemed appropriate or desirable by the Committee, in its sole and plenary discretion, by canceling and terminating any Option or Stock Appreciation Right having a per Share exercise price equal to, or in excess of, the Fair Market Value of a Share subject to such Option or Stock Appreciation Right without any payment or consideration therefor.

18. DESIGNATION OF BENEFICIARY BY PARTICIPANT

A participant may name a beneficiary to receive any payment to which he may be entitled in respect of Restricted Stock Units, Performance Shares, Performance Units or Stock Appreciation Rights under the Plan in the event of his death, on a form to be provided by the Committee. A participant may change his beneficiary from time to time in the same manner. If no designated beneficiary is living on the date on which any amount becomes payable to a participant's executors or administrators, the term "beneficiary" as used in the Plan shall include such person or persons.

19. CERTAIN ADDITIONAL DEFINITIONS

As used in the Plan, the term "Fair Market Value" shall mean (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee and (b) with respect to Shares, as of any date, (i) the closing per share sales price of the Shares (A) as reported by the NYSE for such date or (B) if the Shares are listed on any other national stock exchange, as reported on the stock exchange composite tape for securities traded on such stock exchange for such date or, with respect to each of clauses (A) and (B), if there were no sales on such date, on the closest preceding date on which there were sales of Shares or (ii) in the event there shall be no public market for the Shares on such date, the fair market value of the Shares as determined in good faith by the Committee.

20. MISCELLANEOUS PROVISIONS

(a) No employee or other person shall have any claim or right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving an employee any right to be retained in the employ of the Company or any subsidiary.

(b) A participant's rights and interest under the Plan may not be assigned or transferred in whole or in part either directly or by operation of law or otherwise (except in the event of a participant's death), including but not limited to, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner and no such right or interest of any participant in the Plan shall be subject to any obligation or liability or such participant.

(c) No Shares shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable Federal and state securities laws.

(d) The Company and its subsidiaries shall have the right to deduct from any payment made under the Plan any Federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Company to issue Shares upon exercise of a Stock Option, upon settlement of a Stock Appreciation Right, or upon payment of a Restricted Stock Unit, Performance Share or a Performance Unit that the participant (or any beneficiary or person entitled to payment under Section 5(c)(ii)(C) hereof) pay to the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold Federal, state or local income or other taxes. If the amount requested is not paid, the Company may refuse to issue Shares.

(e) The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan.

(f) By accepting any Award or other benefit under the Plan, each participant and each person claiming under or through him or her shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

21. AMENDMENT

The Plan may be amended at any time and from time to time by the Board, but no amendment which increases the aggregate number of Shares which may be issued pursuant to the Plan or the class of employees eligible to participate shall be effective unless and until the same is approved by the shareholders of the Company. No amendment of the Plan shall adversely affect any right of any participant with respect to any Award previously granted without such participant's written consent.

22. TERMINATION

This Plan shall terminate upon the earlier of the following dates or events to occur:

(a) the adoption of a resolution of the Board terminating the Plan; or

(b) ten years from the Effective Date.

No termination of the Plan shall alter or impair any of the rights or obligations of any person, without his consent, under any Award previously granted under the Plan.

23. EFFECTIVE DATE

The Plan shall be effective as of the date of its adoption by the Board and approval by the Company's shareholders (such date, the "Effective Date"); provided, however, that no Incentive Share Options may be granted under the Plan unless it is approved by the Company's shareholders within twelve (12) months before or after the date the Plan is adopted by the Board.

CERTIFICATION

I, Thomas M. Marra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Symetra Financial Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2010

By: /s/ Thomas M. Marra
Thomas M. Marra
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Margaret A. Meister, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Symetra Financial Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. [paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report, based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2010

By: /s/ Margaret A. Meister
Margaret A. Meister
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, Thomas M. Marra, Chief Executive Officer of Symetra Financial Corporation, certify that (i) the Form 10-Q for the quarter ended June 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q for the quarter ended June 30, 2010 fairly presents, in all material respects, the financial condition and results of operations of Symetra Financial Corporation.

Date: August 12, 2010

By: /s/ Thomas M. Marra
Thomas M. Marra
President and Chief Executive Officer

Exhibit 32.2

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, Margaret A. Meister, Chief Financial Officer of Symetra Financial Corporation, certify that (i) the Form 10-Q for the quarter ended June 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q for the quarter ended June 30, 2010 fairly presents, in all material respects, the financial condition and results of operations of Symetra Financial Corporation.

Date: August 12, 2010

By: /s/ Margaret A. Meister
Margaret A. Meister
Executive Vice President and Chief Financial Officer