Symetra Financial Corporation

Consolidated Financial Statements

December 31, 2020

With Independent Auditors' Report

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SYMETRA FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

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KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Symetra Financial Corporation:

We have audited the accompanying consolidated financial statements of Symetra Financial Corporation and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of income (loss), comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Symetra Financial Corporation and its subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

The accompanying consolidated financial statements of Symetra Financial Corporation and its subsidiaries as of December 31, 2019 and for the year then ended were audited by other auditors whose report thereon dated March 6, 2020, expressed an unmodified opinion on those consolidated financial statements.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

U.S. generally accepted accounting principles require that the incurred and paid claims development information, and the historical claims duration information for the years ended December 31, 2019 and prior on page 36 to 38 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Seattle, Washington
March 5, 2021

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

	As of December 31,	
	2020	**2019**
ASSETS		
Investments:		
Fixed maturities:		
Available-for-sale, at fair value (amortized cost: **$33,867.6** and $32,988.2, respectively; allowance for expected credit losses of **$0.0** for 2020)	**$ 36,736.3**	$ 34,461.2
Trading, at fair value	**2,483.8**	1,909.6
Marketable equity securities, at fair value	**74.4**	115.0
Mortgage loans, net of allowance for expected credit losses of **$25.2** for 2020 (includes **$1,015.5** at fair value for 2020)	**7,477.3**	7,107.4
Investments in limited partnerships (includes **$389.4** and $272.7 at fair value, respectively)	**442.6**	363.9
Derivatives, at fair value	**500.4**	471.1
Other invested assets	**249.4**	161.2
Total investments	**47,964.2**	44,589.4
Cash and cash equivalents	**969.0**	619.7
Accrued investment income	**323.9**	336.3
Reinsurance recoverables, net of allowance for expected credit losses of **$2.4** for 2020	**5,664.7**	5,936.8
DAC and VOBA	**835.4**	867.5
Receivables and other assets	**386.5**	392.2
Other intangible assets, net	**1,002.3**	1,102.3
Goodwill, net	**506.7**	563.0
Separate account assets	**1,259.0**	1,127.9
Total assets	**$ 58,911.7**	$ 55,535.1
LIABILITIES AND STOCKHOLDER'S EQUITY		
Funds held under deposit contracts	**$ 43,236.0**	$ 41,153.4
Future policy benefits	**623.4**	554.3
Policy and contract claims	**285.7**	250.9
Other policyholders' funds	**179.4**	144.7
Funds withheld liability	**5,958.2**	5,944.5
Notes payable, net	**989.1**	703.6
Deferred income tax liabilities, net	**324.8**	134.4
Other liabilities	**993.1**	1,188.2
Separate account liabilities	**1,259.0**	1,127.9
Total liabilities	**53,848.7**	51,201.9
Commitments and contingencies *(Note 11)*		
Common stock, **$0.01** par value; **1,000** shares authorized; **100** issued and outstanding	**—**	—
Additional paid-in capital	**3,471.7**	3,516.7
Retained earnings (deficit)	**(229.1)**	(137.6)
Accumulated other comprehensive income, net of taxes	**1,820.4**	954.1
Total stockholder's equity	**5,063.0**	4,333.2
Total liabilities and stockholder's equity	**$ 58,911.7**	$ 55,535.1

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In millions)

	For the Year Ended December 31,	
	2020	**2019**
Revenues:		
Premiums	**$ 1,165.3**	$ 1,176.4
Net investment income	**1,324.0**	1,220.6
Policy fees, contract charges, and other	**374.5**	355.7
Net realized gains (losses):		
Net impairments on fixed maturities – available-for-sale recognized in earnings	**(4.5)**	(5.1)
Other net realized gains (losses)	**(208.6)**	(507.7)
Net realized gains (losses)	**(213.1)**	(512.8)
Total revenues	**2,650.7**	2,239.9
Benefits and expenses:		
Policyholder benefits and claims	**1,158.9**	1,049.8
Interest credited	**839.1**	797.7
Other underwriting and operating expenses	**578.3**	544.3
Interest expense	**27.7**	26.7
Amortization of DAC and VOBA	**63.4**	111.4
Amortization of goodwill and intangible assets	**143.2**	87.3
Total benefits and expenses	**2,810.6**	2,617.2
Income (loss) from operations before income taxes	**(159.9)**	(377.3)
Provision (benefit) for income taxes:		
Current	**(31.2)**	27.9
Deferred	**(37.2)**	(139.7)
Total provision (benefit) for income taxes	**(68.4)**	(111.8)
Net income (loss)	**$ (91.5)**	$ (265.5)

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	For the Year Ended December 31,	
	2020	**2019**
Net income (loss)	**$ (91.5)**	$ (265.5)
Other comprehensive income (loss), net of taxes and reclassification adjustments:		
Changes in unrealized gains (losses) on available-for-sale securities (net of taxes of: **$293.2** and $420.4)	**1,103.1**	1,581.7
Impact of net unrealized (gains) losses on DAC and VOBA (net of taxes of: **$(63.1)** and $(85.2))	**(237.3)**	(320.4)
Impact of cash flow hedges (net of taxes of: **$0.1** and $3.9)	**0.5**	14.7
Other comprehensive income	**866.3**	1,276.0
Total comprehensive income	**$ 774.8**	$ 1,010.5

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
January 1, 2019	$ —	$ 3,516.7	$ 127.3	$ (321.3)	$ 3,322.7
Net income (loss)	—	—	(265.5)	—	(265.5)
Other comprehensive income	—	—	—	1,276.0	1,276.0
Adoption of new accounting standard	—	—	0.6	(0.6)	—
Balances as of December 31, 2019	$ —	$ 3,516.7	$ (137.6)	$ 954.1	$ 4,333.2

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
January 1, 2020	**$ —**	**$ 3,516.7**	**$ (137.6)**	**$ 954.1**	**$ 4,333.2**
Net income (loss)	**—**	**—**	**(91.5)**	**—**	**(91.5)**
Other comprehensive income	**—**	**—**	**—**	**866.3**	**866.3**
Dividends declared	**—**	**(45.0)**	**—**	**—**	**(45.0)**
Balances as of December 31, 2020	**$ —**	**$ 3,471.7**	**$ (229.1)**	**$ 1,820.4**	**$ 5,063.0**

See accompanying notes.

SYMETRA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	For the Year Ended December 31,	
	2020	**2019**
Cash flows from operating activities		
Net income (loss)	**$ (91.5)**	$ (265.5)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net realized (gains) losses	**213.1**	512.8
Accretion and amortization of invested assets, net	**157.8**	182.5
Amortization of goodwill and intangible assets	**143.2**	87.3
Deferred income tax provision (benefit)	**(37.2)**	(139.7)
Interest credited on deposit contracts	**839.1**	797.7
Mortality and expense charges and administrative fees	**(359.1)**	(307.8)
Other changes in:		
DAC and VOBA	**(207.6)**	(174.7)
Other policyholder reserves	**435.4**	398.5
Policy and contract claims	**34.8**	47.9
Funds withheld liability	**(314.6)**	(287.1)
Other assets and liabilities	**313.5**	291.7
Other, net	**21.2**	0.4
Total adjustments	**1,239.6**	1,409.5
Net cash provided by (used in) operating activities	**1,148.1**	1,144.0
Cash flows from investing activities		
Purchases of:		
Fixed maturities – available-for-sale	**(5,840.9)**	(7,590.5)
Fixed maturities – trading	**(1,164.0)**	(982.4)
Marketable equity securities	**(77.4)**	(44.7)
Short-term investments	**(237.6)**	(451.8)
Derivatives and other investments	**(422.2)**	(214.1)
Sales of:		
Fixed maturities – available-for-sale	**1,633.6**	2,961.3
Fixed maturities – trading	**648.8**	247.1
Marketable equity securities	**75.2**	26.9
Maturities, calls, and paydowns	**3,336.8**	2,969.7
Issuances of mortgage loans	**(919.4)**	(1,221.8)
Repayments of mortgage loans	**539.6**	562.7
Cash received for settlements of derivatives and other investments, net	**460.0**	253.6
Cash received (pledged or returned) as collateral, net	**(1.9)**	292.1
Other, net	**(35.9)**	(65.9)
Net cash provided by (used in) investing activities	**(2,005.3)**	(3,257.8)
Cash flows from financing activities		
Policyholder account balances:		
Deposits	**3,996.4**	4,175.4
Withdrawals	**(3,385.6)**	(3,050.7)
Issuances of funding agreements	**1,178.3**	1,556.9
Repayments of funding agreements	**(773.9)**	(173.9)
Cash dividend paid on common stock	**(45.0)**	—
Proceeds (issuance costs) from borrowings and credit facilities	**300.0**	(1.2)
Repayment of notes payable	**(13.8)**	—
Net cash provided by (used in) financing activities	**1,256.4**	2,506.5
Net increase (decrease) in cash, cash equivalents, and restricted cash	**399.2**	392.7
Cash, cash equivalents, and restricted cash at beginning of period	**700.0**	307.3
Cash, cash equivalents, and restricted cash at end of period	**$ 1,099.2**	$ 700.0
Supplemental disclosures of cash flow information		
Net cash paid (received) during the year for:		
Interest	**$ 53.7**	$ 42.9
Income taxes	**(43.0)**	4.1
Non-cash transactions during the period:		
Investment exchanges	**888.9**	1,438.4
Commercial mortgage loan refinances	**80.6**	68.2
Right-of-use operating lease assets recognized	**5.8**	61.0
Operating lease obligations recognized	**6.1**	70.0
Cash, cash equivalents, and restricted cash reconciliation		
Cash and cash equivalents	**$ 969.0**	$ 619.7
Restricted cash, included in receivables and other assets	**130.2**	80.3
Total cash, cash equivalents, and restricted cash	**$ 1,099.2**	$ 700.0

See accompanying notes.

1. Description of Business

Symetra Financial Corporation (the Company) is a Delaware corporation and a wholly-owned subsidiary of Sumitomo Life Insurance Company (the Parent). Through its subsidiaries, the Company offers products and services to customers in the retirement, employment-based benefits, and life insurance markets. These products and services are marketed through financial institutions, broker-dealers, financial professionals, independent agents, and benefits consultants in all 50 states and the District of Columbia.

The Company's principal products include fixed deferred annuities, fixed indexed annuities (FIA), registered index-linked annuities (RILA), single premium immediate annuities (SPIA), medical stop-loss insurance, group life and disability income (DI) insurance, absence management, group voluntary benefits (accident, critical illness, hospital indemnity) and group fixed-payment medical insurance, term life insurance, universal life insurance (UL), including indexed universal life insurance (IUL), and institutional life insurance, including bank-owned life insurance (BOLI) and variable corporate owned life insurance (COLI).

The Company also services a block of in-force income annuities that has been fully reinsured since 2018 and includes all of the Company's structured settlement annuities (the Closed Block). Refer to Note 12 for further discussion.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). 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.

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that may affect the amounts reported on the consolidated financial statements and accompanying notes. The most significant estimates include those used to determine the following: valuation of investments carried at fair value; the balance, recoverability, and amortization of deferred policy acquisition costs (DAC) and value of business acquired (VOBA); the liabilities for funds held under deposit contracts, future policy benefits, and policy and contract claims; recoverability of goodwill and intangible assets; valuation of the deposit asset and funds withheld liability; valuation of embedded derivatives; and valuation of deferred tax assets. The recorded amounts reflect management's best estimates, though actual results could differ from those estimates.

The Company continues to actively monitor the current impacts of and responses to the Coronavirus Disease 2019 (COVID-19) pandemic and its related risks, and to plan accordingly. The continued development of the COVID-19 pandemic may adversely impact the Company's results of operations or financial condition. There is considerable uncertainty regarding to how rapidly the pandemic will evolve, how governments and economic markets will react, the speed of vaccine distribution, and the effectiveness of the vaccine. Due to the highly uncertain nature, severity, and duration of the COVID-19 pandemic, the Company is unable to reasonably estimate the full extent of the impact at this time. The Company has implemented risk management and business continuity plans, and has taken preventive measures and other precautions related to the COVID-19 pandemic.

Recognition of Insurance Revenue and Related Benefits

The Company’s group insurance policies, which include medical stop-loss and group life and DI, are short-duration contracts. Group life and DI business includes group life insurance and short- and long-term disability products. Premiums from these products are recognized as revenue when earned over the life of the policy. Policyholder claims are charged to operations as incurred.

Traditional individual life insurance products, including term life insurance products, are long-duration contracts, and the associated premiums and benefits are fixed. Premiums from these products are considered earned and recognized as revenue when due. Reserves are associated with earned premiums such that profits are recognized over the life of the contracts.

Deposits related to UL and investment-type products are credited to policyholder account balances when received and reflected as liabilities, rather than as premium revenue. Investment-type products include fixed deferred annuities, FIA, RILA, and SPIA.

Revenues from UL, BOLI, and investment-type products consist of net investment income earned on the policyholders’ fund balances and amounts assessed for cost of insurance, policy administration, and surrender charges. These assessments are recorded in policy fees, contract charges, and other on the consolidated statements of income (loss). Expenses charged to operations for these products include interest credited and claims in excess of related policyholder account balances. These amounts are expensed as incurred.

Revenue from variable annuities, variable UL, and COLI products include fees for mortality and expense risk, policy administration, and surrender charges. These fees are charged to policyholders' accounts based upon the daily net assets of the policyholders' account values and are recognized as revenue in policy fees, contract charges, and other on the consolidated statements of income (loss) when assessed.

Separate Account Assets and Liabilities

Separate account balances relate to the Company's variable products. Separate account assets are reported at fair value and represent funds that are invested on behalf of the Company's variable product policyholders. The assets of each separate account are legally segregated and are not subject to claims that arise out of the Company's other business activities. Investment risks associated with market value changes are borne by the policyholder, except to the extent of death benefits guaranteed by the Company with respect to certain accounts. Net investment income and realized gains and losses accrue directly to the policyholders and are not included in the Company's revenues. Separate account liabilities represent the policyholders' account balances.

For variable annuity contracts with guaranteed minimum death benefits (GMDB), the Company contractually guarantees death benefits that may exceed a policyholder's account balance. The Company reinsures most of the GMDB risk on its variable annuity contracts.

Funds Held Under Deposit Contracts

Funds held under deposit contracts includes liabilities for UL, investment-type products, and funding agreements.

Liabilities for fixed deferred annuity contracts, and the fixed account portion of FIA and UL policies are equal to account value, plus additional liabilities for policy benefits accrued but not yet earned, credited, or redeemed. Account value represents the amount available in cash to the policyholder, without regard to any surrender fees. This is computed as deposits net of withdrawals made by the policyholder, plus amounts credited based on contract specifications, less contract fees and charges assessed, plus any additional interest. Policy benefits accrued but not yet earned, credited, or redeemed relate to bonus interest, excess death benefits, and other policy benefits that can be attributed to a specific policy or group of policies.

The liability for the indexed account portions of contracts with indexed or indexed-linked features (indexed products) represents the present value of future estimated guaranteed benefits, as well as the embedded derivatives related to expected index credits on these contracts and policies. The embedded derivatives are recorded at fair value. See Note 6 for further discussion. Indexed products include FIA, RILA, and IUL.

For SPIA and structured settlements, liabilities are based on discounted amounts of estimated future benefits. Future benefits are either fully guaranteed or are contingent on the survivorship of the contract holder.

The Company has funding agreements issued to the Federal Home Loan Bank of Des Moines (FHLB DM) to support an institutional spread program, where the Company earns income primarily from the difference between investment income earned on invested assets and interest paid on the funding agreements. These amounts are recorded in net investment income and interest credited, respectively, on the consolidated statements of income (loss). Liabilities for these funding agreements are equal to the amount issued plus accrued interest.

As of December 31, 2020 and 2019, the Company had outstanding funding agreements of $1,893.2 and $1,488.7, respectively, with various maturity dates through 2029. The Company is required to provide collateral with an aggregate fair value in excess of the funding agreements outstanding. As of December 31, 2020 and 2019, the carrying value of eligible collateral was $3,607.4, and $2,316.8, respectively. Eligible collateral primarily consists of mortgage loans, commercial and residential mortgage-backed securities, and government or agency securities. Since the Company did not relinquish ownership rights of these instruments, they are reported as mortgage loans and available-for-sale fixed maturities on the consolidated balance sheets.

Future Policy Benefits

The Company estimates liabilities for future policy benefits for its traditional individual life policies as the present value of expected future policy benefits less future net premiums. The Company selects the net premiums so that the actuarial present value of future benefits equals the actuarial present value of future premiums. The Company sets the interest, mortality, and persistency assumptions in the year of issue and includes a provision for adverse deviation. The provision for adverse deviation is intended to provide coverage for the risk that actual experience may be worse than locked-in best-estimate assumptions. The Company derives mortality assumptions from both company-specific and industry statistics. Future benefits are discounted at interest rates that vary by year of policy issue. These rates are initially set to be consistent with investment rates at the time of issue and are graded to a lower rate over time. Assumptions are set at the time each product is introduced and are not updated for actual experience unless the total product liability amount is determined to be inadequate to cover future policy benefits.

The Company estimates liabilities for future policy benefits for group long-term disability policies as the present value of future benefit payments, net of terminations and reinsurance recoverables, and discounted at interest rates based on investment rates at the time of disability.

The Company also estimates liabilities for future policy benefits for its FIA and RILA products with rider benefits. These benefits may include a death benefit above account value or a recurring withdrawal benefit that continues even after the account value is exhausted. This reserve grows proportionally to estimated gross profits on the contract, including rider charges and spread income, and is released as rider benefits in excess of account value are paid. Assumptions used for this reserve are best-estimate assumptions and are reviewed annually.

Variable Interest Entities

The Company performs an ongoing qualitative assessment of its involvement with variable interest entities (VIEs). A VIE is an entity that does not have sufficient equity to finance its own activities without additional financial support, or whose investors lack certain characteristics of a controlling financial interest. The Company assesses its contractual, ownership, or other interests in a VIE to determine whether it has a variable interest in the entity, and if so, to determine whether the Company has a controlling financial interest and would, therefore, be considered the primary beneficiary of the VIE. If it is determined the Company is the primary beneficiary of a VIE, the Company includes the assets and liabilities of the VIE on the consolidated financial statements.

The limited partnerships that the Company invests in meet the definition of a VIE. Because the Company, as a limited partner, lacks the ability to direct the activities of any of these partnerships, it is not considered the primary beneficiary and, therefore, does not consolidated them. As of December 31, 2020 and 2019, the maximum exposure to loss in these VIEs was $724.4 and $703.8, respectively. The maximum exposure to loss includes commitments to provide future capital contributions.

In the normal course of business, the Company also makes passive investments in structured securities issued by VIEs, which also meet the definition of VIEs. These structured securities primarily include residential and commercial mortgage-backed securities, and collateralized loan obligations. Because the Company lacks the ability to direct the activities that most significantly impact the economic performance of these VIEs, it is not considered the primary beneficiary and, therefore, does not consolidate them. The Company’s maximum exposure to loss with respect to these investments is limited to the amortized cost of the Company’s investment, which was $8,560.7 and $7,575.5 as of December 31, 2020 and 2019, respectively.

The Company is the investment advisor and administrator of a unit investment trust where the primary investor is the Company's Parent. The Company's fees are not contingent on the performance of the fund and are consistent with fees for similar services negotiated at arms-length. The Company has a variable interest in the trust because it directs investment decisions. The Company is not considered the primary beneficiary as it does not maintain the benefits or risk of loss and, therefore, does not consolidate the trust.

Subsequent Events

The Company has evaluated the effects of events subsequent to December 31, 2020 and the accounting and disclosure requirements related to subsequent events are included on the consolidated financial statements. Management has assessed material subsequent events through March 5, 2021, the date the consolidated financial statements were available to be issued.

(All dollar amounts in millions, unless otherwise stated)

Other Significant Accounting Policies

The following table includes significant accounting policies that are described in other notes to the consolidated financial statements, including the number of the note:

Significant Accounting Policy	Note #
Goodwill (1)	3
Other Intangible Assets	3
Investments	4
Mortgage Loans	5
Derivative Instruments	6
Fair Value of Financial Instruments	7
Deferred Policy Acquisition Costs (DAC)	8
Value of Business Acquired (VOBA)	8
Liability for Unpaid Claims and Claim Adjustment Expenses	9
Commitments and Contingencies	11
Reinsurance	12
Income Taxes	14

(1) Effective January 1, 2020, the Company elected to apply the private company accounting alternative for goodwill.

Accounting Pronouncements Newly Adopted

ASU 2016-13 Financial Instruments – Credit Losses (Topic 326). This authoritative guidance amended the credit loss measurement guidance for certain financial assets to reflect current expected credit losses (CECL). Under the CECL model, an entity estimates lifetime expected credit losses considering available relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the recorded amount. Additionally, the guidance modified the required credit loss disclosures. The guidance also amended the impairment model for available-for-sale fixed maturities and any expected credit losses are now recognized through an allowance, rather than through an adjustment to the amortized cost basis. Finally, the guidance provides entities with an option to irrevocably elect the fair value option for certain eligible instruments. The guidance is effective beginning January 1, 2023, with early adoption permissible.

Effective January 1, 2020, the Company adopted Accounting Standards Update (ASU) 2016-13, as amended, using a modified retrospective approach for financial assets measured at amortized cost and the prospective approach for available-for-sale debt securities. Additionally, the Company elected the fair value option for mortgage loans supporting the Closed Block.

Upon adoption, the Company implemented models to estimate expected credit losses under CECL, with a focus on mortgage loans and reinsurance recoverables, including the Closed Block deposit asset, and implemented changes to the model to evaluate available-for-sale fixed maturities for credit impairment. The Company also considered all other financial assets within the scope of the standard. The Company's implementation process included model development, evaluation of technical accounting topics, and updates to allowance documentation, reporting processes, and related internal controls. These changes generally resulted in earlier recognition of credit losses and expanded credit loss disclosures.

Comparative information has not been adjusted and continues to be reported under previously applicable GAAP.

In accordance with the modified retrospective approach, the Company recorded the following adjustments to its opening balances upon adoption:

Balance Sheet Line Item	Amount	Description
Mortgage loans	$ (14.4)	Adjustment to allowance for mortgage loans held at amortized cost, net
Mortgage loans	17.0	Adjustment for election of fair value option for mortgage loans supporting the Closed Block
Reinsurance recoverables	(2.4)	Allowance for reinsurance recoverables
Other liabilities	(0.3)	Liability for unfunded mortgage loan commitments
Deferred income tax	0.1	Deferred income tax impacts
Retained earnings (deficit)	$ —	Net impact of adoption

The consolidated statements of income (loss) reflect the measurement of expected credit losses for newly recognized financial assets, as well as the change in expected credit losses that have taken place during the period.

ASU 2020-04 Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In 2017, the U.K. Financial Conduct Authority announced that it would no longer compel banks to submit data to support the determination of the reference rate known as the London Interbank Offered Rate (LIBOR) after 2021. This standard eases the financial reporting impacts of reference rate reform on contracts, hedging relationships, and other transactions by providing optional expedients or exceptions if certain criteria are met.

Entities may elect the optional expedients to not apply certain modification accounting requirements to contracts affected by reference rate reform and instead account for the modified contract as a continuation of the existing contract. This standard also provides exceptions for entities to continue hedge accounting when the critical terms of a hedging relationship changed due to reference rate reform. This standard is effective until December 31, 2022 and entities may adopt this standard at any time beginning March 2020.

The Company adopted this standard prospectively on September 30, 2020 and elected to apply the optional expedients and exceptions primarily for its fixed maturity securities and interest rate swaps that reference LIBOR. The adoption did not have an impact on the consolidated financial statements. The Company will continue to evaluate the impact of reference rate reform on contract modifications and hedging relationships and to review its policies, processes, and applicable systems through December 31, 2022 as reference rate reform activities occur.

Accounting Pronouncements Not Yet Adopted

ASU 2018-12 Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. This standard, as amended, substantially changes the accounting treatment of long-duration insurance contracts. Entities will be required to regularly review and update assumptions used to measure the liability for future policy benefits that were previously locked at contract inception and held constant over the contract term. Assumptions used to measure discounted cash flows will be reviewed at least annually, and the discount rate assumption will be updated at each reporting date based on a standardized, market-observable discount rate.

Entities will also be required to use a fair value model to measure product features with market risk benefits, with the insurance accrual model no longer an option. The guidance simplifies the deferred policy acquisition costs (DAC) amortization method for all long-duration contracts by replacing the previous earnings-based methods with a constant level approach. The guidance will also require additional financial statement disclosures, including a rollforward of the liability and information about significant assumptions used. The guidance is effective for the year ended December 31, 2025 and interim periods thereafter, with early adoption permissible.

The Company is evaluating the impact of the guidance on its annuity and life insurance contracts, and DAC and value of business acquired (VOBA) amortization models, as well as reviewing its policies, processes, and applicable systems to determine the impact the guidance will have on its operations and consolidated financial statements.

3. Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the acquisition price in excess of the fair value of net assets when the Parent acquired the Company in 2016 (the Merger). The amount reflects the Company’s future growth potential, assembled workforce, and other sources of value not associated with identifiable assets. The goodwill recognized is not deductible for tax purposes.

Effective January 1, 2020, the Company elected to apply the private company accounting alternative for goodwill. This accounting alternative allows a private company to elect prospectively the following:

- to amortize goodwill on a straight-line basis over 10 years or less than 10 years if the entity demonstrates that another useful life is more appropriate;
- to make a policy election to test goodwill for impairment at either the entity level or the reporting unit level; and
- to test goodwill for impairment only when a triggering event occurs that indicates that the fair value of an entity or a reporting unit may be below its carrying amount.

Beginning January 1, 2020, the Company elected to amortize goodwill prospectively over 10 years on a straight-line basis and to assess impairments at an entity level only when a triggering event occurs that indicates the fair value of the entity may be below its carrying value.

(All dollar amounts in millions, unless otherwise stated)

The Company monitors for triggering events that could indicate the fair value of the entity may be below its carrying value at least quarterly, or more frequently if necessary. If a triggering event is identified, the Company tests goodwill for impairment on an entity level by first performing a qualitative assessment. The qualitative assessment is an assessment of historical information and relevant events and circumstances to determine whether it is more likely than not that an impairment exists. If the Company concludes that it is more likely than not that the fair value of the entity is less than its carrying amount, including goodwill, the Company moves on to a quantitative impairment test. The Company may also elect not to perform the qualitative assessment and perform a quantitative impairment test instead.

In performing the quantitative impairment test, the Company may determine the fair value of the entity by applying a discounted cash flow and/or market valuation approach. If the fair value is lower than the carrying amount, the Company records a goodwill impairment equal to the excess of the carrying amount over fair value.

During 2020 and 2019, no triggering events occurred that required goodwill to be tested for impairment and no impairment loss was recorded.

Other Intangible Assets

Other intangible assets with finite lives are amortized on a straight-line basis over the estimated useful life of the assets. Amortizable intangible assets primarily consist of value of distribution acquired (VODA), value of customer relationships acquired (VOCRA), trade names, and technology. VODA represents the present value of expected future profits associated with the expected future business derived from distribution relationships in existence as of the date of the Merger. VOCRA represents the present value of the expected future profits associated with the Company's group insurance business in-force as of the date of the Merger, including the value of renewals associated with this business. Intangible assets were valued using the excess earnings method, relief from royalty method or cost approach, as appropriate.

The Company evaluates the remaining useful lives periodically, and reviews the assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant change in the extent or manner in which an asset is used, or any other significant adverse change. Impairment is only recorded if the asset's carrying amount is not recoverable through its undiscounted future cash flows. If an impairment exists, the amount is measured as the difference between the carrying amount and fair value.

During 2020 and 2019, no events or change in circumstances occurred that required intangible assets to be tested for impairment and no impairment loss was recorded.

Goodwill and other intangible assets recognized by the Company included the following:

	Useful life on Acquisition Date (1)	As of December 31, 2020		As of December 31, 2019	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
VODA	35 years	**$ 782.0**	**$ (111.5)**	$ 782.0	$ (88.9)
VOCRA	10 years	**361.8**	**(177.9)**	386.7	(151.4)
Trade names	17 years	**190.0**	**(55.0)**	190.0	(43.8)
Technology	5 years	**72.0**	**(70.8)**	72.0	(56.4)
Total intangible assets subject to amortization	24.6 years	**1,405.8**	**(415.2)**	1,430.7	(340.5)
Insurance licenses	Indefinite	**11.0**	**—**	11.0	—
Goodwill	10 years	**563.0**	**(56.3)**	563.0	—

(1) Goodwill useful life is as of January 1, 2020, when the Company elected to apply the private company accounting alternative.

The following table sets forth the estimated future aggregate amortization expense for the next five years for goodwill and other intangible assets:

Year	Goodwill	Other Intangible Assets
2021	$ 56.3	$ 70.9
2022	56.3	69.6
2023	56.3	69.6
2024	56.3	69.6
2025	56.3	69.6

(All dollar amounts in millions, unless otherwise stated)

4. Investments

The Company's investment portfolio consists of fixed maturities and mortgage loans, as well as smaller allocations of investments in limited partnerships, derivatives, marketable equity securities, and other investments.

Available-for-Sale Securities

The Company classifies the majority of its investments in fixed maturities as available-for-sale (AFS) and carries them at fair value. Fixed maturities primarily include corporate bonds, mortgage-backed securities, and collateralized loan obligations. Upon adopting ASU 2016-13 in 2020, expected credit-related losses are recorded through an allowance, rather than through an adjustment to amortized cost.

The Company reports net unrealized gains (losses) related to its AFS securities in accumulated other comprehensive income (loss) (AOCI) in stockholder’s equity, net of related DAC and VOBA adjustments and deferred income taxes. The cost of securities sold is determined using the specific-identification method.

The Company reports interest and dividends earned, including prepayment fees or interest-related make whole payments, in net investment income on the consolidated statements of income (loss). Prepayments of fixed maturities and mortgage loans result in accelerated amortization or accretion of the premium or discount associated with the investment, which is recorded in realized gains (losses) on the consolidated statements of income (loss).

Interest income for fixed maturities is recognized using the effective yield method. For mortgage-backed securities, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. Quarterly, the Company compares actual prepayments to anticipated prepayments and recalculates the effective yield to reflect actual payments plus anticipated future payments. The Company includes any resulting adjustment in net investment income in the current period.

The following tables summarize the Company's AFS fixed maturities:

	As of December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses (1)	Fair Value
U.S. government and agencies	**$ 759.8**	**$ 30.0**	**$ (0.4)**	**$ 789.4**
State and political subdivisions	**703.8**	**45.3**	**(1.9)**	**747.2**
Corporate securities	**23,843.0**	**2,653.3**	**(19.9)**	**26,476.4**
Residential mortgage-backed securities	**2,307.2**	**88.6**	**(6.7)**	**2,389.1**
Commercial mortgage-backed securities	**845.7**	**41.8**	**(5.9)**	**881.6**
Collateralized loan obligations	**3,687.7**	**9.5**	**(11.6)**	**3,685.6**
Other debt obligations	**1,720.4**	**62.0**	**(15.4)**	**1,767.0**
Total AFS fixed maturities	**$ 33,867.6**	**$ 2,930.5**	**$ (61.8)**	**$ 36,736.3**

(1) The Company's allowance for expected credit losses was $**0.0** as of December 31, 2020.

	As of December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	$ 557.2	$ 6.2	$ (2.4)	$ 561.0
State and political subdivisions	662.6	17.4	(1.6)	678.4
Corporate securities	24,220.7	1,396.0	(27.2)	25,589.5
Residential mortgage-backed securities	2,238.5	38.0	(6.0)	2,270.5
Commercial mortgage-backed securities	983.0	27.3	(3.6)	1,006.7
Collateralized loan obligations	2,753.3	2.0	(11.5)	2,743.8
Other debt obligations	1,572.9	40.5	(2.1)	1,611.3
Total AFS fixed maturities	$ 32,988.2	$ 1,527.4	$ (54.4)	$ 34,461.2

(All dollar amounts in millions, unless otherwise stated)

The Company maintains a diversified portfolio of corporate fixed maturity securities across industries. The following table presents the composition of the Company's AFS corporate securities portfolio by sector:

	As of December 31, 2020		As of December 31, 2019	
	Fair Value	% of Total	Fair Value	% of Total
Industrials	$ 4,180.6	15.8 %	$ 3,831.3	15.0 %
Financials	3,376.5	12.8	3,184.5	12.4
Energy	3,374.3	12.7	3,366.6	13.2
Utilities	3,330.8	12.6	2,975.9	11.6
Consumer staples	3,128.9	11.8	3,100.8	12.1
Healthcare	2,620.7	9.9	2,902.1	11.3
Consumer discretionary	2,490.9	9.4	2,401.2	9.4
Communication services	2,144.8	8.1	2,023.4	7.9
Other	1,828.9	6.9	1,803.7	7.1
Total	$ 26,476.4	100.0 %	$ 25,589.5	100.0 %

The following table summarizes the amortized costs and fair values of AFS fixed maturities as of December 31, 2020 by contractual years to maturity. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	Amortized Cost	Fair Value
One year or less	$ 1,279.1	$ 1,296.3
Over one year through five years	10,187.3	10,962.9
Over five years through ten years	8,674.6	9,628.1
Over ten years	5,231.0	6,198.4
Total with contractual maturity dates	25,372.0	28,085.7
Residential mortgage-backed securities	2,307.2	2,389.1
Commercial mortgage-backed securities	845.7	881.6
Collateralized loan obligations	3,687.7	3,685.6
Other asset-backed securities	1,655.0	1,694.3
Total AFS fixed maturities	$ 33,867.6	$ 36,736.3

Based on National Association of Insurance Commissioners (NAIC) ratings as of December 31, 2020 and 2019, the Company held below-investment-grade fixed maturities with fair values of $1,092.7 and $775.9, respectively, and amortized costs of $1,043.5 and $740.5, respectively. These holdings amounted to 3.0% and 2.3%, respectively, of the Company's AFS fixed maturities at fair value as of December 31, 2020 and 2019.

Allowance for Expected Credit Losses

The Company evaluates all securities in an unrealized loss position (i.e., underwater) for impairments and determines whether the decline in fair value has resulted from an expected credit loss or other factors. An expected credit loss is recorded as an allowance and the allowance is evaluated quarterly. Initial recognition and subsequent changes in the allowance are recognized in net realized gains (losses) on the consolidated statements of income (loss). Amounts determined uncollectible are written off as a reduction to amortized cost and removed from the allowance. Any remaining non-credit related unrealized loss is recorded through other comprehensive income (loss) (OCI) on the consolidated statements of comprehensive income.

The Company uses both quantitative and qualitative criteria to review AFS fixed maturities for expected credit losses. Based on the Company's experience, investments with amortized cost exceeding estimated fair value by less than 20% do not typically represent a significant risk of expected credit loss under normal market conditions. For those with amortized cost exceeding estimated fair value by over 20% and those that were downgraded by a rating agency, the Company compares the security's implied credit spread to the benchmark spread for bonds with significant credit risk. If the security's spread exceeds the defined tolerance compared to this benchmark, the Company further analyzes the decrease in fair value to determine whether expected credit loss exists by considering, among other factors, the following:

- Extent of downgrades of the security by a rating agency;

(All dollar amounts in millions, unless otherwise stated)

- Extent of the decline in fair value below amortized cost due to credit and non-credit related events;
- 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; and
- Nonpayment of scheduled interest.

If the Company determines an expected credit loss exists, the amount of the expected credit loss equals the difference between amortized cost and recovery value of the security, and is limited by the amount that the fair value is less than the amortized cost basis. The Company calculates the recovery value using a discounted cash flow model. The discount rate used to determine the recovery value is the original effective yield for corporate securities, or current effective yield for collateralized loan obligations, residential mortgage-, commercial mortgage-, and other asset-backed securities.

Determination of Credit-Related Allowance for Expected Credit Losses

To determine the recovery value for a corporate security, the Company's analysis includes, but is not limited to, the following:

- Expected cash flows of the issuer;
- Fundamentals of the industry in which the issuer operates;
- Expectations regarding defaults and recovery rates; and
- Third-party guarantees.

To determine the recovery value for collateralized loan obligations, residential mortgage-, commercial mortgage-, and other asset-backed securities, the Company's analysis includes, but is not limited to, the following:

- Expected cash flows from the security;
- Creditworthiness, delinquency, and credit quality indicators on the underlying collateral;
- Geographic concentrations, underlying collateral values, vintage year, and level of subordination; and
- Susceptibility to prepayment due to changes in the interest rate environment.

Changes in the amount of allowance for expected credit losses were as follows:

	For the Year Ended December 31, 2020
Balance, beginning of period	$ —
Additions for expected credit losses not previously recorded	4.8
Reductions for securities sold or paid down during the period	(3.5)
Reductions for securities with expected credit losses due to intent to sell	(0.3)
Additions (reductions) for securities with expected credit losses during the period	(1.0)
Balance, end of period	$ —

If the Company determines it intends to sell or it is more likely than not that the Company will be required to sell the security before the recovery of its amortized cost, or if the security is considered to be in default, the entire unrealized loss is recognized in net realized gains (losses) on the consolidated statements of income (loss). Amortized cost is reduced to fair value and any related allowance for expected credit losses is reversed.

The Company has made the policy election to exclude accrued interest in its review for expected credit losses. The Company typically places securities with receivables 30 days past due or that have defaulted on nonaccrual status and writes off the uncollectible accrued interest by reversing interest income. They are not restored to accrual status until all delinquent interest and principal are paid.

As of December 31, 2020, accrued interest on AFS fixed maturities was $293.7 and is included in accrued investment income on the consolidated balance sheets. For the year ended December 31, 2020, $0.1 was determined uncollectible and written off.

(All dollar amounts in millions, unless otherwise stated)

Underwater Securities for which Expected Credit Losses were not Recorded

The following table presents the severity of the gross unrealized losses on the Company's AFS fixed maturities for which expected credit losses were not recorded:

	As of December 31, 2020		
	Fair Value	Gross Unrealized Losses	# of Securities
Underwater by 20% or more	$ 17.7	$ (6.1)	5
All other underwater fixed maturities	3,213.1	(55.7)	330
Total underwater fixed maturities	$ 3,230.8	$ (61.8)	335

The following table is aggregated by investment category and separately presents securities for which an expected credit loss was not recorded that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more:

	As of December 31, 2020					
	Less Than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Losses	# of Securities	Fair Value	Gross Unrealized Losses	# of Securities
U.S. government and agencies	$ 46.8	$ (0.4)	11	$ —	$ —	—
State and political subdivisions	34.5	(1.6)	5	—	(0.3)	1
Corporate securities	573.7	(16.7)	101	27.5	(3.2)	14
Residential mortgage-backed securities	326.3	(6.5)	43	6.4	(0.2)	17
Commercial mortgage-backed securities	184.8	(5.1)	28	26.0	(0.8)	7
Collateralized loan obligations	1,131.7	(5.5)	57	587.9	(6.1)	31
Other debt obligations	284.7	(15.4)	25	0.5	—	1
Total underwater fixed maturities	$ 2,582.5	$ (51.2)	270	$ 648.3	$ (10.6)	71

The Company reviewed its AFS fixed maturities with unrealized losses for which an expected credit loss is not recorded as of December 31, 2020 and determined that it expects to recover the entire amortized cost basis of the securities. The Company did not intend to sell these underwater securities and it was not more likely than not that the Company would be required to sell the securities before recovery of cost or amortized cost, which may be at maturity. This conclusion is supported by the Company's spread analyses, cash flow modeling, and expected continuation of contractually required principal and interest payments.

Other-Than-Temporary Impairments (OTTI)

Prior to 2020, the Company reviewed AFS fixed maturities for OTTI. The Company's review included both quantitative and qualitative criteria. Quantitative criteria included the length of time and amount that each security is in an unrealized loss position (i.e., is underwater) and whether expected future cash flows indicate that a credit loss exists.

While all securities were monitored for impairment, the Company's experience indicated that, under normal market conditions, securities for which the cost or amortized cost exceeded fair value by less than 20% did not typically represent a significant risk of impairment and, often, fair values recovered over time as the factors that caused the declines improved. If the estimated fair value had declined and remained below cost or amortized cost by 20% or more for at least six months, the Company further analyzed the decrease in fair value to determine whether it is an other-than-temporary decline. To make this determination for each security, the Company considered, among other factors:

- Extent and duration of the decline in fair value below amortized cost;
- 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;
- Nonpayment of scheduled interest; and
- Other indications that a credit loss has occurred.

(All dollar amounts in millions, unless otherwise stated)

For fixed maturities, the Company concluded that an OTTI had occurred if a security is underwater and there was an intent to sell the security, or it was more likely than not that the Company would be required to sell the security prior to recovery of its amortized cost, considering any regulatory developments, prepayment or call notifications, and the Company's liquidity needs. If there was an intent or requirement to sell the security, the entire unrealized loss was recognized as an OTTI in net realized gains (losses) on the consolidated statements of income (loss).

An OTTI had also occurred if the recovery value was less than the amortized cost of the security (i.e., a credit loss exists). In such cases, the Company isolated the portion of the total unrealized loss related to the credit loss, which was recognized in net realized gains (losses) on the consolidated statements of income (loss), and the remainder was recorded as a non-credit OTTI through OCI on the consolidated statements of comprehensive income.

To determine the amount of a credit loss, the Company calculated the recovery value by discounting its estimate of future cash flows from the security. The discount rate used was the original effective yield for corporate securities, or current effective yield for collateralized loan obligations, residential mortgage-, commercial mortgage-, and other asset-backed securities. The amount of the credit loss equaled the difference between the carrying value and recovery value of the security. The Company's calculation methodology for credit losses and recovery value for credit-related impairments on corporate securities and structures securities was the same as the methodology used as of December 31, 2020.

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

	For the Year Ended December 31, 2019
Balance, beginning of period	$ 4.4
Increases recognized in the current period:	
For which an OTTI was not previously recognized	0.7
Decreases attributable to:	
Securities sold or paid down during the period	(1.5)
Balance, end of period	$ 3.6

The following table presents the severity and duration of the gross unrealized losses on the Company's underwater AFS fixed maturities, after recognition of OTTI:

	As of December 31, 2019		
	Fair Value	Gross Unrealized Losses	# of Securities
Underwater by 20% or more:			
Less than 6 consecutive months	$ 2.2	$ (1.1)	3
6 consecutive months or more	1.6	(1.3)	6
Total Underwater by 20% or more	3.8	(2.4)	9
All other underwater fixed maturities	4,538.9	(52.0)	586
Total underwater fixed maturities	$ 4,542.7	$ (54.4)	595

(All dollar amounts in millions, unless otherwise stated)

The following table is aggregated by investment category and presents separately those securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more:

	As of December 31, 2019					
	Less Than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Losses	# of Securities	Fair Value	Gross Unrealized Losses	# of Securities
U.S. government and agencies	$ 294.7	$ (2.4)	18	$ 1.9	$ —	2
State and political subdivisions	76.9	(1.5)	9	5.3	(0.1)	4
Corporate securities	1,103.8	(20.0)	127	203.6	(7.2)	43
Residential mortgage-backed securities	448.7	(4.4)	112	155.8	(1.6)	90
Commercial mortgage-backed securities	165.0	(1.9)	28	26.6	(1.7)	7
Collateralized loan obligations	1,208.0	(2.7)	86	524.8	(8.7)	30
Other debt obligations	274.4	(1.7)	20	53.2	(0.5)	15
Total underwater fixed maturities	$ 3,571.5	$ (34.6)	400	$ 971.2	$ (19.8)	191

The Company reviewed its AFS securities with unrealized losses as of December 31, 2019 in accordance with its impairment policy and determined, after the recognition of OTTI, that the declines in fair value were temporary. The Company did not intend to sell its underwater securities and it was not more likely than not that the Company would be required to sell the securities before recovery of cost or amortized cost, which may be at maturity. This conclusion was supported by the Company's spread analyses, cash flow modeling, and expected continuation of contractually required principal and interest payments.

Investments in Limited Partnerships

Limited partnerships include alternative investments (primarily hedge funds in the Closed Block) and tax credit investments. Tax credit investments are limited partnerships that are established to fund affordable housing projects and other qualifying purposes, where the primary return on investment is in the form of income tax credits. The following table presents the carrying values of limited partnerships:

	As of December 31,	
	2020	2019
Alternative investments, at fair value	**$ 389.4**	$ 272.7
Affordable housing tax credit investments	**50.9**	85.0
Other tax credit investments	**2.3**	6.2
Total investments in limited partnerships	**$ 442.6**	$ 363.9

Alternative investments are recorded at fair value. Changes in the fair value of these investments are recorded in net realized gains (losses) on the consolidated statements of income (loss). The Company elected the fair value option for these investments, regardless of ownership percentage, to standardize the related accounting and reporting. These investments have varying investment strategies, and redemption terms and conditions.

The Company’s tax credit investments are accounted for under the equity method, which recognizes the Company's share of partnership income or loss (pass through activity) in earnings. Typically, affordable housing investments are written down over time as partnership losses are allocated to the Company or when the carrying value of the investment exceeds the total amount of remaining benefits. The activity related to these investments is recorded in net realized gains (losses), and the associated tax credits are reported in provision (benefit) for income taxes, on the consolidated statements of income (loss).

For certain partnerships, the Company contributes its investment commitment over time and the present value of any unfunded commitments is included in the asset balance and recorded in other liabilities.

(All dollar amounts in millions, unless otherwise stated)

The following table sets forth the impact of affordable housing tax credit investments on net income (loss). These amounts do not include the impacts of the Company's holdings in other types of tax credit investments.

	For the Year Ended December 31,	
	2020	**2019**
Pass through activity	**$ (17.0)**	$ (13.3)
Write downs	**(18.7)**	(23.9)
Tax benefits	**7.5**	7.8
Tax credits, net	**26.1**	33.0
Impact to net income (loss)	**$ (2.1)**	$ 3.6

Net Investment Income

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

	For the Year Ended December 31,	
	2020	**2019**
Fixed maturities – AFS	**$ 1,203.2**	$ 1,173.0
Fixed maturities – Trading	**80.7**	66.4
Marketable equity securities	**8.3**	8.4
Mortgage loans	**334.4**	306.4
Other	**13.0**	16.9
Total investment income	**1,639.6**	1,571.1
Investment expenses	**(48.9)**	(40.7)
Closed Block ceded net investment income	**(266.7)**	(309.8)
Net investment income	**$ 1,324.0**	$ 1,220.6

(All dollar amounts in millions, unless otherwise stated)

Realized Gains (Losses)

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

	For the Year Ended December 31,	
	2020	**2019**
Investment related realized gains (losses):		
Fixed maturities – AFS:		
Gross gains on sales	**$ 146.2**	$ 92.8
Gross losses on sales	**(56.5)**	(42.3)
Net impairments and expected credit losses (1)	**(8.3)**	(5.1)
Marketable equity securities (2)	**(46.7)**	(0.5)
Mortgage loans	**(9.2)**	(0.3)
Investments in limited partnerships	**(33.6)**	(37.8)
Other	**46.9**	(4.9)
Product related realized gains (losses):		
Net gains (losses) – Indexed products (3)	**(142.0)**	(102.7)
DAC and VOBA adjustment	**24.3**	23.9
Annual unlocking impact	**61.6**	13.2
Other	**6.0**	1.2
Closed Block related realized gains (losses):		
Fixed maturities – Trading (4)	**126.3**	211.9
Change in fair value of fair value option assets	**40.1**	0.8
Changes in fair value of embedded derivative	**(177.0)**	(529.0)
Ceded realized (gains) losses	**(191.2)**	(134.0)
Net realized gains (losses)	**$ (213.1)**	$ (512.8)

(1) Includes **$3.8** and $0.0 of losses related to expected credit losses, net of recoveries for the year ended December 31, 2020 and 2019, respectively. Also includes losses on securities that the Company intends to sell and defaulted securities of **$4.5** and $5.1 for the year ended December 31, 2020 and 2019, respectively.

(2) Includes net gains (losses) on changes in the fair value of equity securities held totaling **$14.4** and $4.8 for the year ended December 31, 2020 and 2019, respectively.

(3) Includes net gains (losses) on changes in fair value of the indexed products' embedded derivatives (VED) and related options and futures.

(4) Includes net gains (losses) on changes in the fair value of fixed maturities – trading held totaling **$83.4** and $199.1 for the year ended December 31, 2020 and 2019, respectively.

5. Mortgage Loans

The Company originates and manages a portfolio of mortgage loans, which are secured by first-mortgage liens on income-producing commercial real estate, primarily in the retail, industrial, and office building sectors. The Company's mortgage loan portfolio is considered a single portfolio segment and class of financing receivable, which is consistent with how the Company assesses and monitors the risk and performance of the portfolio. A large majority of these loans have personal guarantees and all mortgaged properties are inspected annually.

The Company's mortgage loan portfolio is diversified by geographic region, loan size, and scheduled maturity. As of December 31, 2020, the two states with the largest concentrations of the Company's mortgage loans were California and Texas, representing 27.2% and 10.1% of total outstanding principal, respectively. Of the loans in California, 39.2% related to properties located in the Los Angeles area.

Accrued interest receivable is reported in accrued investment income on the consolidated balance sheets. Interest income, including amortization of deferred fees and expenses, is recorded in net investment income on the consolidated statements of income (loss) using the effective interest rate method.

Loans are underwritten based on loan-to-value (LTV) ratios and debt-service coverage ratios (DSCR), as well as detailed market, property, and borrower analyses. The LTV ratio and DSCR are used by the Company to determine the internal credit quality of mortgage loans. The LTV ratio compares the carrying value of the loan to the fair value of the underlying collateral. The DSCR compares a property's net operating income to its debt-service payments. Generally, a lower LTV ratio and higher DSCR indicate a higher quality loan. The Company updates each loan's LTV ratio every period based on the carrying value of the property, while property information (such as property value and income for DSCR) is updated annually, primarily during third quarter.

(All dollar amounts in millions, unless otherwise stated)

The following table sets forth the Company's mortgage loans by credit quality indicator:

	As of December 31, 2020			As of December 31, 2019		
	DSCR (1)			DSCR (1)		
LTV ratio	1.50x or Greater	Less Than 1.50x	Total	1.50x or Greater	Less Than 1.50x	Total
Less than 65%	**$ 5,737.0**	**$ 233.0**	**$ 5,970.0**	$ 6,267.0	$ 328.9	$ 6,595.9
Between 65% and 80%	**221.9**	**214.5**	**436.4**	235.3	240.7	476.0
Greater than 80%	**—**	**71.9**	**71.9**	—	29.9	29.9
Total mortgage loans held at amortized cost	**$ 5,958.9**	**$ 519.4**	**6,478.3**	$ 6,502.3	$ 599.5	7,101.8
Mortgage loans held at fair value (2)			**1,015.5**			—
Other (3)			**(16.5)**			5.6
Total mortgage loans, net			**$ 7,477.3**			$ 7,107.4

(1) Beginning in 2020, the Company modified its calculation of DSCR and applied a normalized amortization period for all mortgage loans. Previously, the amortization period varied by individual loan. Prior period amounts were updated to reflect this change.
(2) At adoption of ASU 2016-13, the Company elected the fair value option for mortgage loans held within the Closed Block.
(3) As of December 31, 2020, the balance includes deferred fees and costs, net of allowance for expected credit losses. As of December 31, 2019, the balance includes deferred fees and costs, net of allowance for loan losses.

Mortgage Loans Held at Fair Value

Effective January 1, 2020, the Company elected the fair value option for mortgage loans supporting the Closed Block. The Company incorporates credit-related risk as an input in its determination of fair value of mortgage loans. Changes in fair value of these mortgage loans are recorded in net realized gains (losses) on the consolidated statements of income (loss) and are offset by the corresponding changes in the value of the Closed Block embedded derivative. Refer to Note 12 for further discussion on assets supporting the Closed Block and Note 7 for further discussion about the Closed Block embedded derivative.

Mortgage Loans Held at Amortized Cost

In 2016, as a result of the Merger, all outstanding mortgage loans were remeasured at fair value, which resulted in the establishment of a net premium for the portfolio and a new amortized cost basis for the loans. This net premium is amortized using the effective interest rate method into net investment income on the consolidated statements of income (loss) for each loan based on its expected maturity. As of December 31, 2020 and 2019, the unamortized premium balance was $35.4 and $94.7, respectively.

For loans issued subsequent to the Merger, other than those loans included in the Closed Block, the carrying value of mortgage loans reflects outstanding principal balances, adjusted for unamortized deferred fees and costs. Loan origination fees and costs are deferred and amortized over the life of the loan.

All loans carried at amortized cost are net of any related allowance for expected credit losses.

Allowance for Expected Credit Losses

The allowance for expected credit losses represents the unpaid principal balance the Company does not expect to collect over the mortgage loans' contractual terms. Changes to the allowance are recognized in net realized gains (losses) on the consolidated statements of income (loss). Amounts considered uncollectible are written off and removed from the allowance.

Quarterly, the Company estimates the allowance by pooling mortgage loans that share similar risk characteristics and applying a lifetime loss ratio to each pool. To develop a lifetime loss ratio, the Company evaluates historical credit loss experience and adjusts it for the loan-specific risk characteristics of the Company's current portfolio. The ratio is further adjusted for relevant and supportable internal and external information relating to current conditions and projected future economic trends. For the period beyond the reasonable and supportable forecast, the Company uses the immediate reversion method to apply its historical credit loss rates to the remaining life of the portfolio.

The Company has made the policy elections to exclude accrued interest from this evaluation and to write off uncollectible accrued interest as a reduction to net investment income. As of December 31, 2020, accrued interest on mortgage loans was

(All dollar amounts in millions, unless otherwise stated)

$21.9 and is included in accrued investment income on the consolidated balance sheets. During the year ended December 31, 2020, $0.1 was determined uncollectible and written off.

The Company determined upon adoption of ASU 2016-13 that all of its outstanding mortgage loans generally share similar risk characteristics; therefore, the Company grouped its portfolio into one pool. As of December 31, 2020, certain loans were identified to be at higher risk of default due to the economic impacts of the COVID-19 pandemic and its related risks; therefore, the Company grouped its portfolio into two pools.

The following table summarizes the activity in the Company's allowance for mortgage loan expected credit losses:

	For the Year Ended December 31,	
	2020	**2019 (1)**
Allowance, beginning of period	**$ 1.6**	$ 1.5
Impact of adopting ASU 2016-13	**14.4**	—
Adjusted beginning balance	**16.0**	1.5
Provision for expected credit loss expense	**9.2**	0.3
Charge-offs	**—**	(0.2)
Allowance, end of period	**$ 25.2**	$ 1.6

(1) Prior to adopting ASU 2016-13 in 2020, the Company's portfolio reserve was based on incurred, but not specifically identified, losses.

Non-performing loans, defined generally as those in default, close to being in default, or more than 90 days past due, are placed on non-accrual status. As of December 31, 2020 and 2019, no outstanding loans were determined to be non-performing.

Liability for Expected Credit Losses on Off-Balance Sheet Credit Exposures

For off-balance sheet credit exposures, the Company records a liability for the expected future credit losses over the period during which the Company is contractually obligated to extend credit, unless that obligation is unconditionally cancellable by the Company. Any such liability is recorded in other liabilities on the consolidated balance sheets. When determining the liability for unfunded mortgage loan commitments, the Company also considers the likelihood that funding will occur. As of December 31, 2020, the liability for unfunded mortgage loan commitments was $0.1. Refer to Note 11 for further discussion.

Mortgage Loan Modifications

In response to the COVID-19 pandemic, two relief bills were signed into law during 2020. On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act provided a temporary suspension of troubled debt restructuring (TDR) accounting for certain COVID-19 related loan modifications through December 31, 2020. Under this provision, companies are not required to classify such loans as past due or nonaccrual during the payment deferral period. Additionally, the Consolidated Appropriations Act, enacted on December 27, 2020, provided an extension to the temporary suspension of TDR accounting under the CARES Act for an additional year. During the year ended December 31, 2020, no loans were accounted for under TDR accounting by the Company.

6. Derivative Instruments

The Company uses derivative financial instruments to hedge certain portions of its exposure to equity market risk, interest rate risk, and foreign currency exchange risk. Derivative financial instruments currently held consist primarily of equity market contracts, interest rate swaps, and foreign currency swaps. Derivative instruments may be exchange-traded or contracted in the over-the-counter (OTC) market. The Company has established policies for managing its derivatives, including prohibitions on derivatives market-making and other speculative derivatives activities. All of the Company's derivative financial instruments are individually recognized at fair value as either assets in derivatives, or liabilities in other liabilities on the consolidated balance sheets.

The accounting for derivatives depends on whether it qualifies and has been designated for hedge accounting. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item. Effectiveness of the hedge is formally assessed at inception or acquisition, and throughout the life of the hedging relationship.

When a derivative is determined to be highly effective and designated as a cash flow hedge, the changes in its fair value are recorded in OCI and reclassified into net income in the same period during which the hedged transaction affects net income. If a derivative instrument does not qualify or is not designated for hedge accounting, the changes in its fair value are recorded in net realized gains (losses) on the consolidated statements of income (loss).

(All dollar amounts in millions, unless otherwise stated)

The Company prospectively discontinues hedge accounting when (1) the criteria to qualify for hedge accounting is no longer met (e.g. the derivative is no longer highly effective in offsetting the change in cash flows of a hedged item); (2) the derivative expires, or is sold, terminated, or exercised; or (3) the derivative is de-designated as a hedging instrument for hedge accounting purposes. If it is determined that a derivative no longer qualifies as an effective hedge, the derivative continues to be carried on the consolidated balance sheets at fair value, with changes in fair value recognized prospectively in net realized gains (losses) on the consolidated statements of income (loss).

The Company's indexed products contain embedded derivatives, which are recorded at fair value in funds held under deposit contracts on the consolidated balance sheets. The Closed Block also contains an embedded derivative related to the withheld assets supporting the Closed Block annuity contracts. Refer to Note 12 for further discussion. Changes in fair value of embedded derivatives are recognized in net realized gains (losses) on the consolidated statements of income (loss).

Derivative Exposure

The following table presents the fair value of the Company's derivative instruments, including embedded derivatives:

	As of December 31, 2020			As of December 31, 2019		
	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities
Derivatives designated as cash flow hedges:						
Interest rate swaps	**$ 888.9**	**$ 0.6**	**$ 3.6**	$ 905.9	$ 0.7	$ 1.9
Foreign currency swaps	**833.2**	**58.0**	**30.4**	928.6	92.0	9.3
Derivatives not designated as hedges:						
Index options	**10,203.7**	**404.2**	**7.0**	8,877.8	365.4	3.4
Interest rate collars	**593.3**	**37.0**	**—**	1,186.7	11.0	11.2
Futures	**23.4**	**0.6**	**—**	115.5	2.0	—
Embedded derivatives – Indexed products	**—**	**—**	**1,484.6**	—	—	1,357.3
Embedded derivative – Closed Block (1)	**—**	**—**	**639.0**	—	—	462.0
Total derivatives	**$ 12,542.5**	**$ 500.4**	**$ 2,164.6**	$ 12,014.5	$ 471.1	$ 1,845.1

(1) Changes in the fair value of the embedded derivative related to the Closed Block are recorded as an adjustment to the funds withheld liability on the consolidated balance sheets.

Interest Rate Swaps

The Company uses interest rate swaps as part of its interest rate risk management strategy. In an interest rate swap, the Company agrees with other parties to exchange, at specified intervals, the difference between floating-rate and fixed-rate interest amounts calculated by reference to an agreed upon notional principal amount. The Company primarily uses interest rate swaps to synthetically convert variable rate fixed maturities, including investments in collateralized loan obligations, to fixed-rate securities. These derivatives qualify and are designated as cash flow hedges, and accumulated gains (losses) are reclassified into net income (loss) when interest payments on the underlying bonds are received.

Foreign Currency Contracts

The Company uses foreign currency swaps as part of its foreign currency risk management strategy to reduce foreign exchange rate risk with respect to the Company's investments denominated in foreign currencies. In a foreign currency swap transaction, the Company agrees with other parties to exchange, at specified intervals, one currency for another at a specified rate of exchange. Generally, the notional amount of each currency is exchanged at the maturity of the currency swap by each party. These derivatives qualify and are designated as cash flow hedges and accumulated gains (losses) are reclassified into net income (loss) when interest and principal payments on the underlying foreign bonds are received.

Equity Market Contracts and Embedded Derivatives – Indexed Products

The Company uses index call options and futures as part of its equity market risk management strategy. The Company offers indexed products that permit the contract holder to allocate all or a portion of their account value to an indexed component that credits interest based on the performance of an index, subject to caps or performance margins set by the Company. The contract holders may elect to rebalance index options at renewal dates, typically annually. As of each renewal date, the Company has the opportunity to re-price the indexed component by establishing revised cap rates or performance margins, subject to contractual guarantees. The Company transacts in index call options according to the portfolio allocation decisions of the contract holders such that the Company is economically hedged with respect to equity returns for the current interest term. These derivatives are not designated for hedge accounting.

The index-based crediting feature in these contracts is an embedded derivative instrument that is bifurcated from the host contract for measurement purposes because it possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract.

Interest Rate Collars

The Company uses interest rate collars as part of its interest rate risk management strategy pertaining to floating-rate investments. The Company will generally take a long position using an interest rate floor option to hedge against the risk of falling reference rates, and may choose to partially or fully finance such floor by taking a short position using an interest rate cap option. When done in combination, the long floor and short cap combination is referred to as a collar. The collar provides protection against reference rates falling below the floor’s strike price, but also results in the Company forfeiting potential gains should the reference rates rise above the cap’s strike price. The Company does not designate these derivatives for hedge accounting.

Collateral Arrangements and Offsetting of Financial Instruments

Most of the Company's derivative contracts are non-centrally-cleared OTC instruments that are governed by International Swaps and Derivatives Association (ISDA) Master Agreements. For each Master Agreement, the Company and the counterparty have also entered into a credit support annex (CSA) to reduce the risk of counterparty default in derivative transactions. The CSA requires either party to post cash collateral or other financial assets when net exposures from all derivative contracts between the parties exceed pre-determined contractual thresholds, which vary by counterparty. The amount of net exposure is the difference between the derivative contract's fair value and the fair value of the collateral held for the CSA with each counterparty. Collateral amounts required to be posted or received are determined daily based on the net exposure with each counterparty under a master netting agreement. The Company does not offset recognized collateral amounts pledged or received against the fair value amounts recognized for derivative contracts on the consolidated balance sheets.

For certain centrally-cleared instruments, the Company is required to post initial margin, which is determined at contract inception, as well as variation margin, which is based on the fair value of the derivative contracts and generally determined on a daily basis. As of December 31, 2020 and 2019, the Company posted initial margin of $26.0 and $23.9, respectively, related to its centrally-cleared derivatives. These amounts are not reflected in collateral presented in the tables below.

Certain exchanges legally characterize variation margin payments as settlements as opposed to collateral for centrally cleared derivatives. As a result, the variation margin for these securities reduces the fair value of the derivative recorded on the consolidated balance sheets.

The Company recognizes cash collateral received in cash and cash equivalents and the obligation to return cash collateral in other liabilities on the consolidated balance sheets. Non-cash collateral received is not recognized on the consolidated balance sheets. In the event of default, the counterparty relinquishes claim to the assets pledged as collateral and the Company recognizes the collateral as its own asset recorded at fair value, or, in the case of cash collateral, derecognizes its obligation to return collateral.

(All dollar amounts in millions, unless otherwise stated)

The following tables present the potential effect of netting arrangements by counterparty on the consolidated balance sheets:

	As of December 31, 2020			
		Gross Amounts Not Offset on the Consolidated Balance Sheets		
	Fair Value Presented on the Consolidated Balance Sheets	Financial Instruments (1)	Cash Collateral Received	Net Amount
Counterparty:				
A	**$ 79.0**	**$ (4.2)**	**$ (74.8)**	**$ —**
B	**35.2**	**(3.6)**	**(31.5)**	**0.1**
C	**12.7**	**—**	**(12.7)**	**—**
D	**59.0**	**(2.0)**	**(56.4)**	**0.6**
F	**81.0**	**(2.3)**	**(77.8)**	**0.9**
G	**66.4**	**(5.8)**	**(60.6)**	**—**
H	**17.8**	**(11.0)**	**(6.5)**	**0.3**
M	**59.9**	**(0.5)**	**(58.3)**	**1.1**
N	**78.6**	**(11.6)**	**(67.0)**	**—**
Other	**10.8**	**—**	**(10.8)**	**—**
Total derivative assets	**$ 500.4**	**$ (41.0)**	**$ (456.4)**	**$ 3.0**

(1) Represents amount of offsetting derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not net against the gross derivative assets for presentation on the consolidated balance sheets.

	As of December 31, 2019			
		Gross Amounts Not Offset on the Consolidated Balance Sheets		
	Fair Value Presented on the Consolidated Balance Sheets	Financial Instruments (1)	Cash Collateral Received	Net Amount
Counterparty:				
A	$ 93.2	$ (2.8)	$ (90.4)	$ —
B	60.2	(2.3)	(57.9)	—
C	20.2	—	(20.2)	—
F	47.3	(0.1)	(46.6)	0.6
G	33.9	(1.9)	(32.0)	—
H	38.4	(8.4)	(30.0)	—
I	18.5	—	(18.5)	—
M	60.4	(1.0)	(59.4)	—
N	81.7	(9.1)	(72.6)	—
Other	17.3	(0.2)	(17.1)	—
Total derivative assets	$ 471.1	$ (25.8)	$ (444.7)	$ 0.6

(1) Represents amount of offsetting derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not net against the gross derivative assets for presentation on the consolidated balance sheets.

(All dollar amounts in millions, unless otherwise stated)

Derivatives Designated as Hedges

The following table presents the amount of gains (losses) recognized in OCI on derivatives qualifying and designated as cash flow hedges:

	For the Year Ended December 31,	
	2020	**2019**
Interest rate swaps	**$ 44.6**	$ 30.1
Foreign currency swaps	**(10.0)**	(1.4)
Total gains (losses) recognized in OCI	**$ 34.6**	$ 28.7

See Note 10 for amounts reclassified out of accumulated other comprehensive income (loss) (AOCI) into net realized gains (losses) and net investment income on the consolidated statements of income (loss). The Company expects to reclassify net gains of $18.8 from AOCI into net income (loss) in the next 12 months due to maturities and settlements of derivatives. Actual amounts may vary from this estimate as a result of market conditions.

As of December 31, 2020, the maximum term over which the Company is hedging its exposure to the variability in future cash flows is 25 years.

Derivatives Not Designated as Hedges

The following table shows the effect of derivatives not designated as hedges on the consolidated statements of income (loss), which is recorded in net realized gains (losses):

	For the Year Ended December 31,	
	2020	**2019**
Index options	**$ 103.4**	$ 293.1
Interest rate collars	**35.1**	(1.3)
Futures	**(18.4)**	19.6
Other derivatives	**0.5**	(0.2)
Embedded derivatives – Indexed products	**(145.6)**	(392.3)
Embedded derivative – Closed Block	**(177.0)**	(529.0)
Total	**$ (202.0)**	$ (610.1)

7. Fair Value of Financial Instruments

The Company determines the fair value of its financial instruments based on the fair value hierarchy, which favors the use of observable inputs over the use of unobservable inputs. The Company has categorized its financial instruments into the three-level hierarchy, which 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 assigned to a fair value measurement is based on the lowest-level input that is significant to the measurement. The fair value measurements for the Company's financial instruments are categorized as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical instruments.
- Level 2 – Quoted prices for similar instruments in active markets and model-derived valuations whose inputs are observable. This category includes financial instruments that are valued using industry-standard pricing methodologies or models. All significant inputs are observable or derived from observable information in the marketplace.
- Level 3 – Fair value estimates whose significant inputs are unobservable. This includes 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 may also utilize estimates based on non-binding broker quotes.

(All dollar amounts in millions, unless otherwise stated)

The following tables present the fair value of the Company's financial instruments classified by the valuation hierarchy described above:

	As of December 31, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis:					
Financial assets:					
Fixed maturities – AFS:					
U.S. government and agencies	$ 789.4	$ 789.4	$ —	$ 789.4	$ —
State and political subdivisions	747.2	747.2	—	747.2	—
Corporate securities	26,476.4	26,476.4	—	26,354.6	121.8
Residential mortgage-backed securities	2,389.1	2,389.1	—	2,389.1	—
Commercial mortgage-backed securities	881.6	881.6	—	881.6	—
Collateralized loan obligations	3,685.6	3,685.6	—	3,685.6	—
Other debt obligations	1,767.0	1,767.0	—	1,447.5	319.5
Total fixed maturities – AFS	36,736.3	36,736.3	—	36,295.0	441.3
Fixed maturities, trading	2,483.8	2,483.8	—	2,366.3	117.5
Marketable equity securities	74.4	74.4	67.0	6.6	0.8
Mortgage loans	1,015.5	1,015.5	—	—	1,015.5
Derivatives:					
Index options	404.2	404.2	—	324.4	79.8
Foreign currency swaps	58.0	58.0	—	58.0	—
Other	38.2	38.2	0.5	37.7	—
Total derivatives	500.4	500.4	0.5	420.1	79.8
Short-term investments (1)	93.1	93.1	—	93.1	—
Total investments carried at fair value	40,903.5	40,903.5	67.5	39,181.1	1,654.9
Separate account assets	1,259.0	1,259.0	1,259.0	—	—
Total assets at fair value (2)	$ 42,162.5	$ 42,162.5	$ 1,326.5	$ 39,181.1	$ 1,654.9
Financial liabilities:					
Embedded derivatives – Indexed products	$ 1,484.6	$ 1,484.6	$ —	$ —	$ 1,484.6
Embedded derivative – Closed Block	639.0	639.0	—	—	639.0

(1) Included in other invested assets on the consolidated balance sheets.
(2) Does not include amounts related to alternative investments (primarily hedge funds) that are measured using the net asset value (NAV) practical expedient. The fair value of these investments was **$389.4** as of December 31, 2020.

(All dollar amounts in millions, unless otherwise stated)

	As of December 31, 2019				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis:					
Financial assets:					
Fixed maturities – AFS:					
U.S. government and agencies	$ 561.0	$ 561.0	$ —	$ 561.0	$ —
State and political subdivisions	678.4	678.4	—	678.4	—
Corporate securities	25,589.5	25,589.5	—	25,109.7	479.8
Residential mortgage-backed securities	2,270.5	2,270.5	—	2,270.5	—
Commercial mortgage-backed securities	1,006.7	1,006.7	—	1,006.7	—
Collateralized loan obligations	2,743.8	2,743.8	—	2,743.8	—
Other debt obligations	1,611.3	1,611.3	—	1,555.0	56.3
Total fixed maturities – AFS	34,461.2	34,461.2	—	33,925.1	536.1
Fixed maturities, trading	1,909.6	1,909.6	—	1,844.2	65.4
Marketable equity securities	115.0	115.0	108.0	6.6	0.4
Derivatives:					
Index options	365.4	365.4	—	280.6	84.8
Foreign currency swaps	92.0	92.0	—	92.0	—
Other	13.7	13.7	2.0	11.7	—
Total derivatives	471.1	471.1	2.0	384.3	84.8
Short-term investments (1)	36.1	36.1	—	36.1	—
Total investments carried at fair value	36,993.0	36,993.0	110.0	36,196.3	686.7
Separate account assets	1,127.9	1,127.9	1,127.9	—	—
Total assets at fair value (2)	$ 38,120.9	$ 38,120.9	$ 1,237.9	$ 36,196.3	$ 686.7
Financial liabilities:					
Embedded derivatives – Indexed products	$ 1,357.3	$ 1,357.3	$ —	$ —	$ 1,357.3
Embedded derivative – Closed Block	462.0	462.0	—	—	462.0

(1) Included in other invested assets on the consolidated balance sheets.
(2) Does not include amounts related to alternative investments (primarily hedge funds) that are measured using the NAV practical expedient. The fair value of these investments was $272.7 as of December 31, 2019.

Financial Instruments Measured at Fair Value on a Recurring Basis

Fixed Maturities

A vast majority of the Company's fixed maturities, including both AFS and trading, are 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 December 31, 2020 and 2019, pricing services provided prices for 98.2% and 93.1%, respectively, of the Company's fixed maturities.

As of December 31, 2020, the Company had $3,816.0, or 9.7%, of its fixed maturities invested in private placement securities. These securities were generally valued using a composite of observed comparable public securities as well as reference yield curves. The yield curves are determined based on industry, credit quality, seniority rank in the capital structure, and residual spreads determined by the Company's independent pricing service for each security. The residual spreads are considered unobservable inputs and classified as a Level 3 measurement when they are significant to the valuation result. When only observable inputs are significant to the valuation result, they are classified as Level 2 measurements. The use of only significant observable inputs in determining the fair value of the Company's investments in private placement securities resulted in the classification of $3,269.3, or 85.7%, as Level 2 measurements as of December 31, 2020. As of December 31, 2019, the Company had $2,495.6, or 6.9%, of its fixed maturities invested in private placement securities, of which $1,985.7, or 79.6%, were classified as Level 2 measurements.

(All dollar amounts in millions, unless otherwise stated)

As of December 31, 2020 and 2019, Level 3 AFS fixed maturities had a fair value of $441.3 and $536.1, respectively. Purchases and gross transfers into and out of Level 3 are summarized as follows:

	For the Year Ended December 31,	
	2020	**2019**
Purchases	**$ 288.8**	$ 190.9
Gross transfer into Level 3 (1)	**63.3**	83.6
Gross transfer out of Level 3 (1) (2)	**427.9**	—

(1) Transfers into and out of Level 3 are generally the result of observable market information on a security no longer being available or utilized by pricing vendors or becoming available or utilized by pricing vendors.
(2) This amount includes certain private placement corporate fixed maturities that are valued primarily using observable inputs. These securities, totaling **$385.9,** were included in Level 3 in the prior year financial statements. During the fourth quarter 2020, upon further evaluation and review of the valuation methodology, the Company determined that they are more appropriately reflected as Level 2 measurements as the unobservable inputs were not significant to the overall valuation. This evaluation did not result in a change to the fair value amounts reported.

As of December 31, 2020 and 2019, Level 3 trading fixed maturities had a fair value of $117.5 and $65.4, respectively. Purchases and gross transfers into and out of Level 3 are summarized as follows:

	For the Year Ended December 31,	
	2020	**2019**
Purchases	**$ 111.4**	$ 60.0
Gross transfer out of Level 3 (1)	**65.5**	—

(1) Transfers out of Level 3 are generally the result of observable market information on a security becoming available or utilized by pricing vendors.

Corporate Securities

A majority of corporate securities classified as Level 2 measurements are priced by independent pricing services utilizing evaluated pricing models. Evaluated pricing models apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare valuations. 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.

Residential Mortgage-backed Securities

The Company's residential mortgage-backed securities (RMBS) classified as Level 2 measurements are priced by pricing services that utilize evaluated pricing models. Evaluated pricing models apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations. The significant observable 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. In addition, the pricing services use models and processes to develop prepayment and interest rate scenarios. The pricing services monitor market indicators and industry and economic events. Their models also take into account market convention.

Collateralized Loan Obligations

Collateralized loan obligations classified as Level 2 measurements are priced by independent pricing services utilizing evaluated pricing models. Evaluated pricing models apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations. The significant observable inputs for security evaluations include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, binds, offers, new issues, prepayment speeds, and other reference data, including market research publications.

Marketable Equity Securities

A majority of marketable equity securities are classified as Level 1 and are based on quoted market prices in active markets for identical assets.

Mortgage Loans

Mortgage loans supporting the Closed Block are held at fair value and are measured by discounting the projected future cash flows using a discount rate equal to the risk-free rate plus a valuation spread. The valuation spread is an unobservable input that includes management's assumptions of the impact of credit risks. Significant increases or decreases in this spread results in significant changes in fair value; therefore, mortgage loans are classified as a Level 3 measurement.

(All dollar amounts in millions, unless otherwise stated)

Index Options

Index options consist primarily of Standard & Poor's 500 Index® (S&P 500) options. The fair values of these index options were determined using option pricing models. Significant inputs include index implied volatilities, index dividend yields, index prices, a risk-free rate, option term, and strike price. As these inputs are observable, most index options are classified as a Level 2 measurement.

Foreign Currency Swaps

Foreign currency swaps are valued using a discounted cash flow model. The significant inputs include the projected cash flows, currency spot rates, swap yield curve, and cross currency basis curve. As these inputs are observable, the foreign currency swaps valuation is classified as a Level 2 measurement.

Separate Accounts

Separate account assets are primarily invested in mutual funds with published NAVs, which are classified as a Level 1 measurement.

Embedded Derivatives

Indexed Products

A majority of the Company's embedded derivatives for indexed products are related to its FIA products and are valued using an option budget model. FIA products credit interest to the policyholder's account based on the performance of selected indexes, primarily the S&P 500. The fair value of the embedded derivative reflects the present value of indexed credits over the guaranteed benefits. The excess benefits are projected using best estimates for surrenders and index fund interest, discounted at a risk-free rate plus a spread for the Company's nonperformance risk and adjusted down for policyholder behavior risk.

Because the estimates utilize significant unobservable inputs, the Company classifies the valuation of embedded derivatives as a Level 3 measurement. The significant unobservable inputs include the following:

- Nonperformance risk – The risk that Company will not be able to fulfill its obligations. It is determined based on the difference between the industry standard A-rated insurer credit spreads and the risk-free rates.
- Surrender rates – The Company's estimated probability of a policyholder surrendering a contract during a calendar year.
- Option budget – The Company's assumptions of future index option costs. The level of projected option budgets determines future costs of the index options and impacts future contract holder account value growth.

The following summarizes the range of significant unobservable inputs:

	As of December 31, 2020		As of December 31, 2019	
	Low	High	Low	High
Nonperformance rate	**0.04 %**	**1.61 %**	— %	1.70 %
Surrender rates	**0.75**	**52.50**	0.83	59.75
Option budget	**1.00**	**3.60**	1.00	3.60

Embedded derivatives were increased by issuances of indexed products as follows:

	For the Year Ended December 31,	
	2020	2019
Issuances	**$ 73.6**	$ 124.7

Closed Block

The Closed Block also contains an embedded derivative related to the withheld assets supporting the Closed Block annuity contracts. The embedded derivative is primarily measured as the market-over-book value of the assets supporting the Closed Block, which primarily include fixed maturities and mortgage loans.

Because the fair value measurement of these estimates utilizes significant unobservable inputs, the Company classifies the valuation of the embedded derivative as a Level 3 measurement.

(All dollar amounts in millions, unless otherwise stated)

8. Deferred Policy Acquisition Costs (DAC) and Value of Business Acquired (VOBA)

The Company defers costs that are directly related to the successful acquisition or renewal of insurance contracts. These primarily include commissions, distribution costs directly related to sales, third-party underwriting costs, and the portion of salaries and benefits directly related to processing successful new and renewal contracts. All other acquisition-related costs, including costs incurred for soliciting potential customers, managing the distribution and underwriting functions, training, administration, unsuccessful acquisition or renewal efforts, market research, and product development are not deferrable and are expensed in the period incurred.

In addition, on the date of the Merger, the Company's DAC balance was reset to zero, and a balance for VOBA was established, representing the right to receive future gross profits from cash flows and earnings of the Company's existing business. VOBA was based on the actuarially estimated present value of future cash flows of insurance policies and annuity contracts in-force as of the date of the Merger.

The Company amortizes DAC and VOBA for deferred annuity contracts and UL insurance policies over the lives of the contracts or policies in proportion to the estimated future gross profits. To estimate future gross profits, the Company makes assumptions as to lapse rates, mortality experience, maintenance expenses, crediting rates, and investment performance. Actual profits can vary from the estimates and can thereby result in increases or decreases to DAC and VOBA amortization. The Company regularly evaluates its assumptions and, when necessary, revises the estimated gross profits of these contracts, resulting in assumption and experience unlocking adjustments to DAC and VOBA amortization. When such estimates are revised, the impact is recorded in net realized gains (losses) on the consolidated statements of income (loss).

The Company amortizes DAC for traditional individual life policies over the premium paying period of the related policies, using assumptions consistent with those used in computing policy reserves. The Company amortizes acquisition costs for SPIA using a constant yield approach.

The Company adjusts the unamortized DAC and VOBA balances for the effect of net unrealized gains and losses on securities as if they had been realized as of the balance sheet date. The Company includes the impact of this adjustment, net of tax, in AOCI. The Company also adjusts its unamortized DAC and VOBA balances for the effect of realized gains and losses including changes in fair value of the embedded derivatives for the Company's indexed products. These adjustments are recognized in net realized gains (losses) on the consolidated statements of income (loss).

For some products, policyholders can elect to modify product benefits, features, rights, or coverage by exchanging a contract for a new contract; by amendment, endorsement, or rider to a contract; or by election of a feature or coverage within a contract. These transactions are known as internal replacements. If the modification substantially changes the original contract, the remaining DAC balance is immediately written off through earnings and any eligible costs associated with the replacement contract are deferred. If the modification does not substantially change the contract, the DAC is retained and amortized over the life of the modified contract, and any acquisition costs associated with the related modification are expensed as incurred.

The following table provides a reconciliation of the beginning and ending balance for DAC:

	For the Year Ended December 31,	
	2020	**2019**
Unamortized balance, beginning of period	**$ 835.4**	$ 609.9
Deferral of acquisition costs	**271.0**	286.1
Adjustments for realized (gains) losses (1)	**6.7**	13.0
Amortization – excluding unlocking	**(36.7)**	(66.9)
Amortization – impact of unlocking (1)	**16.1**	(6.7)
Unamortized balance, end of period	**1,092.5**	835.4
Accumulated effect of net unrealized (gains) losses	**(293.8)**	(122.7)
Balance, end of period	**$ 798.7**	$ 712.7

(1) Includes the impact of assumption and experience unlocking related to quarterly investment prepayment activity, as well as the Company's annual unlocking process, which takes place during the third quarter of each year. Adjustment for realized (gains) losses also includes the impact from annual unlocking.

(All dollar amounts in millions, unless otherwise stated)

The following table provides a reconciliation of the beginning and ending balance for VOBA:

	For the Year Ended December 31,	
	2020	**2019**
Unamortized balance, beginning of period	**$ 292.5**	$ 320.3
Adjustments related to realized (gains) losses (1)	**3.4**	10.0
Amortization – excluding unlocking	**(26.7)**	(36.7)
Amortization – impact of unlocking (1)	**(16.1)**	(1.1)
Unamortized balance, end of period	**253.1**	292.5
Accumulated effect of net unrealized (gains) losses	**(216.4)**	(137.7)
Balance, end of period	**$ 36.7**	$ 154.8

(1) Includes the impact of assumption and experience unlocking related to quarterly investment prepayment activity, as well as the Company's annual unlocking process, which takes place during the third quarter of each year. Adjustment for realized (gains) losses also includes the impact from annual unlocking.

The following table sets forth the estimated future VOBA amortization expense, net of interest, for the next five years, based on the balance recorded as of December 31, 2020:

Year	Amount
2021	$ 32.4
2022	27.8
2023	22.8
2024	19.4
2025	16.7

9. Liability for Unpaid Claims and Claim Adjustment Expenses

Liabilities for policy and contract claims primarily represent liabilities for claims under medical stop-loss, group life and DI, and individual life policies. These liabilities are established on the basis of reported losses. The Company also provides for claims incurred but not reported (IBNR). For medical stop-loss and group life and DI policies, this is based on expected loss ratios, claims paying completion patterns, and historical experience. If expected loss ratios increase or expected claims paying completion patterns extend, the IBNR claim liability increases. The Company reviews estimates for reported but unpaid claims and IBNR claims quarterly. Estimates and any necessary adjustments are recorded in policyholder benefits and claims on the consolidated statements of income (loss).

The following tables provide reconciliations of the beginning and ending liability balances for unpaid claims and claims adjustment expenses (CAE) disaggregated by medical stop-loss, group life and DI, and other. These reserves include policy and contract claims and certain amounts recorded in future policy benefits on the consolidated balance sheets. The Company reviews its estimates regularly and makes any necessary adjustments based on experience and expectations.

(All dollar amounts in millions, unless otherwise stated)

	For the Year Ended December 31,	
Medical Stop-Loss	**2020**	**2019**
Balance, beginning of period	**$ 203.5**	$ 149.4
Less: reinsurance recoverables	**4.6**	6.4
Net balance, beginning of period	**198.9**	143.0
Incurred related to insured events of:		
The current year	**618.9**	650.7
Prior years	**(4.7)**	20.5
Total incurred	**614.2**	671.2
Paid related to insured events of:		
The current year	**427.9**	461.9
Prior years	**187.5**	153.4
Total paid	**615.4**	615.3
Net balance, end of period	**197.7**	198.9
Add: reinsurance recoverables	**8.2**	4.6
Balance, end of period	**$ 205.9**	$ 203.5

	For the Year Ended December 31,	
Group Life and DI	**2020**	**2019**
Balance, beginning of period	**$ 246.7**	$ 230.0
Less: reinsurance recoverables	**35.5**	40.3
Net balance, beginning of period	**211.2**	189.7
Incurred related to insured events of:		
The current year	**252.0**	203.1
Prior years	**(9.1)**	(8.9)
Total incurred	**242.9**	194.2
Paid related to insured events of:		
The current year	**136.8**	113.0
Prior years	**62.0**	59.7
Total paid	**198.8**	172.7
Net balance, end of period	**255.3**	211.2
Add: reinsurance recoverables	**32.8**	35.5
Balance, end of period	**$ 288.1**	$ 246.7

(All dollar amounts in millions, unless otherwise stated)

	For the Year Ended December 31,	
Other	**2020**	**2019**
Balance, beginning of period	**$ 32.6**	$ 37.0
Less: reinsurance recoverables	**6.5**	4.5
Net balance, beginning of period	**26.1**	32.5
Incurred related to insured events of:		
The current year	**146.1**	108.6
Prior years	**1.6**	1.8
Total incurred	**147.7**	110.4
Paid related to insured events of:		
The current year	**116.8**	89.7
Prior years	**20.9**	27.1
Total paid	**137.7**	116.8
Net balance, end of period	**36.1**	26.1
Add: reinsurance recoverables	**14.1**	6.5
Balance, end of period	**$ 50.2**	$ 32.6

Claims Development – Short Duration Contracts

The Company's short duration contracts primarily include medical stop-loss and group life and DI. The following tables present information about claims development of short-duration contracts as of December 31, 2020, net of reinsurance. The tables also include cumulative claim frequency (presented in whole numbers) and the total IBNR liabilities plus expected development on reported claims included within the net incurred amounts. Claim frequency for medical stop-loss is measured on an individual claimant basis per policy year. Claim frequency for group life and DI is measured by claim event on an individual basis.

The information about incurred and paid claims development for the years ended December 31, 2013 through 2019 is presented as unaudited supplementary information.

The tables below present information for the number of years for which claims incurred typically remain outstanding. Medical stop-loss claims are typically paid within two years. Claims for group life and DI tend to develop over a longer period; however, prior to 2013, the business was substantially reinsured and did not materially impact the company results.

Medical Stop-Loss

	For the Year Ended December 31,		As of December 31, 2020	
Year of Insured Event	**2019 (Unaudited)**	**2020**	**Related IBNR Reserves**	**Cumulative Number of Reported Claims**
Incurred Claims, Net of Reinsurance:				
2019	$ 650.7	**$ 651.8**	**$ 5.5**	**6,945**
2020		**618.9**	**155.0**	**2,997**
Total		**1,270.7**	**$ 160.5**	
Cumulative Paid Claims, Net of Reinsurance:				
2019	$ 461.9	**645.1**		
2020		**427.9**		
Total		**1,073.0**		
Liabilities for unpaid claims prior to 2019, net of reinsurance		**—**		
Total liabilities for unpaid claims, net of reinsurance		**$ 197.7**		

(All dollar amounts in millions, unless otherwise stated)

Group Life and DI

Year of Insured Event	2013	2014	2015	2016	2017	2018	2019	2020	Related IBNR Reserves	Cumulative Number of Reported Claims
	For the Year Ended December 31, (Unaudited)								As of December 31, 2020	
Incurred Claims, Net of Reinsurance:										
2013	$ 21.9	$ 23.5	$ 23.0	$ 26.6	$ 27.5	$ 27.7	$ 26.9	**$ 26.6**	**$ —**	**2,106**
2014		41.3	42.1	56.2	56.1	58.0	57.0	**57.6**	**—**	**3,954**
2015			73.6	92.1	90.8	90.1	90.4	**89.9**	**—**	**5,781**
2016				106.5	105.6	103.5	103.7	**104.9**	**—**	**6,988**
2017					157.9	153.1	151.0	**146.3**	**0.2**	**9,935**
2018						208.1	201.2	**198.1**	**3.5**	**14,079**
2019							208.2	**204.7**	**6.4**	**14,268**
2020								**258.6**	**58.1**	**13,265**
Total								**1,086.7**	**$ 68.2**	
Cumulative Paid Claims, Net of Reinsurance:										
2013	$ 15.1	$ 19.7	$ 21.3	$ 22.0	$ 22.8	$ 23.2	$ 23.7	**$ 24.1**		
2014		25.3	32.6	35.9	39.8	42.3	43.9	**45.8**		
2015			40.0	57.1	66.0	69.7	72.7	**74.7**		
2016				53.4	74.2	80.0	83.2	**85.6**		
2017					80.7	112.0	119.4	**123.5**		
2018						106.2	150.4	**159.4**		
2019							113.0	**155.2**		
2020								**136.8**		
Total								**805.1**		
Liabilities for unpaid claims prior to 2013, net of reinsurance								**2.6**		
Total liabilities for unpaid claims, net of reinsurance								**$ 284.2**		

Reconciliation

The reconciliation of the December 31, 2020 net incurred and paid claims development tables to the unpaid claims liability is as follows:

Reconciliation of the Claims Development Information to the Liability for Unpaid Claims and CAE

	As of December 31, 2020
Net outstanding liabilities for unpaid claims:	
Medical Stop-Loss	**$ 197.7**
Group Life and DI	**284.2**
Other	**6.0**
Liabilities for unpaid claims, net of reinsurance	**487.9**
Reinsurance recoverable on unpaid claims:	
Medical Stop-Loss	**8.2**
Group Life and DI	**32.8**
Total reinsurance recoverable on unpaid claims	**41.0**
Insurance lines other than short duration, net	**44.1**
Impact of discounting	**(28.8)**
Total gross liability for unpaid claims	**$ 544.2**

(All dollar amounts in millions, unless otherwise stated)

Claims Duration and Payout

The following is required unaudited supplementary information about average historical percentage payout of incurred claims by age, net of reinsurance. The calculation uses the amount of claims paid in each development year compared with the estimated incurred claims as of December 31, 2020:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance (Unaudited)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Group Life and DI	51.6 %	19.0 %	6.1 %	3.9 %	3.2 %	2.3 %	2.5 %	1.5 %

10. Stockholder's Equity

Components of AOCI primarily relate to unrealized gains (losses) on the Company's AFS securities and derivatives designated as cash flow hedges, as well as the related adjustments to DAC and VOBA. These amounts are reported net of deferred taxes. The tax effects are released from AOCI into income tax expense (benefit) when the underlying amounts are reclassified to income, typically when the related instrument is sold, terminated, or otherwise extinguished.

The following tables summarize the components of AOCI and the adjustments to OCI for amounts reclassified from AOCI into net loss for the year ended December 31, 2020:

	Net Unrealized Gains (Losses) on AFS Securities	Non-credit Losses on AFS Securities	Adjustment for DAC and VOBA	Net Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2020	$ 1,163.7	$ (0.5)	$ (234.4)	$ 25.3	$ 954.1
Other comprehensive income (loss) before reclassifications, net of taxes (1)	1,169.9	—	(224.7)	27.3	972.5
Reclassifications recorded in:					
Net investment income:					
Interest rate swaps	—	—	—	(5.8)	(5.8)
Foreign currency swaps	—	—	—	(7.7)	(7.7)
Net realized (gains) losses	(85.2)	0.6	(15.9)	(20.5)	(121.0)
Total provision (benefit) for income taxes	17.9	(0.1)	3.3	7.2	28.3
Total reclassifications from AOCI, net of taxes	(67.3)	0.5	(12.6)	(26.8)	(106.2)
Other comprehensive income (loss) after reclassifications	1,102.6	0.5	(237.3)	0.5	866.3
Balance as of December 31, 2020	$ 2,266.3	$ —	$ (471.7)	$ 25.8	$ 1,820.4

(1) Other comprehensive income (loss) before reclassifications is net of taxes of **$311.0**, **$0.0**, **$(59.8)**, **$7.3**, and **$258.5**, for the year ended December 31, 2020. Tax effects in OCI are calculated based on the applicable enacted tax rate at the time gains (losses) are incurred.

(All dollar amounts in millions, unless otherwise stated)

The following tables summarize the components of AOCI and the adjustments to OCI for amounts reclassified from AOCI into net loss for the year ended December 31, 2019:

	Net Unrealized Gains (Losses) on AFS Securities	OTTI on AFS Securities not related to Credit Losses (2)	Adjustment for DAC and VOBA	Net Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance as of January 1, 2019	$ (417.3)	$ (1.2)	$ 86.0	$ 11.2	$ (321.3)
Other comprehensive income (loss) before reclassifications, net of taxes (1)	1,616.9	(0.7)	(301.1)	22.7	1,337.8
Reclassifications recorded in:					
Net investment income:					
Interest rate swaps	—	—	—	7.0	7.0
Foreign currency swaps	—	—	—	(9.1)	(9.1)
Net realized (gains) losses	(45.4)	1.8	(24.4)	(8.0)	(76.0)
Total provision (benefit) for income taxes	9.5	(0.4)	5.1	2.1	16.3
Total reclassifications from AOCI, net of taxes	(35.9)	1.4	(19.3)	(8.0)	(61.8)
Other comprehensive income (loss) after reclassifications	1,581.0	0.7	(320.4)	14.7	1,276.0
Adoption of new accounting standard (3)	—	—	—	(0.6)	(0.6)
Balance as of December 31, 2019	$ 1,163.7	$ (0.5)	$ (234.4)	$ 25.3	$ 954.1

(1) Other comprehensive income (loss) before reclassifications is net of taxes of $429.8, $(0.2), $(80.0), $6.0, and $355.6, respectively, for the year ended December 31, 2019. Tax effects in OCI are calculated based on the applicable enacted tax rate at the time gains (losses) are incurred.

(2) Prior to adopting ASU 2016-13, reclassification adjustments of OTTI on fixed maturities not related to credit losses are included in changes in unrealized gains and losses on available-for-sale securities within the consolidated statements of comprehensive income.

(3) ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.

11. Commitments and Contingencies

Leases

The Company has operating leases for its office space. The Company's operating leases expire at various dates through 2026, subject to certain renewal options. As of December 31, 2020, the weighted average remaining lease term was approximately five years, and the weighted average discount rate was 2.4%.

The following table sets forth the right-of-use (ROU) operating lease assets and corresponding operating lease obligations included in other assets and other liabilities on the consolidated balance sheets.

	As of December 31,	
	2020	2019
ROU operating lease assets	**$ 44.0**	$ 52.3
Operating lease obligations	**50.5**	60.8

The Company also elected the practical expedient of accounting for lease and non-lease components as a single lease component.

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 establishes liabilities for litigation and regulatory actions when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no liability is established. For such matters, the Company may provide an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company reviews relevant information with respect to litigation and regulatory matters on a quarterly basis and updates its established liabilities, disclosures, and estimates of reasonably possible losses or range of loss based on such reviews.

Although the Company cannot predict the outcome of any litigation or regulatory action, the Company does not believe that any such matters will have an impact on its financial condition or results of operations that differs materially from the Company’s established liabilities. However, given the inherent difficulty in predicting the outcome of such matters, it is possible that an adverse outcome in certain such matters could be material to the Company’s financial condition or results of operations for any particular reporting period.

Other Commitments

The Company has committed to provide future capital contributions to alternative investments in limited partnerships. As of December 31, 2020 and 2019, the amounts of these unfunded commitments were $279.2 and $335.0, respectively.

The Company has mortgage loans that have been approved but not yet been funded. As of December 31, 2020 and 2019, unfunded mortgage loan commitments were $25.3 and $96.7, respectively.

The Company had no other material commitments or contingencies as of December 31, 2020 or 2019.

12. Reinsurance

The Company reinsures portions of its risk in order to limit losses and manage its statutory capital position. Reinsurance agreements are evaluated for risk transfer to determine if they qualify for reinsurance accounting. If they qualify, the Company accounts for reinsurance premiums, commissions, expense reimbursements, benefits, and reserves related to reinsured business on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. If the agreements do not qualify, they are accounted for on a deposit contract basis.

The Company remains liable to its policyholders to the extent that the counterparties to reinsurance contracts do not meet their contractual obligations. Accordingly, the future policy benefit reserves, and policy and contract claims liabilities are reported gross of any related reinsurance recoverables, which are reported as assets. The Company reports premiums, benefits, and settlement expenses, net of reinsurance, on the consolidated statements of income (loss). Assets and liabilities, and premiums and benefits relating to certain reinsurance agreements that grant surplus relief may be recorded net on the consolidated balance sheets and statements of income (loss), respectively, if a right of offset exists within the reinsurance agreement.

The following summarizes the Company's reinsurance coverage by product type:

- *Medical stop-loss.* Starting in 2020, the Company reinsures the excess of $3.0 per individual claim; previously, the Company reinsured the excess of $2.5 per individual claim.

  In 2019, the Company entered into a coinsurance with funds withheld arrangement to manage its risk based capital position on a majority of its medical stop-loss policies. This agreement does not qualify for GAAP reinsurance accounting.

- *Group Life & DI.* Starting in 2019, the Company primarily reinsures group life mortality risk in excess of $0.35 per individual and line of coverage; previously, the Company primarily reinsured in excess of $0.25 per individual and line coverage. The Company reinsures morbidity risk in excess of $8.0 thousand of gross monthly benefit per life. The Company also has catastrophic coverage for group life policies.

- *Deferred Annuities.* The Company has a reinsurance agreement to manage its statutory capital position related to fixed deferred and fixed indexed annuities that have a guaranteed return of premium feature and were issued beginning in 2017. This agreement does not qualify for GAAP reinsurance accounting.

- *Income Annuities.* In 2018, the Company entered into a reinsurance agreement to transfer financial responsibility for its in-force block of income annuity contracts, which consists of all the Company's structured settlements and a smaller block of SPIAs. This agreement does not qualify for GAAP reinsurance accounting. See Closed Block below for further details.

- *Individual Life.* The Company's reinsurance coverage varies by product, policy issue year, and issue age of the insured. For fully underwritten policies issued subsequent to April 2017, the Company retains up to a maximum of $5.0 per life. For fully underwritten policies issued between March 2013 and April 2017, the Company retains up to a maximum of $3.0 per life.

  In 2019, the Company entered into a coinsurance with funds withheld and a yearly renewable term reinsurance arrangement to manage its statutory capital position on a block of universal life insurance policies with secondary guarantees largely issued between January 2015 and December 2019. This agreement does not qualify for GAAP reinsurance accounting.

  In 2018, the Company entered into a coinsurance with funds withheld agreement to manage its statutory capital position on its survivorship guaranteed universal life policies. This agreement does not qualify for GAAP reinsurance accounting. In addition, the Company has an inter-company reinsurance agreement related to a block of guaranteed universal life policies in order to manage its statutory capital position.

(All dollar amounts in millions, unless otherwise stated)

The following tables and amounts exclude the deposit asset related to the Closed Block, which is described in more detail below.

Reinsurance recoverables are composed of the following amounts:

	As of December 31,	
	2020	**2019**
Life insurance:		
Funds held under deposit contracts	**$ 108.7**	$ 106.2
Future policy benefits	**142.2**	135.7
Paid claims, expense allowance, premium tax recoverables, and other	**5.1**	5.3
Policy and contract claims	**15.2**	7.1
Total life insurance	**271.2**	254.3
Accident and health insurance:		
Future policy benefits	**30.7**	34.3
Policy and contract claims	**8.3**	4.0
Paid claims, expense allowance, and premium tax recoverables	**4.6**	4.7
Total accident and health insurance	**43.6**	43.0
Total reinsurance recoverables, excluding deposit asset	**314.8**	297.3
Less: allowance for expected credit losses	**(2.4)**	—
Deposit asset (1)	**5,352.3**	5,639.5
Total reinsurance recoverables	**$ 5,664.7**	$ 5,936.8

(1) See the Closed Block below for further details on this amount.

As of December 31, 2020 and 2019, $173.8 and $175.2, respectively, of the reinsurance recoverable was associated with two highly rated reinsurers, each representing approximately 35% of the total amount due from reinsurers in both periods. As of December 31, 2020 and 2019, 95.1% and 96.5%, respectively, of the total amount due from reinsurers were with reinsurers rated A- or higher by A.M. Best.

The Company evaluates the financial condition of its reinsurers to monitor its exposure to losses from reinsurer insolvencies. An expected credit loss is recorded as an allowance and the allowance is evaluated quarterly. Initial recognition and subsequent changes in the allowance are recognized in other underwriting and operating expenses on the consolidated statements of income (loss). Amounts determined uncollectible are written off as a reduction to amortized cost and removed from the allowance. As of December 31, 2020, the Company's allowance for reinsurance receivables was $2.4. As of December 31, 2019, the Company had no reserve for uncollectible reinsurance. The Company had no write-offs in 2020 or 2019.

(All dollar amounts in millions, unless otherwise stated)

The following table sets forth the effect of reinsurance on premiums, and policy fees and contract charges. It is disaggregated by accident and health, and life insurance and investment-type products, which are short- and long-duration contracts, respectively.

	For the Year Ended December 31,	
	2020	**2019**
Premiums:		
Direct:		
Accident and health	**$ 986.9**	$ 1,017.7
Life insurance	**235.4**	218.1
Total direct	**1,222.3**	1,235.8
Total assumed	**0.9**	0.8
Ceded:		
Accident and health	**(14.0)**	(17.4)
Life insurance	**(43.9)**	(42.8)
Total ceded	**(57.9)**	(60.2)
Total premiums	**1,165.3**	1,176.4
Policy fees and contract charges:		
Direct life insurance and investment-type	**375.5**	353.3
Ceded life insurance and investment-type	**(15.2)**	(12.6)
Total policy fees and contract charges (1)	**360.3**	340.7
Total premiums and other amounts assessed to policyholders	**$ 1,525.6**	$ 1,517.1

(1) Total policy fees and contract charges represents amounts charged to policyholders other than premiums and are recorded in policy fees, contract charges, and other on the consolidated statements of income (loss). This primarily consists of cost of insurance charges.

Reinsurance benefits reduced policyholder benefits and claims by $103.9 and $60.0, respectively, for the years ended December 31, 2020 and 2019.

Closed Block

The Company's Closed Block of business consists of income annuities that have been reinsured since 2018 through a 100% modified coinsurance agreement and includes all of the Company's structured settlement annuities and a smaller amount of retail SPIA. The economic activity associated with the Closed Block annuity contracts and invested assets is ceded to the reinsurer; however, the Company continues to service the reinsured business and hold the associated invested assets and policyholder liabilities on the consolidated balance sheets. The Company manages the mortgage loans on behalf of the reinsurer for a fee. The reinsurer is responsible for all other asset management, subject to investment management guidelines.

The reinsurance agreement established a deposit asset and a corresponding funds withheld liability, which are presented gross on the consolidated balance sheets.

The deposit asset is included in reinsurance recoverables on the consolidated balance sheets, and represents the net statutory reserves due from the reinsurer on the day of the transaction calculated in accordance with the statutory accounting practices prescribed by the NAIC, and an amount paid to the reinsurer. The difference between the deposit asset and the reserves recorded in funds held under deposit contracts on the consolidated balance sheets is adjusted over the remaining life of the reinsured policies using the effective interest method and recognized in interest credited on the consolidated statements of income (loss). As of December 31, 2020 and 2019, the reserves recorded in funds held under deposit contracts were $5.9 billion and $6.2 billion, respectively.

The invested assets support the net statutory reserves of the Closed Block and are legally owned by the Company. A corresponding funds withheld liability was established on the consolidated balance sheets, which is adjusted based upon the investment and benefit amounts passed to the reinsurer during the period. These adjustments are recorded as ceded activity in net investment income, interest credited, and net realized gains (losses) on the consolidated statements of income (loss).

The funds withheld liability is composed of the host contract and an embedded derivative. The embedded derivative represents the right to receive or obligation to pay the total return on the withheld assets, which must be bifurcated from the host contract and carried at fair value on the consolidated balance sheets.

(All dollar amounts in millions, unless otherwise stated)

The fair value of the embedded derivative fluctuates with changes in the unrealized gains (losses) on the withheld assets. Changes in the fair value of the embedded derivative are recognized in net realized gains (losses) on the consolidated statements of income (loss). The majority of changes in the fair value of the withheld assets are not reflected in net income (loss).

The following table provides a reconciliation of the beginning and ending balance for the deposit asset and funds withheld liability:

	For the Year Ended December 31,	
	2020	**2019**
Deposit asset, beginning of period	**$ 5,639.5**	$ 5,920.4
Incurred interest adjustment	**(287.2)**	(280.9)
Deposit asset, end of period	**$ 5,352.3**	$ 5,639.5
Funds withheld liability, beginning of period	**$ 5,944.5**	$ 5,589.9
Ceded investment amounts	**457.9**	443.8
Ceded benefit amount	**(581.3)**	(596.9)
Quarterly settlement due to reinsurer	**(39.9)**	(21.3)
Changes in fair value of embedded derivative	**177.0**	529.0
Funds withheld liability, end of period	**$ 5,958.2**	$ 5,944.5

The invested assets supporting the Closed Block are reported on the consolidated balance sheets at fair value and are summarized as follow:

	As of December 31,	
	2020	**2019**
Fixed maturities:		
AFS, at fair value (amortized cost: **$1,899.2** and $2,624.4, respectively)	**$ 2,242.4**	$ 2,892.4
Trading (1)	**2,483.8**	1,909.6
Mortgage loans (2)	**1,015.5**	1,121.7
Investment in limited partnerships – alternative investments	**348.5**	233.7
Marketable equity securities	**1.6**	1.6
Total Closed Block invested assets	**$ 6,091.8**	$ 6,159.0

(1) The Company designated new purchases of fixed maturities supporting the Closed Block as trading securities, which are carried at fair value on the consolidated balance sheets. Changes in the fair value of trading securities are recorded in net realized gains (losses) on the consolidated statements of income (loss). As of December 31, 2020 and 2019, the majority of the trading fixed maturities were corporate securities, with a fair value of $**1,530.9** and $1,267.1, respectively, and collateralized loan obligations, with a fair value of **$581.8** and $328.9, respectively.

(2) At adoption of ASU 2016-13, the Company elected the fair value option for mortgage loans held within the Closed Block. As of December 31, 2020, the outstanding principal balance of these mortgage loans was **$944.7**. Prior to the adoption, the mortgage loans balance as of December 31, 2019 represented outstanding principal balances, adjusted for unamortized deferred fees and costs, net of a valuation allowance for loan credit losses.

The Closed Block also had restricted cash of $129.2 and $69.2 as of December 31, 2020 and 2019, respectively, which is included in receivables and other assets on the consolidated balance sheets.

The Company remains liable to its policyholders to the extent that the reinsurer does not meet its contractual obligations. In the event of the reinsurer's insolvency, the Company would reclaim the withheld assets supporting the reserve liabilities. The Company has the ability to offset amounts due to the reinsurer with amounts owed from the reinsurer, as well as access to amounts held in trust, which reduces the Company's risk of loss.

13. Notes Payable and Credit Facilities

Sumitomo Life Insurance Company Loan Agreements

In October 2020, the Company entered into a new $450.0 senior unsecured loan agreement with the Parent. This loan was used to settle the previous loan that was set to mature in January 2021. The new loan bears interest at a fixed annual rate of 2.39%, payable quarterly, and is scheduled to mature in October 2030. The Company accounted for this as a loan modification.

In December 2020, the Company borrowed $300.0 under a new senior unsecured loan agreement with the Parent. The loan bears interest at a fixed annual rate of 1.83%, payable quarterly, and is scheduled to mature in December 2027. The proceeds from the loan agreement were contributed to the Company's primary insurance subsidiary, Symetra Life Insurance Company.

Senior Notes Due 2024

In 2014, the Company issued $250.0 of 4.25% Senior Notes due in July 2024, which were issued at a discount yielding $249.0. Interest on the notes is payable semi-annually. The notes are general unsecured obligations of the Company and rank equally in right of payment with all existing and future senior indebtedness of the Company.

The notes are redeemable, in whole or in part, at the option of the Company with at least 30 to 60 days prior notice, at a redemption price equal to the greater of (i) 100% of the principal amount of the notes or (ii) the present value of the remaining scheduled payments on the redemption date, discounted to the date of redemption using the yield to maturity of a comparable treasury issue plus 30 basis points; plus, in each case, any accrued and unpaid interest. On the date of the Merger, the carrying amount of the notes was set to fair value. The effective interest rate of the notes is 3.80%.

Revolving Credit Facility

In June 2019, the Company entered into a $300.0 senior unsecured revolving credit facility with a syndicate of lending institutions. The facility also provides access to additional financing up to $100.0, subject to the availability of commitments from the lenders. The facility matures in June 2024 and is available to provide support for working capital, capital expenditures, and other general corporate purposes.

Borrowings under the facility will bear interest at a variable annual rate based on adjusted LIBOR or the alternate base rate plus, in each case, an applicable margin. Under the terms of the agreement, the Company and its material insurance subsidiaries are subject to certain debt-to-capitalization and risk-based capital ratio limits. The Company is required to pay facility fees ranging from 0.1% to 0.3%, depending on the Company's ratings with Moody's and S&P, on the daily amount of the commitment. The Company has not borrowed under this facility as of December 31, 2020.

Surplus Note

In December 2014, Symetra Life Insurance Company, and its indirect wholly-owned subsidiary, Symetra Reinsurance Corporation, entered into a 25-year transaction to finance certain non-economic statutory reserves related to a block of UL insurance policies with secondary guarantees issued by Symetra Life Insurance Company. As part of this transaction, Symetra Reinsurance Corporation issued a surplus note to a third-party with no initial principal balance. The maximum capacity as of December 31, 2020 was $100.4 and there have been no borrowings under this note.

14. Income Taxes

Income taxes have been determined using the liability method. The provision for income taxes has three components: amounts currently payable or receivable, unrecognized tax benefits, and deferred income taxes. The deferred income taxes are calculated as the difference between the book and tax bases of the appropriate assets and liabilities, and are measured using enacted tax rates.

The Company files two separate income tax returns for its consolidated life group and consolidated non-life group in the U.S. federal and various state jurisdictions. The Company's consolidated non-life group net operating losses from 2009 through 2015 are subject to examination. The Company's consolidated non-life federal and state income tax returns are open for examination for tax years 2017 through the present. The Company's consolidated life group federal and state income tax returns are open for examination for tax years 2013 through the present. Due to the implementation of the CARES Act, net operating losses (NOLs) in the consolidated life group federal return were carried back to the 2013 tax year, which extends the federal statute of limitations on that year up to the amount of the carryback claim.

In 2020, the Company's effective tax rate differs from the U.S. federal income tax rate of 21% primarily due to the impact of investment tax credits, benefits from temporary changes to income tax law related to the CARES Act, and non-deductible goodwill amortization expense. In 2019, the Company's effective tax rate differs from the U.S. federal income tax rate of 21% primarily due to the impact of investment tax credits.

(All dollar amounts in millions, unless otherwise stated)

- Investment tax credits are accounted for using the flow-through method and led to an increase in benefit for income taxes of $26.1 and $35.5 for the years ended December 31, 2020 and 2019, respectively.
- The CARES Act was enacted in 2020, and allows companies to carryback NOLs originated in 2018, 2019, or 2020 for five years. The Company elected to carryback NOLs originated in 2018 to tax years with a corporate tax rate of 35%, instead of carryforward to tax years with a corporate tax rate of 21%. This led to an increase in benefit for income taxes of $15.2 for the year ended December 31, 2020.
- The difference between GAAP and tax treatment of the amortization of goodwill led to a decrease in benefits for income taxes of $11.8 for the year ended December 31, 2020.

Deferred income tax assets and liabilities were measured at a corporate tax rate of 21% as of December 31, 2020 and 2019, and were as follows:

	As of December 31,	
	2020	**2019**
Deferred income tax assets (1)	**$ 750.1**	$ 672.0
Valuation allowance	**(2.5)**	(2.5)
Net deferred income tax assets	**747.6**	669.5
Deferred income tax liabilities (2)	**(1,072.4)**	(803.9)
Deferred income tax assets (liabilities), net	**$ (324.8)**	$ (134.4)

(1) Significant temporary differences that gave rise to the deferred income tax assets as of December 31, 2020 and 2019 included adjustments to life policy liabilities and net operating losses.
(2) Significant temporary differences that gave rise to the deferred income tax liabilities as of December 31, 2020 and 2019 included DAC and VOBA, basis adjustments on securities, unrealized gains on investment securities, net of DAC and VOBA adjustments, and intangible assets.

As of December 31, 2020, the Company's non-insurance entities have gross federal NOL carryforwards of $157.7, which are reflected in its deferred tax assets. The NOLs originated prior to 2018 are due to expire under current law during 2029 through 2037. The NOLs originated in 2018 and thereafter do not expire under current law. As of December 31, 2020, the Company's insurance entities have investment tax credit carryforwards of $9.4, which expire during 2040. The Company's non-insurance entities have an interest expense carryforward of $46.4, which does not expire under current law. The Company's non-insurance entities also have a capital loss carryover of $4.7 that expires under current law during 2023 through 2025.

Deferred tax assets are recognized only to the extent that it is more likely than not that future taxable profits will be available and a valuation allowance is established where deferred tax assets cannot be realized. As of both December 31, 2020 and 2019, the Company held a valuation allowance of $2.5 on the deferred tax assets relating to separate return federal NOL carryforwards.

The Company includes penalties and interest related to unrecognized tax benefits in the calculation of income tax expense on the consolidated statements of income (loss).

15. Dividends

The Company’s insurance subsidiaries are restricted by state regulations as to the aggregate amount of dividends they may pay to their parent company in any consecutive 12-month period without regulatory approval. The aggregate amount of dividends for the current year is determined based on the prior year’s statutory results. Under state law, the Company's Iowa-domiciled insurance subsidiary may pay dividends only from the earned surplus arising from its business and must receive prior approval of the Insurance Commissioner of the State of Iowa (the Commissioner) if such distributions would exceed certain statutory limitations. Iowa law gives the Commissioner discretion to disapprove requests for distributions in excess of these limits.

In 2020, Symetra Life Insurance Company, an insurance subsidiary of the Company, could pay dividends to the Company of up to $214.2 without obtaining regulatory approval. No dividends were declared in 2020. In 2021, the dividend limit is $231.6.

There are no significant regulatory restrictions on the ability of the Company to pay dividends. The declaration and payment of future dividends to the Company's Parent will be dependent on, and may be limited by, many factors including the receipt of dividends from the Company’s primary life insurance subsidiary.

During 2020, the Company declared and paid a $45.0 dividend to its Parent, which was recorded as a return of capital and deducted against additional paid in capital.

(All dollar amounts in millions, unless otherwise stated)

16. Statutory-Basis Information

The Company's insurance subsidiaries are required to prepare financial statements in accordance with statutory accounting practices prescribed or permitted by the Insurance Division, Department of Commerce of the State of Iowa (the Department). Companies domiciled in the state of Iowa prepare their statutory-basis financial statements in accordance with the NAIC *Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Department. Statutory accounting practices differ from GAAP primarily by charging policy acquisition costs to expense as incurred and establishing future policy benefit liabilities using different actuarial assumptions, as well as accounting for investments, certain assets, certain reinsurance transactions, and deferred taxes on a different basis.

Under Iowa Bulletin 06-01, the Department allows insurance companies to record the change in fair value of derivative instruments used to economically hedge indexed products in income, consistent with how the change in indexed product reserves is recorded. Symetra Life Insurance Company uses this election for its IUL and RILA products, and for its FIA products prior to 2020. The election has no net impact on surplus.

Effective January 1, 2020, Symetra Life Insurance Company adopted Iowa Administrative Code (IAC) 191-97 for its FIA products, which allows companies to account for eligible derivative assets using the amortized cost method if the company can demonstrate they meet the criteria for an economic hedge. Furthermore, IAC 191-97 also prescribes the use of a reserve calculation methodology for indexed annuity products that only reflects credited interest on reserves at the conclusion of the index term based on actual index performance. This election resulted in a net $30.6 reduction in surplus.

The statutory net income and statutory capital and surplus for the Company's insurance subsidiaries are as follows:

	For the Year Ended December 31,	
	2020	**2019**
Statutory net income (loss):		
Symetra Life Insurance Company	**$ (59.8)**	$ 170.6
Other subsidiaries	**(2.4)**	4.3
Statutory capital and surplus:		
Symetra Life Insurance Company (1)	**$ 2,316.1**	$ 2,414.6
Other subsidiaries	**180.2**	167.5

(1) Symetra Life Insurance Company's surplus includes the balances of its three wholly-owned subsidiaries: First Symetra National Life Insurance Company of New York, Symetra National Life Insurance Company, and Symetra Reinsurance Corporation.

Each insurance subsidiary's state of domicile imposes minimum risk–based capital (RBC) requirements that were developed by the NAIC. The formulas for determining the amount of RBC specify various weighting factors that are applied to the financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of total adjusted capital, as defined by the NAIC, to company action level RBC, as defined by the NAIC. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The Company's insurance subsidiaries have statutory surplus and RBC levels that are well above current regulatory required levels.