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 September 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 o

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

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

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 November 8, 2010, the Registrant had 118,197,471 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 Part II, Item 1A — "Risk Factors" in this report; in Part I, Item 1A — "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009; and Item 1A — "Risk Factors" in Part II of our Form 10-Q for the quarters ended March 31, and June 30, 2010.

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 September 30, 2010 (Unaudited)	As of December 31, 2009
ASSETS		
Investments:		
Available-for-sale securities:		
Fixed maturities, at fair value (cost: **$19,896.4** and $18,553.7, respectively)	**$ 21,450.1**	$ 18,594.3
Marketable equity securities, at fair value (cost: **$52.5** and $52.6, respectively)	**45.4**	36.7
Trading securities:		
Marketable equity securities, at fair value (cost: **$159.0** and $165.9, respectively)	**158.8**	154.1
Mortgage loans, net	**1,493.4**	1,199.6
Policy loans	**71.7**	73.9
Investments in limited partnerships (includes **$38.5** and $24.7 measured at fair value, respectively)	**169.1**	110.2
Other invested assets	**12.0**	12.2
Total investments	**23,400.5**	20,181.0
Cash and cash equivalents	**197.2**	257.8
Accrued investment income	**257.5**	237.2
Accounts receivable and other receivables	**89.0**	70.1
Reinsurance recoverables	**284.8**	276.6
Deferred policy acquisition costs	**160.9**	250.4
Goodwill	**27.8**	26.3
Current income taxes recoverable	**—**	20.2
Deferred income tax assets, net	**—**	191.2
Other assets	**58.4**	84.5
Separate account assets	**826.2**	840.1
Total assets	**$ 25,302.3**	$ 22,435.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Funds held under deposit contracts	**$ 20,107.9**	$ 18,816.7
Future policy benefits	**397.6**	394.9
Policy and contract claims	**126.1**	125.6
Unearned premiums	**12.8**	12.1
Other policyholders' funds	**109.1**	113.8
Notes payable	**449.0**	448.9
Deferred income tax liabilities, net	**291.1**	—
Other liabilities	**271.2**	250.0
Separate account liabilities	**826.2**	840.1
Total liabilities	**22,591.0**	21,002.1
Commitments and contingencies *(Note 10)*		
Preferred stock, $0.01 par value; 10,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 750,000,000 shares authorized; **118,171,213** issued and outstanding as of September 30, 2010; 92,729,455 issued and outstanding as of December 31, 2009	**1.2**	0.9
Additional paid-in capital	**1,449.3**	1,165.7
Retained earnings	**441.4**	316.4
Accumulated other comprehensive income (loss), net of taxes	**819.4**	(49.7)
Total stockholders' equity	**2,711.3**	1,433.3
Total liabilities and stockholders' equity	**$ 25,302.3**	$ 22,435.4

See accompanying notes.

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

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Revenues:				
Premiums	**$ 120.2**	$ 116.6	**$ 354.7**	$ 352.9
Net investment income	**304.4**	283.6	**888.4**	829.4
Policy fees, contract charges, and other	**40.9**	40.2	**123.2**	120.5
Net realized investment gains (losses):				
Total other-than-temporary impairment losses on securities	**(9.6)**	(44.1)	**(30.2)**	(167.9)
Less: portion of losses recognized in other comprehensive income	**6.1**	26.7	**15.5**	94.2
Net impairment losses recognized in earnings	**(3.5)**	(17.4)	**(14.7)**	(73.7)
Other net realized investment gains	**23.5**	28.7	**31.5**	44.7
Total net realized investment gains (losses)	**20.0**	11.3	**16.8**	(29.0)
Total revenues	**485.5**	451.7	**1,383.1**	1,273.8
Benefits and expenses:				
Policyholder benefits and claims	**85.4**	85.6	**254.9**	262.1
Interest credited	**227.8**	220.5	**667.8**	629.2
Other underwriting and operating expenses	**63.1**	61.7	**186.9**	186.7
Interest expense	**8.0**	7.9	**23.9**	23.8
Amortization of deferred policy acquisition costs	**18.0**	13.8	**50.4**	36.4
Total benefits and expenses	**402.3**	389.5	**1,183.9**	1,138.2
Income from operations before income taxes	**83.2**	62.2	**199.2**	135.6
Provision (benefit) for income taxes:				
Current	**18.8**	(15.7)	**46.1**	(4.2)
Deferred	**7.8**	33.8	**14.4**	43.6
Total provision for income taxes	**26.6**	18.1	**60.5**	39.4
Net income	**$ 56.6**	$ 44.1	**$ 138.7**	$ 96.2
Net income per common share:				
Basic	**$ 0.41**	$ 0.40	**$ 1.03**	$ 0.86
Diluted	**$ 0.41**	$ 0.40	**$ 1.03**	$ 0.86
Weighted-average number of common shares outstanding:				
Basic	**137.140**	111.622	**135.082**	111.622
Diluted	**137.145**	111.624	**135.096**	111.623
Cash dividends declared per common share	**$ 0.05**	—	**$ 0.10**	—

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	—	—	96.2	—	—	96.2
Other comprehensive income (net of taxes: $591.3)	—	—	—	—	1,098.1	1,098.1
Total comprehensive income, net of taxes						1,194.3
Balances as of September 30, 2009	$ 0.9	$ 1,165.5	$ 284.3	$ —	$ 29.8	$ 1,480.5
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	**—**	**—**	**138.7**	**—**	**—**	**138.7**
Other comprehensive income (net of taxes: $**467.8**)	**—**	**—**	**—**	**—**	**869.1**	**869.1**
Total comprehensive income, net of taxes						**1,007.8**
Stock-based compensation	**—**	**2.0**	**—**	**(0.6)**	**—**	**1.4**
Retirement of treasury stock	**—**	**(0.6)**	**—**	**0.6**	**—**	**—**
Dividends declared	**—**	**—**	**(13.7)**	**—**	**—**	**(13.7)**
Balances as of September 30, 2010	**$ 1.2**	**$ 1,449.3**	**$ 441.4**	**$ —**	**$ 819.4**	**$ 2,711.3**

See accompanying notes.

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

	For the Nine Months Ended September 30, 2010	2009
Cash flows from operating activities		
Net income	$ 138.7	$ 96.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized investment (gains) losses	(16.8)	29.0
Accretion and amortization of invested assets, net	30.0	15.0
Accrued interest on bonds	(31.1)	(25.8)
Amortization and depreciation	16.9	10.9
Deferred income tax provision	14.4	43.6
Interest credited on deposit contracts	667.8	629.2
Mortality and expense charges and administrative fees	(77.0)	(75.1)
Changes in:		
Accrued investment income	(20.3)	(36.7)
Deferred policy acquisition costs, net	(44.0)	(95.9)
Other receivables	(10.1)	(5.4)
Future policy benefits	2.7	2.6
Policy and contract claims	0.5	1.5
Current income taxes	23.1	(4.0)
Other assets and liabilities	(30.0)	(9.5)
Other, net	0.4	(0.2)
Total adjustments	526.5	479.2
Net cash provided by operating activities	665.2	575.4
Cash flows from investing activities		
Purchases of:		
Fixed maturities and marketable equity securities	(3,219.8)	(3,332.4)
Other invested assets and investments in limited partnerships	(34.1)	(9.1)
Issuances of mortgage loans	(354.5)	(162.3)
Issuances of policy loans	(12.3)	(13.6)
Maturities, calls, paydowns, and other	1,345.3	1,001.5
Securities lending collateral returned, net	—	72.3
Sales of:		
Fixed maturities and marketable equity securities	548.3	454.1
Other invested assets and investments in limited partnerships	13.8	23.0
Repayments of mortgage loans	56.5	53.9
Repayments of policy loans	13.6	14.1
Other, net	(1.8)	3.0
Net cash used in investing activities	(1,645.0)	(1,895.5)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	1,674.0	2,187.7
Withdrawals	(1,005.7)	(1,010.1)
Securities lending collateral paid, net	—	(72.3)
Proceeds from issuance of common stock	282.5	—
Cash dividends paid on common stock	(13.7)	—
Other, net	(17.9)	(11.5)
Net cash provided by financing activities	919.2	1,093.8
Net decrease in cash and cash equivalents	(60.6)	(226.3)
Cash and cash equivalents at beginning of period	257.8	468.0
Cash and cash equivalents at end of period	$ 197.2	$ 241.7
Supplemental disclosures of cash flow information		
Non-cash transactions during the period:		
Investments in limited partnerships and capital obligations incurred	$ 38.7	$ 10.0
Bond exchanges	76.5	147.7

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 nine months ended September 30, 2009, this included reclassifications of $25.5 and $77.3, 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 nine months ended September 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 six months. As a result, for the nine months ended September 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 $193.9 and $147.3 as of September 30, 2010 and December 31, 2009, respectively. See Note 5 for disclosures related to the fair value of these investments and their impact on earnings.

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.

ASU 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB issued ASU 2010-26, *Financial Services — Insurance (Topic 944) — Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. This guidance limits the amounts of deferrable acquisition costs to those incremental costs directly related to the successful acquisition of an insurance contract and clarifies which costs are included in that definition. Additionally, advertising costs must meet existing GAAP guidance for capitalization of advertising costs to be deferred under ASC 944. The guidance is effective for fiscal years beginning after December 15, 2011. Retrospective application, as well as early adoption, are permitted, but not required. The Company is evaluating the method and impact of adopting this guidance.

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.

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

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.

For the three and nine months ended September 30, 2010, 2.350 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. There were no stock options issued or outstanding in 2009.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Numerator:				
Net income, as reported	**$ 56.6**	$ 44.1	**$ 138.7**	$ 96.2
Denominator:				
Weighted-average common shares outstanding — basic	**137.140**	111.622	**135.082**	111.622
Add: Dilutive effect of restricted stock	**0.005**	0.002	**0.014**	0.001
Weighted-average common shares outstanding — diluted	**137.145**	111.624	**135.096**	111.623
Net income per common share:				
Basic	**$ 0.41**	$ 0.40	**$ 1.03**	$ 0.86
Diluted	**$ 0.41**	$ 0.40	**$ 1.03**	$ 0.86

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 September 30, 2010					
Fixed maturities:					
U.S. government and agencies	**$ 87.6**	**$ 8.4**	**$ —**	**$ 96.0**	**$ (0.1)**
State and political subdivisions	**468.8**	**12.1**	**(7.6)**	**473.3**	**(0.2)**
Corporate securities	**13,576.7**	**1,331.0**	**(128.4)**	**14,779.3**	**(25.2)**
Residential mortgage-backed securities	**3,667.7**	**214.9**	**(42.6)**	**3,840.0**	**(39.1)**
Commercial mortgage-backed securities	**1,766.9**	**152.3**	**(8.2)**	**1,911.0**	**(3.6)**
Other debt obligations	**328.7**	**29.7**	**(7.9)**	**350.5**	**(8.5)**
Total fixed maturities	**19,896.4**	**1,748.4**	**(194.7)**	**21,450.1**	**(76.7)**
Marketable equity securities, available-for-sale	**52.5**	**1.1**	**(8.2)**	**45.4**	**—**
Total	**$ 19,948.9**	**$ 1,749.5**	**$ (202.9)**	**$ 21,495.5**	**$ (76.7)**

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

	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	12,300.2	483.8	(384.0)	12,400.0	(32.3)
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	355.8	13.1	(27.3)	341.6	(4.3)
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)

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 September 30, 2010						
Fixed maturities:						
State and political subdivisions	**$ —**	**$ —**	**—**	**$ 180.5**	**$ (7.6)**	**26**
Corporate securities	**343.0**	**(26.1)**	**63**	**1,083.2**	**(102.3)**	**123**
Residential mortgage-backed securities	**27.1**	**(0.2)**	**8**	**319.5**	**(42.4)**	**47**
Commercial mortgage-backed securities	**21.8**	**(0.4)**	**7**	**70.9**	**(7.8)**	**19**
Other debt obligations	**—**	**—**	**—**	**50.8**	**(7.9)**	**9**
Total fixed maturities	**$ 391.9**	**$ (26.7)**	**78**	**$ 1,704.9**	**$ (168.0)**	**224**
Marketable equity securities, available-for-sale	—	—	—	**23.6**	**(8.2)**	**3**
Total	**$ 391.9**	**$ (26.7)**	**78**	**$ 1,728.5**	**$ (176.2)**	**227**

	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	1,377.6	(33.3)	148	2,442.6	(350.8)	284
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	37.8	(0.3)	6	89.6	(26.9)	15
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 the National Association of Insurance Commissioners (NAIC) ratings, as of September 30, 2010 and December 31, 2009, the Company held below-investment-grade fixed maturities with fair values of $969.7 and $1,032.1, respectively, and amortized costs of $1,008.0 and $1,165.1, respectively. These holdings amounted to 4.5% and 5.6% of the Company's investments in fixed maturities at fair value as of September 30, 2010 and December 31, 2009, respectively.

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The following table summarizes the amortized cost and fair value of fixed maturities as of September 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	**$ 718.7**	**$ 730.1**
Over one year through five years	**3,189.3**	**3,441.5**
Over five years through ten years	**5,163.1**	**5,755.8**
Over ten years	**5,121.0**	**5,484.8**
Residential mortgage-backed securities	**3,667.7**	**3,840.0**
Commercial mortgage-backed securities	**1,766.9**	**1,911.0**
Other asset-backed securities	**269.7**	**286.9**
Total fixed maturities	**$ 19,896.4**	**$ 21,450.1**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Fixed maturities	**$ 282.0**	$ 267.0	**$ 833.4**	$ 781.4
Marketable equity securities, available-for-sale	**0.6**	0.6	**2.3**	2.3
Marketable equity securities, trading	**0.7**	0.7	**2.2**	1.9
Mortgage loans	**23.2**	17.2	**62.9**	49.3
Policy loans	**1.1**	1.1	**3.3**	3.3
Investments in limited partnerships	**(0.3)**	(0.9)	**(4.1)**	1.7
Other	**1.8**	2.8	**3.6**	4.0
Total investment income	**309.1**	288.5	**903.6**	843.9
Investment expenses	**(4.7)**	(4.9)	**(15.2)**	(14.5)
Net investment income	**$ 304.4**	$ 283.6	**$ 888.4**	$ 829.4

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Fixed maturities:				
Gross gains on sales	**$ 6.6**	$ 10.7	**$ 24.0**	$ 17.0
Gross losses on sales	**(2.1)**	(12.7)	**(3.4)**	(14.9)
Other-than-temporary impairments	**(3.5)**	(17.4)	**(14.7)**	(73.7)
Other(1)	**5.1**	7.6	**7.3**	6.9
Total fixed maturities	**6.1**	(11.8)	**13.2**	(64.7)
Marketable equity securities, trading(2)	**15.2**	21.6	**14.0**	25.9
Other invested assets	**(0.4)**	0.4	**(6.6)**	(1.1)
Deferred policy acquisition costs adjustment	**(0.9)**	1.1	**(3.8)**	10.9
Net realized investment gains (losses)	**$ 20.0**	$ 11.3	**$ 16.8**	$ (29.0)

(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 $4.0, $6.3, $(0.4) and $7.7 for the three and nine months ended September 30, 2010 and 2009, respectively.

(2) This includes $15.8, $21.5, $13.5 and $23.5 of net gains for the three and nine months ended September 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.

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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;
- 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 Structured Securities

To determine the recovery value, credit loss and intent to sell for a structured security, including residential mortgage-, commercial mortgage- 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;

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- 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.

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

	As of September 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	**$ 97.3**	**$ (29.7)**	$ 103.4	$ (28.4)
6 consecutive months or more	**157.3**	**(54.4)**	517.9	(229.5)
Total underwater by 20% or more	**254.6**	**(84.1)**	621.3	(257.9)
All other underwater fixed maturities	**1,842.2**	**(110.6)**	5,398.1	(352.5)
Total underwater fixed maturities	**$ 2,096.8**	**$ (194.7)**	$ 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)
All other underwater marketable equity securities, available-for-sale	**21.9**	**(3.8)**	0.7	(0.1)
Total underwater marketable equity securities, available-for-sale	**$ 23.6**	**$ (8.2)**	$ 36.3	$ (16.0)

As of September 30, 2010 and December 31, 2009, investment grade securities comprised 36.6% and 59.7%, respectively, of all 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 available-for-sale investments with unrealized losses as of September 30, 2010 in accordance with its impairment policy and determined, after the recognition of other-than-temporary impairments, that the remaining declines in fair value were temporary. The Company did not intend to sell its underwater 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. Based on its analysis of its underwater available-for-sale marketable equity securities, including an evaluation of the near term prospects of the issuers, the Company had the intent and ability to hold them until recovery.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Balance, beginning of period	**$ 68.5**	$ 74.4	**$ 69.6**	$ 73.0
Increases recognized in the current period:				
For which an OTTI was not previously recognized	**2.1**	14.1	**8.6**	35.4
For which an OTTI was previously recognized	**0.5**	1.5	**2.9**	12.1
Decreases attributable to:				
Securities sold or paid down during the period	**(3.5)**	(18.7)	**(13.5)**	(26.4)
Previously recognized credit losses on securities impaired during the period due to a change in intent to sell(1)	**—**	(0.3)	**—**	(23.1)
Balance, end of period	**$ 67.6**	$ 71.0	**$ 67.6**	$ 71.0

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

5. Fair Value of Financial Instruments

The Company 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.

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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 September 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	$ 96.0	$ —	$ 96.0	$ —	—
State and political subdivisions	473.3	—	473.3	—	—
Corporate securities	14,779.3	—	13,916.4	862.9	3.8%
Residential mortgage-backed securities	3,840.0	—	3,779.1	60.9	0.3
Commercial mortgage-backed securities	1,911.0	—	1,891.9	19.1	0.1
Other debt obligations	350.5	—	292.7	57.8	0.2
Total fixed maturities, available-for-sale	21,450.1	—	20,449.4	1,000.7	4.4
Marketable equity securities, available-for-sale	45.4	43.6	—	1.8	0.0
Marketable equity securities, trading	158.8	158.2	—	0.6	0.0
Investments in limited partnerships(1)	38.5	—	—	38.5	0.2
Other invested assets	5.5	2.7	—	2.8	0.0
Total investments carried at fair value	21,698.3	204.5	20,449.4	1,044.4	4.6
Separate account assets	826.2	826.2	—	—	—
Total	$ 22,524.5	$ 1,030.7	$ 20,449.4	$ 1,044.4	4.6%

	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	12,400.0	—	11,552.9	847.1	4.3
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	341.6	—	286.9	54.7	0.3
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 carried at fair value	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 September 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 September 30, 2010 and December 31, 2009, pricing services provided prices for 95.3% 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

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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 September 30, 2010 and December 31, 2009, the Company had $897.9, or 4.2%, 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 $824.9, or 91.9%, and $819.8, or 91.0%, of these privately placed securities as Level 3 measurements, as of September 30, 2010 and December 31, 2009, respectively.

Corporate Securities

As of September 30, 2010 and December 31, 2009, the fair value of the Company's corporate securities classified as Level 2 measurements was $13,916.4 and $11,552.9, respectively. The following table presents additional information about the composition of the Level 2 corporate securities:

	As of September 30, 2010			As of December 31, 2009		
	Amount	% of Total	# of Securities	Amount	% of Total	# of Securities
Significant Security Sectors:						
Industrials	**$ 2,396.5**	**17.2%**	**203**	$ 1,923.4	16.6%	215
Consumer staples	**2,100.4**	**15.1**	**145**	1,695.9	14.7	147
Utilities	**1,909.8**	**13.7**	**253**	1,771.6	15.3	216
Financials	**1,896.0**	**13.6**	**199**	1,750.5	15.2	285
Weighted-average coupon rate	**6.41%**			6.55%		
Weighted-average remaining years to contractual maturity	**12.3**			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 September 30, 2010, 91.8% of the Level 3 corporate securities were privately placed securities. These securities were issued by entities primarily in the financial sector, 25.5%, the industrial sector, 20.9%, and the materials sector, 14.6%.

As of December 31, 2009, 91.9% of the Level 3 corporate securities were privately placed securities. These securities were issued by entities primarily in the financial sector, 22.9%, the industrial sector, 20.7%, and the materials sector, 15.6%.

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

		As of September 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	**$ 140.7**	**17.8%**	$ 153.5	19.2%
2	BBB	**573.5**	**72.4**	557.4	69.8
3 – 6	BB & below	**78.1**	**9.8**	87.3	11.0
Total		**$ 792.3**	**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

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observed in transactions involving similar securities. As of September 30, 2010, the range of illiquidity adjustments varied from 0 to 50 basis points.

Residential Mortgage-backed Securities

As of September 30, 2010 and December 31, 2009, the fair value of the Company's residential mortgage-backed securities (RMBS) classified as Level 2 measurements was $3,779.1 and $3,285.9, respectively. These securities were primarily fixed-rate, with a weighted-average coupon rate of 5.20% and 5.36% as of September 30, 2010 and December 31, 2009, respectively.

Agency securities composed 87.7% and 84.7% of the Company's Level 2 RMBS as of September 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 September 30, 2010		As of December 31, 2009	
	Amount	% of Total	Amount	% of Total
Standard & Poor's equivalent rating:				
AAA	**$ 176.8**	**38.0%**	$ 200.8	39.9%
AA through BBB	**94.7**	**20.3**	140.2	27.8
BB & below	**193.9**	**41.7**	162.7	32.3
Total Non-agency RMBS	**$ 465.4**	**100.0%**	$ 503.7	100.0%
Non-agency RMBS with super senior subordination	**$ 276.1**	**59.3%**	$ 300.3	59.6%

As of September 30, 2010 and December 31, 2009, the Company's non-agency Level 2 RMBS had a weighted-average credit enhancement of 9.8%, and $189.5 and $191.3, or 40.7% 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 September 30, 2010 and December 31, 2009, the fair value of the Company's commercial mortgage-backed securities (CMBS) classified as Level 2 measurements was $1,891.9 and $1,765.4, respectively. These were primarily non-agency securities, which comprised 68.7% and 76.8% of Level 2 CMBS as of September 30, 2010 and December 31, 2009, respectively. The non-agency CMBS had an estimated weighted-average credit enhancement of 28.2% and 27.8% as of September 30, 2010 and December 31, 2009, respectively, and 93.4% and 92.4%, respectively, were in the most senior tranche.

The Company's Level 2 CMBS had a weighted-average coupon rate of 5.53% and 5.55% as of September 30, 2010 and December 31, 2009, respectively. As of September 30, 2010, 18.7% of the underlying collateral for these securities was located in New York, 13.5% was located in California, and 7.0% was located in Texas. The underlying collateral primarily consisted of shopping centers/retail and office buildings, comprising 33.6% and 31.0%, respectively, as of September 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.

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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, composed mostly of investments in common stock. 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 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. Certain nonredeemable preferred stock are reported as available-for-sale.

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 tables present 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 nine months ended September 30, 2010:

						Unrealized Gain (Loss) Included in:			
	Balance as of July 1, 2010	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(2)	Net Income(3)	Other Comprehensive Income	Realized Gains (Losses)(3)	Balance as of September 30, 2010
Types of Investments:									
State and political subdivisions	$ 7.6	$ —	$ —	$ —	$ (7.6)	$ —	$ —	$ —	$ —
Corporate securities	862.2	—	(9.9)	(5.8)	(1.1)	—	17.6	(0.1)	862.9
Residential mortgage-backed securities	77.1	—	—	(17.5)	0.3	—	1.0	—	60.9
Commercial mortgage-backed securities	31.6	—	—	(10.5)	(1.9)	—	(0.1)	—	19.1
Other debt obligations	56.5	—	—	(3.5)	(3.2)	—	10.1	(2.1)	57.8
Total fixed maturities, available-for-sale	1,035.0	—	(9.9)	(37.3)	(13.5)	—	28.6	(2.2)	1,000.7
Marketable equity securities, available-for-sale	1.8	—	—	—	—	—	—	—	1.8
Marketable equity securities, trading	0.7	—	—	(0.1)	—	—	—	—	0.6
Investments in limited partnerships	32.1	11.9	—	—	(7.5)	2.0	—	—	38.5
Other invested assets	2.5	—	—	—	—	0.3	—	—	2.8
Total Level 3	$ 1,072.1	$ 11.9	$ (9.9)	$ (37.4)	$ (21.0)	$ 2.3	$ 28.6	$ (2.2)	$ 1,044.4

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						Unrealized Gain (Loss) Included in:			
	Balance as of January 1, 2010	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(2)	Net Income(3)	Other Comprehensive Income	Realized Gains (Losses)(3)	Balance as of September 30, 2010
Types of Investments:									
State and political subdivisions	**$ 7.2**	**$ —**	**$ —**	**$ —**	**$ (7.2)**	**$ —**	**$ —**	**$ —**	**$ —**
Corporate securities	**847.1**	**26.8**	**(27.2)**	**12.8**	**(40.1)**	**—**	**43.0**	**0.5**	**862.9**
Residential mortgage-backed securities	**250.5**	**—**	**—**	**(194.6)**	**1.8**	**—**	**3.2**	**—**	**60.9**
Commercial mortgage-backed securities	**24.0**	**—**	**—**	**(1.3)**	**(4.7)**	**—**	**1.1**	**—**	**19.1**
Other debt obligations	**54.7**	**—**	**—**	**(3.4)**	**(4.2)**	**—**	**12.9**	**(2.2)**	**57.8**
Total fixed maturities, available-for-sale	**1,183.5**	**26.8**	**(27.2)**	**(186.5)**	**(54.4)**	**—**	**60.2**	**(1.7)**	**1,000.7**
Marketable equity securities, available-for-sale	**1.8**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1.8**
Marketable equity securities, trading	**0.3**	**—**	**—**	**—**	**0.2**	**0.1**	**—**	**—**	**0.6**
Investments in limited partnerships	**24.7**	**21.1**	**—**	**—**	**(9.9)**	**2.7**	**—**	**(0.1)**	**38.5**
Other invested assets	**4.6**	**—**	**(0.3)**	**—**	**(0.7)**	**(0.9)**	**—**	**0.1**	**2.8**
Total Level 3	**$ 1,214.9**	**$ 47.9**	**$ (27.5)**	**$ (186.5)**	**$ (64.8)**	**$ 1.9**	**$ 60.2**	**$ (1.7)**	**$ 1,044.4**

(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 $0.0 and $14.9 for the three and nine months ended September 30, 2010, respectively. Gross transfers out of Level 3 were $(37.4) and $(201.4) for the three and nine months ended September 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) Other is comprised of transactions such as pay downs, calls, amortization and redemptions.

(3) 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).

The following tables present 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 nine months ended September 30, 2009:

						Unrealized Gain (Loss) Included in:			
	Balance as of July 1, 2009	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(2)	Net Income(3)	Other Comprehensive Loss	Realized Gains (Losses)(3)	Balance as of September 30, 2009
Types of Investments:									
State and political subdivisions	$ 7.1	$ —	$ —	$ (0.6)	$ —	$ —	$ 0.7	$ —	$ 7.2
Corporate securities	704.2	34.4	(4.0)	7.8	38.5	—	79.2	—	860.1
Residential mortgage-backed securities	61.1	206.6	—	(4.3)	0.2	—	2.5	—	266.1
Commercial mortgage-backed securities	23.1	—	—	—	(0.6)	—	0.8	—	23.3
Other debt obligations	55.6	—	—	0.6	(1.4)	—	3.4	—	58.2
Total fixed maturities, available-for-sale	851.1	241.0	(4.0)	3.5	36.7	—	86.6	—	1,214.9
Marketable equity securities, available-for-sale	1.8	—	—	—	0.3	—	0.4	—	2.5
Marketable equity securities, trading	0.2	—	—	—	—	0.1	—	—	0.3
Investments in limited partnerships	63.2	2.2	(20.1)	—	—	0.3	—	1.0	46.6
Other invested assets	1.2	3.0	—	—	0.2	1.7	—	—	6.1
Total Level 3	$ 917.5	$ 246.2	$ (24.1)	$ 3.5	$ 37.2	$ 2.1	$ 87.0	$ 1.0	$ 1,270.4

						Unrealized Gain (Loss) Included in:			
	Balance as of January 1, 2009	Purchases	Sales	Transfers In and/or (Out) of Level 3(1)	Other(2)	Net Income(3)	Other Comprehensive Loss	Realized Gains (Losses)(3)	Balance as of September 30, 2009
Types of Investments:									
State and political	$ 6.3	$ —	$ —	$ (0.7)	$ —	$ —	$ 1.6	$ —	$ 7.2

subdivisions									
Corporate securities	610.0	129.7	(4.0)	(14.3)	12.9	—	129.8	(4.0)	860.1
Residential mortgage-backed securities	—	263.5	—	—	0.2	—	2.4	—	266.1
Commercial mortgage-backed securities	24.4	—	—	(0.7)	(2.2)	—	1.8	—	23.3
Other debt obligations	33.6	18.0	—	0.7	(2.4)	—	8.3	—	58.2
Total fixed maturities, available-for-sale	674.3	411.2	(4.0)	(15.0)	8.5	—	143.9	(4.0)	1,214.9
Marketable equity securities, available-for-sale	—	—	—	5.2	0.3	—	(3.0)	—	2.5
Marketable equity securities, trading	0.2	—	—	—	—	0.1	—	—	0.3
Investments in limited partnerships	56.3	4.6	(23.0)	—	—	9.5	—	(0.8)	46.6
Other invested assets	2.4	3.0	—	—	0.3	0.4	—	—	6.1
Total Level 3	$ 733.2	$ 418.8	$ (27.0)	$ (9.8)	$ 9.1	$ 10.0	$ 140.9	$ (4.8)	$ 1,270.4

(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 $8.2 and $14.7 for the three and nine months ended September 30, 2009, respectively. Gross transfers out of Level 3 were $(4.7) and $(24.5) for the three and nine months ended September 30, 2009, respectively.

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

(3) 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).

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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 September 30, 2010		As of December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Fixed maturities	**$21,450.1**	**$21,450.1**	$18,594.3	$18,594.3
Marketable equity securities, available-for-sale	**45.4**	**45.4**	36.7	36.7
Marketable equity securities, trading	**158.8**	**158.8**	154.1	154.1
Mortgage loans	**1,493.4**	**1,580.8**	1,199.6	1,190.1
Investments in limited partnerships:				
Hedge funds and private equity funds	**38.5**	**38.5**	24.7	24.7
Affordable housing	**130.6**	**132.8**	85.5	89.9
Other invested assets	**12.0**	**12.0**	12.2	12.2
Cash and cash equivalents	**197.2**	**197.2**	257.8	257.8
Separate account assets	**826.2**	**826.2**	840.1	840.1
Financial liabilities:				
Funds held under deposit contracts:				
Deferred annuities	**8,351.6**	**8,381.4**	7,212.1	7,128.2
Immediate annuities	**6,698.4**	**7,497.3**	6,724.4	6,937.8
Notes payable:				
Capital Efficient Notes (CENts)	**149.8**	**131.6**	149.8	118.5
Senior notes	**299.2**	**310.1**	299.1	276.8

Other Financial Instruments

Cash and cash equivalents are reported at cost, which approximates fair value. Cash equivalents were $162.1 and $244.4 as of September 30, 2010 and December 31, 2009, respectively. As of September 30, 2010 and December 31, 2009, $158.4 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 $5,057.9 and $4,880.2 of liabilities related to insurance contracts as of September 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 Nine Months Ended September 30, 2010	For the Year Ended December 31, 2009
Unamortized balance at beginning of period	**$ 325.7**	$ 219.5
Deferral of acquisition costs	**97.2**	148.3
Adjustments related to investment (gains) losses	**(2.8)**	9.3
Amortization	**(50.4)**	(51.4)
Unamortized balance at end of period	**369.7**	325.7
Accumulated effect of net unrealized investment gains	**(208.8)**	(75.3)
Balance at end of period	**$ 160.9**	$ 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 Nine Months Ended September 30, 2010	For the Year Ended December 31, 2009
Unamortized balance at beginning of period	**$ 67.6**	$ 33.0
Capitalizations	**43.5**	42.5
Adjustments related to investment (gains) losses	**(0.9)**	2.4
Amortization	**(14.1)**	(10.3)
Unamortized balance at end of period	**96.1**	67.6
Accumulated effect of net unrealized investment gains	**(68.9)**	(18.4)
Balance at end of period	**$ 27.2**	$ 49.2

8. Stockholders' Equity

The components of comprehensive income are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	**$ 56.6**	$ 44.1	**$ 138.7**	$ 96.2
Other comprehensive income, net of taxes:				
Changes in unrealized gains and losses on available-for-sale securities(1)	**378.0**	743.0	**1,002.9**	1,191.7
Reclassification adjustment for net realized investment (gains) losses included in net income(2)	**(14.0)**	(6.4)	**(17.7)**	25.2
Adjustment for deferred policy acquisition costs and deferred sales inducements valuation allowance(3)	**(45.3)**	(68.5)	**(119.5)**	(80.4)
Other-than-temporary-impairments on fixed maturities not related to credit losses(4)	**(0.4)**	4.6	**3.4**	(38.4)
Other comprehensive income	**318.3**	672.7	**869.1**	1,098.1
Total comprehensive income	**$ 374.9**	$ 716.8	**$ 1,007.8**	$ 1,194.3

(1) Net of taxes of $203.6, $400.1, $540.0 and $641.7 for the three and nine months ended September 30, 2010 and 2009, respectively.

(2) Net of taxes of $(7.5), $(3.4), $(9.5) and $13.6 for the three and nine months ended September 30, 2010 and 2009, respectively. For the three and nine months ended September 30, 2010, $3.6 (net of taxes of $1.9) and $13.5 (net of taxes of $7.2) of the reclassification adjustment is related to losses previously classified as OTTI not related to credit losses. For the three and nine months ended September 30, 2009, $22.0 (net of taxes of $11.8) and $22.9 (net of taxes of $12.2), respectively, of the reclassification adjustment is related to losses previously classified as OTTI not related to credit losses.

(3) Net of taxes of $(24.6), $(37.0), $(64.5) and $(43.3) for the three and nine months ended September 30, 2010 and 2009, respectively.

(4) Net of taxes of $(0.2), $2.5, $1.8 and $(20.7) for the three and nine months ended September 30, 2010 and 2009, respectively.

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

	Common Shares
Balance at January 1, 2009	92.646
Restricted shares(1)	0.083
Balance at December 31, 2009	92.729
Balance at January 1, 2010	92.729
Common stock, issued in initial public offering	25.260
Restricted shares(1)	0.230
Treasury shares retired(2)	(0.048)
Balance at September 30, 2010	118.171

(1) Represents net 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 September 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 5.215 equity instruments are available for future issuance as of September 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 September 30, 2010, no shares have been issued pursuant to the Stock Purchase Plan.

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 experience.

Share-based compensation expense, which is recorded in other operating expense, for the three and nine months ended September 30, 2010 was $0.4 and $2.0, respectively. This included compensation expense of $1.2 for the nine months ended September 30, 2010, related to the modification and accelerated vesting of certain restricted shares. Share-based compensation expense was $0.0 for the three and nine months ended September 30, 2009.

Restricted Stock Activity

The Company issued 0.010 and 0.244 shares of restricted stock for the three and nine months ended September 30, 2010, respectively. These awards vest on December 31, 2012. The weighted average fair value of restricted stock granted for the three and nine months ended September 30, 2010 was $10.75 and $12.42 per share, respectively. The Company issued 0.083 shares of restricted stock for both the three and nine months ended September 30, 2009 with 0.075 of these shares vested on June 15, 2010, and the remainder vesting on December 31, 2011. The weighted average fair value of restricted stock granted for both the three and nine months ended September 30, 2009 was $13.08 per share.

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

	Number of Shares	Weighted-Average Fair Value
Outstanding as of January 1, 2010	0.083	$ 13.08
Shares granted	0.244	$ 12.42
Shares vested	(0.131)	$ 12.40
Shares forfeited	(0.014)	$ 12.51
Outstanding at September 30, 2010	0.182	$ 12.34

Stock Option Activity

The Company issued 0.600 and 2.350 options for the three and nine months ended September 30, 2010, with an exercise price of $28.00. These options vest on June 30, 2017 and expire one year thereafter. The weighted average fair value of awards granted during the three and nine months ended September 30, 2010 was $2.24 and $2.83 per share, respectively. The Company did not issue any stock option awards in 2009.

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

	For the Nine Months Ended September 30, 2010
Expected term	7.5years
Risk-free interest rate	2.6%
Dividend yield	1.6%
Volatility	45.6%

10. Commitments and Contingencies

Investments in Limited Partnerships

In March and August 2010, the Company invested in two new limited partnership interests related to federal affordable housing projects. The Company unconditionally committed to provide capital contributions totaling $55.0 for the two limited partnerships. As of September 30, 2010, the Company contributed $13.0 and is expected to contribute the remaining $42.0 by the first quarter of 2013. 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 September 30, 2010, will have a material adverse effect on its consolidated financial condition, future operating results or liquidity.

Other Commitments

As of September 30, 2010 and December 31, 2009, unfunded mortgage loan commitments were $76.1 and $4.5, respectively. The Company had no other material commitments or contingencies as of September 30, 2010 and December 31, 2009.

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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 September 30, 2010					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 109.9	$ —	$ —	$ 10.3	$ —	$ 120.2
Net investment income	4.7	119.0	105.6	67.5	7.6	304.4
Policy fees, contract charges, and other	2.7	4.7	0.1	29.6	3.8	40.9
Net investment gains on fixed index annuity (FIA) options	—	0.3	—	—	—	0.3
Total operating revenues	117.3	124.0	105.7	107.4	11.4	465.8
Benefits and expenses:						
Policyholder benefits and claims	73.1	(0.5)	—	12.8	—	85.4
Interest credited	—	75.7	90.1	63.1	(1.1)	227.8
Other underwriting and operating expenses	25.4	13.0	5.5	14.2	5.0	63.1
Interest expense	—	—	—	—	8.0	8.0
Amortization of deferred policy acquisition costs	2.1	13.3	0.6	2.0	—	18.0
Total benefits and expenses	100.6	101.5	96.2	92.1	11.9	402.3
Segment pre-tax adjusted operating income (loss)	$ 16.7	$ 22.5	$ 9.5	$ 15.3	$ (0.5)	$ 63.5
Operating revenues	$ 117.3	$ 124.0	$ 105.7	$ 107.4	$ 11.4	$ 465.8
Add: Net realized investment gains (losses), excluding FIA options	—	2.1	16.3	2.0	(0.7)	19.7
Total revenues	117.3	126.1	122.0	109.4	10.7	485.5
Total benefits and expenses	100.6	101.5	96.2	92.1	11.9	402.3
Income (loss) before income taxes	$ 16.7	$ 24.6	$ 25.8	$ 17.3	$ (1.2)	$ 83.2

	For the Three Months Ended September 30, 2009					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 106.5	$ —	$ —	$ 10.1	$ —	116.6
Net investment income	4.5	103.5	104.7	66.9	4.0	283.6
Policy fees, contract charges, and other	4.2	4.6	0.1	28.5	2.8	40.2
Net investment gains on FIA options	—	1.4	—	—	—	1.4
Total operating revenues	115.2	109.5	104.8	105.5	6.8	441.8
Benefits and expenses:						
Policyholder benefits and claims	71.7	(1.3)	—	15.2	—	85.6
Interest credited	—	70.5	90.7	60.0	(0.7)	220.5
Other underwriting and operating expenses	25.6	13.6	5.4	13.4	3.7	61.7
Interest expense	—	—	—	—	7.9	7.9
Amortization of deferred policy acquisition costs	1.9	10.5	0.4	1.0	—	13.8
Total benefits and expenses	99.2	93.3	96.5	89.6	10.9	389.5
Segment pre-tax adjusted operating income	$ 16.0	$ 16.2	$ 8.3	$ 15.9	$ (4.1)	$ 52.3
Operating revenues	$ 115.2	$ 109.5	$ 104.8	$ 105.5	$ 6.8	$ 441.8
Add: Net realized investment gains (losses), excluding FIA options	(1.5)	(0.5)	18.9	(3.5)	(3.5)	9.9
Total revenues	113.7	109.0	123.7	102.0	3.3	451.7
Total benefits and expenses	99.2	93.3	96.5	89.6	10.9	389.5
Income (loss) before income taxes	$ 14.5	$ 15.7	$ 27.2	$ 12.4	$ (7.6)	$ 62.2

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	For the Nine Months Ended September 30, 2010					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 324.5	$ —	$ —	$ 30.2	$ —	$ 354.7
Net investment income	14.1	342.1	314.3	201.9	16.0	888.4
Policy fees, contract charges, and other	8.6	14.3	0.5	88.5	11.3	123.2
Net investment losses on FIA options	—	(0.9)	—	—	—	(0.9)
Total operating revenues	347.2	355.5	314.8	320.6	27.3	1,365.4
Benefits and expenses:						
Policyholder benefits and claims	215.5	0.2	—	39.2	—	254.9
Interest credited	—	214.6	275.0	180.7	(2.5)	667.8
Other underwriting and operating expenses	75.1	40.2	16.0	40.3	15.3	186.9
Interest expense	—	—	—	—	23.9	23.9
Amortization of deferred policy acquisition costs	6.0	40.1	1.5	2.8	—	50.4
Total benefits and expenses	296.6	295.1	292.5	263.0	36.7	1,183.9
Segment pre-tax adjusted operating income (loss)	$ 50.6	$ 60.4	$ 22.3	$ 57.6	$ (9.4)	$ 181.5
Operating revenues	$ 347.2	$ 355.5	$ 314.8	$ 320.6	$ 27.3	$ 1,365.4
Add: Net realized investment gains (losses), excluding FIA options	(0.2)	7.7	7.3	4.5	(1.6)	17.7
Total revenues	347.0	363.2	322.1	325.1	25.7	1,383.1
Total benefits and expenses	296.6	295.1	292.5	263.0	36.7	1,183.9
Income (loss) before income taxes	$ 50.4	$ 68.1	$ 29.6	$ 62.1	$ (11.0)	$ 199.2
As of September 30, 2010:						
Total assets	$ 237.4	$ 9,878.0	$ 7,176.4	$ 5,684.3	$ 2,326.2	$ 25,302.3

	For the Nine Months Ended September 30, 2009					
	Group	Retirement Services	Income Annuities	Individual	Other	Total
Operating revenues:						
Premiums	$ 324.1	$ —	$ —	$ 28.8	$ —	$ 352.9
Net investment income	13.3	281.8	318.1	198.0	18.2	829.4
Policy fees, contract charges, and other	12.7	12.4	0.4	87.1	7.9	120.5
Net investment gains on FIA options	—	0.2	—	—	—	0.2
Total operating revenues	350.1	294.4	318.5	313.9	26.1	1,303.0
Benefits and expenses:						
Policyholder benefits and claims	219.9	(2.2)	—	44.4	—	262.1
Interest credited	—	187.2	268.7	175.7	(2.4)	629.2
Other underwriting and operating expenses	79.7	41.3	15.6	39.6	10.5	186.7
Interest expense	—	—	—	—	23.8	23.8
Amortization of deferred policy acquisition costs	5.8	26.8	1.2	2.6	—	36.4
Total benefits and expenses	305.4	253.1	285.5	262.3	31.9	1,138.2
Segment pre-tax adjusted operating income (loss)	$ 44.7	$ 41.3	$ 33.0	$ 51.6	$ (5.8)	$ 164.8
Operating revenues	$ 350.1	$ 294.4	$ 318.5	$ 313.9	$ 26.1	$ 1,303.0
Add: Net realized investment gains (losses), excluding FIA options	(2.9)	(17.7)	7.7	(7.9)	(8.4)	(29.2)
Total revenues	347.2	276.7	326.2	306.0	17.7	1,273.8
Total benefits and expenses	305.4	253.1	285.5	262.3	31.9	1,138.2
Income (loss) before income taxes	$ 41.8	$ 23.6	$ 40.7	$ 43.7	$ (14.2)	$ 135.6
As of September 30, 2009:						
Total assets	$ 285.5	$ 8,157.3	$ 6,664.1	$ 5,076.2	$ 2,040.9	$ 22,224.0

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

12. Subsequent Events

On November 10, 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 November 24, 2010. The dividend will be paid on or about December 10, 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 economic recovery continued to be slow during the third quarter as unemployment rates and foreclosures continued to dampen the overall recovery. Although the recovery remains weak, equity markets moved higher. Despite the improved equity markets, we continued to see declines in the treasury yields and yields on new asset purchases.

The 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. Despite these challenges, we made progress in deploying our cash during the quarter, although we are generally reinvesting in assets with lower yields than we were previously earning. In an effort to manage this risk, we continue to monitor crediting rates and product pricing. We also invested in U.S. treasury securities, as a short-term alternative to cash, to improve our yields.

Despite continued widespread concerns regarding commercial real estate lending, we believe our high quality commercial 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 these areas, including disciplined underwriting, will minimize our exposure to future losses. To improve our spreads, we have been prudently increasing our investments in commercial mortgage loans, primarily in our Retirement Services and Income Annuities segments. During the third quarter of 2010 we originated over $170.0 of loans.

Toward the end of the second quarter, Tom Marra took over as president and chief executive officer. We have also more recently announced several additions to our executive management team. We intend to leverage the experience of the new executive leaders as we continue to concentrate on our strategic objectives of:

— developing new distribution partnerships, especially with financial institutions and broker-dealers;

— adding additional products with existing partners;

— expanding our less interest-rate sensitive products in the Group and Individual 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 impairments 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 medical stop-loss 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 private equity and hedge fund limited partnerships.

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 medical stop-loss 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 September 30, 2010	As of December 31, 2009
Total stockholders' equity	$ 2,711.3	$ 1,433.3
Less: AOCI	819.4	(49.7)
Adjusted book value*	1,891.9	1,483.0
Add: Assumed proceeds from exercise of warrants	218.1	218.1
Adjusted book value, as converted*	$ 2,110.0	$ 1,701.1
Book value per common share	$ 19.77	$ 12.83
Adjusted book value per common share*	$ 16.01	$ 15.99
Adjusted book value per common share, as converted*	$ 15.38	$ 15.23

	For the Twelve Months Ended September 30, 2010	December 31, 2009
Return on stockholders' equity, ROE	8.6%	15.4%
Average stockholders' equity	$1,987.9	$ 832.4
Operating return on average equity, or ROAE*	9.4%	10.5%
Average adjusted book value*	$1,695.9	$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 $869.1 to an $819.4 gain as of September 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 $1,278.0, or 89%; 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.

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Results of Operations

The following discussion should be read in conjunction with our unaudited interim consolidated financial statements and the related condensed notes.

Total Company

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).

	Three Months Ended September 30,		QTD Variance (%)	Nine Months Ended September 30,		YTD Variance (%)
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Revenues:						
Premiums	$ 120.2	$ 116.6	3.1%	$ 354.7	$ 352.9	0.5%
Net investment income	304.4	283.6	7.3	888.4	829.4	7.1
Policy fees, contract charges, and other	40.9	40.2	1.7	123.2	120.5	2.2
Net realized investment gains (losses):						
Net impairment losses recognized in earnings	(3.5)	(17.4)	79.9	(14.7)	(73.7)	80.1
Other net realized investment gains	23.5	28.7	(18.1)	31.5	44.7	(29.5)
Total net realized investment gains (losses)	20.0	11.3	77.0	16.8	(29.0)	*
Total revenues	485.5	451.7	7.5	1,383.1	1,273.8	8.6
Benefits and expenses:						
Policyholder benefits and claims	85.4	85.6	(0.2)	254.9	262.1	(2.7)
Interest credited	227.8	220.5	3.3	667.8	629.2	6.1
Other underwriting and operating expenses	63.1	61.7	2.3	186.9	186.7	0.1
Interest expense	8.0	7.9	1.3	23.9	23.8	0.4
Amortization of deferred policy acquisition costs	18.0	13.8	30.4	50.4	36.4	38.5
Total benefits and expenses	402.3	389.5	3.3	1,183.9	1,138.2	4.0
Income from operations before income taxes	83.2	62.2	33.8	199.2	135.6	46.9
Provision (benefit) for income taxes:						
Current	18.8	(15.7)	*	46.1	(4.2)	*
Deferred	7.8	33.8	(76.9)	14.4	43.6	(67.0)
Total provision for income taxes:	26.6	18.1	47.0	60.5	39.4	53.6
Net income	$ 56.6	$ 44.1	28.3%	$ 138.7	$ 96.2	44.2%
Net income per common share(1):						
Basic	$ 0.41	$ 0.40	2.5%	$ 1.03	$ 0.86	19.8%
Diluted	$ 0.41	$ 0.40	2.5%	$ 1.03	$ 0.86	19.8%
Weighted-average common shares outstanding:						
Basic	137.140	111.622	*	135.082	111.622	*
Diluted	137.145	111.624	*	135.096	111.623	*
Non-GAAP Financial Measures(2):						
Adjusted operating income	$ 43.8	$ 37.7	16.2%	$ 127.2	$ 115.2	10.4%
Reconciliation to net income:						
Net income	$ 56.6	$ 44.1	28.3	$ 138.7	$ 96.2	44.2
Less: Net realized investment gains (losses) (net of taxes of $7.0, $4.0, $5.9 and $(10.1))	13.0	7.3	78.1	10.9	(18.9)	*
Add: Net investment gains (losses) on FIA options (net of taxes of $0.1, $0.5, $(0.3) and $0.1)	0.2	0.9	(77.8)	(0.6)	0.1	*
Adjusted operating income	$ 43.8	$ 37.7	16.2%	$ 127.2	$ 115.2	10.4%

* 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 September 30, 2010 Compared to the Three Months Ended September 30, 2009

Summary of Results

Net income increased $12.5 as a result of an increase in adjusted operating income and higher net realized investment gains in the current quarter, versus the same period in the prior year. Adjusted operating income increased $6.1, primarily driven by our interest spread on increased account values in our Retirement Services segment. In addition, an increased interest spread in our Income Annuities segment and an improved loss ratio in our Group segment also contributed to higher adjusted operating income. This was slightly offset by a decline in our Individual segment as there was a decrease in our BOLI return on assets (ROA).

Net realized investment gains increased $8.7, to $20.0 from $11.3. This was primarily driven by a $13.9 reduction in impairments, partially offset by reduced gains from our equity portfolio, which produced gains of $15.2 in the third quarter of 2010 compared to $21.6 for the same period of 2009, a $6.4 reduction. The S&P 500 increased 10.7% in the third quarter of 2010 as compared to 15.0% in the same quarter prior year. For further discussion of our investment results and portfolio, refer to "— Investments" below.

The provision for income taxes increased $8.5 primarily due to higher income from operations before income taxes during the three months ended September 30, 2010, compared to the same period in 2009.

Further discussion of adjusted operating income drivers described above:

Our Group segment's loss ratio improved to 66.5% for the three months ended September 30, 2010 compared to 67.3% for the same period in 2009. This was mostly due to an improved loss ratio on our limited benefit medical product. Offsetting the improved loss ratio was lower profits from our managing general underwriting services.

Our Retirement Services segment's investment margin (net investment income less interest credited) increased $10.3 as a result of a $1.3 billion increase in our fixed annuity account values. Strong sales of fixed deferred annuity products over the past year drove the increased account values. Partially offsetting this was a $2.8 increase in DAC amortization on a growing DAC balance.

Our Income Annuities segment's interest spread on reserves increased to 0.59% for the three months ended September 30, 2010 compared to 0.48% for the same period in 2009, increasing pre-tax adjusted operating income $1.5. This was driven by lower average daily cash balances and the company's strategy to increase originations of commercial mortgage loans.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Summary of Results

Net income increased $42.5 as a result of an increase in adjusted operating income and net realized investment gains for the nine months ended September 30, 2010, versus losses during the same period in 2009. Adjusted operating income increased $12.0, which was primarily due to a $32.9 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 nine months ended September 30, 2010, compared to 67.8% for the same period in 2009. These favorable drivers were partially offset by mortality losses and a decrease in the interest spread on reserves in our Income Annuities segment, a decrease in BOLI ROA in our Individual segment, and decreased gains on our private equity and hedge fund investments in our Other segment.

Net realized investment gains (losses) increased $45.8, to a $16.8 gain from a $(29.0) loss. This was primarily driven by a reduction in impairments, which were $14.7 for the nine months ended September 30, 2010, versus $73.7 for the same period in 2009, an improvement of $59.0. Partially offsetting the improvement in impairments was a reduction in gains from our equity portfolio, which produced gains of $14.0 for the nine months ended September 30, 2010, versus $25.9 for the same period in 2009, a decrease of $11.9. The S&P 500 increased 2.3% for the nine months ended September 30, 2010 compared to 17.0% for the same period in 2009. For further discussion of our investment results and portfolio refer to "— Investments" below.

The provision for income taxes increased $21.1 primarily due to higher income from operations before income taxes during the nine months ended September 30, 2010, compared to the same period in 2009. Our effective tax rate was 30.4% and 29.0%, for the nine months ended September 30, 2010 and 2009, respectively.

Further discussion of adjusted operating income drivers described above:

Our Group segment's loss ratio improved to 66.4% for the nine months ended September 30, 2010 from 67.8% for the same period in 2009, which was driven by pricing increases on policies issued in 2010 and improved limited benefit medical underwriting results.

Our Retirement Services segment's investment margin increased $32.9 on an increase in our fixed account values of $1.3 billion, and an increase in interest spreads. Spreads improved as we reduced our average daily cash balances to improve yields and lowered crediting rates due to the low interest rate environment. Partially offsetting the increase in the investment margin was a $13.3 increase in DAC amortization on a growing DAC balance.

Our Income Annuities segment's interest spread on reserves decreased to 0.50% for the nine months ended September 30, 2010 compared to 0.56% for the same period in 2009, which decreased pre-tax adjusted operating income $3.3. This was driven by lower investment yields due to 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 $2.0 in the first nine months of 2010, compared to mortality gains of $3.8 for the same period of 2009.

Our Individual segment's UL margin increased $7.0. This was driven primarily by the first quarter 2010 bonus interest reserve release 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 six months. This was partially offset by a decrease in the BOLI ROA driven by a decrease in the PGAAP reserve amortization, and an increase in BOLI claims.

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 nine months ended September 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:

	Three Months Ended September 30,		QTD Variance (%)	Nine Months Ended September 30,		YTD Variance (%)
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Operating revenues:						
Premiums	$ 109.9	$ 106.5	3.2%	$ 324.5	$ 324.1	0.1%
Net investment income	4.7	4.5	4.4	14.1	13.3	6.0
Policy fees, contract charges, and other	2.7	4.2	(35.7)	8.6	12.7	(32.3)
Total operating revenues	117.3	115.2	1.8	347.2	350.1	(0.8)
Benefits and expenses:						
Policyholder benefits and claims	73.1	71.7	2.0	215.5	219.9	(2.0)
Other underwriting and operating expenses	25.4	25.6	(0.8)	75.1	79.7	(5.8)
Amortization of deferred policy acquisition costs	2.1	1.9	10.5	6.0	5.8	3.4
Total benefits and expenses	100.6	99.2	1.4	296.6	305.4	(2.9)
Segment pre-tax adjusted operating income	$ 16.7	$ 16.0	4.4%	$ 50.6	$ 44.7	13.2%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Group loss ratio(1)	66.5%	67.3%	66.4%	67.8%
Expense ratio(2)	24.0%	23.9%	24.2%	24.2%
Combined ratio(3)	90.5%	91.2%	90.6%	92.0%
Medical stop-loss — loss ratio(4)	68.7%	68.7%	68.1%	69.4%
Total sales(5)	$ 18.4	$ 27.1	$ 80.4	$ 77.9

(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 September 30, 2010 Compared to the Three Months Ended September 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $0.7, primarily the result of an improved loss ratio. For third quarter 2010, the loss ratio was 66.5%, down from 67.3% for the same period in 2009, which was driven by an improved loss ratio on our limited benefit medical product. The loss ratio for the medical stop-loss business remained flat on slightly higher premiums compared with third quarter 2009. Our medical stop-loss business results were affected by one large unprofitable case, scheduled to terminate in the fourth quarter, with an estimated loss ratio in excess of 95%. Without this case, the third quarter 2010 group loss ratio would have been 65.3% and the medical stop-loss — loss ratio would have been 67.5%.

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 $1.5 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 as noted below. In addition, fee revenue from our managing general underwriting services declined $0.7 as higher claims experience led to lower profit sharing revenue.

Benefits and Expenses

The slight reduction in other underwriting and operating expenses was primarily the result of the sale of our third party administrator, as noted above.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $5.9 as a result of an improved loss ratio. We experienced an overall decrease in the number and severity of medical stop-loss claims, as well as strong underwriting results on our limited benefit medical product. For the nine months ended September 30, 2010, the loss ratio was 66.4%, down from 67.8% for the same period in 2009.

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 $4.1 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 $4.6 decrease in other underwriting and operating expenses was the 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 September 30,		QTD Variance (%)	Nine Months Ended September 30,		YTD Variance (%)
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Operating revenues:						
Net investment income	$ 119.0	$ 103.5	15.0%	$ 342.1	$ 281.8	21.4%
Policy fees, contract charges, and other	4.7	4.6	2.2	14.3	12.4	15.3
Net investment gains (losses) on FIA options	0.3	1.4	(78.6)	(0.9)	0.2	*
Total operating revenues	124.0	109.5	13.2	355.5	294.4	20.8
Benefits and expenses:						
Policyholder benefits and claims	(0.5)	(1.3)	61.5	0.2	(2.2)	*
Interest credited	75.7	70.5	7.4	214.6	187.2	14.6
Other underwriting and operating expenses	13.0	13.6	(4.4)	40.2	41.3	(2.7)
Amortization of deferred policy acquisition costs	13.3	10.5	26.7	40.1	26.8	49.6
Total benefits and expenses	101.5	93.3	8.8	295.1	253.1	16.6
Segment pre-tax adjusted operating income	$ 22.5	$ 16.2	38.9%	$ 60.4	$ 41.3	46.2%

* 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 Retirement Services segment as of, or for the three and nine months ended:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Account values — Fixed annuities	$ 8,805.6	$ 7,464.1		
Account values — Variable annuities	742.6	736.9		
Interest spread on average account values(1)	1.85%	1.90%	1.89%	1.81%
Total sales(2)	$ 286.4	$ 486.9	$ 1,287.8	$ 1,966.5

(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.

(2) Total sales represent deposits for new policies.

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

Summary of Results

Segment pre-tax adjusted operating income increased $6.3. This was driven by a $10.3 increase in the investment margin from record high account values driven by strong sales in 2009 and 2010, and carrying lower average daily cash balances. In addition, the margin on our FIA product increased $3.1 as a result of a lower interest credited, consistent with the smaller growth in the S&P 500 index during the third quarter 2010 compared to the prior year. This was partially offset by a $2.8 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 $15.5, which was driven by a $1.3 billion increase in average invested assets from increased fixed annuities account values. Net investment gains on FIA options decreased $1.1 to $0.3 in the third quarter of 2010 compared to $1.4 for the same period in 2009. The S&P 500 index increased 10.7% in the third quarter of 2010, as compared to a 15.0% increase in the third quarter of 2009. Average daily cash balances decreased $220.0 to $54.4 for the third quarter of 2010 compared to $274.4 for the same period in 2009.

Benefits and Expenses

Interest credited increased $5.2, which is primarily due to a $1.3 billion increase in fixed annuities account values over the year. This was partially offset by a $4.1 decrease in FIA interest credited as the S&P 500 index increased less in the third quarter of 2010 as compared to the same period in 2009.

Amortization of DAC increased $2.8, which was primarily driven by a growing block of business and corresponding growth in our DAC asset.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $19.1 driven by a $32.9 increase in the investment margin from a higher interest spread on record high account values. This was partially offset by a $13.3 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 $60.3, which was driven by a $1.5 billion increase in average invested assets from increased fixed annuities account values. Further growth of net investment income was limited in 2009 and the first half of 2010 as sales during a tight credit market have resulted in us carrying higher levels of cash than during normal economic periods, which earn lower yields. We began investing in treasury securities in second quarter 2010, as a strategy to help reduce cash levels and increase yields.

Benefits and Expenses

Interest credited increased $27.4 primarily due to a $1.3 billion increase in fixed account values driven by strong sales of fixed deferred annuity products in 2009 and 2010.

Amortization of DAC increased $13.3, which was primarily driven by a growing block of business and corresponding growth in our DAC asset.

Income Annuities

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

	Three Months Ended September 30,		QTD Variance (%)	Nine Months Ended September 30,		YTD Variance (%)
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Operating revenues:						
Net investment income	$ 105.6	$ 104.7	0.9%	$ 314.3	$ 318.1	(1.2)%
Policy fees, contract charges, and other	0.1	0.1	—	0.5	0.4	25.0
Total operating revenues	105.7	104.8	0.9	314.8	318.5	(1.2)
Benefits and expenses:						
Interest credited	90.1	90.7	(0.7)	275.0	268.7	2.3
Other underwriting and operating expenses	5.5	5.4	1.9	16.0	15.6	2.6
Amortization of deferred policy acquisition costs	0.6	0.4	50.0	1.5	1.2	25.0
Total benefits and expenses	96.2	96.5	(0.3)	292.5	285.5	2.5
Segment pre-tax adjusted operating income	$ 9.5	$ 8.3	14.5%	$ 22.3	$ 33.0	(32.4)%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Reserves(1)	$ 6,676.8	$ 6,722.7		
Interest spread on reserves(2)	0.59%	0.48%	0.50%	0.56%
Mortality gains (losses)(3)	$ (0.1)	$ —	$ (2.0)	$ 3.8
Prepayment speed adjustment on mortgage-backed securities(4)	0.1	—	(0.2)	2.5
Total sales(5)	58.0	70.7	192.1	168.0

(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 September 30, 2010 Compared to the Three Months Ended September 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $1.2 due to a higher interest spread on slightly lower reserves. To help combat the low interest rate environment, we continued to be very diligent in our product pricing and also focused on improving our yield by increasing mortgage loan originations, generating attractive yields. Reserves, while relatively stable, fell slightly as benefit payments exceeded deposits and interest credited.

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 $0.9 primarily driven by an improvement in our return on invested assets. Investment yields increased to 6.09% from 6.00%, which was primarily due to increased investments in commercial mortgages, increased fees associated with early redemptions on fixed maturities, and lower average daily cash balances.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Summary of Results

Segment pre-tax adjusted operating income decreased $10.7 primarily due to mortality losses of $2.0 for the nine months ended September 30, 2010 compared to gains of $3.8 for the same period in 2009. Also contributing to the decrease was a lower interest spread driven by changes in prepayment speeds on mortgage-backed securities and the negative impacts of prepayments and maturities leading to reinvestment in lower yielding assets, and a $2.5 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 $3.8 primarily driven by a reduction in our return on invested assets. Yields decreased to 6.03% from 6.07%, which was primarily the result of changes in payment speeds on mortgage-backed securities, the negative impacts of prepayments and the reinvestment of prepayments in lower yielding assets. These reductions in the yield were partially offset by returns on our growing portfolio of mortgage loans, which offer more attractive yields.

Benefits and Expenses

Interest credited increased $6.3 primarily driven by a $5.8 fluctuation in our mortality experience as we experienced unusually high mortality gains of $3.8 in the first nine months of 2009 versus mortality losses of $2.0 in the first nine months of 2010. The gains from the first quarter of 2009 were the highest quarterly mortality gains we experienced over the past five years.

Individual

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

	Three Months Ended September 30,		QTD Variance (%)	Nine Months Ended September 30,		YTD Variance (%)
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Operating revenues:						
Premiums	$ 10.3	$ 10.1	2.0%	$ 30.2	$ 28.8	4.9%
Net investment income	67.5	66.9	0.9	201.9	198.0	2.0
Policy fees, contract charges, and other	29.6	28.5	3.9	88.5	87.1	1.6
Total operating revenues	107.4	105.5	1.8	320.6	313.9	2.1
Benefits and expenses:						
Policyholder benefits and claims	12.8	15.2	(15.8)	39.2	44.4	(11.7)
Interest credited	63.1	60.0	5.2	180.7	175.7	2.8
Other underwriting and operating expenses	14.2	13.4	6.0	40.3	39.6	1.8
Amortization of deferred policy acquisition costs	2.0	1.0	*	2.8	2.6	7.7
Total benefits and expenses	92.1	89.6	2.8	263.0	262.3	0.3
Segment pre-tax adjusted operating income	$ 15.3	$ 15.9	(3.8)%	$ 57.6	$ 51.6	11.6%

* 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 and nine months ended:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Insurance in force(1)	$49,792.9	$50,215.6		
Mortality ratio(2)	71.1%	72.7%	77.9%	77.9%
BOLI account value(3)	$ 3,969.7	$ 3,754.9		
UL account value(3)	596.9	584.8		
BOLI ROA(4)	0.92%	1.09%	1.09%	1.23%
UL interest spread(5)	1.57%	1.27%	1.49%	1.24%
Total sales, excluding BOLI(6)	$ 2.6	$ 2.9	$ 7.8	$ 7.8
BOLI sales(7)	7.5	—	10.2	2.5

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

(2) Mortality ratio represents actual mortality experience (excluding BOLI) 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 2010 year-to-date third quarter credited rate to policyholders has been adjusted to exclude a reserve adjustment related to a persistency bonus. Without this adjustment, the 2010 year-to-date third quarter the UL interest spread would have been 2.83%.

(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 September 30, 2010 Compared to the Three Months Ended September 30, 2009

Summary of Results

Segment pre-tax adjusted operating income decreased $0.6, primarily due to a $1.2 decrease attributed to the reduction in the BOLI ROA, driven by increased claims and a decrease in the benefit related to the PGAAP reserve amortization, and a $1.0 increase in DAC amortization. These were partially offset by a $0.9 reduction in claims, excluding BOLI, mainly on our Term products.

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

Policyholder benefits and claims decreased $2.4 driven by the reduction in Term claims and BOLI separate account claims, offset by increased BOLI general account claims. Decreased BOLI separate account claims were offset by increased interest credited.

The $1.0 increase in DAC amortization was the result of unlocking of $0.4 during the current quarter and increased amortization on a higher DAC balance.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Summary of Results

Segment pre-tax adjusted operating income increased $6.0 primarily due to a $7.0 increase in the gross margin on our UL products, partially offset by a decrease attributed to the reduction in the BOLI ROA. The increase in the UL gross margin was 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. 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 increase in UL gross margin. This was partially offset by a decrease in the BOLI ROA, which was driven by a $3.6 decrease in the benefit related to PGAAP reserve amortization and increased BOLI claims. We experienced higher surrenders of policies with associated PGAAP reserves in 2009 compared to 2010.

Other

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

	Three Months Ended September 30,		QTD Variance (%)	Nine Months Ended September 30,		YTD Variance (%)
	2010	2009	2010 vs. 2009	2010	2009	2010 vs. 2009
Operating revenues:						
Net investment income	$ 7.6	$ 4.0	90.0%	$ 16.0	$ 18.2	(12.1)%
Policy fees, contract charges, and other	3.8	2.8	35.7	11.3	7.9	43.0
Total operating revenues	11.4	6.8	67.6	27.3	26.1	4.6
Benefits and expenses:						
Interest credited	(1.1)	(0.7)	(57.1)	(2.5)	(2.4)	(4.2)
Other underwriting and operating expenses	5.0	3.7	35.1	15.3	10.5	45.7
Interest expense	8.0	7.9	1.3	23.9	23.8	0.4
Total benefits and expenses	11.9	10.9	9.2	36.7	31.9	15.0
Segment pre-tax adjusted operating loss	$ (0.5)	$ (4.1)	87.8%	$ (9.4)	$ (5.8)	(62.1)%

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

Summary of Results

Our Other segment reported pre-tax adjusted operating losses of $0.5 for the third quarter of 2010 compared with losses of $4.1 for the same period in 2009. This was due primarily to an increase in investment income from increased average invested assets, primarily from the IPO proceeds. In addition, income from our private equity and hedge funds increased to $2.1 for the third quarter 2010 compared to $1.3 for 2009. Contributing to the current period loss was stock compensation expenses of $0.5 and charges totaling $0.3 related to senior management transitions.

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Summary of Results

Our Other segment reported pre-tax adjusted operating losses of $9.4 and $5.8, for the nine months ended September 30, 2010 and 2009, respectively. This was due to a $6.0 decrease in private equity and hedge funds income, as our investment in these funds were substantially liquidated, primarily in the second half of 2009. This decrease was partially offset by a $3.8 increase in investment income mainly from increased average invested assets, primarily the IPO proceeds. Also contributing to the current period loss were charges totaling $1.6 related to transition expenses in connection with our CEO and other senior management positions.

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 September 30, 2010, was largely comprised 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 September 30, 2010		As of December 31, 2009	
Types of Investments	**Amount**	**% of Total**	**Amount**	**% of Total**
Fixed maturities, available-for-sale:				
Public	$ 20,552.2	87.8%	$ 17,693.0	87.7%
Private	897.9	3.8	901.3	4.5
Marketable equity securities, available-for-sale(1)	45.4	0.2	36.7	0.2
Marketable equity securities, trading(2)	158.8	0.7	154.1	0.7
Mortgage loans, net	1,493.4	6.4	1,199.6	5.9
Policy loans	71.7	0.3	73.9	0.4
Investments in limited partnerships(3)				
Private equity and hedge funds	38.5	0.2	24.7	0.1
Affordable housing projects	130.6	0.5	85.5	0.4
Other invested assets	12.0	0.1	12.2	0.1
Total	$ 23,400.5	100.0%	$ 20,181.0	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 September 30, 2010, our remaining investment in hedge funds was $3.7.

The increase in invested assets during the first nine 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 September 30, 2010, the fair value of our fixed maturities increased $1,513.1 from a $40.6 net unrealized gain as of December 31, 2009 to a $1,553.7 net unrealized gain as of September 30, 2010. Despite the year to date 2010 improvements in the equity markets, we continued to see treasury yields decline; a slight widening of fixed income spreads to partially offset the decline in treasury yields; and sporadic new bond issuances in 2010.

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 September 30, 2010		Three Months Ended September 30, 2009	
	Yield(1)	Amount	Yield(1)	Amount
Types of Investments				
Fixed maturities, available-for-sale	5.70%	$ 282.0	5.90%	$ 267.0
Marketable equity securities, available-for-sale	4.43	0.6	4.41	0.6
Marketable equity securities, trading	1.92	0.7	1.70	0.7
Mortgage loans, net	6.53	23.2	6.40	17.2
Policy loans	5.99	1.1	6.16	1.1
Investments in limited partnerships:				
Private equity and hedge funds	22.93	2.1	9.50	1.3
Affordable housing(2)	(6.21)	(2.4)	(7.79)	(2.2)
Other income producing assets(3)	2.22	1.8	2.01	2.8
Gross investment income before investment expenses	5.62	309.1	5.72	288.5
Investment expenses	(0.09)	(4.7)	(0.10)	(4.9)
Net investment income	5.53%	$ 304.4	5.62%	$ 283.6

(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 overall impact to net income was $1.0 and $0.9 for the three months ended September 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 September 30, 2010, net investment income increased 7.3% 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. In addition, income from mortgage loans increased as we continue to grow our mortgage loan portfolio. These increases were partially offset by a decrease in net investment yields, which decreased to 5.53% in 2010 from 5.62% in 2009. The reduction in yields is the effect of the low interest rate environment — we have experienced lower yields on recent purchases of fixed maturities, and negative impacts from prepayments of mortgage-backed securities. Included in these negative impacts were the reinvestment of the funds at lower yields and the write-off of unamortized fixed maturities' premium.

For the three months ended September 30, 2010, and 2009 the Company had average daily cash balances of $224.2 and $530.6, respectively. The decrease in average daily cash balances is primarily attributable to a slight improvement in the credit markets, and investing in treasury securities as we continue to look for high quality, higher yielding investments.

	Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009	
	Yield(1)	Amount	Yield(1)	Amount
	(Dollars in millions)			
Types of Investments				
Fixed maturities, available-for-sale	5.75%	$ 833.4	5.93%	$ 781.4
Marketable equity securities, available-for-sale	5.77	2.3	5.76	2.3
Marketable equity securities, trading	1.88	2.2	1.61	1.9
Mortgage loans, net	6.39	62.9	6.34	49.3
Policy loans	5.97	3.3	5.91	3.3
Investments in limited partnerships:				
Private equity and hedge funds	10.73	2.6	17.87	8.6
Affordable housing(2)	(6.58)	(6.7)	(8.65)	(6.9)
Other income producing assets(3)	1.21	3.6	1.00	4.0
Gross investment income before investment expenses	5.61	903.6	5.74	843.9
Investment expenses	(0.10)	(15.2)	(0.10)	(14.5)
Net investment income	5.51%	$ 888.4	5.64%	$ 829.4

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

(2) The negative yield from affordable housing investments is offset by U.S. federal income tax benefits. The resulting impact to net income was $3.8 and $2.7 for the nine months ended September 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 nine months ended September 30, 2010, net investment income increased 7.1% 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 and increased assets related to our IPO proceeds. In addition, income from mortgage loans increased as we continue to grow our mortgage loan portfolio. These were partially offset by a decrease in net investment yields, which decreased to 5.51% in 2010 from 5.64% in 2009. The reduction in yields is the effect of the low interest rate environment — we have experienced lower yields on recent purchases of fixed maturities, and negative impacts from prepayments of mortgage-backed securities. Included in these negative impacts were the reinvestment of the funds at lower yields and the write-off of unamortized fixed maturities' premium. In addition, investment income decreased due to a $6.0 decrease in private equity and hedge funds income, with gains of $2.6 compared to $8.6 for the nine months ended September 30, 2010 and 2009, respectively, primarily the result of the decrease in hedge fund assets which were primarily liquidated in the second half of 2009.

For the nine months ended September 30, 2010 and 2009, the Company had average daily cash balances of $297.4 and $470.8, respectively. The decrease in average daily cash balances is attributable to investing in U.S. treasury securities.

Net Realized Investment Gains (Losses)

In the third quarter 2010, equity markets rebounded which led to net gains on our trading securities for the quarter, but remained below prior period levels for 2009, as illustrated in the following table. Our portfolio produced total net realized gains for the nine months ended September 30, 2010 as compared to losses for the same period in 2009, primarily due to a significant reduction in impairments.

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

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Gross realized gains on sales of fixed maturities	$ 6.6	$ 10.7	$ 24.0	$ 17.0
Gross realized losses on sales of fixed maturities	(2.1)	(12.7)	(3.4)	(14.9)
Impairments:				
Public fixed maturities(1)	(0.5)	(14.7)	(4.3)	(42.6)
Private fixed maturities	(2.1)	(0.8)	(7.2)	(4.9)
Total credit-related	(2.6)	(15.5)	(11.5)	(47.5)
Other	(0.9)	(1.9)	(3.2)	(26.2)
Total impairments	(3.5)	(17.4)	(14.7)	(73.7)
Net gains on trading securities	15.2	21.6	14.0	25.9
Other net investment gains (losses)(2):				
Other gross gains	6.0	10.1	14.4	25.2
Other gross losses	(2.2)	(1.0)	(17.5)	(8.5)
Net realized investment gains (losses) before taxes	$ 20.0	$ 11.3	$ 16.8	$ (29.0)

(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 September 30, 2010 and 2009 were $3.5 and $17.4, respectively. This decrease was primarily attributable to reduced credit concerns as credit-related impairments decreased $12.9. Impairments for the nine months ended September 30, 2010 and 2009 were $14.7 and $73.7, respectively. This decrease was largely due to improved bond markets and reduced credit concerns as credit-related impairments decreased $36.0. For those issuers in which we recorded an impairment, we had remaining holdings with an amortized cost of $261.8 and a fair value of $258.5 as of September 30, 2010.

Fixed Maturity Securities

Fixed maturities represented approximately 92% of invested assets as of both September 30, 2010 and December 31, 2009. As of September 30, 2010, publicly traded and privately placed fixed maturities represented 95.8% and 4.2%, 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.

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

		As of September 30, 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	$ 11,793.4	$ 12,798.7	59.7%	$ 10,917.3	$ 11,031.3	59.3%
2	BBB	7,095.0	7,681.7	35.8	6,471.3	6,530.9	35.1
	Total investment grade	18,888.4	20,480.4	95.5	17,388.6	17,562.2	94.4
3	BB	589.9	570.4	2.7	717.9	641.3	3.5
4	B	286.0	268.1	1.2	251.0	219.2	1.2
5	CCC & lower	108.6	111.0	0.5	128.0	113.5	0.6
6	In or near default	23.5	20.2	0.1	68.2	58.1	0.3
	Total below investment grade	1,008.0	969.7	4.5	1,165.1	1,032.1	5.6
Total		$ 19,896.4	$ 21,450.1	100.0%	$ 18,553.7	$ 18,594.3	100.0%

As of September 30, 2010 and December 31, 2009, securities with an amortized cost of $829.1 and $898.2, and fair value of $899.1 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.

Below investment grade securities comprised 4.5% and 5.6% of our fixed maturities portfolio as of September 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 $11.7 as of September 30, 2010, of which $10.4, or 88.9%, 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. 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 September 30, 2010, fixed maturities with monoline guarantees had an amortized cost of $562.4 and a fair value of $573.4, with gross unrealized losses of $11.6. 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. As of September 30, 2010, $544.7, or 95.0%, 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.

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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 September 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	$ 1,491.1	$ 119.4	$ (10.7)	$ 1,599.8	7.4%	$ (2.8)
Consumer staples	1,943.8	233.2	(6.4)	2,170.6	10.1	(1.4)
Energy	652.2	74.9	(2.9)	724.2	3.4	—
Financials	2,090.2	106.0	(56.0)	2,140.2	10.0	(4.7)
Health care	1,143.4	146.1	(1.2)	1,288.3	6.0	(1.9)
Industrials	2,286.0	284.5	(4.0)	2,566.5	12.0	(0.4)
Information technology	393.1	51.8	(0.1)	444.8	2.1	—
Materials	1,197.8	96.0	(28.3)	1,265.5	5.9	(12.7)
Telecommunication services	579.2	50.4	(6.3)	623.3	2.9	(0.9)
Utilities	1,799.9	168.7	(12.5)	1,956.1	9.1	(0.4)
Total corporate securities	13,576.7	1,331.0	(128.4)	14,779.3	68.9	(25.2)
U.S. government and agencies	87.6	8.4	—	96.0	0.5	(0.1)
State and political subdivisions	468.8	12.1	(7.6)	473.3	2.2	(0.2)
Residential mortgage-backed securities:						
Agency	3,170.8	204.3	(0.5)	3,374.6	15.7	—
Non-agency:						
Prime	374.5	5.9	(34.4)	346.0	1.6	(30.5)
Alt-A	122.4	4.7	(7.7)	119.4	0.6	(8.6)
Total residential mortgage-backed securities	3,667.7	214.9	(42.6)	3,840.0	17.9	(39.1)
Commercial mortgage-backed securities	1,766.9	152.3	(8.2)	1,911.0	8.9	(3.6)
Other debt obligations	328.7	29.7	(7.9)	350.5	1.6	(8.5)
Total	$ 19,896.4	$ 1,748.4	$ (194.7)	$ 21,450.1	100.0%	$ (76.7)

During the nine months ended September 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 September 30, 2010 and December 31, 2009, the fair value of our ten largest corporate securities holdings was $1,301.5 and $1,138.3, or 8.8% and 9.1%, respectively. The fair value of our largest exposure to a single issuer of corporate securities was $147.7, or 1.0%, and $141.9, or 1.1%, of our investments in corporate securities, as of September 30, 2010 and December 31, 2009, respectively. As of September 30, 2010, we had $1.4 in direct exposure to the sovereign and local debt of Portugal, Ireland, Italy, Greece, and Spain.

	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	$ 1,083.4	$ 41.9	$ (27.8)	$ 1,097.5	5.9%	$ (7.9)
Consumer staples	1,686.4	84.3	(14.3)	1,756.4	9.4	(1.4)
Energy	651.4	28.3	(8.8)	670.9	3.6	—
Financials	2,109.2	39.8	(189.2)	1,959.8	10.6	(5.8)
Health care	861.1	59.1	(4.1)	916.1	4.9	(1.9)
Industrials	2,022.3	90.3	(27.5)	2,085.1	11.2	(0.9)
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	572.0	20.3	(16.7)	575.6	3.1	(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	12,300.2	483.8	(384.0)	12,400.0	66.7	(32.3)
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	355.8	13.1	(27.3)	341.6	1.8	(4.3)
Total	$ 18,553.7	$ 651.0	$ (610.4)	$ 18,594.3	100.0%	$ (81.9)

Fixed Maturity Securities by Contractual Maturity Date

As of September 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 September 30, 2010 and December 31, 2009, approximately 87% 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 September 30, 2010		As of December 31, 2009	
	Fair Value	% of Total Invested Assets	Fair Value	% of Total Invested Assets
Agency	$ 3,374.6	14.4%	$ 3,032.7	15.0%
Non-agency:				
Prime	346.0	1.5	378.0	1.9
Alt-A	119.4	0.5	125.5	0.6
Subprime	—	—	0.2	—
Subtotal non-agency	465.4	2.0	503.7	2.5
Total	$ 3,840.0	16.4%	$ 3,536.4	17.5%

We classified certain non-agency RMBS securities as Alt-A because we view 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 seven securities with a total amortized cost and fair value of $87.8 and $75.4, respectively, that were rated below investment grade by either Moody's, S&P or Fitch, while the others rated them investment grade.

	As of September 30, 2010 Highest Rating Agency Rating						
Vintage	AAA	AA	A	BBB	BB and Below	Total	Total as of December 31, 2009
2007	$ —	$ —	$ —	$ —	$ 47.2	$ 47.2	$ 91.0
2006	—	—	—	16.6	122.7	139.3	177.0
2005	—	9.2	10.3	58.9	40.0	118.4	113.6
2004 & prior	177.3	14.1	—	—	0.6	192.0	213.7
Total amortized cost	$ 177.3	$ 23.3	$ 10.3	$ 75.5	$ 210.5	$ 496.9	$ 595.3
Total unrealized losses	(0.5)	(5.9)	—	(8.5)	(16.6)	(31.5)	(91.6)
Total fair value	$ 176.8	$ 17.4	$ 10.3	$ 67.0	$ 193.9	$ 465.4	$ 503.7

On a fair value basis as of September 30, 2010, our Alt-A portfolio was 86.3% fixed rate collateral and 13.7% 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 September 30, 2010 and December 31, 2009, respectively, $64.0, or 53.6%, and $73.9, or 58.9%, of the total Alt-A portfolio had an S&P equivalent credit rating of AAA.

As of September 30, 2010, our Alt-A, prime and total non-agency RMBS had an estimated weighted-average credit enhancement of 13.8%, 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 September 30, 2010 and December 31, 2009, 59.3% 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 September 30, 2010		As of December 31, 2009	
	Fair Value	% of Total Invested Assets	Fair Value	% of Total Invested Assets
Agency	$ 606.3	2.6%	$ 425.6	2.1%
Non-agency	1,304.7	5.6	1,363.8	6.8
Total	$ 1,911.0	8.2%	$ 1,789.4	8.9%

There have been disruptions in the CMBS market beginning in 2009 and into 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 September 30, 2010, which is significant in a deep commercial real estate downturn during which expected losses may increase substantially. As of September 30, 2010, on an amortized cost basis, 97.3% of our entire CMBS portfolio were rated AAA, 1.4% were rated AA or A, and 1.3% 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 $296.9 and an amortized cost of $275.9 that were rated A by S&P, while Moody's and/or Fitch rated them AAA.

	As of September 30, 2010 Highest Rating Agency Rating						
Vintage	AAA	AA	A	BBB	BB and Below	Total	As of December 31, 2009
2008	$ 47.8	$ 18.4	$ —	$ —	$ —	$ 66.2	$ 66.0
2007	447.8	—	—	—	1.3	449.1	471.0
2006	136.6	—	—	—	11.3	147.9	148.0
2005	288.8	—	—	—	—	288.8	311.4
2004 & prior	227.9	—	5.5	—	10.4	243.8	391.9
Total amortized cost	$ 1,148.9	$ 18.4	$ 5.5	$ —	$ 23.0	$ 1,195.8	$ 1,388.3
Total unrealized gains (losses)	115.5	(2.0)	(0.3)	—	(4.3)	108.9	(24.5)
Total fair value	$ 1,264.4	$ 16.4	$ 5.2	$ —	$ 18.7	$ 1,304.7	$ 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 September 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	447.8	—	—	—	—	—	447.8
2006	136.6	—	—	—	—	—	136.6
2005	136.1	31.2	—	121.5	—	—	288.8
2004 & prior	—	—	—	187.7	40.2	—	227.9
Total	$ 768.3	$ 31.2	$ —	$ 309.2	$ 40.2	$ —	$ 1,148.9

	As of December 31, 2009						
	Super Senior (Post 2004)			Other Structures (2005 and Prior)			Total AAA Securities at Amortized Cost
Vintage	Super Senior	Mezzanine	Junior	Other Senior	Other Subordinate	Other	
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 September 30, 2010, on an amortized cost basis, 93.8% 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 September 30, 2010 was 29.7%.

Asset-Backed Securities

The following table provides the amortized cost and fair value of our asset-backed securities, by underlying collateral type, as of September 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 September 30, 2010		As of December 31, 2009	
Other asset-backed securities	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Credit cards	$ 71.8	$ 81.4	$ 73.0	$ 78.5
Lease payments	68.6	71.1	71.4	67.6
Trains	29.3	34.4	30.6	32.5
Airplanes	31.0	31.9	35.5	35.5
Other	69.0	68.1	77.1	69.9
Total other asset-backed securities	$ 269.7	$ 286.9	$ 287.6	$ 284.0

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. 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 nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Public equity	10.3%	17.9%	10.8%	25.2%
S&P 500 Total Return Index	11.3	15.6	3.9	19.3
Difference	(1.0)%	2.3%	6.9%	5.9%

Mortgage Loans

Our mortgage loan department originates 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 ratios based on 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 deferred fees and costs and includes a PGAAP adjustment; however, the tables presented below exclude these items.

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 primarily in our Income Annuities and Retirement Services segments to improve our overall investment yields. We originated $354.5 of mortgage loans during the first three quarters of 2010 and expect strong originations in the fourth quarter of 2010.

As of September 30, 2010 and December 31, 2009, 76.1% and 77.7%, respectively, of our mortgage loans were under $5.0 and our average loan balance was $2.1, and $1.9, respectively. As of September 30, 2010, our highest loan balance was $13.0.

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

	As of September 30, 2010		As of December 31, 2009	
Loan-to-Value Ratio	**Carrying Value**	**% of Total**	**Carrying Value**	**% of Total**
< or = 50%	$ 531.3	35.4%	$ 484.2	40.1%
51% — 60%	291.3	19.4	348.5	28.9
61% — 70%	394.4	26.3	195.8	16.2
71% — 75%	97.7	6.5	68.2	5.6
76% — 80%	52.8	3.5	17.7	1.5
81% — 100%	100.1	6.7	85.1	7.1
> 100%	33.4	2.2	7.4	0.6
	$ 1,501.0	100.0%	$ 1,206.9	100.0%

We use the loan-to-value and debt-service coverage ratios as our primary metrics 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 September 30, 2010 and December 31, 2009, our mortgage loan portfolio had weighted-average loan-to-value ratios of 57.4% and 53.5%, respectively. The slight increase in our loan-to-value ratio is driven by a reduction in the market values of the properties, which is the result of the distressed commercial real estate market.

For loans originated in the three and nine months ended September 30, 2010, 27.0% and 33.3%, respectively, had a loan-to-value ratio of 50% or less, and no loans had a loan-to-value ratio of more than 72%. 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 debt-service coverage ratio compares the amount of rental income a property is generating to the amount of the mortgage payments due on the property. Debt-service coverage ratios are calculated using the most current operating history for the collateral. As of September 30, 2010 and December 31, 2009, our mortgage loan portfolio had weighted-average debt-service coverage ratios of 1.72 and 1.75, respectively. For loans originated in the three and nine months ended September 30, 2010, 55.2% and 62.5%, respectively, had a debt-service ratio of 1.60 or more.

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

Region	As of September 30, 2010 Carrying Value	% of Total	As of December 31, 2009 Carrying Value	% of Total
California	$ 449.4	29.9%	$ 346.0	28.6%
Washington	259.7	17.3	222.9	18.5
Texas	150.3	10.0	125.6	10.4
Oregon	88.7	5.9	88.0	7.3
Florida	52.0	3.5	23.9	2.0
Other	500.9	33.4	400.5	33.2
Total	$ 1,501.0	100.0%	$ 1,206.9	100.0%

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

Property Type	As of September 30, 2010 Carrying Value	% of Total	As of December 31, 2009 Carrying Value	% of Total
Shopping Centers and Retail	$ 634.9	42.3%	$ 472.9	39.2%
Office Buildings	407.7	27.2	339.2	28.1
Industrial	394.1	26.3	345.7	28.6
Multi-Family	45.4	3.0	34.9	2.9
Other	18.9	1.2	14.2	1.2
Total	$ 1,501.0	100.0%	$ 1,206.9	100.0%

Maturity Date of Mortgage Loans

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

Years to Maturity	As of September 30, 2010 Carrying Value	% of Total	As of December 31, 2009 Carrying Value	% of Total
Due in one year or less	$ 7.0	0.5%	$ 2.4	0.2%
Due after one year through five years	112.0	7.5	100.0	8.3
Due after five years through ten years	770.9	51.4	541.8	44.9
Due after ten years	611.1	40.6	562.7	46.6
Total	$ 1,501.0	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.

Our total allowance for losses on mortgage loans was $7.5 and $8.2 as of September 30, 2010 and December 31, 2009, respectively. The allowance as of December 31, 2009 included a specific reserve of $2.2 related to a property we foreclosed and took possession of in the second quarter of 2010.

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 September 30, 2010, we were invested in nine 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 related tax credits had on net income.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Amortization related to affordable housing investments, net of taxes	$ (1.5)	$ (1.5)	$ (4.3)	$ (4.5)
Affordable housing tax credits	2.5	2.4	8.1	7.2
Impact to net income	$ 1.0	$ 0.9	$ 3.8	$ 2.7

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

	Estimated Impact to Net Income
Remainder of 2010	$ 1.3
2011	7.4
2012	11.0
2013 and beyond	36.2
Estimated impact to net income	$ 55.9

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 have and intend to pay quarterly cash dividends on our common stock and warrants at a rate of approximately $0.05 per share. 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 nine months ended September 30, 2010, the economic recovery continues to be slow. The credit markets remain tight, and we continue to experience a low interest rate environment, which we expect to continue in the last quarter of 2010 and into 2011. In managing the challenging market conditions over the past couple of years, we benefited from the 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 nine months ended September 30, 2010 were solid 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 $819.4 as of September 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 September 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 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 September 30, 2010, Symetra Life Insurance Company had an estimated risk-based capital ratio of 501%.

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 $235.8 and $247.2 as of September 30, 2010 and December 31, 2009, respectively.

	As of September 30, 2010		As of December 31, 2009	
	Amount	% of Total	Amount	% of Total
Illiquid Liabilities				
Structured settlements & other SPIAs(1)	$ 6,671.6	32.7%	$ 6,703.6	35.1%
Deferred annuities with 5-year payout provision or MVA(2)	378.6	1.9	381.0	2.0
Traditional insurance (net of reinsurance)(3)	186.7	0.9	185.8	1.0
Group health & life (net of reinsurance)(3)	106.8	0.5	97.2	0.5
Total illiquid liabilities	7,343.7	36.0	7,367.6	38.6
Somewhat Liquid Liabilities				
Bank-owned life insurance (BOLI)(4)	4,047.6	19.8	3,865.1	20.2
Deferred annuities with surrender charges of 5% or higher	5,782.6	28.4	4,788.2	25.1
Universal life with surrender charges of 5% or higher	171.4	0.8	152.5	0.8
Total somewhat liquid liabilities	10,001.6	49.0	8,805.8	46.1
Fully Liquid Liabilities				
Deferred annuities with surrender charges of:				
3% up to 5%	430.1	2.1	412.4	2.2
Less than 3%	226.8	1.1	87.6	0.5
No surrender charges(5)	1,935.1	9.5	1,950.7	10.2
Universal life with surrender charges less than 5%	440.3	2.2	441.7	2.3
BOLI(6)	1.5	0.0	3.7	0.0
Traditional insurance (net of reinsurance)(6)	2.2	0.0	2.1	0.0
Group health & life (net of reinsurance)(6)	14.5	0.1	18.4	0.1
Total fully liquid liabilities	3,050.5	15.0	2,916.6	15.3
Total	$ 20,395.8	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.

footnotes continued on following page

(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-terms. 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 September 30, 2010 and December 31, 2009, our insurance subsidiaries had liquid assets of $20.8 billion and $18.1 billion, respectively, and Symetra had liquid assets of $89.7 and $33.3, respectively. The portion of total company liquid assets comprised of cash and cash equivalents and short-term investments was $199.8 and $259.9 as of September 30, 2010 and December 31, 2009, respectively. The increase in our liquid assets was primarily the result of improved valuation of our fixed maturities, as well as sales of deferred annuities in the first nine 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 liquidity requirements, including under 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, September 30, 2010	As of December 31, 2009
Notes payable	$ 449.0	$ 448.9
Stockholders' equity	2,711.3	1,433.3
Total capital	$ 3,160.3	$ 1,882.2

Our capitalization increased $1,278.1 as of September 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 $138.7. AOCI improved primarily due to improved valuation of available-for-sale fixed maturities, primarily 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

We declared and paid quarterly dividends of $0.05 per common share for a total of $13.7 to shareholders and warrant holders during the second and third quarters of 2010. On November 10, 2010 we declared a dividend of $0.05 per common share to shareholders and warrant holders of record as of November 24, 2010, for an approximate total of $6.9, to be payable on or about December 10, 2010.

Cash Flows

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

	Nine Months Ended September 30,	
	2010	2009
Net cash flows provided by operating activities	$ 665.2	$ 575.4
Net cash flows used in investing activities	(1,645.0)	(1,895.5)
Net cash flows provided by financing activities	919.2	1,093.8

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 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 nine months ended September 30, 2010 increased $89.8 over the same period in 2009. This increase was primarily the result of increased net investment income driven by an increase in average assets, 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 and funding of mortgage loan originations. 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 nine months ended September 30, 2010 decreased $250.5 over the same period in 2009. This decrease was primarily the result of an increase in cash received from prepayments, maturities and calls on fixed maturities, and strategic sales of fixed maturities. This was partially offset by increased cash outflows on increased originations of mortgage loans.

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 nine months ended September 30, 2010 decreased $174.6 over the same period in 2009. This was primarily due to a $513.7 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” of Part II in this report 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 September 30, 2010. Based on this evaluation our principal executive officer and principal financial officer concluded that, as of September 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.

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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, and Item 1A — "Risk Factors" in Part II of our Form 10-Q for the quarters ended March 31, and June 30, 2010. 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. There have been no material changes to the risk factors set forth in the above-referenced filings as of September 30, 2010.

Item 6. *Exhibits*

Exhibit Number	Description
10.1	Form of Stock Option Award Agreement*
10.2	Group Short Term Disability Reinsurance Agreement dated as of January 1, 1999 (the "Short Term Agreement") between Safeco Life Insurance Company and Reliance Standard Life Insurance Company, doing business as Custom Disability Solutions, successor to Duncanson & Holt Services, Inc. (including Amendment No. 1 to the Short Term Agreement dated as of July 1, 2006 and Amendment No. 2 to the Short Term Agreement dated as of December 8, 2006)*
10.3	Group Long Term Disability Reinsurance Agreement dated as of January 1, 1999 (the "Long Term Agreement") between Safeco Life Insurance Company and Reliance Standard Life Insurance Company, doing business as Custom Disability Solutions, successor to Duncanson & Holt Services, Inc. (including Amendment No. 1 to the Long Term Agreement dated as of January 1, 2000, Amendment to the Long Term Agreement dated as of January 1, 2006, Amendment No. 3 to the Long Term Agreement dated as of July 1, 2006, Amendment No. 4 to the Long Term Agreement dated as of December 8, 2006 and Amendment No. 5 to the Long Term Agreement dated as of September 1, 2008)*
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.

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: November 10, 2010	By: /s/ Thomas M. Marra Name: Thomas M. Marra Title: President and Chief Executive Officer
Date: November 10, 2010	By: /s/ Margaret A. Meister Name: Margaret A. Meister Title: Executive Vice President and Chief Financial Officer

Stock Option Award Agreement
Pursuant to the Symetra Financial Corporation Equity Plan

THIS AGREEMENT (this "Agreement") is made, effective as of the [ ] day of ______, 2010, between Symetra Financial Corporation (the "Company") and [ ] (the "Participant").

WHEREAS, pursuant to the Symetra Financial Corporation Equity Plan (the "Plan"), the Participant has been granted, on [ ] (the "Grant Date"), an award of stock options (the "Stock Options") to purchase [ ] shares of common stock of the Company at a price per share of $[ ] (the "Exercise Price"), vesting in full on [ ] (the "Vesting Date"), on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Stock Options will expire under the conditions described in Section 4;

WHEREAS, in consideration for this award of Stock Options, the Participant agrees to accept the restrictions set forth herein;

NOW THEREFORE, in consideration of mutual covenants the parties hereto agree as follows:

SECTION 1. Definitions. Capitalized terms used but not defined in this Agreement have the meanings given to such terms in the Plan.

SECTION 2. Vesting of Stock Options. On the Vesting Date, the rights of the Participant with respect to the Stock Options shall become fully vested; provided that the Participant must be employed by the Company or an affiliate thereof on the Vesting Date in order for the Participant's rights with respect to the Stock Options to become vested, except as otherwise determined by the Committee in its sole discretion; provided further that, in the event of the termination of the Participant's employment by reason of death or Disability, or if such termination is a Termination Without Cause or a Constructive Termination within 12 months following a Change in Control, the Stock Options shall immediately become fully vested.

SECTION 3. Exercise of Stock Options. Following the date on which the Stock Options vest, the Participant may exercise the Stock Options in whole or in part (but for the purchase of whole Shares only) by delivery to the Company of (a) a written or electronic notice, complying with the applicable procedures established by the Committee or the Company, stating the number of Shares with respect to which the Stock Options are thereby exercised and (b) full payment of the aggregate Exercise Price for the Shares with respect to which the Stock Options are thereby exercised, in accordance with Section 5(a)(iii) of the Plan. The notice shall be signed by the Participant or any other person then entitled to exercise the Stock Options. Upon exercise and full payment of the Exercise Price for Shares with respect to which the Stock Options are thereby exercised, the Company shall deliver to the Participant one Share for each Stock Option with respect to which the Participant has exercised and paid.

SECTION 4. Expiration of Stock Options. Notwithstanding any provision of this Agreement, unless the Committee determines otherwise, in the case of unexercised Stock Options that have become vested prior to the termination of the Participant's employment (other than solely by reason of a period of Related Employment), such vested Stock Options shall expire on the earlier of (a) one year following the termination of the Participant's employment as a result of death, (b) three years following the termination of the Participant's employment as a result of Disability, (c) immediately upon the termination of the Participant's employment for Cause, (d) 90 days following the termination of Participant's employment for any reason other than death, Disability or Cause or (e) the first anniversary of the Vesting Date. For the avoidance of doubt, if the expiration date specified in the immediately preceding sentence is not a business day, then the Stock Options shall expire on the last business day immediately preceding such expiration date.

SECTION 5. Forfeiture of Stock Options. Unless the Committee determines otherwise, and except as otherwise provided in Section 2 of this Agreement, if the Stock Options awarded to the Participant pursuant to this Agreement have not become vested prior to the termination of the Participant's employment (other than solely by reason of a period of Related Employment), the Participant's rights with respect to the Stock Options shall immediately terminate upon such termination of employment, and the Participant will be entitled to no further payments or benefits with respect thereto.

SECTION 6. Successor Requirement. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

SECTION 7. Withholding, Consents and Legends. (a) Withholding. The delivery of Shares pursuant to Section 3 of this Agreement is conditioned on satisfaction of any applicable withholding taxes in accordance with Section 20(d) of the Plan.

(b) Consents. The Participant's rights in respect of the Stock Options are conditioned on the receipt to the full satisfaction of the Committee of any required consents that the Committee may determine to be necessary or advisable (including, without limitation, the Participant consenting to the Company's supplying to any third-party recordkeeper of the Plan such personal information as the Committee deems advisable to administer the Plan).

(c) Legends. The Company may affix to certificates for Shares issued pursuant to this Agreement any legend that the Committee determines to be necessary or advisable (including to reflect any restrictions to which the Participant may be subject under any applicable securities laws). The Company may advise the transfer agent to place a stop order against any legended Shares.

SECTION 8. Non-Transferability. Unless otherwise provided by the Committee in its discretion, the Stock Options may not be sold, assigned, alienated, transferred, pledged, attached or otherwise encumbered, except as provided in Section 20(b) of the Plan. Any purported sale, assignment, alienation, transfer, pledge, attachment or other encumbrance of a Stock Option in violation of the provisions of this Section 8 and Section 20(b) of the Plan shall be void and unenforceable against the Company.

SECTION 9. Rights of the Participant. None of the Stock Options, the execution of this Agreement and the delivery of any Shares with respect to the Stock Options shall confer upon the Participant any right to, or guarantee of, continued employment by the Company or any of its affiliates, or in any way limit the right of the Company or any of its affiliates to terminate the employment of the Participant at any time, subject to the terms of any written employment or similar agreement between the Company or any of its affiliates and the Participant. The Stock Options shall not be treated as compensation for purposes of calculating the Participant's rights under any employee benefit plan, except to the extent expressly provided in any such plan.

SECTION 10. Relation to Plan. The Stock Options hereby granted are subject to, and the Company and the Participant agree to be bound by, all of the terms and conditions of the Plan, as the same may be amended from time to time in accordance with the terms thereof, but no such amendment shall be effective as to the Stock Options without the Participant's consent insofar as it may materially and adversely affect the Participant's rights under this Agreement. Except as otherwise provided herein, the Committee shall have sole discretion to determine whether the events or conditions described in this Agreement have been satisfied and to make all other interpretations, constructions and determinations required under this Agreement and all such determinations by the Committee shall be final, binding and conclusive. In the event of any conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan shall govern and prevail, and the Agreement shall be deemed to be modified accordingly.

SECTION 11. Designation of Beneficiary by Participant. The Participant may, in accordance with Section 18 of the Plan, name a beneficiary to receive any payment to which the Participant may be entitled in respect of this Agreement in the event of the Participant's death, by notifying the Company. A Participant may change the beneficiary from time to time in the same manner. If the Participant has not designated a beneficiary or if no designated beneficiary is living on the date on which any amount becomes payable to a Participant's beneficiary, that amount shall be paid to the Participant's estate.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of transmission received by the sender), three business days after being sent by certified mail, postage prepaid, return receipt requested or one business day after being delivered to a nationally recognized overnight courier with next day delivery specified to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Company, to:

Vice President, Human Resources
Symetra Financial Corporation
777 108th Ave NE Suite 1200
Bellevue, Washington 98004

with a copy to:

General Counsel
Symetra Financial Corporation
777 108th Ave NE Suite 1200
Bellevue, Washington 98004

If to the Participant, to the address on file with the Company or any of its affiliates.

Notices (other than notices of exercise under Section 3 that comply with the applicable procedures established by the Committee or the Company) sent by email or other electronic means not specifically authorized by this Agreement shall not be effective for any purpose of this Agreement.

SECTION 13. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

SECTION 14. Participant's Undertaking. The Participant hereby agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Agreement.

SECTION 15. Amendment. This Agreement may not be amended, terminated, suspended or otherwise modified except in a written instrument, duly executed by both parties.

SECTION 16. Professional Advice. The acceptance, vesting and exercise of Stock Options under this Agreement and the receipt of Shares upon exercise of Stock Options may have consequences under Federal and state tax and securities laws that may vary depending upon the individual circumstances of the Participant. Accordingly, the Participant acknowledges that the Participant has been advised to consult the Participant's personal legal and tax advisor in connection with this Agreement and the Stock Options.

SECTION 17. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of New York without regard to its conflict of laws principles, and shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the parties hereto.

SECTION 18. Counterparts. This Agreement may be executed in two or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

SECTION 19. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto.

SECTION 20. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect to the fullest extent permitted by law. The Participant agrees that in the event that any court of competent jurisdiction shall finally hold that any provision of this Agreement (whether in whole or in part) is void or constitutes an unreasonable restriction against the Participant, such provision shall not be rendered void but shall be deemed to be modified to the minimum extent necessary to make such provision enforceable for the longest duration and the greatest scope as such court may determine constitutes a reasonable restriction under the circumstances.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date(s) first written above.

SYMETRA FINANCIAL CORPORATION,

by ______________________________

Christine A. Katzmar Holmes
Vice President, Human Resources

PARTICIPANT,

____

GROUP SHORT TERM DISABILITY REINSURANCE AGREEMENT

THIS AGREEMENT is between SAFECO LIFE INSURANCE COMPANY of Seattle, Washington (hereinafter “Insurer”) and DUNCANSON & HOLT SERVICES, INC., a Maine corporation, as Managing Agent (hereinafter “Managing Agent”) for each of the participating reinsurers collectively referred to in this Agreement as the American Disability Reinsurance Underwriters Syndicate (ADRUS) and listed in Appendix A (hereinafter “Reinsurer”).

The Managing Agent represents and warrants that the Reinsurer has authorized the Managing Agent to enter into, execute and deliver agreements of this sort on its behalf and to exercise all of its rights and perform all of its obligations under such agreements on its behalf, including but not limited to, underwriting of policies, collection of premiums, and management of claims in accordance with the terms of such agreements. All performances required by and for the Reinsurer under this Agreement shall be conducted through the Managing Agent.

In consideration of the mutual promises set forth below, the parties agree as follows:

ARTICLE I. GENERAL PROVISIONS

The effective date of this Agreement is January 1, 1999. On and after this date, one hundred percent (100%) (hereinafter referred to as the “Reinsured Percentage”) of the Insurer’s liability (hereinafter referred to as “Underlying Risk”) for the group short term disability insurance policies written on or after January 1, 1999 will be ceded to and reinsured by the Reinsurer. For group short term disability policies effective prior to January 1, 1999, the Reinsured Percentage shall become one hundred percent (100%) as of that date.

Other terms and conditions of this Agreement are as follows:

A) For risks reinsured under this Agreement, the Insurer will use only those policy forms which have been approved by the appropriate regulatory authorities. After the Reinsurer has reviewed and approved copies of these forms, and insurance policies have been accepted by the Policyholder and administered in accordance with the terms of this Agreement, the Reinsurer will be liable to the Insurer for the Reinsured Percentage in accordance with the provisions of the policies reinsured.

B) The Insurer, by executing this Agreement, represents that it is licensed to do insurance business in every state, district or territory of the United States, or the District of Columbia, in which it does business; and that it is licensed to write the group health and disability insurance policies which are the subject of this Agreement.

C) This Agreement represents an exclusive reinsurance arrangement between the parties for short term disability business. All business quoted using rates provided by the Reinsurer shall be reinsured under this Agreement. In the event the Reinsurer declines to accept any policy, the Insurer may reinsure such policy with another reinsurer.

D) Upon agreement of risk and benefits between Reinsurer and Insurer, any increase in benefit liability resulting from Insurer's divergence from same shall be borne by the Insurer. The Reinsurer does not assume liability for any risk not agreed upon and which is incurred as a result of errors, intentional or otherwise, in the policy and/or certificate issued:

ARTICLE II. UNDERWRITING

A) Any reinsurance under this Agreement will be effected only through the express written consent of the Reinsurer for each case submitted under any disability insurance policy covered by this Agreement. The Insurer will submit underwriting data to the Reinsurer and the Reinsurer will inform the Insurer of its decision to accept or reject liability. The Reinsurer will make available to the Insurer the underwriting data prepared and used in making its determination. The reinsurer agrees to reinsure all policies in force on January 1, 1999, without regard to any policy underwriting.

The Reinsurer has the right to approve individuals insured under any policy as a condition of its acceptance of that policy. The Reinsurer may waive this right for some or all policies at any time.

B) The Reinsurer shall keep and maintain appropriate records of evidence of insurability, including but not limited to the policy, applications, certificates of coverage, medical forms, and other evidence of insurability, for at least three (3) years. Upon termination of this Agreement, the Reinsurer will retain and Insurer shall have access to such information for the later of three (3) years from termination date or the date the last active claim ceases.

C) Either the Insurer or the Reinsurer may, at any reasonable time during normal working hours of the Insurer and upon provision of written notice fourteen (14) days in advance, review and audit the records of the other party relating to business reinsured under this Agreement.

ARTICLE III. FINANCIAL RESPONSIBILITIES AND TRANSACTIONS

A) The Insurer shall remit premium for reinsured group short term disability policies to the Reinsurer by the tenth (10th) of each month. The monthly report provided will contain all of the cash activity reported to the Insurer in the previous month in addition to information mutually agreed to by the Insurer and the Reinsurer.

The Insurer will follow all prudent procedures for premium collection and will notify the Reinsurer of all reinsured policies for which premium is overdue by thirty (30) days of the due date. The Reinsurer may assess an interest charge equal to the interpolated seven (7) year value of five (5) year and ten (10) year United States Treasury Bonds on premium overdue by more than thirty (30) days.

If the premium payment period for any policy comprising the Underlying Risk is other than monthly, the parties to this Agreement shall determine, by mutual consent, the proper method of reporting, accounting, and transferring of balances.

For past due premiums on all reinsured policies for which premiums remain due and unpaid for thirty (30) days following their due date, the Insurer shall take appropriate action to terminate all prospective liability in accordance with the policy provisions and shall institute its usual collection procedures. If the Insurer fails to take appropriate action to terminate all prospective liability, the Reinsurer reserves the right to terminate reinsurance of such ceded policies for which premiums remain unpaid for thirty (30) days past their due date.

B) For any business sold under this Agreement, the Reinsurer will specify the percentage of premium to be paid to it for reinsurance of each policy at the time Reinsurer accepts liability under the terms of the Underwriting Article of this Agreement.

C) The liability of the Reinsurer shall begin simultaneously with the Reinsurer’s acceptance of reinsurance for a short term disability insurance policy, subject to the terms of this Agreement.

D) The Insurer is responsible for paying all premium taxes concerning any business covered by this Agreement

E) Upon provision of written notice fourteen (14) days in advance, each party shall have the right, at any reasonable time during normal working hours, to inspect, at the office of the other party, all non-proprietary, non-confidential and non-privileged books, records and documents relating to policies reinsured under this Agreement.

F) If the Insurer fails to pay the consideration described in this Article, the Reinsurer shall have the right to terminate, from the date up to which the policy premiums have been paid, its obligation for that portion of the Underlying Risk for which consideration is in arrears.

G) The Reinsurer will be bound by the consideration it specifies for a particular policy. However, on any date that the Insurer has the right to terminate a policy or change the premium for said policy, the Reinsurer may, with sixty (60) days advance notice, modify the rate of consideration or terminate reinsurance on the policy. The Insurer shall then be bound by the modification.

H) Reinstatement of the reinsurance on ceded policies which have been terminated under any provision of this Article shall be at the Reinsurer's discretion.

I) Each party to this Agreement shall have the right to offset any balance(s), or any other amounts due relating to this or related agreements. In the event of the insolvency of a party to this Agreement, offsets shall only be allowed in accordance with the Insolvency Article of this Agreement.

ARTICLE IV. CLAIMS

The Insurer shall promptly transmit to the Reinsurer all claims, proofs of loss and supplemental statements of disability submitted on a policy reinsured hereunder. Upon receipt thereof the Reinsurer will pay the claim and/or recommend other appropriate action. The Reinsurer will not be liable for any claim received from the Insurer more than one year after this claim has been received in the Insurer's office. The Reinsurer may change the reinsurance rate, retroactive to the last renewal date, if the receipt of a claim reported to the Reinsurer is more than one year after receipt by the Insurer and if the timely receipt would have caused a different reinsurance rate to be charged.

A) All services will be performed in accordance with Appendix B, the Claims Management Agreement. This Agreement includes administrative procedures particular to the claims management process and includes, but is not limited to: Authorization to Pay Claims, Claim Administration Guidelines, Claim Data; Payment of Benefits; Payment of Claim Expenses; Right to Audit; and is mutually agreed to by the parties of this Agreement.

B) The Reinsurer will undertake the defense of any suit, or portion of a suit, which is based or alleged to be based on claims for benefits under group disability policies covered by this Agreement where the claim is first commenced after the effective date of this Agreement, and the underlying policy is effective on or after the effective date of this Agreement. Except as otherwise provided in this Agreement, choice of counsel and management of any such suit, or portion of such suit, shall be agreed upon by the Insurer and the Reinsurer, which will have the exclusive right to settle any such suit, when in its informed and good faith opinion, it is appropriate to do so. The Insurer will cooperate with the Reinsurer in the defense of such suits.

C) The Insurer and the Reinsurer will notify each other promptly of any litigation brought against it with respect to the policies covered by this Agreement are.

D) Claims for Extra-Contractual Amounts. "Extra-Contractual Amounts" are amounts outside of contractual benefits which may include, but are not necessarily limited to: punitive, exemplary, compensatory or consequential damages or plaintiffs litigation-related costs and fees.

i) If extra-contractual amounts are awarded against the Insurer solely as a result of the Reinsurer's decision, action, delay or failure to act, the Reinsurer shall pay one hundred percent (100%) of all such amounts.

ii) If extra-contractual amounts are awarded against the Insurer solely as a result of Insurer's decision, action, delay, or failure to act, the Reinsurer shall have no (0%) percentage of liability for the payment of extra-contractual amounts.

iii) When extra-contractual amounts are awarded against the Insurer as a result of both the Reinsurer's and the Insurer's decision, action, delay or failure to act, the parties agree to share in the payment of any extra-contractual amounts.

iv) To expedite the resolution of certain claims, amounts other than policy benefits may be added to a claim settlement.

Allocation of responsibility for decisions, actions, delays, or failures to act shall be determined by the parties' agreement subsequent to good faith negotiation. Said determination is solely for the purpose of efficient administration of this Agreement and for determining who shall assume the costs in certain instances. If agreement on such allocation cannot be reached, the matter shall be addressed in accordance with the Arbitration Article of this Agreement.

If any portion of this subsection (D) is deemed to be illegal under any law (decisional or statutory) or regulation of any Federal, State or local government, insofar as it applies to that area's jurisdiction, then said portion is automatically terminated.

E) The Reinsurer hereby agrees to provide claim management services for all group short term disability claims of the Insurer with dates of disability prior to January 1, 1999. For an initial payment of $230 per claim, and monthly payment of $75 per claim thereafter for the duration of the claim, Reinsurer shall manage such claims in accordance with the practices and procedures outlined in the Claims Service Agreement.

The Insurer agrees to prefund an account for claim payments sufficient to cover STD payments. The Insurer can prefund on a weekly basis. The Insurer will also pay a fee of $4,000 which will be refunded if the reinsured profit margin exceeds 7% for 1999.

F) The Reinsurer will deposit federal and/or state income tax as requested by the claimant. In so doing, the Reinsurer does not act as the agent of the Insurer for IRS purposes. The Reinsurer shall deposit employee FICA on short term disability benefits paid. The Reinsurer will transfer the liability for the employer matching FICA and issuance of W-2 forms for short term disability benefits paid back to the employer of the disabled employee.

ARTICLE V. DURATION, RECAPTURE AND TERMINATION

A) This Agreement shall govern the relationship of the parties until the liability of the Reinsurer with respect to all policies reinsured hereunder ceases. In accordance with the provisions of this Article, this Agreement can be terminated by either party with respect to all prospective acceptances.

Any partial or complete prospective termination of this Agreement must be made in writing prior to October 1st of each year. Termination shall occur on the desired effective date of termination or ninety days from receipt of notice, whichever is later.

B) After this Agreement has been inforce for one (1) year from the effective date, the Insurer may increase or decrease the Reinsured Percentage. The following schedule is the minimum Reinsured Percentage for each disability policy in effect at the anniversary date of this Agreement.

Year 1 following notification	75%
Year 2 Following notification	75%
Year 3 following notification and thereafter	50%

Notification must be received by the Reinsurer not later than October 1 of the year prior to the intended change. The Reinsured Percentage will remain at current Reinsured Percentage absent any notification. The change in Reinsured Percentage will occur at the next renewal date of the underlying reinsured policy occurring after the anniversary of the change. Upon termination of this Agreement, the Insurer may reduce the Reinsured Percentage to zero percent (0%) five (5) years from the effective date of the termination. Notification must be provided 90 days in advance.

C) The Reinsured Percentage governing any particular claim under a reinsured policy will be that Reinsured Percentage in effect as of the date of disability.

D) As of the date termination becomes effective Reinsurer will provide Insurer only with those necessary claims and financial services required to manage any reinsured business.

E) If Insurer becomes insolvent, as determined by the state regulatory agency, this Agreement will terminate automatically as of the date of insolvency as to all prospective acceptances by the Reinsurer. Liabilities already incurred by the Reinsurer will be administered in accordance with the Insolvency Article of this Agreement.

ARTICLE VI. NON-TRANSFERABILITY OF AGREEMENT

Neither the Insurer nor the Reinsurer shall, without prior consent of the other, which shall not be unreasonably withheld, sell, assign, transfer, or otherwise dispose of this Agreement, policies or policy liabilities covered by this Agreement, or any interest in such Agreement, by voluntary or involuntary act, by assumption agreement or otherwise, and any attempt to dispose of said interests, without said consent, shall be null and void. Notwithstanding the foregoing, Insurer or Reinsurer may arrange for a Third Party Administrator to perform some or all of the obligations hereunder. So doing will not relieve the Insurer or Reinsurer from the obligations hereunder, though, in the event that the Third Party Administrator does not perform the obligations as stated herein.

ARTICLE VII. PARTIES TO THIS AGREEMENT

A) This is an agreement solely between the Insurer and the Reinsurer. The acceptance of reinsurance hereunder shall not create any right or legal relation whatever between the Reinsurer and any of Insurer’s policyholders, beneficiaries, representatives, sales representatives, employees or shareholders.

B) A failure or delay of either party to this Agreement to enforce any of the provisions of this Agreement, or to exercise any option which is herein provided, shall in no way be construed to be a waiver of such provision.

ARTICLE VIII. CONFIDENTIALITY

A) The Insurer and the Reinsurer may come into the possession or knowledge of confidential and proprietary information of the other in fulfilling obligations under this Agreement. Insurer and the Reinsurer agree to hold such confidential information in strictest confidence and to take all reasonable steps to ensure that such confidential information is not disclosed in any form by any means by each of them or by any of their employees or associates to third parties of any kind, except by advance authorization. “Confidential information” means any information which (1) is not generally available to the public, or (2) has not been lawfully obtained by the parties prior to the date of disclosure to it by the other, and includes but is not limited to:

i) Information or knowledge about each party’s products, processes, services, finances, customers, research, computer programs, marketing and business plans, claims management practices, and reserving methodology; and

ii) Any medical and other personal, individually identifiable information about people or business entities with whom the parties do business, including customers, prospective customers, vendors, suppliers, individuals covered by insurance plans, and each party’s producers and employees.

B) The Insurer and its agents, employees and representatives will not represent themselves, in writing, as part of the Reinsurer, or refer, in writing, to the Reinsurer in any policy forms or promotional materials, without the prior written consent of the Reinsurer.

ARTICLE IX. INSOLVENCY

The Reinsurer agrees that all reinsurance under this Agreement shall be payable by the Reinsurer on the basis of the liability of the Insurer under each policy reinsured under this Agreement without diminution because of the insolvency of the Insurer, and the Reinsurer assumes liability for such reinsurance as of the effective dates of such policies. Any such payments by the Reinsurer shall be made directly to the Insurer or to its liquidator, receiver, or statutory successor. In the event of the insolvency of the Insurer, the liquidator, receiver or statutory successor of the Insurer shall give written notice that a claim is pending against the Insurer with respect to policies comprising the Underlying Risk within a reasonable time after such claim is filed in the insolvency proceedings. While the claim is pending, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses which it may deem available to the Insurer or its liquidator or receiver or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to court approval, against the Insurer as part of the expenses of liquidation to the extent of a proportionate share of the benefit which may accrue to the Insurer solely as a result of the defense undertaken by the Reinsurer.

Where two or more reinsurers are involved and a majority of interest elect to defend a claim, the expense will be apportioned in accordance with the terms of the reinsurance agreement as if the expense had been incurred by the Insurer.

ARTICLE X. ARBITRATION

A) The parties explicitly agree that all differences, whether matters of fact, law or mixed fact and law, which arise out of the interpretation or execution of this Agreement, will be decided by arbitration except for those matters which are left to the sole discretion of the Reinsurer or the Insurer under the terms of this Agreement. The parties explicitly agree that arbitration shall be the sole and exclusive remedy for all such differences, and that the arbitrators will determine the interpretation of this Agreement in accordance with the usual business and reinsurance practices rather than strict technicalities. Three neutral arbitrators will decide any differences. They must be active or retired officers of life insurance companies other than the two parties to this Agreement or any of their subsidiaries. In addition, the officers may not be former employees of the two parties to this Agreement or any of their subsidiaries. One of the arbitrators is to be appointed by each party to this Agreement, and the two arbitrators will select a third. If the two are not able to agree on a third, the choice will be left to the President of the Society of Actuaries or its successor. The arbitration shall be in accordance with the Commercial Arbitration Rules of the American Arbitration Association, or its successor and will take place in Portland, Maine. This Agreement shall be deemed binding upon the arbitrators for matters expressly agreed to herein. The arbitrators' decision shall be by majority vote, and no appeal shall be taken from it. The judgment rendered by the arbitrators may be entered in any court having proper jurisdiction. Expenses and fees for the arbitrators shall be shared by the Insurer and the Reinsurer in equal portions.

B) The arbitrators may award only contractual damages to either party. In no event may extra-contractual damages, including amounts available under any state or federal Racketeer Influenced and Corrupt Organization Act (RICO), be awarded to either party under this Agreement for breach of said agreement. However, the arbitrators may allocate responsibility for 1) any extra-contractual amounts awarded against the Insurer, or 2) any amounts representing extra-contractual damages in a settlement, between the Insurer and the Reinsurer as set forth in the Claims Article of this Agreement.

C) The procedures specified in this Article shall be the sole and exclusive procedures for the resolution of disputes between the parties arising out of or relating to this Agreement; provided, however, that a party may seek a preliminary injunction or other preliminary judicial relief if in its judgment such action is necessary to avoid irreparable damage. Despite such action the parties will continue to participate in good faith in the procedures specified in this Article. All applicable statutes of limitation shall be tolled while the procedures specified in this Article are pending. The parties will take such action, if any, required to effectuate such tolling.

D) Notwithstanding any other provision of this Article, in the event that either party seeks, consents to, or acquiesces in the appointment of, or otherwise becomes subject to, any trustee, receiver, liquidator, or conservator (including any state insurance regulatory agency acting in such a capacity), the other party shall not be obligated to resolve any claim, dispute, or cause of action under this Agreement by arbitration and may elect to bring any action with respect to such claim, dispute or cause of action in any court of competent jurisdiction.

ARTICLE XI. YEAR 2000 COMPLIANCE

The Insurer and the Reinsurer each separately represents and warrants that it has established a written project plan and budget to address Year 2000 issues, and that its plan includes:

i) conducting an inventory and assessment of Year 2000 impacts to its telecommunications and information systems, related software and hardware, and its facilities (e.g., buildings and utilities);

ii) conducting a review of the Year 2000 preparedness of its significant business partners and suppliers;

iii) correcting its Year 2000 problems and testing and validating its conversion efforts, and

iv) establishing contingency and avoidance plans.

Each party represents and warrants that all of its telecommunications and information systems and related software and hardware have been found to be Year 2000 compliant, or will be made so on or before December 31, 1999. The Insurer agrees to cooperate in good faith with the Reinsurer with respect to Year 2000 issues by sharing information with the Reinsurer about the status and progress of the Insurer’s Year 2000 compliance work and with respect to testing and validation. Reinsurer agrees to do the same. For purposes of this section, “Year 2000 compliant” means: manages and manipulates data involving dates with full representation of year and century (i.e. YYYYMMDD) both internally and externally to the Database, System or Application; follows standards for acquisition, storage, presentation, and handling of dates including provisions for leap year and leap centuries. This applies to data stored and retrieved, reports, screens, and data that is sent or received.

ARTICLE XII. ERRORS AND OMISSIONS

Inadvertent and harmless delays, errors or omissions made in connection with this Agreement or any transaction hereunder, except as otherwise stated in this Agreement, shall not relieve either party from any liability which would have attached had such delay, error or omission not occurred, provided that the fault is rectified as soon as possible after discovery.

ARTICLE XIII. APPLICABLE LAW

This Agreement is governed by the laws of the State of Maine,

ARTICLE XIV. MODIFICATION

A) This Agreement constitutes the entire understanding between the Reinsurer and the Insurer. Neither party shall be bound by any other representation made before or after the date of this Agreement, unless it is made in writing, signed by both parties and expresses by its terms an intention to modify this Agreement.

B) In the event that any one or more of the provisions of this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in duplicate by their respective officers duly authorized so to do as of the date set forth above.

DUNCANSON & HOLT SERVICES, INC. (Managing Agent of Reinsurer)	**SAFECO LIFE INSURANCE COMPANY** (Insurer)
By /s/ Paul K. Fields	By /s/ John P. Fenlason
Title V P Finance	Title Sn V. P.
Date 8/30/99	Date 11/4/99
/s/ Sharon Newton	/s/ Joseph Allen Wymich
Witness	Witness

APPENDIX A-20

AGREEMENT YEAR 1999

January 1, 1999 to December 31, 1999

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc., as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Allianz Life Insurance Company of North America	30,000	100.00%
TOTAL AUTHORIZED PARTICIPATION	$30,000	100.00%

Claims Management Agreement
Appendix B

I. Claims Management Services

In satisfaction of its obligations to assist the Insurer with the processing of claims arising under policies reinsured in connection with the Group Short Term Disability Reinsurance Treaty (“the Treaty”), the Reinsurer designates Claims Service International, Inc. (“CSI”) to perform claims management services in connection with the Treaty as set forth herein. The Insurer shall not be liable to CSI for the services rendered under the Claims Management Agreement and shall not bear any of the expenses incurred by CSI in connection with CSI’s performance of services hereunder, except as may be expressly set forth herein. The obligation of CSI to perform administrative services in connection with the Treaty shall continue until such time as all reinsured claims have been paid, unless other agreement is reached and becomes a written part of this Agreement.

II. Standard of Care

CSI will manage claims using the same standard of care, diligence and good faith which Reinsurer exercises in the performance of its own business and shall be consistent with prudent claim processing practices in the industry in compliance with applicable laws.

III. Licenses

CSI will maintain all necessary licenses to perform the functions assigned to it in this Claims Management Agreement. CSI shall execute any documents reasonably required by the Insurer in order for the Insurer to comply with laws relating to the third party administration of claims.

IV. Claims Administration Guidelines/Claims Data

The Insurer will direct all policyholders that insured individuals and their assignees must provide notices of all reinsured disability claims, proofs of loss and any supplemental statements of disability directly to CSI for processing. CSI will communicate with all parties involved in the claims management process using the identity of “Claims Advisory Agent” for the Insurer. CSI, on behalf of the Reinsurer, will use Insurer STD claims forms, as modified to name CSI as the Claims Advisory Agent.

CSI will provide the Insurer with copies of all responses to Department of Insurance (DOI) complaints. The Insurer will not retain individual STD claim files except for copies of responses to DOI complaints. CSI will retain all individual STD claims files and will store all such files for a period of ten years after the closure of the file. CSI will destroy all claims files in a manner to preserve confidentiality. Upon proper request, CSI shall provide access to the books and records maintained by CSI for the purposes of examination, audit and inspection by any insurance department which purports to exercise jurisdiction over the business which is subject to the Treaty.

V. Payment of Claims/Authorization to Pay Claims

Upon receipt of claims, proofs of loss and/or supplemental statements of disability, CSI, on behalf of the Reinsurer in accordance with Article IV of the Treaty, will pay the claim or will take appropriate alternative action. The Insurer or the policyholder will provide to CSI all necessary information to verify eligibility and premium requirements, where such information has not already been provided to the Reinsurer. CSI shall be responsible for mailing all acknowledgment letters and claims denial letters.

In the event that CSI determines that a claim should be denied, CSI will send to the claimant a notice of denial within 10 business days of the determination. Any notice of denial will be sent directly to claimant and will state the reason for denial. Procedures for appeals are to be included in the letter to the claimant. A copy of the denial letter shall be forwarded to the policyholder when applicable.

Beginning January 1, 1999, CSI will process and pay all claims made against the policies reinsured under this Treaty for the Insurer. In connection therewith, the Insurer will provide to CSI signatory authority on a block of the Insurer drafts to be written against a the Insurer bank account. CSI shall be responsible for mailing, at its expense, all communications that are required to be mailed to claimants, including checks and EOBs.

CSI shall pay each claim under policies reinsured under the Treaty within the time period allowed by the state in which the claimant resides. Before suspending any payments, CSI will send to claimant a letter advising the claimant that benefits will be suspended unless the claimant sends information which in the judgment of CSI supports the continued payment of benefits. A copy of this letter shall be forwarded to the policyholder, when applicable.

VI. Claims Expenses

All STD claims expenses will paid by the Reinsurer. Normal claim expenses include, but are not limited to, the following: medical records; Independent Medical Exams; vendor costs; claim investigation and rehabilitation. It does not include salaries of either the Insurer’s or Reinsurer’s employees.

VII. Right to Audit

At its discretion the Insurer, or its designated representative, has the right to conduct random audits of STD claims reinsured under the Treaty. Such audits shall be conducted by staff of the Insurer, or its designated representative, at the expense of the Insurer and at the regular locations of CSI and/or the Reinsurer during normal business hours. Access to all relevant policy information and case data regarding reinsured claims shall be made available for audit proceedings. The number of claims to be audited will be determined in the sole discretion of the Insurer.

Results of audits by the Insurer shall be communicated to the Reinsurer in a verbal summary followed by written documentation of the findings, including any irregularities or problems identified.

VIII. Information Relating to Fraudulent Claims

CSI will provide to the Insurer, upon the Insurer’s request, a list of measures that CSI uses to detect fraudulent claims.

IX. Responsibility of Reinsurer for Act of CSI

Reinsurer shall be responsible for all acts of CSI as if the Reinsurer had itself performed said acts.

The signatures below constitute acceptance of the Claims Management Agreement by all parties. Nothing contained in the Claims Management Agreement shall vary, alter or affect any of the terms or conditions of the Group Short term Disability Reinsurance Agreement. The Claims Management Agreement may be revised only by changes agreed to by both parties and documented in writing.

IN WITNESS WHEREOF, the parties have signed this Claims Management Agreement on the dates shown.

DUNCANSON & HOLT SERVICES, INC. (Managing Agent of Reinsurer)	**SAFECO LIFE INSURANCE COMPANY** (Insurer)
By /s/ Paul K. Fields	By /s/ John P. Fenlason
Title V P Finance	Title Sr. V.P.
Date 8/30/99	Date 11/4/99
/s/ Sharon Newton Witness	/s/ Joseph Allen Wymich Witness

AMENDMENT NO. 1
TO THE
GROUP SHORT TERM DISABILITY REINSURANCE AGREEMENT

This Amendment No. 1 (the "Amendment") is effective as of July 1, 2006 and is hereby made a part of and incorporated into the Group Short, Term Disability Reinsurance Agreement effective January 1, 1999 (the "Agreement") by and between Symetra Life Insurance Company (formerly Safeco Life Insurance Company) (hereinafter the "Insurer") of Bellevue, Washington and Reliance Standard Life Insurance Company doing business as Custom Disability Solutions (successor to Integrated Disability Resources, Inc., formerly Duncanson & Holt Services, Inc.), as Managing Agent (hereinafter the "Managing Agent") for each of the participating reinsurers collectively referred to in the Reinsurance Agreement as the American Disability Reinsurance Underwriters Syndicate ("ADRUS"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

Intending to be legally bound, Insurer and Managing Agent agree to amend the Agreement as follows:

1. ARTICLE I. GENERAL PROVISIONS, Paragraph C is amended to read as follows:

   C) All new business proposals which are quoted using rates provided by the Reinsurer shall be reinsured under this Agreement, except for new business proposals produced:

      i) by Meridian Benefits in the states of North Carolina, South Carolina and Tennessee, or

      ii) from distribution channels and opportunities brought to insurer by other reinsurance outlets, where discussions concerning such opportunities are not initiated by the Insurer.

   Otherwise, this Agreement represents, an exclusive reinsurance arrangement between the parties with respect to new business proposals.

   This Agreement will continue to represent an exclusive reinsurance arrangement between the parties with respect to renewals for Policies which are in force and reinsured with Reinsurer as of July 1, 2006. In the event the Reinsurer declines to accept a renewal of any such policy, the Insurer may reinsure such policy with another reinsurer.

2. ARTICLE III. FINANCIAL RESPONSIBILITIES AND TRANSACTIONS, Section A), first two paragraphs are amended to read as follows:

   The Insurer shall remit premium for reinsured group short term disability policies to the Reinsurer within ninety (90) days from the date on which premium is due to the Insurer.

The Insurer will follow all prudent procedures for premium collection and will notify the Reinsurer of all reinsured policies for which premium is overdue by ninety (90) days of the due date.

The third and fourth paragraphs under Section A) remain unchanged by this Amendment.

3. ARTICLE V. DURATION, RECAPTURE AND TERMINATION is amended to read as follows:

ARTICLE V. DURATION, TERMINATION AND RECAPTURE

A) Duration. This Agreement shall govern the relationship of the parties until the liability of the Reinsurer with respect to all policies reinsured under this Agreement ceases.

Insurer agrees to continue an ongoing active relationship with the Reinsurer for an initial period ending December 31, 2007.

B) Termination.

(i) Without Cause, Subject to Section A in this Article VI, either party may terminate this Agreement with respect to all prospective acceptances, at any time by providing ninety (90) days prior written notice to the other party.

(ii) Insurer Insolvency. If Insurer becomes insolvent as determined by one or more state regulatory agencies, this Agreement will terminate automatically as of the date of insolvency as to all prospective acceptances. Liabilities already incurred by the Reinsurer will be administered in accordance with the Insolvency Article of this Agreement.

(iii) Immediate Termination Rights Notwithstanding the above, Insurer may terminate this Agreement upon the occurrence of any of the following at any time by the giving of fifteen (15) days prior written notice to the Managing Agent:

a) Either ADRUS or the Managing Agent ceases active underwriting operations;

b) A State Insurance Department or other regulatory authority orders ADRUS, or any then-participating member of ADRUS, to cease writing business;

c) ADRUS, any then-participating member of ADRUS, or the Managing Agent: 1) becomes insolvent, 2) is placed into liquidation or receivership, or 3) has instituted against it proceedings for the appointment of a supervisor, receiver, liquidator, rehabilitator, conservator or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations;

d) ADRUS or the Managing Agent enters into a definitive written agreement to directly or indirectly assign its interests in this Agreement and liability for obligations under this Agreement to another party without the insurer prior written consent;

e) The Managing Agent has entered into a definitive agreement to sell, substantially all of its assets without the Insurer's prior written consent; or

f) ADRUS or the Managing Agent, has engaged in any of the following: 1) a pattern or practice of failure by ADRUS or the Managing Agent to pay claims on a timely basis, 2) a pattern or practice of failure by ADRUS or the Managing Agent to abide by applicable federal or state laws, 3) a pattern or practice of acts of bad faith conduct by ADRUS or the Managing Agent, or 4) a pattern or practice of committing acts of negligent behavior by ADRUS or the Managing Agent, in discharging the Reinsurer's duties under this Agreement.

C) Recapture.

If the insurer terminates the Agreement effective on January 1, 2008 or some other date in 2008, the recapture period shall be three (3) years from the effective date of such termination.

If the Insurer terminates the Agreement effective on or after January 1, 2009, the recapture period shall be two (2) years from the effective date of such termination.

Recapture through any means will include 100% of the risk for the policies unless other terms are agreed to by the Insurer and Reinsurer.

D) The Reinsured Percentage governing any claim under a reinsured policy will be that Reinsured Percentage in effect as of the date of disability.

E) As of the date termination of the Agreement becomes effective, Reinsurer will provide Insurer only with those necessary claim and financial services required to manage any reinsured business Upon termination, Reinsurer will utilize renewal methods, tools and procedures which are consistent with those in use for renewals generally within Reinsurer's overall block of business at the time Insurer's policies are being renewed.

4. The Agreement is amended by the addition of the following Article, which is applicable to ADRUS members for all ADRUS agreement years effective on or after July 1, 2006.

ARTICLE XV. COLLATERAL REQUIREMENTS

If the amount of capital and surplus of any ADRUS member has been reduced by 50% or more of the amount of capital and surplus as stated in such ADRUS member's most recent prior annual statutory statement filed with its state of domicile, such ADRUS member shall deposite in trust with a trustee (which shall not be an affiliate of such ADRUS member), and thereafter at all times maintain in such trust, assets at least equal in value to such ADRUS member's proportionate amount of the reserves required to be maintained from time to time by ADRUS under sound actuarial principles and accepted statutory accounting practices, with respect to reserves required for liabilities incurred by ADRUS members under this Agreement on or after July 1, 2006.

Such ADRUS member may alternatively post a letter of credit to satisfy such obligations. The trust or letter of credit arrangements, and all documentation relating thereto, must be satisfactory in form and substance to Insurer in its good faith discretion. The trust shall be terminated and the assets returned to the ADRUS member, or the letter of credit returned for cancellation, if the ADRUS member's amount of capital and surplus increases by 10% of the amount of capital and surplus as stated in such ADRUS member's most recent prior annual statutory statement filed with its state of domicile.

The parties acknowledge that the collateral obligations under this provision predicated upon a reduction in surplus shall not be applicable if the ADRUS member has already provided collateral or taken other lawful actions that allow Insurer to receive full reserve credit with respect to the reinsurance ceded under this Agreement.

All provisions of the Agreement not in conflict with the provisions of this Amendment will continue unchanged.

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed in duplicate by the signatures of their duly authorized representatives as indicated below.

CUSTOM DISABILITY SOLUTIONS.
Managing Agent of Reinsurer

By: /s/ Paul K. Fields

Name: Paul K. Fields

Title: CFO

Date: 8/16/2006

SYMETRA LIFE INSURANCE COMPANY

By: /s/ Michael Fry

Name: Michael Fry

Titles: VP

Date: 8/17/2006

AMENDMENT NO. 2
TO THE
GROUP SHORT TERM DISABILITY REINSURANCE AGREEMENT

This Amendment no. 2 (“Amendment”) is hereby made a part of and incorporated into the Group Short Term Disability Reinsurance Agreement which was effective January 1, 1999 (“Agreement”) by and between Symetra Life Insurance Company (formerly Safeco Life Insurance Company) (“Insurer”) of Bellevue, Washington and Reliance Standard Life Insurance Company doing business as Custom Disability Solutions (successor to Integrated Disability Resources, Inc., formerly Duncanson & Holt Services, Inc.), as Managing Agent (“Managing Agent”) for each of the participating reinsurers collectively referred to in the Agreement as the American Disability Reinsurance Underwriters Syndicate (“ADRUS”). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

Intending to be legally bound, Insurer and Managing Agent agree to amend the Agreement as follows:

Effective January 1, 1999, Appendix A-20 appearing in the Agreement is amended to read as follows:

APPENDIX A

AGREEMENT YEAR 1999

January 1,1999 to December 31,1999

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER[S]	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100%**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed in duplicate by the signatures of their duly authorized representatives as indicated below.

CUSTOM DISABILITY SOLUTIONS, Managing Agent of Reinsurer		**SYMETRA LIFE INSURANCE COMPANY**	
By:	/s/ Paul K. Fields	By:	/s/ David C. Fry
Name:	Paul K. Field	Name:	David C. Fry
	CFO	Title:	Senior Actuary & AVP
	12/7/2006	Date:	12/8/2006

APPENDIX A-l

AGREEMENT YEAR 2000
January 1, 2000 to December 31, 2000

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-2

AGREEMENT YEAR 2001

January 1, 2001 to December 31, 2001

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-3

AGREEMENT YEAR 2002

January 1, 2002 to December 31, 2002

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-4

AGREEMENT YEAR 2003

January 1, 2003 to December 31, 2003

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-5

AGREEMENT YEAR 2004

January 1, 2004 to December 31, 2004

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-6

AGREEMENT YEAR 2005

January 1, 2005 to December 31, 2005

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-7

AGREEMENT YEAR 2006

January 1, 2006 to December 31, 2006

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-8

AGREEMENT YEAR 2007

January 1, 2007 to December 31, 2007

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-9

AGREEMENT YEAR 2008

January 1, 2008 to December 31, 2008

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-10

AGREEMENT YEAR 2009

January 1, 2009 to December 31, 2009

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-11

AGREEMENT YEAR 2010

January 1, 2010 to December 31, 2010

Member Reinsurers who has contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

Reinsurer	Dollar Participation	Percentage Participation
Reliance Standard Life Insurance Company	$ 30,000	100%
TOTAL AUTHORIZED PARTICIPATION	**$ 30,000**	**100%**

GROUP LONG TERM DISABILITY REINSURANCE AGREEMENT

THIS AGREEMENT is between SAFECO LIFE INSURANCE COMPANY of Seattle, Washington (hereinafter "Insurer") and DUNCANSON & HOLT SERVICES, INC., a Maine corporation, as Managing Agent (hereinafter "Managing Agent") for each of the participating reinsurers collectively referred to in this Agreement as the American Disability Reinsurance Underwriters Syndicate (ADRUS) and listed in Appendix A (hereinafter "Reinsurer").

The Managing Agent represents and warrants that the Reinsurer has authorised the Managing Agent to enter into, execute and deliver agreements of this sort on its behalf and to exercise all of its rights and platform all of its obligations under such agreements of its behalf, including but not limited to, underwriting of policies, collection of premiums, and management of claims in accordance with the terms of such agreements. All performances required by and for the Reinsurer under this Agreement shall be conducted through the Managing Agent.

In consideration of the mutual promises set forth below, the parties agree as follows:

ARTICLE I. GENERAL PROVISIONS

The effective, date of this Agreement is January 1, 1999. On and after this date, one hundred percent (100%) (hereinafter referred to as the "Reinsured Percentage") of the Insurer's liability (hereinafter referred to as "Underlying Risk") for the group long term disability insurance policies written on or after January 1,1999 will be ceded to and reinsured by the Reinsurer.

This Agreement replaces and supersedes Group Long Term Disability Monthly Income Reinsurance Agreement which was effective April 1, 1979 between the Insurer and the Reinsurer, and all subsequent amendments thereto. With respect to in force policies, the Reinsured Percentage for policies effective prior to January 1, 1999 and reinsured under the prior Group Long Term disability Monthly Income Reinsurance Agreement between the two parties shall be one hundred percent(100%).

Other terms and, conditions of this Agreement are as follows:

A) For risks reinsured under this Agreement, the Insurer will use only those policy forms which have been approved by the appropriate regulatory authorities. After the Reinsurer has reviewed and approved copies of these forms, and insurance policies have been accepted by the the Policyholder and administered in accordance with the terms of this Agreement, the Reinsurer will be liable to the Insurer for the Reinsured Percentage in accordance with the provisions of the policies reinsured.

B) The Insurer, by executing this Agreement, represents that it is licensed to do insurance business in every state, district or territory of the United States, or the District of Columbia, in which it does business; and that it is licensed to write the group health and disability insurance policies which are the subject of this Agreement.

C) This Agreement represents an exclusive reinsurance arrangement between the parties for long term disability business. All business quoted using rates provided by the Reinsurer shall be reinsured under this Agreement. In the event the Reinsurer declines to accept any policy, the Insurer may reinsure such policy with another reinsurer.

D) Upon agreement of risk and benefits between Reinsurer and Insurer, any increase in benefit liability resulting from Insurer's divergence from same shall be borne by the Insurer. The Reinsurer does not assume liability for any risk not agreed upon and which is incurred as a result of errors, intentional or otherwise, in the policy and/or certificate issued.

ARTICLE II. UNDERWRITING

A) Any reinsurance under this Agreement will be effected only through the express written consent of the Reinsurer for each case submitted under any disability insurance policy covered by this Agreement. The Insurer will submit underwriting data to the Reinsurer and the Reinsurer will inform the Insurer of its decision to accept or reject liability. The Reinsurer will make available to the Insurer the underwriting data prepared and used in making its determination.

The Reinsurer has the right to approve individuals insured under any policy as a condition of its acceptance of that policy. The Reinsurer may waive this right for some or all policies at any time.

B) The Reinsurer shall keep and maintain appropriate records of evidence of insurability, including but not limited to the policy, applications, certificates of coverage, medical forms, and other evidence of insurability, for at least three (3) years. Upon termination of this Agreement, the Reinsure, will retain and Insurer shall have access to such information for the later of three (3) years from termination date or the date the last active claim ceases.

C) Either the Insurer of the Reinsurer may, at any reasonable time during normal working hours of the Insurer and upon provision of written notice fourteen (14) days in advance, review and audit the records of the other party relating to business reinsured under this Agreement.

ARTICLE III. FINANCIAL RESPONSIBILITIES AND TRANSACTIONS

A) The Insurer shall remit premium for reinsured group long term disability policies to the Reinsurer within ninety (90) days from the date on which premium is due to the Insurer. The Insurer will follow all prudent procedures for premium collection and will notify the Reinsurer of all reinsured policies for which premium is overdue by ninety (90) days of the due date. The Reinsurer may assess an interest charge equal to the interpolated seven (7) year value of five (5) year and ten (10) year United States Treasury Bonds on premium overdue by more than ninety (90) days.

The Insurer will follow all prudent procedures for premium collection and will notify the Reinsurer of all reinsured policies for which premium is overdue by thirty (30) days of the due date. The Reinsurer may assess an interest charge equal to the interpolated seven (7) year value of five (5) year and ten (10) year United States Treasury Bonds on premium overdue by more than thirty (30) days.

If the premium payment period for any policy comprising the Underlying Risk is other than monthly, the parties to this Agreement shall determine, by mutual consent the proper method of reporting, accounting, and transferring of balances.

For past due premiums on all reinsured policies for which premiums remain due and unpaid for thirty (30) days following their due date, the Insurer shall take appropriate action to terminate all prospective liability in accordance with the policy provisions and shall institute its usual collection procedures. If the Insurer fails to take appropriate action to terminate all prospective liability, the Reinsurer reserves the right to terminate reinsurance of such ceded policies for which premiums remain unpaid for thirty (30) days past their due date.

B) For any business sold under this Agreement, the Reinsurer will specify the percentage of premium to be paid to it for reinsurance of each policy at the time Reinsurer accepts liability under the terms of the Underwriting Article of this Agreement.

C) The liability of the Reinsurer shall begin simultaneously with the Reinsurer’s acceptance of reinsurance for a long term disability insurance policy, subject to the terms of this Agreement.

D) The insurer is responsible for paying all premium taxes concerning any business covered by this Agreement.

E) Upon provision of written notice fourteen (14) days in advance, each party shall have the right, at any reasonable time during normal working hours, to inspect, at the office of the other party all non-proprietary, non-confidential and non-privileged books, records and documents relating to policies reinsured under this Agreement.

F) If the Insurer fails to pay the consideration described in this Article, the Reinsurer shall have the right to terminate, from the date up to which the policy premiums have been paid, its obligation for that portion of the Underlying Risk for which consideration is in arrears.

G) The Reinsurer will be bound by the consideration it specifies for a particular policy. However, on any date that the Insurer has the right to terminate a policy or change the premium for said policy, the Reinsurer may, with sixty (60) days advance notice, modify the rate of consideration or terminate reinsurance on the policy. The Insurer shall then be bound by the modification.

H) Reinstatement of the reinsurance on ceded policies which have been terminated under any provision of this Article shall be at the Reinsurer's discretion.

I) Each party to this Agreement shall have the right to offset any balance(s), or any other amounts due relating to this or related agreements. In the event of the insolvency of a party to this Agreement, offsets shall only be allowed in accordance with the Insolvency Article of this Agreement.

ARTICLE IV. CLAIMS

The Insurer shall promptly transmit to the Reinsurer all claims, proofs of loss and supplemental statements of disability submitted on a policy reinsured hereunder. Upon receipt thereof the Reinsurer will pay the claim and/or recommend other appropriate action. The Reinsurer will not be liable for any claim received from the Insurer more than one year after this claim has been received in the Insurer's office. The Reinsurer may change the reinsurance rate, retroactive to the last renewal date, if the receipt of a claim reported to the Reinsurer is more than one year after receipt by the Insurer and if the timely receipt would have caused a different reinsurance rate to be charged.

A) All services will be performed in accordance with Appendix B, the Claims Management Agreement. This Agreement includes administrative procedures particular to the claims management process and includes, but is not limited to. Authorization to Pay Claims, Claim Administration Guidelines, Claim Data; Payment of Benefits; Payment of Claim Expenses; Right to Audit; and is mutually agreed to by the parties of this Agreement.

B) The Reinsurer will undertake the defense of any suit, or portion of a suit, which is based or alleged to be based on claims for benefits under group disability policies covered by this Agreement where the claim is first commenced after the effective date of this Agreement, and the underlying policy is effective on or after the effective date of this Agreement. Except as otherwise provided in this Agreement, choice of counsel and management of any such suit, or portion of such suit, shall be agreed upon by the Insurer and the Reinsurer, which will have the exclusive right to settle any such suit, when in its informed and good faith opinion, it is appropriate to do so. The Insurer will cooperate with the Reinsurer in the defense of such suits.

C) The Insurer and the Reinsurer will notify each other promptly of any litigation brought against it with respect to the policies covered by this Agreement.

D) Claims for Extra-Contractual Amounts. "Extra-Contractual Amounts" are amounts outside of contractual benefits which may include, but are not necessarily limited to: punitive, exemplary, compensatory or consequential damages or plaintiff's litigation-related costs and fees.

i) If extra-contractual amounts are awarded against the Insurer solely as a result of the Reinsurer's decision, action, delay or failure to act, the Reinsurer shall pay one hundred percent (100%) of all such amounts.

ii) If extra-contractual amounts are awarded against the Insurer solely as a result of Insurer's decision, action, delay, or failure to act, the Reinsurer shall have no (0%) percentage of liability for the payment of extra-contractual amounts.

iii) When extra-contractual amounts are awarded against the Insurer as a result of both the Reinsurer's and the Insurer's decision, action, delay or failure to act, the parties agree to share in the payment of any extra-contractual amounts.

iv) To expedite the resolution of certain claims, amounts other than policy benefits may be added to a claim settlement.

Allocation of responsibility for decisions, actions, delays, or failures to act shall be determined by the parties' agreement subsequent to good faith negotiation. Said determination is solely for the purpose of efficient administration of this Agreement and for determining who shall assume the costs in certain instances. If agreement on such allocation cannot be reached, the matter shall be addressed in accordance with the Arbitration Article of this Agreement.

If any portion of this subsection (D) is deemed to be illegal under any law (decisional or statutory) or regulation of any Federal, State or local government, insofar as it applies to that area's jurisdiction, then said portion is automatically terminated.

ARTICLE V. RESERVE ADMINISTRATION

The Reinsurer agrees to provide reserve reports on group long term disability business under this Agreement to the Insurer in a form mutually acceptable to the parties. Such reports shall be provided to Insurer within thirty (30) days after the end of each calendar quarter.

ARTICLE VI. DURATION, RECAPTURE AND TERMINATION

A) This Agreement shall govern the relationship of the parties until the liability of the Reinsurer with respect to all policies reinsured hereunder ceases. In accordance with the provisions of this Article, this Agreement can be terminated by either party with respect to all prospective acceptances. Termination of the group long term disability insurance exclusively shall not occur when other lines of disability insurance are also written under this Agreement.

Any partial or complete prospective termination of this Agreement must be made in writing prior to October 1st of each year. Termination shall occur on the desired effective date of termination or ninety days from receipt of notice, whichever is later.

B) After this Agreement has been inforce for more than one (1) year from the effective date, the Insurer may decrease the Reinsured Percentage. The following schedule is the minimum Reinsured Percentage for each disability policy in effect at the anniversary date of this Agreement.

Year 1 following notification	75%
Year 2 Following notification	75%
Year 3 following notification and thereafter	50%

Notification must be received by the Reinsurer not later than October 1 of the year prior to the intended change. The Reinsured Percentage will remain at current Reinsured Percentage absent any notification. The change in Reinsured Percentage will occur at the next renewal date of the underlying reinsured policy occurring after the anniversary of the change. Upon termination of this Agreement, the Insurer may reduce the Reinsured Percentage to zero percent (0%) five (5) years from the effective date of the termination. Notification must be provided 90 days in advance.

C) The Reinsured Percentage governing any particular claim under a reinsured policy will be that Reinsured Percentage in effect as of the date of disability.

D) As of the date termination becomes effective Reinsurer will provide Insurer only with those necessary claims and financial services required to manage any reinsured business.

F) If Insurer becomes insolvent, as determined by the state regulatory agency, this Agreement will terminate automatically as of the date of insolvency as to all prospective acceptances by the Reinsurer. Liabilities already incurred by the Reinsurer will be administered in accordance with the Insolvency Article of this Agreement.

ARTICLE VI. NON-TRANSFERABILITY OF AGREEMENT

Neither the Insurer nor the Reinsurer shall, without prior consent of the other, which shall not be unreasonably withheld, sell, assign, transfer, or otherwise dispose of this Agreement, policies or policy liabilities covered by this Agreement, or any interest in such Agreement, by voluntary or involuntary act, by assumption agreement or otherwise, and any attempt to dispose of said interests, without said consent, shall be null and void. Notwithstanding the foregoing, Insurer or Reinsurer may arrange for a Third Party Administrator to perform some or all of the obligations hereunder. So doing will not relieve the Insurer or Reinsurer from the obligations hereunder, though, in the event that the Third Party Administrator does not perform the obligations as stated herein.

ARTICLE VII. PARTIES TO THIS AGREEMENT

A) This is an agreement solely between the Insurer and the Reinsurer. The acceptance of reinsurance hereunder shall not create any right or legal relation whatever between the Reinsurer and any of Insurer's policyholders, beneficiaries, representatives, sales representatives, employees or shareholders.

B) A failure or delay of either party to this Agreement to enforce any of the provisions of this Agreement, or to exercise any option which is herein provided, shall in no way be construed to be a waiver of such provision.

ARTICLE VIII. CONFIDENTIALITY

A) The Insurer and the Reinsurer may come into the possession or knowledge of confidential and proprietary information of the other in fulfilling obligations under this Agreement. Insurer and the Reinsurer agree to hold such confidential information in strictest confidence and to take all reasonable steps to ensure that such confidential information is not disclosed in any form by any means by each of them or by any of their employees or associates to third parties of any kind, except by advance authorization. "Confidential information" means any information which (1) is not generally available to the public, or (2) has not been lawfully obtained by the parties prior to the date of disclosure to it by the other, and includes but is not limited to:

i) Information or knowledge about each party's products, processes, services, finances, customers, research, computer programs, marketing and business plans, claims management practices, and reserving methodology; and

ii) Any medical and other personal, individually identifiable information about people or business entities with whom the parties do business, including customers, prospective customers, vendors, suppliers, individuals covered by insurance plans, and each party's producers and employees.

B) The Insurer and its agents, employees and representatives will not represent themselves, in writing, as part of the Reinsurer, or refer, in writing, to the Reinsurer in any policy forms or promotional materials, without the prior written consent of the Reinsurer.

ARTICLE IX. INSOLVENCY

The Reinsurer agrees that all reinsurance under this Agreement shall be payable by the Reinsurer on the basis of the liability of the Insurer under each policy reinsured under this Agreement.

without diminution because of the insolvency of the Insurer, and the Reinsurer assumes liability for such reinsurance as of the effective dates of such policies. Any such payments by the Reinsurer shall be made directly to the Insurer or to its liquidator, receiver, or statutory successor. In the event of the insolvency of the Insurer, the liquidator, receiver or statutory successor of the Insurer shall give written notice that a claim is pending against the Insurer with respect to policies comprising the Underlying Risk within a reasonable time after such claim is filed in the insolvency proceedings. While the claim is pending, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses which it may deem available to the Insurer or its liquidator or receiver or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to court approval, against the Insurer as part of the expenses of liquidation to the extent of a proportionate share of the benefit which may accrue to the Insurer solely as a result of the defense undertaken by the Reinsurer.

Where two or more reinsurers are involved and a majority of interest elect to defend a claim, the expense will be apportioned in accordance with the terms of the reinsurance agreement as if the expense had been incurred by the Insurer.

ARTICLE X. ARBITRATION

A) The parties explicitly agree that all differences, whether matters of fact, law or mixed fact and law, which arise out of the interpretation or execution of this Agreement, will be decided by arbitration except for those matters which are left to the sole discretion of the Reinsurer or the Insurer under the terms of this Agreement. The parties explicitly agree that arbitration shall be the sole and exclusive remedy for all such differences, and that the arbitrators will determine the interpretation of this Agreement in accordance with the usual business and reinsurance practices rather than strict technicalities. Three neutral arbitrators will decide any differences. They must be active or retried officers of life insurance companies other than the two parties to this Agreement or any of their subsidiaries. In addition, the officers may not be former employees of the two parties to this Agreement or any of their subsidiaries. In addition, the officers may not be former employees of the two parties to this Agreement or any of their subsidiaries. One of the arbitrators is to be appointed by each party to this Agreement, and the two arbitrators will select a third. If the two are not able to agree on a third, the choice will be left to the President of the Society of Actuaries of its successor. The arbitration shall be in accordance with the Commercial Arbitration Rules of the American Arbitration Association, or its successor and will take place in Portland, Maine. This Agreement shall be deemed binding upon the arbitrators for matters expressly agreed to herein. The arbitrators' decision shall be by majority vote, and no appeal shall be taken from it. The judgment rendered by the arbitrators may be entered in any court having proper jurisdiction. Expenses and fees for the arbitrators shall be shared by the Insurer and the Reinsurer in equal portions.

B) The arbitrators may award only contractual damages to either party. In no event may extra contractual damages, including amounts available under any state or federal Racketeer Influenced and Corrupt Organization Act (RICO), be awarded to either party under this

Agreement for breach of said agreement. However, the arbitrators may allocate responsibility for 1) any extra-contractual amounts awarded against the Insurer, or 2) any amounts representing extra-contractual damages in a settlement, between the Insurer and the Reinsurer as set forth in the Claims Article of this Agreement.

C) The procedures specified in this Article shall be the sole and exclusive procedures for the resolution of disputes between the parties arising out of or relating to this Agreement; provided, however, that a party may seek a preliminary injunction or other preliminary judicial relief if in its judgment such action is necessary to avoid irreparable damage. Despite such action the parties will continue to participate in good faith in the procedures specified in this Article. All applicable statutes of limitation shall be tolled while the procedures specified in this Article are pending. The parties will take such action, if any, required to effectuate such tolling.

D) Notwithstanding any other provision of this Article, in the event that either party seek, consents to, or acquiesces in the appointment of, or otherwise becomes subject to, any trustee, receiver, liquidator, or conservator (including any state insurance regulatory agency acting in such a capacity), the other party shall not be obligated to resolve any claim, dispute, or cause of action under this Agreement by arbitration and may elect to bring any action with respect to such claim, dispute or cause of action in any court of competent jurisdiction.

ARTICLE XI. YEAR 2000 COMPLIANCE

The Insurer and the Reinsurer each separately represents and warrants that it has established a written project plan and budget to address Year 2000 issues, and that its plan includes:

i) conducting an inventory and assessment of Year 2000 impacts to its telecommunications and information systems, related software and hardware, and its facilities (e.g., buildings and utilities);

ii) conducting a review of the Year 2000 preparedness of its significant business partners and suppliers;

iii) correcting its Year 2000 problems and testing and validating its conversion efforts, and

iv) establishing contingency and avoidance plans.

Each party represents and warrants that all of its telecommunications and information systems and related software and hardware have been found to be Year 2000 compliant, or will be made so on or before December 31, 1999. The Insurer agrees to cooperate in good faith with the Reinsurer with respect to Year 2000 issues by sharing information with the Reinsurer about the status and progress of the Insurer's Year 2000 compliance work and with respect to testing and validation, Reinsurer agrees to do the same. For purposes of this section, "Year 2000 compliant" means: manages and manipulates data involving dates with full representation of year and century (i.e.

YYYYMMDD) both internally and externally to the Database, System or Application; follows standards for acquisition, storage, presentation, and handling of dates including provisions for leap year and leap centuries. This applies to data stored and retrieved, reports, screens, and data that is sent or received.

ARTICLE XII. ERRORS AND OMISSIONS

Inadvertent and harmless delays, errors or omissions made in connection with this Agreement or any transaction hereunder, except as otherwise stated in this Agreement, shall not relieve either party from any liability which would have attached had such delay, error or omission not occurred, provided that the fault is rectified as soon as possible after discovery.

ARTICLE XIII. APPLICABLE LAW

This Agreement is governed by the laws of the State of Maine.

ARTICLE XIV. MODIFICATION

A) This Agreement constitutes the entire understanding between the Reinsurer and the Insurer. Neither party shall be bound by any other representation made before or after the date of this agreement, unless it is made in writing signed by both parties and expresses by its terms an intention to modify this Agreement.

B) In the event that any one or more of this provisions of the Agreement shall, for any reason, be held to be invalid, illegal or unenforceable, the remaining provisions of this Agreement shall be unimpaired.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in duplicate by their respective officers duly authorized so to do as of the date set forth above

DUNCANSON & HOLT SERVICES, INC. (Managing Agent of Reinsurer)	**SAFECO LIFE INSURANCE COMPANY** (Insurer)
By /s/ Paul K. Fields	By /s/ John P. Fenlason
Title VP Finance	Title Sr. Vice President
Date 8-30-99	Date 8-17-99
/s/ Sharon Newton Witness	/s/ Joseph Allen Wymich Witness

APPENDIX A-20

AGREEMENT YEAR 1999

January 1, 1999 to December 31, 1999

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc., as Managing Agent of ADRUS and their levels of participation are follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Allianz Life Insurance Company of North America	$30,000	100.00%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.00%**

Claims Management Agreement
Appendix B

I. <u>Claims Management Services</u>

In satisfaction of its obligations to assist the Insurer with the processing of claims arising under Policies Reinsured in connection with the Group Long Term Disability Reinsurance Treaty ("the Treaty"), the Reinsurer designates Claims Service International, Inc. ("CST") to perform claims management services in connection with the Treaty as set forth herein. The Insurer shall not be liable to CSI for the services rendered under the Claims Management Agreement and shall not bear any of the expenses incurred by CSI in connection with CSI' s performance of services hereunder, except as may be expressly set forth herein. The obligation of CSI to perform administrative Service in connection with the Treaty shall continue until such time as all reinsured claims have been paid,unless other agreement is reached and becomes a written part of this Agreement.

II. <u>Standard of Care</u>

CSI will manage claims using the same standard of care, diligence and good faith which Reinsurer exercises in the performance of its own business and shall be consistent with prudent claim processing practices in the industry, in compliance with applicable laws.

III <u>Licenses</u>

CSI will maintain all necessary licenses to perform this Claims Management Agreement. CSI shall execute any documents reasonably required by the Insurer in order for the Insurer to comply with laws relating to the third party administration of claims.

IV. <u>Claims Administration Guidelines/Claims Data</u>

The Insurer will direct all policyholders that insured individuals and their assignees must provide notices of all reinsured disability claims, proofs of loss and any supplemental statements of disability directly to CSI for processing. CSI will communicate with all parties involved in the claims management process using the identity of "Claims Advisory Agent" for the Insurer. CSI on behalf of the Reinsures, will use Insurer Long term Disability (LTD)claims forms, as modified to name CSI as the Claims Advisory Agent.

CSI will provide the Insurer with copies of all responses to Department of Insurance (DOI) complaints. The Insurer will not retain individual LTD claim files except for copies of responses to DOI complaints. CSI will retain all individual LTD claims files and will store all such files for a period of ten years after the closure of the file. CSI will destroy all claims files in a manner to preserve confidentiality. Upon proper request, CSI shall provide access to the books and records maintained by CSI for the purposes of examination, audit and inspection by any insurance department which purports to exercise jurisdiction over the business which is subject to the Treaty.

V. <u>Payment of Claims/Authorization to Pay Claims</u>

Upon receipt of claims, proofs of loss and/or supplemental statements of disability, CSI, on behalf of the Reinsurer in accordance with Article IV of the Treaty, will pay the claim or will take appropriate alternative action. The Insurer or the policyholder will provide to CSI all necessary information to verify eligibility and premium requirements, where such information has not already been provided to the Reinsurer. CSI shall be responsible for mailing acknowledgment letters and claims denial letters.

In the event that CSI determines that a claim should be denied, CSI will send to the claimant a notice of denial within 10 business days of the determination. Any notice of denial will be sent directly, to claimant and will state the reason for denial. Procedures for appeals are to be. included in the letter to the claimant. A copy of the denial letter shall be forwarded to the policyholder when applicable.

Beginning January 1, 1999, CSI will process and pay all claims made against the policies reinsured under this Treaty for the Insurer. In connection therewith, the Insurer will provide to CSI signatory authority on a block of the Insurer drafts to be written against a the Insurer bank account. CSI shall be responsible for mailing, at its expense, all communications that are required to be mailed to claimants, including checks and EOBs. Additionally Insurer.

CSI shall pay each claim under polices reinsured under the Treaty within the time period allowed by the state in which the claimant resides. Before suspending any payments, CSI Will send to claimant a letter, advising the claimant that benefits will be suspended unless the claimant sends information which in the judgment of CSI support the continued payment of benefits. A copy of this letter shall be forwarded to the policyholder when applicable.

VI. Claims Expenses

All LTD claims expenses will paid by the Reinsurer. Normal claim expenses include, but are not limited to, the following: medical records; Independent Medical Exams; vendor costs; claim investigation and rehabilitation. It does not include salaries of either the Insurer's or Reinsurer's employees.

VII. Right to Audit

At its discretion the Insurer, or its designated representative, has the right to conduct random audits of LTD claims reinsured under the Treaty. Such audits shall be conducted., by staff of the Insurer, or its designated representative, at the expense of the Insurer and at the regular locations of CSI and/or the Reinsurer during normal business hours. Access to all relevant. policy information and case data regarding reinsured, claims shall be made available for audit proceedings. The number of claims to be audited will be determined in the sole discretion of the Insurer.

Results of audits by the Insurer shall be communicated to the Reinsurer in a verbal summary followed by written documentation of the findings, including any irregularities or problems identified.

VIII. Information Relating *to* Fraudulent Claims

CSI will provide to the Insurer, upon the Insurer's request, a list of measures that CSI uses to detect fraudulent claims.

IX. Responsibility of Reinsurer for Act of CSI.

Reinsure shall be responsible for all acts of CSI as if the Reinsure had itself performed said acts.

The signatures below constitute acceptance of the Claims Management Agreement by all parties Nothing contained in the Claims Management Agreement shall vary, alter or affect any of the terms or conditions of the Group Long Term Disability Reinsurance Agreement. The Claims Management Agreement may be revised only by changes agreed to by both parties and documented in writing.

IN WITNESS WHEREOF, the parties have signed this Claims Management Agreement on the dates shown.

DUNCANSON & HOLT SERVICES, INC. (Managing Agent of Reinsurer)	**SAFECO LIFE INSURANCE COMPANY** (Insurer)
By /s/ Paul K. Fields	By /s/ John P. Fenlason
Title V P Finance	Title Sr. Vice President
Date 8/30/99	Date 8/17/99
/s/ Sharon Newton Witness	/s/ Joseph Allen Wymich Witness

AMENDMENT NO. 1
TO THE
GROUP LONG TERM DISABILITY REINSURANCE TREATY
Bearing Effective Date January 1, 1999

THE AGREEMENT by and between **SAFECO Life Insurance Company** of Seattle, Washington (Insurer) and **DUNCANSON & HOLT SERVICES, INC**. (Managing Agent for American Disability Reinsurance Underwriters Syndicate, Reinsurer), is hereby modified as follows:

Article IV(E): The Insurer or the Reinsurer may engage a Third-Party Administrator (TPA) to manage claims under this Agreement after the effective date of this Amendment. Any TPA arrangement will require the approval of both the Insurer and Reinsurer.

The effective date of the change described above is January 1,2000 for all group long term disability policies effective prior to or on that date.

The signatures affixed hereto constitute acceptance of this Amendment by both parties. Nothing contained herein shall be held to vary, alter, or affect any of the terms and conditions of said Treaty other than as herein stated.

IN WITNESS WHEREOF, the parties have signed this Amendment in duplicate on the dates shown below:

DUNCANSON & HOLT SERVICES,INC	**SAFECO LIFE INSURANCE COMPANY**
(Managing Agent of Reinsurer)	(Insurer)
By: /s/ Paul K. Fields	By: /s/ Scott Taylor
(Signature)	(Signature)
V P Finance	Sr. V. P.
(Title)	(Title)
10/17/00	10/24/00
(Date)	(Date)
/s/ Sonia D. Davis	/s/ Betty Amundson
(Witness)	(Witness)

AMENDMENT

Amendment to the Group Long Term Disability Reinsurance Agreement between Symetra Life Insurance Company (hereinafter the “Insurer”) of Redmond, Washington and Integrated Disability Resources, Inc., a Connecticut corporation, as Managing Agent (hereinafter the “managing agent”) for each of the participating reinsurers collectively referred to in this Amendment as the American Disability Reinsurance Underwriters Syndicate (ADRUS):

Effective January 1, 2006, the parties hereby agree to amend the above-referenced Reinsurance Agreement as follows:

Paragraph C) appearing in ARTICLE I. GENERAL PROVISIONS is amended to read as follows:

C) All new pre-sale business which is quoted using rates provided by the Reinsurer shall be reinsured under this Agreement. For new pre-sale business, this Agreement represents a non-exclusive reinsurance arrangement between the parties.

This Agreement will continue to represent an exclusive reinsurance arrangement between the parties with respect to renewals for Policies which are in force and reinsured with Reinsurer as of January 1,2006. In the event the Reinsurer declines to accept a renewal of any such policy, the Insurer may reinsure such policy with another reinsurer.

All provisions of the Reinsurance Agreement not in conflict with the provisions of this Amendment will continue unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed in duplicate by the signatures of their duly authorized representatives as indicated below.

INTEGRATED DISABILITY RESOURCES, INC.		**SYMETRA LIFE INSURANCE COMPANY**	
By:	/s/ Paul K. Fields	By:	/s/ Scott Taylor
Name:	Paul K. Fields	Name:	Scott Taylor
Title:	CFO	Title:	SR V.P.
Date:	4/27/2006	Date:	12/19/05

CDS on behalf of Reliance [ILLEGIBLE]

AMENDMENT NO. 3
TO THE
GROUP LONG TERM DISABILITY REINSURANCE AGREEMENT

This Amendment No. 3 (the “Amendment”) is effective as of July 1, 2006 and is hereby made a part of and incorporated into the Group Long Term Disability Reinsurance Agreement effective January 1, 1999 (the “Agreement”) by and between Symetra Life Insurance Company (formerly Safeco Life Insurance Company) (hereinafter the “Insurer”) of Bellevue Washington and Reliance Standard Life Insurance Company doing business as Custom Disability Solutions (successor to Integrated Disability Resources, Inc., formerly Duncanson & Holt Services, Inc.), as Managing Agent (hereinafter the “Managing Agent”) for each of the participating reinsurers collectively referred to in the Reinsurance Agreement as the American Disability Reinsurance Underwriters Syndicate (“ADRUS”). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

The parties agree that this Amendment No. 3 supersedes the prior Amendment No. 3 that was executed by the parties effective July 1, 2006.

Intending to be legally bound, Insurer and Managing Agent agree to amend the Agreement as follows:

1. ARTICLE I. GENERAL PROVISIONS, Paragraph C is amended to read as follows:

   C) All new business proposals which are quoted using rates provided by the Reinsurer shall be reinsured under this Agreement, except for new business proposals produced:

      i) by Meridian Benefits in the states of North Carolina, South Carolina and Tennessee, or

      ii) from distribution channels and opportunities brought to Insurer by other reinsurance outlets, where discussions concerning such opportunities are not initiated by the Insurer.

   Otherwise, this Agreement represents an exclusive reinsurance arrangement between the parties with respect to new business proposals.

   This Agreement will continue to represent an exclusive reinsurance arrangement between the parties with respect to renewals for Policies which are in force and reinsured with Reinsurer as of July 1, 2006. In the event the Reinsurer declines to accept a renewal of any such policy, the Insurer may reinsure such policy with another reinsurer.

2. ARTICLE III. FINANCIAL RESPONSIBILITIES AND TRANSACTIONS, Section A), first two paragraphs are amended to read as follows:

   The Insurer shall remit premium for reinsured group long term disability policies to the Reinsurer within ninety (90) days from the date on which premium is due to the Insurer.

The Insurer will follow all prudent procedures for premium collection and will notify the Reinsurer of all reinsured policies for which premium is overdue by ninety (90) days of the due date.

The third and fourth paragraphs under Section A) remain unchanged by this Amendment.

3. ARTICLE VI. DURATION, RECAPTURE AND TERMINATION is amended to read as follows:

ARTICLE VI. DURATION, TERMINATION AND RECAPTURE

A) Duration. This Agreement shall govern the relationship of the parties until the liability of the Reinsurer with respect to all policies reinsured under this Agreement ceases.

Insurer agrees to continue an ongoing active relationship with the Reinsurer for an initial period ending December 31, 2007.

B) Termination.

(i) Without Cause. Subject to Section A in this Article VI, either party may terminate this Agreement with respect to all prospective acceptances, at any time by providing ninety (90) days prior written notice to the other party.

(ii) Insurer Insolvency. If Insurer becomes insolvent as determined by one or more state regulatory agencies, this Agreement will terminate automatically as of the date of insolvency as to all prospective acceptances. Liabilities already incurred by the Reinsurer will be administered in accordance with the Insolvency Article of this Agreement.

(iii) Immediate Termination Rights. Notwithstanding the above, Insurer may terminate this Agreement upon the occurrence of any of the following at any time by the giving of fifteen (15) days prior written notice to the Managing Agent:

a) Either ADRUS or the Managing Agent ceases active underwriting operations;

b) A State Insurance Department or other regulatory authority orders ADRUS, or any then-participating member of ADRUS, to cease writing business;

c) ADRUS, any then-participating member of ADRUS, or the Managing Agent: 1) becomes insolvent, 2) is placed into liquidation or receivership, or 3) has instituted against it proceedings for the appointment of a supervisor, receiver, liquidator, rehabilitator, conservator or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations;

d) ADRUS or the Managing Agent enters into a definitive written agreement to directly or indirectly assign its interests in this Agreement and liability for obligations under this Agreement to another party without the Insurer's prior written consent;

e) The Managing Agent has entered into a definitive agreement to sell substantially all of its assets without the Insurer's prior written consent; or

f) ADRUS or the Managing Agent, has engaged in any of the following: 1) a pattern or practice of failure by ADRUS or the Managing Agent to pay claims on a timely basis, 2) a pattern or practice of failure by ADRUS or the Managing Agent to abide by applicable federal or state laws, 3) a pattern or practice of acts of bad faith conduct by ADRUS or the Managing Agent, or 4) a pattern or practice of committing acts of negligent behavior by ADRUS or the Managing Agent, in discharging the Reinsurer's duties under this Agreement.

C) Recapture.

If the Insurer terminates the Agreement effective on January 1, 2008 or some other date in 2008, the recapture period shall, be three (3) years from the effective date of such termination.

If the Insurer terminates the Agreement effective on or after January 1, 2009, the recapture period shall be two (2) years from the effective date of such termination.

Recapture through any means will include 100% of the risk for the policies unless other terms are agreed to by the Insurer and Reinsurer.

D) The Reinsured Percentage governing any claim under a reinsured policy will be that Reinsured Percentage in effect as of the date of disability.

E) As of the date termination of the Agreement becomes effective, Reinsurer will provide Insurer only with those necessary claim and financial services required to manage any reinsured business. Upon termination, Reinsurer will utilize renewal methods, tools and procedures which are consistent with those in use for renewals generally within Reinsurer's overall block of business at the time Insurer's policies are being renewed.

4. The Agreement is amended by the addition of the following Article, which is applicable to ADRUS members for all ADRUS agreement years effective on or after July 1, 2006.

ARTICLE XV. COLLATERAL REQUIREMENTS

If the amount of capital and surplus of any ADRUS member has been reduced by 50% or more of the amount of capital and surplus as stated in such ADRUS member's most recent prior annual statutory statement filed with its state of domicile, such ADRUS member shall deposit in trust with a trustee (which shall not be an affiliate of such ADRUS member), and thereafter at all times maintain in such trust, assets at least equal in value to such ADRUS member's proportionate amount of the reserves required to be maintained from time to time by ADRUS under sound actuarial principles and accepted statutory accounting practices, with respect to reserves required for liabilities incurred by ADRUS members under this Agreement on or after July 1, 2006.

Such ADRUS member may alternatively post a letter of credit to satisfy such obligations. The trust or letter of credit arrangements, and all documentation relating thereto, must be satisfactory in form and substance to Insurer in its good faith discretion. The trust shall be terminated and the assets returned to the ADRUS member, or the letter of credit returned for cancellation, if the ADRUS member's amount of capital and surplus increases by 10% of the amount of capital and surplus as stated in such ADRUS member's most recent prior annual statutory statement filed with its state of domicile.

The parties acknowledge that the collateral obligations under this provision predicated upon a reduction in surplus shall not be applicable if the ADRUS member has already provided collateral or taken other lawful actions that allow Insurer to receive full reserve credit with respect to the reinsurance ceded under this Agreement.

All provisions of the Agreement not in conflict with the provisions of this Amendment will continue unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed in duplicate by the signatures of their duly authorized representatives as indicated below.

CUSTOM DISABILITY SOLUTIONS,
Managing Agent of Reinsurer

By: /s/ Paul K. Fields

Name: Paul K. Fields

Title: CFO

Date: 8/16/2006

SYMETRA LIFE INSURANCE COMPANY

By: /s/ Michael Fry

Name: Michael Fry

Title: V P

Date: 8/17/2006

AMENDMENT NO. 4
TO THE
GROUP LONG TERM DISABILITY REINSURANCE AGREEMENT

This Amendment No. 4 (“Amendment”) is hereby made a part of and incorporated into the Group Long Term Disability Reinsurance Agreement which was effective January 1, 1999 (“Agreement”) by and between Symetra Life Insurance Company (formerly Safeco Life Insurance Company) (“Insurer”) of Bellevue, Washington and Reliance Standard Life Insurance Company doing business as Custom Disability Solutions (successor to Integrated Disability Resources, Inc., formerly Duncanson & Holt Services, Inc.), as Managing Agent (“Managing Agent”) for each of the participating reinsurers collectively referred to in the Agreement as the American Disability Reinsurance Underwriters Syndicate (“ADRUS”). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

Intending to be legally bound, Insurer and Managing Agent agree to amend the Agreement as follows:

Effective January 1, 1999, Appendix A-20 appearing in the Agreement is amended to read as follows:

APPENDIX A

AGREEMENT YEAR 1999

January 1, 1999 to December 31, 1999

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER[S]	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100%**

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed in duplicate by the signatures of their duly authorized representatives as indicated below.

CUSTOM DISABILITY SOLUTIONS, Managing Agent of Reinsurer		**SYMETRA LIFE INSURANCE COMPANY**	
By:	/s/ Paul K. Fields	By:	/s/ David C. Fry
Name:	Paul K. Fields	Name:	David C. Fry
Title:	CFO	Title:	Senior Actuary & AVP
Date:	12/7/2006	Date:	12/8/2006

AMENDMENT 5

This Amendment No. 5 ("Amendment") is hereby made a part of and incorporated into the Group Long Term Disability Reinsurance Agreement effective January 1, 1999 ("Agreement") by and between Symetra Life Insurance Company (hereinafter the "Insurer") of Bellevue, Washington and Reliance Standard Life Insurance Company doing business as Custom Disability Solutions, as Managing Agent (hereinafter the "Managing Agent") for each of the participating reinsurers collectively referred to in the Reinsurance Agreement as the American Disability Reinsurance Underwriters Syndicate (ADRUS). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

Effective September 1, 2008, Insurer and Managing Agent agree to amend the Agreement as follows:

ARTICLE 1. GENERAL PROVISIONS, Paragraph C) is amended to read as follows:

C) All new pre-sale business which is quoted using rates provided by the Reinsurer shall be reinsured under this Agreement, except for new pre-sale business produced from distribution channels and opportunities brought to Insurer by other reinsurance outlets, where discussions concerning such opportunities are not initiated by the Insurer.

Otherwise, this Agreement represents an exclusive reinsurance arrangement between the parties with respect to new pre-sale business.

This Agreement will continue to represent an exclusive reinsurance arrangement between the parties with respect to renewals for Policies that are in force and reinsured with Reinsurer as of July 1, 2006. In the event the Reinsurer declines to accept a renewal of any such policy, the Insurer may reinsure such policy with another reinsurer.

All provisions of the Agreement not in conflict with the provisions of this Amendment will continue unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed in duplicate by the signatures of their duly authorized representatives as indicated below.

CUSTOM DISABILITY SOLUTIONS	**SYMETRA LIFE INSURANCE COMPANY**
By: /s/ Paul K. Fields	By: /s/ Marcus Wright
Name: Paul K. Fields	Name: Marcus Wright
Title: CFO	Title: Group Operations Director, AVP
Date: 9/26/2008	Date: September 17, 2008

APPENDIX A-l

AGREEMENT YEAR 2000

January 1, 2000 to December 31, 2000

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-2

AGREEMENT YEAR 2001

January 1, 2001 to December 31, 2001

Member Reinsurers who have contracted with Duncanson & Holt Services, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-3

AGREEMENT YEAR 2002

January 1, 2002 to December 31, 2002

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-4

AGREEMENT YEAR 2003

January 1, 2003 to December 31, 2003

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-5

AGREEMENT YEAR 2004

January 1, 2004 to December 31, 2004

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-6

AGREEMENT YEAR 2005

January 1, 2005 to December 31, 2005

Member Reinsurers who have contracted with Integrated Disability Resources, Inc. as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
UNUM Life Insurance Company of America	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-7

AGREEMENT YEAR 2006

January 1, 2006 to December 31, 2006

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-8

AGREEMENT YEAR 2007

January 1, 2007 to December 31, 2007

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-9

AGREEMENT YEAR 2008

January 1, 2008 to December 31, 2008

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-10

AGREEMENT YEAR 2009

January 1, 2009 to December 31, 2009

Member Reinsurers who have contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

MEMBER REINSURER	DOLLAR PARTICIPATION	PERCENTAGE PARTICIPATION
Reliance Standard Life Insurance Company	$30,000	100.0%
TOTAL AUTHORIZED PARTICIPATION	**$30,000**	**100.0%**

APPENDIX A-11

AGREEMENT YEAR 2010

January 1, 2010 to December 31, 2010

Member Reinsurers who has contracted with Custom Disability Solutions as Managing Agent of ADRUS and their levels of participation are as follows:

Reinsurer	**Dollar Participation**	**Percentage Participation**
Reliance Standard Life Insurance Company	$ 30,000	100%
TOTAL AUTHORIZED PARTICIPATION	**$ 30,000**	**100%**

Exhibit 31.1

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: November 10, 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: November 10, 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 September 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 September 30, 2010 fairly presents, in all material respects, the financial condition and results of operations of Symetra Financial Corporation.

Date: November 10, 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 September 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 September 30, 2010 fairly presents, in all material respects, the financial condition and results of operations of Symetra Financial Corporation.

Date: November 10, 2010

By: /s/ Margaret A. Meister
Margaret A. Meister
Executive Vice President and Chief Financial Officer