ING GROEP NV
Form 6-K
June 25, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For June 25, 2012

Commission File Number 1-14642

ING Groep N.V.

Amstelveenseweg 500

1081-KL Amsterdam

The Netherlands

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T rule 101(b)(7): ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b).

EXHIBIT 1 TO THIS FORM 6-K COMPRISES EXCERPTS TAKEN DIRECTLY FROM INFORMATION PREPARED BY ING U.S., INC., A WHOLLY OWNED INDIRECT SUBSIDIARY OF ING GROEP N.V., IN CONNECTION WITH AN ING U.S., INC. DEBT FINANCING AND FURNISHED TO PROSPECTIVE INVESTORS IN SUCH FINANCING ON OR ABOUT JUNE 25, 2012. SUCH EXCERPTS WERE PREPARED FOR PURPOSES OF SUCH DEBT FINANCING ONLY AND WERE NOT PREPARED, AND HAVE NOT BEEN UPDATED OR MODIFIED, FOR DISSEMINATION BY ING GROEP N.V. IN PARTICULAR, THE FINANCIAL INFORMATION OF ING U.S., INC. INCLUDED THEREIN HAS BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES (U.S. GAAP). THESE ARE DIFFERENT FROM INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE EUROPEAN UNION, USED BY ING GROEP N.V. ANY FORWARD LOOKING STATEMENTS INCLUDED IN SUCH INFORMATION ARE BASED UPON NUMEROUS ASSUMPTIONS AND SUBJECT TO RISKS AND UNCERTAINTIES, INCLUDING THOSE DESCRIBED IN THE FORM 20-F FILED BY ING GROEP N.V. AND ITS OTHER FILINGS WITH THE COMMISSION, SO THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTEMPLATED OR DESCRIBED IN SUCH INFORMATION. ING GROEP N.V. DOES NOT INTEND, AND ASSUMES NO OBLIGATION, TO UPDATE THE CONTENTS OF EXHIBIT 1. NOTHING IN THIS FORM 6-K SHOULD BE CONSTRUED TO CONSTITUTE ANY OFFER, OR THE SOLICITATION OF ANY OFFER, TO PARTICIPATE IN THE ING U.S., INC. DEBT FINANCING FOR WHICH THE ATTACHED INFORMATION WAS PREPARED. SUCH FINANCING WILL NOT BE REGISTERED WITH THE COMMISSION OR CONDUCTED IN A MANNER THAT WILL NOT BE EXEMPT FROM SUCH REGISTRATION.

This Report contains a copy of the following:

Exhibit 1. Excerpts from information prepared and furnished by ING U.S., Inc. in connection with a debt financing transaction.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ING Groep N.V.

(Registrant)

By: /s/ H. van Barneveld
H. van Barneveld

General Manager Group Finance & Control

By: /s/ C. Blokbergen
C. Blokbergen

Head Legal Department

Dated: June 25, 2012

Exhibit 1

Exhibit 1

Excerpts from information prepared and furnished by ING U.S., Inc. in connection with a debt financing transaction.

RISK FACTORS

You should carefully consider the following risks and other information in this offering memorandum, including our consolidated financial statements and related notes, before you decide to invest in the notes. Additional risks and uncertainties of which we are not presently aware or that we currently deem immaterial could also affect our business operations and financial condition. Certain risks also apply to third party service providers including those with which we have entered into outsourcing arrangements. If any of these risks actually occur, our business, results of operations, financial condition and liquidity could be materially and adversely affected, and you could lose part or all of your investment in the notes.

Risks Related to Our Business General

Continued difficult conditions in the global capital markets and the economy generally have affected and may continue to affect our business and results of operations.

Our business and results of operations are materially affected by conditions in the global capital markets and the economy generally. Concerns over the slow economic recovery, the level of U.S. national debt, the European sovereign debt crisis, the ability of certain countries to remain in the euro zone, unemployment, the availability and cost of credit, the U.S. housing market, inflation levels, energy costs and geopolitical issues have contributed to increased volatility and diminished expectations for the economy and the markets. In 2011, S&P lowered its long term sovereign credit rating on the United States from AAA to AA+. In addition, significant concerns regarding the sovereign debt of Greece, Ireland, Portugal, Spain and Italy, as well as certain other countries, are ongoing and in some cases have required countries to obtain emergency financing. If these or other countries require additional financial support or if sovereign credit ratings continue to decline, yields on the sovereign debt of certain countries may continue to increase, the cost of borrowing may increase and credit may become more limited. In the event of any default or similar event with respect to a sovereign issuer, some financial institutions may suffer significant losses for which they would require additional capital, which may not be available. These factors, combined with volatile oil prices, reduced business and consumer confidence and continued high unemployment, have negatively impacted the U.S. economy. Our results of operations, investment portfolio and assets under management are exposed to these risks and may be adversely affected as a result. In addition, in the event of extreme prolonged market events, such as the recent global credit crisis, we could incur significant losses.

Even in the absence of a market downturn, our insurance, annuity, retirement and investment products, as well as our investment returns and our access to and cost of financing, are sensitive to equity, fixed income, real estate and other market fluctuations and general economic and political conditions. These fluctuations and conditions could materially and adversely affect our results of operations, financial condition and liquidity, including in the following respects:

- We provide a number of insurance, annuity, retirement and investment products that expose us to risks associated with fluctuations in interest rates, market indices, securities prices, default rates, the value of real estate assets, currency exchange rates and credit spreads. The profitability of many of our insurance, annuity, retirement and investment products depends in part on the value of the general accounts and separate accounts supporting them, which may fluctuate substantially depending on the foregoing conditions.

- Volatility or downturns in the equity markets can cause a reduction in fee income we earn from managing investment portfolios for third parties and fee income on certain insurance, annuity, retirement and investment products. Because these products and services generate fees related primarily to the value of assets under management, a decline in the equity markets could reduce our revenues because of the reduction in the value of the investments we manage.

- A change in market conditions, including prolonged periods of high or low inflation or interest rates, could cause a change in consumer sentiment and adversely affect sales and could cause the actual persistency of these products to vary from their anticipated persistency (lapses) and adversely affect profitability. Changing economic conditions or adverse public perception of financial institutions can influence customer behavior, which can result in, among other things, an increase or decrease in claims, lapses, withdrawals, deposits or surrenders in certain products, any of which could adversely affect profitability.

An equity market decline or decreases in prevailing interest rates could result in the value of guaranteed minimum benefits contained in certain of our life insurance, annuity and retirement products being higher than current account values or higher than anticipated in our pricing assumptions, requiring us to materially increase reserves for such products, and may result in a decrease in customer lapses, thereby increasing the cost to us.

Reductions in employment levels of our existing employer customers may result in a reduction in underlying employee participation levels, contributions, deposits and premium income for certain of our retirement products. Participants within the retirement plans for which we provide certain services may elect to effect withdrawals from these plans, or reduce or stop their payroll deferrals to these plans, which would reduce assets under management or administration and our revenues.

We have significant investment and derivative portfolios that include, among other investments, corporate and asset-backed securities, equities and commercial mortgages. Economic conditions as well as adverse capital market and credit conditions, interest rate changes, changes in mortgage prepayment behavior, or declines in the value of underlying collateral will impact the credit quality, liquidity and value of our investment and derivative portfolios, potentially resulting in higher capital charges and unrealized or realized losses and decreased investment income. The value of our investments and derivative portfolios may also be impacted by reductions in price transparency, changes in the assumptions or methodology we use to estimate fair value and changes in investor confidence or preferences, which could potentially result in higher realized or unrealized losses and have a material adverse effect on our results of operations or financial condition. Market volatility may also make it difficult to value certain of our securities if trading becomes less frequent.

Market conditions determine the availability and cost of the reinsurance protection we purchase and may result in additional expenses for reinsurance or an inability to obtain sufficient reinsurance on acceptable terms, which could adversely affect the profitability of future business and the availability of capital to support new sales.

Hedging instruments we use to manage product and other risks might not perform as intended or expected, which could result in higher realized losses and unanticipated cash needs to collateralize or settle such transactions. Adverse market conditions can limit the availability and increase the costs of hedging instruments, and such costs may not be recovered in the pricing of the underlying products being hedged. In addition, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralized.

Regardless of market conditions, certain investments we hold, including privately placed fixed income investments, investments in private equity funds and commercial mortgages, are relatively illiquid. If we need to sell these investments, we may have difficulty selling them in a timely manner or at a price equal to what we could otherwise realize by holding the investment to maturity.

We are also exposed to interest rate and equity risk based upon the discount rate and expected long-term rate of return assumptions associated with our pension and other retirement benefit obligations. Sustained declines in long-term interest rates or equity returns could have a negative effect on the funded status of these plans.

Fluctuations in our operating results and our investment portfolio may impact our tax profile, our ability to optimally utilize tax attributes and our deferred income tax assets. For example, the Company will most likely be in an alternative minimum tax position beginning in 2012 and going forward which may impact cash flows available to service debt. See Our ability to use beneficial U.S. tax attributes may be subject to limitations.

A default by any financial institution, including sovereigns, could lead to defaults by other institutions. The failure of a sufficiently large and influential institution could disrupt securities markets or clearance and settlement systems and lead to a chain of defaults, because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of a counterparty may lead to market-wide liquidity problems and losses or defaults by us or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom we interact on a daily basis. Systemic risk could have a material adverse effect on our ability to raise new funding and on our business, results of operations, financial condition, liquidity and/or business prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

Widening credit spreads, if not offset by declines in the risk-free interest rate, would also cause the total interest rate payable on newly issued securities to increase, and thus would have the same effect as an increase in underlying interest rates with respect to the valuation of our current portfolio.

Continuing market turmoil has resulted in, and may continue to raise the possibility of, legislative, regulatory and governmental actions. We cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on our business, results of operations and financial condition.

Adverse capital and credit market conditions may impact our ability to access liquidity and capital, as well as the cost of credit and capital.

Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting our ability to support or grow our businesses. We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock, maintain our securities lending activities and replace certain maturing liabilities. Without sufficient liquidity, we will be forced to curtail our operations and our business will suffer. As a holding company with no direct operations, our principal assets are the capital stock of our subsidiaries. Payments of dividends and advances or repayment of funds to us by our insurance subsidiaries are restricted by the applicable laws and regulations of their respective jurisdictions, including laws establishing minimum solvency and liquidity thresholds. See Risks Related to the Notes The ability of our insurance subsidiaries to pay dividends to ING U.S., Inc. and Lion Holdings is further limited by state insurance laws.

For our insurance and other subsidiaries, the principal sources of liquidity are insurance premiums and fees, annuity deposits and cash flow from investments and assets. At the holding company level, sources of liquidity in normal markets also include a variety of short-term liquid investments and short- and long-term instruments, including credit facilities, commercial paper, equity securities and medium- and long-term debt.

In the event current resources do not satisfy our needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects. Similarly, our access to funds may be limited if regulatory authorities or rating agencies take negative actions against us. If our internal sources of liquidity prove to be insufficient, there is a risk that we may not be able to successfully obtain additional financing on favorable terms, or at all. Any actions we might take to access financing may cause rating agencies to reevaluate our ratings.

Disruptions, uncertainty or volatility in the capital and credit markets, such as that experienced over the past few years, may also limit our access to capital. Such market conditions may in the future limit our ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force us to (1) delay raising capital, (2) reduce, cancel or postpone interest payments on our debt, include the notes, (3) issue capital of different types or under different terms than we would otherwise or (4) incur a higher cost of capital than in a more stable market environment. This would have the potential to decrease both our profitability and our financial flexibility. Our results of operations, financial condition, liquidity and statutory capital position could be materially and adversely affected by disruptions in the financial markets.

Interest rate volatility may adversely affect our profitability.

Changes in prevailing interest rates may negatively affect our business including the level of net interest margin we earn. In a period of changing interest rates, interest expense may increase and interest credited to policyholders may change at different rates than the interest earned on assets. Accordingly, changes in interest rates could decrease net interest margin. Changes in interest rates may negatively affect the value of our assets and our ability to realize gains or avoid losses from the sale of those assets, all of which also ultimately affect earnings. In addition, our insurance and annuity products and certain of our retirement and investment products are sensitive to inflation rate fluctuations. A sustained increase in the inflation rate in our principal markets may also negatively affect our business, financial condition and results of operation. For example, a sustained increase in the inflation rate may result in an increase in nominal market interest rates. A failure to accurately anticipate higher inflation and factor it into our product pricing assumptions may result in mispricing of our products, which could materially and adversely impact our results of operations.

During periods of declining interest rates, life insurance and annuity products may be relatively more attractive to consumers due to minimum guarantees that are frequently mandated by regulators, resulting in increased premium payments on products with flexible premium features and a higher percentage of insurance and annuity contracts remaining in force from year-to-year than we anticipated in our pricing, potentially resulting in greater claims costs than we expected and asset liability cash flow mismatches. A decrease in interest rates may also require additional provisions for guarantees included in life insurance and annuity contracts, as the guarantees become more valuable to policyholders. During a period of decreasing interest rates, our investment earnings may decrease because the interest earnings on our recently purchased fixed income investments will likely have declined in parallel with market interest rates. In addition, a prolonged low interest rate period may result in higher costs for certain derivative instruments that may be used to hedge certain of our product risks. Residential mortgage-backed securities (RMBS) and callable fixed income securities in our investment portfolios will be more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Consequently, we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of declining interest rates, our profitability may suffer as the result of a decrease in the spread between interest rates credited to policyholders and contract owners and returns on our investment portfolios. An extended period of declining interest rates may also cause us to change our long-term view of the interest rates that we can earn on our investments. Such a change in our view would cause us to change the long-term interest rate that we assume in our calculation of insurance assets and liabilities under U.S. generally accepted accounting principles (GAAP). This revision would result in increased reserves, accelerated amortization of DAC and other unfavorable consequences. In addition, certain statutory capital and reserve requirements are based on formulas or models that consider interest rates, and an extended period of low interest rates may increase the statutory capital we are required to hold and the amount of assets we must maintain to support statutory reserves.

Conversely, in periods of rapidly increasing interest rates, policy loans, withdrawals and/or surrenders of life insurance and annuity contracts and certain GICs may increase as policyholders choose to seek higher investment returns. Obtaining cash to satisfy these obligations may require us to liquidate fixed income investments at a time when market prices for those assets are depressed because of increases in interest rates. This may result in realized investment losses. Regardless of whether we realize an investment loss, such cash payments would result in a decrease in total invested assets and may decrease our net income (loss) and capitalization levels. Premature withdrawals may also cause us to accelerate amortization of DAC, which would also reduce our net income. An increase in market interest rates could also have a material adverse effect on the value of our investment portfolio by, for example, decreasing the estimated fair values of the fixed income securities within our investment portfolio. An increase in market interest rates could also create a significant collateral posting requirement associated with our interest rate hedge programs, which could materially and adversely affect liquidity. In addition, an increase in market interest rates could require us to pay higher interest rates on debt securities we may issue in the financial markets from time to time to finance our operations, which would increase our interest expenses and reduce our results of operations. Lastly, an increase in interest rates could result in decreased fee income associated with a decline in the value of variable annuity account balances invested in fixed income funds.

A downgrade or a potential downgrade in our financial strength or credit ratings could result in a loss of business and adversely affect our results of operations and financial condition.

Ratings are important to our business. Credit ratings represent the opinions of rating agencies regarding an entity s ability to repay its indebtedness. Our credit ratings are important to our ability to raise capital through the issuance of debt and to the cost of such financing. Financial strength ratings, which are sometimes referred to as claims-paying ratings, represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Financial strength ratings are important factors affecting public confidence in insurers, including our insurance company subsidiaries. The financial strength ratings of our insurance subsidiaries are important to our ability to sell our products and services to our customers. Ratings are not recommendations to buy our securities. Each of the rating agencies reviews its ratings periodically, and our current ratings may not be maintained in the future.

Our ratings could be downgraded at any time and without notice by any rating agency. For example, in December 2011, both S&P and Moody s downgraded the financial strength ratings of our insurance companies as a result of the announcement by ING Group regarding the financial impact of the change in policyholder behavior assumptions in our Closed Block Variable Annuity segment, which resulted in a charge of 1.1 billion against the results of that segment, as reflected in ING Group s 2011 financial statements reported under International Financial Reporting Standards (IFRS). For a description of material rating actions that have occurred from the beginning of 2011 through the date of this filing, see Management s Discussion and Analysis of Results of Operations and Financial Condition Ratings.

In addition, our ratings are implicitly supported by the credit ratings of our indirect parent companies, ING V and ING Group. A downgrade of the credit ratings of these entities could result in downgrades of our own credit and financial strength ratings. We received explicit guarantees of our commercial paper program and certain credit facilities from ING V. A downgrade of the credit rating of ING V could impact our ability to issue commercial paper or increase the amount of collateral that we are required to provide under these credit facilities. In addition, ING Bank N.V. (ING Bank) provides certain letter of credit facilities to the Company, including without limitation, the contingent capital letter of credit. See Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Letter of Credit Facilities and Subsidiary Credit Support Arrangements Reinsurance Subsidiaries Standalone Credit Facilities. A significant downgrade of ING Bank could negatively impact our ability to utilize these facilities as reinsurance collateral. On June 15, 2012, Moody s downgraded the long-term debt ratings of ING Group from A1 to A3 with negative outlook and ING Bank from Aa3 to A2 with negative outlook. At the same time, Moody s took negative ratings actions with respect to a number of European-based banking organizations. For information on additional collateral requirements in case of a downgrade of our or ING V s ratings, see Management s Discussion and Analysis of Results of Operations and Financial Condition Ratings Potential Impact of a Ratings Downgrade.

A downgrade of the financial strength rating of one of our principal insurance subsidiaries could affect our competitive position by making it more difficult for us to market our products as potential customers may select companies with higher financial strength ratings and by leading to increased withdrawals by current customers seeking companies with higher financial strength ratings. This could lead to a decrease in assets under management and result in lower fee income. Furthermore, sales of assets to meet customer withdrawal demands could also result in losses, depending on market conditions. In addition, a downgrade in either our financial strength or credit ratings could potentially, among other things, increase our borrowing costs and make it more difficult to access financing; adversely affect access to the commercial paper market or the availability of letters of credit and other financial guarantees; result in additional collateral requirements, or other required payments or termination rights under derivative contracts or other agreements; and/or impair, or cause the termination of, our relationships with creditors, broker-dealers, distributors, reinsurers or trading counterparties, which could potentially negatively affect our profitability, liquidity and/or capital. In addition, we use assumptions of market participants in estimating the fair value of our liabilities, including insurance liabilities that are classified as embedded derivatives under GAAP. These assumptions include our non-performance risk, including our own credit risk, which we currently estimate using the credit spreads of the public debt of ING V. Subsequent to the issuance of the notes, we may use the credit spreads of the notes to estimate our own credit risk. Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

As rating agencies continue to evaluate the financial services industry, it is possible that rating agencies will heighten the level of scrutiny that they apply to financial institutions, increase the frequency and scope of their credit reviews, request additional information from the companies that they rate and potentially adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. It is possible that the outcome of any such review of us would have additional adverse ratings consequences, which could have a material adverse effect on our results of operations, financial condition and liquidity. We may need to take actions in response to changing standards or capital requirements set by any of the rating agencies which could cause our business and operations to suffer. We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies.

Because we operate in highly competitive markets, we may not be able to increase or maintain our market share, which may have an adverse effect on our results of operations.

In each of our businesses we face intense competition, including from domestic and foreign insurance companies, broker-dealers, financial advisors, asset managers and diversified financial institutions, both for the ultimate customers for our products and for distribution through independent distribution channels. We compete based on a number of factors including brand recognition, reputation, quality of service, quality of investment advice, investment performance of our products, product features, scope of distribution, price, perceived financial strength and credit ratings. A decline in our competitive position as to one or more of these factors could adversely affect our profitability. Many of our competitors are large and well-established and some have greater market share or breadth of distribution, offer a broader range of products, services or features, assume a greater level of risk, or have higher claims-paying or credit ratings than we do.

In recent years, there has been substantial consolidation among companies in the financial services industry resulting in increased competition from large, well-capitalized financial services firms. Future economic turmoil may accelerate additional consolidation activity. Many of our competitors also have been able to increase their distribution systems through mergers or contractual arrangements. Furthermore, larger competitors may have lower operating costs and have an ability to absorb greater risk, while maintaining financial strength ratings, allowing them to price products more competitively. These competitive pressures could result in increased pressure on the pricing of certain of our products and services, and could harm our ability to maintain or increase profitability. In addition, if our financial strength and credit ratings are lower than our competitors, we may experience increased surrenders and/or a significant decline in sales. The competitive landscape in which we operate may be further affected by the government sponsored programs in the United States and similar governmental actions outside of the United States in response to the dislocations in financial markets. Competitors that receive governmental financing, guarantees or other assistance, or that are not subject to the same regulatory constraints, may have or obtain pricing or other competitive advantages. Due to the competitive nature of the financial services industry, there can be no assurance that we will continue to effectively compete within the industry or that competition will not have a material adverse impact on our business, results of operations and financial condition.

Our risk management policies and procedures, including hedging programs, may prove inadequate for the risks we face, which could negatively affect our business or result in losses.

We have developed risk management policies and procedures, including hedging programs that utilize derivative financial instruments, and expect to continue to do so in the future. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective, particularly during extremely turbulent times. Many of our methods of managing risk and exposures are based upon observed historical market behavior or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, customers, catastrophe occurrence, or other matters, that is publicly available or otherwise accessible to us. This information may not always be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record and verify large numbers of transactions and events. These policies and procedures may not be fully effective.

We employ various economic hedging strategies with the objective of mitigating risks inherent in our business and operations. These risks include current or future changes in the fair value of our assets and liabilities, current or future changes in cash flows, the effect of interest rates, equity markets and credit spread changes, the occurrence of credit defaults, currency fluctuations and changes in mortality and longevity. We seek to control these risks by, among other things, entering into reinsurance contracts and derivative instruments, such as swaps, options, futures and forward contracts. See Reinsurance subjects us to the credit risk of reinsurers and may not be available, affordable or adequate to protect us against losses for a description of risks associated with our use of reinsurance. Developing an effective strategy for dealing with these risks is complex, and no strategy can completely insulate us from such risks. Our hedging strategies also rely on assumptions and projections regarding our assets, liabilities, general market factors and the creditworthiness of our counterparties that may prove to be incorrect or prove to be inadequate. Accordingly, our hedging activities may not have the desired beneficial impact on our results of operations or financial condition. Hedging strategies involve transaction costs and other costs, and if we terminate a hedging arrangement, we may also be required to pay additional costs, such as transaction fees or breakage costs. We may incur losses on transactions after taking into account our hedging strategies. In particular, certain of our hedging strategies focus on the protection of regulatory capital, rather than GAAP earnings. Because our regulatory reserves and the variable annuity guarantee hedge program target react differently to changes in market movements, in addition to our variable annuity guarantee hedge program, we have executed a capital hedge overlay program to generally target this differential. As GAAP accounting differs from the methods used to determine regulatory capital measures, our hedge programs may create earnings volatility in our GAAP financial statements. We will manage GAAP earnings volatility to the extent it does not conflict with our goal of protecting regulatory capital. Further, the nature, timing, design or execution of our hedging transactions could actually increase our risks and losses. Our hedging strategies and the derivatives that we use, or may use in the future, may not adequately mitigate or offset the hedged risk and our hedging transactions may result in losses.

Past or future misconduct by our employees, registered representatives of our broker-dealer subsidiaries or employees of our vendors could result in violations of law by us or our subsidiaries, regulatory sanctions and/or serious reputational or financial harm and the precautions we take to prevent and detect this activity may not be effective in all cases. Although we employ controls and procedures designed to monitor associates business decisions and to prevent us from taking excessive or inappropriate risks, associates may take such risks regardless of such controls and procedures. Our compensation policies and practices are reviewed by us as part of our overall risk management program, but it is possible that such compensation policies and practices could inadvertently incentivize excessive or inappropriate risk taking. If our associates take excessive or inappropriate risks, those risks could harm our reputation and have a material adverse effect on our results of operations and financial condition.

The inability of counterparties to meet their financial obligations could have an adverse effect on our results of operations.

Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers or guarantors of securities we hold, customers, reinsurers, trading counterparties, securities lending and repurchase counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other factors, or even rumors about potential defaults by one or more of these parties, could have a material adverse effect on our results of operations, financial condition and liquidity.

We routinely execute a high volume of transactions with counterparties in the financial services industry, including brokers and dealers, commercial and investment banks, mutual and hedge funds, institutional clients, insurance companies and other institutions, resulting in large daily settlement amounts and significant credit exposure. As a result, we face concentration risk with respect to specific counterparties and customers. A default by, or even concerns about the creditworthiness of, one or more of these counterparties or customers could have an adverse effect on our results of operations or liquidity. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business, results of operations or financial condition.

In addition, we enter into a variety of derivative instruments with a number of counterparties in order to hedge various risks, including equity and interest rate market risk features within many of our insurance and annuity products. Amounts that we expect to collect under current and future contracts are subject to counterparty risk. Our obligations under our products are not changed by our hedging activities and we are liable for our obligations even if our derivative counterparties do not pay us.

We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. The deterioration or perceived deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and/or adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. While in many cases we are permitted to require additional collateral from counterparties that experience financial difficulty, disputes may arise as to the amount of collateral we are entitled to receive and the value of pledged assets. Our credit risk may also be exacerbated when the collateral we hold cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to us, which is most likely to occur during periods of illiquidity and depressed asset valuations, such as those recently experienced. The termination of contracts and the foreclosure on collateral may subject us to claims for the improper exercise of rights under the contracts. Bankruptcies, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity.

Requirements to post collateral or make payments related to changes in market value of specified assets may adversely affect liquidity.

The amount of collateral we may be required to post under short-term financing agreements and derivative transactions may increase under certain circumstances. Pursuant to the terms of some transactions, we could be required to make payment to our counterparties related to any change in the market value of the specified collateral assets. Such requirements could have an adverse effect on liquidity. Furthermore, with respect to any such payments, we may have unsecured risk to the counterparty as these amounts may not be required to be segregated from the counterparty s other funds, may not be held in a third-party custodial account and may not be required to be paid to us by the counterparty until the termination of the transaction. Additionally, the implementation of the Dodd-Frank Act and the resultant changes in collateral requirements may increase the need for liquidity and eligible collateral assets in excess of what is already being held.

For a discussion on certain obligations we have with respect to the posting of collateral upon the occurrence of certain events, see Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Ratings Potential Impact of a Ratings Downgrade.

Our investment portfolio is subject to several risks that may diminish the value of our invested assets and the investment returns credited to customers, which could reduce our sales, revenues, assets under management and results of operations.

Fixed income securities represent a significant portion of our investment portfolio. We are subject to the risk that the issuers, or guarantors, of fixed income securities we own may default on principal and interest payments they owe us. We are also subject to the risk that the underlying collateral within asset-backed securities, including mortgage-backed securities, may default on principal and interest payments causing an adverse change in cash flows. The occurrence of a major economic downturn, acts of corporate malfeasance, widening mortgage or credit spreads, or other events that adversely affect the issuers, guarantors or underlying collateral of these securities could cause the estimated fair value of our fixed income securities portfolio and our earnings to decline and the default rate of the fixed income securities in our investment portfolio to increase. A ratings downgrade affecting issuers or guarantors of securities in our investment portfolio, or similar trends that could worsen the credit quality of such issuers, could also have a similar effect. Similarly, a ratings downgrade affecting a security we hold could indicate the credit quality of that security has deteriorated and could increase the capital we must hold to support that security to maintain our risk-based capital (RBC) levels. See A decrease in the RBC or statutory surplus of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our business, results of operations and financial condition. We are also subject to the risk that cash flows resulting from the payments on pools of mortgages that serve as collateral underlying the mortgage-backed securities we own may differ from our expectations in timing or size. Cash flow variability arising from an unexpected acceleration in mortgage prepayment behavior can be significant, and could cause a decline in the estimated fair value of certain interest-only securities within our mortgage-backed securities portfolio. Any event reducing the estimated fair value of these securities, other than on a temporary basis, could have a material adverse effect on our business, results of operations and financial condition.

We derive operating revenues from providing investment management and related services. Our revenues depend largely on the value and mix of assets under management. Our investment management related revenues are derived primarily from fees based on a percentage of the value of assets under management. Any decrease in the value or amount of our assets under management because of market volatility or other factors negatively impacts our revenues and income. Global economic conditions, changes in the equity markets, currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties and other factors that are difficult to predict affect the mix, market values and levels of our assets under management. The funds we manage may be subject to an unanticipated large number of redemptions as a result of such events, causing the funds to sell securities they hold, possibly at a loss, or draw on any available lines of credit to obtain cash, or use securities held in the applicable fund, to settle these redemptions. We may, in our discretion, also provide financial support to a fund to enable it to maintain sufficient liquidity in such an event. Additionally, changing market conditions may cause a shift in our asset mix towards fixed-income products and a related decline in our revenue and income, as we generally derive higher fee revenues and income from equity products than from fixed-income products we manage. Any decrease in the level of our assets under management resulting from price declines, interest rate volatility or uncertainty, increased redemptions or other factors could negatively impact our revenues and income.

From time to time we invest our capital to seed a particular investment strategy or investment portfolio. We may also co-invest in funds or take an equity ownership interest in certain structured finance/investment vehicles that we manage for our customers. Any decrease in the value of such investments could negatively affect our revenues and income.

Our investment performance is critical to the success of our investment management and related services business, as well as to the profitability of our insurance, annuity and retirement products. Poor investment performance as compared to third-party benchmarks or competitor products could lead to a decrease in sales of investment products we manage and lead to redemptions from existing products, generally lowering the overall level of assets under management and reducing the management fees we earn. We cannot assure you that past or present investment performance in the investment products we manage will be indicative of future performance. Any poor investment performance may negatively impact our revenues and income.

Some of our investments are relatively illiquid and are in asset classes that have been experiencing significant market valuation fluctuations.

We hold certain assets that may lack liquidity, such as privately placed fixed income securities, commercial mortgage loans, policy loans, limited partnership interests and the Dutch State obligations described in Related Party Transactions Alt-A Transaction (the Dutch State loan obligation). These asset classes represented 29.7% of the carrying value of our total cash and invested assets as of March 31, 2012. If we require significant amounts of cash on short notice in excess of normal cash requirements or are required to post or return collateral in connection with our investment portfolio, derivatives transactions or securities lending activities, we may have difficulty selling these investments in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

The reported values of our relatively illiquid types of investments do not necessarily reflect the current market price for the asset. If we were forced to sell certain of our assets in the current market, there can be no assurance that we would be able to sell them for the prices at which we have recorded them and we might be forced to sell them at significantly lower prices.

We invest a portion of our invested assets in investment funds, many of which make private equity investments. The amount and timing of income from such investment funds tends to be uneven as a result of the performance of the underlying investments, including private equity investments. The timing of distributions from the funds, which depends on particular events relating to the underlying investments, as well as the funds schedules for making distributions and their needs for cash, can be difficult to predict. As a result, the amount of income that we record from these investments can vary substantially from quarter to quarter. Recent equity and credit market volatility may reduce investment income for these types of investments.

Our CMO-B portfolio exposes us to market and behavior risks.

We manage a portfolio of various collateralized mortgage obligation (CMO) tranches in combination with financial derivatives as part of a proprietary strategy we refer to as CMO-B, as described under Investments CMO-B Portfolio. As of March 31, 2012, our CMO-B portfolio had $4.5 billion in total assets, consisting of notional or principal securities backed by mortgages secured by single-family residential real estate, and including interest-only securities, principal-only securities, inverse-floating rate (principal) securities and inverse interest-only securities. The CMO-B portfolio is subject to a number of market and behavior risks, including interest rate risk and prepayment risk. Interest rate risk represents the potential for adverse changes in portfolio value resulting from changes in the general level of interest rates. Prepayment risk represents the potential for adverse changes in portfolio value resulting from changes in residential mortgage prepayment speed, which in turn depends on a number of factors, including conditions in both credit markets and housing markets. In addition, government policy changes affecting residential housing and residential housing finance, such as government agency reform and government sponsored refinancing programs, could alter prepayment behavior and result in adverse changes to portfolio values. While we actively monitor our exposure to these and other risks inherent in this strategy, we cannot assure you that our hedging and risk management strategies will be effective; any failure to manage these risks effectively could materially and adversely affect our results of operations and financial condition. In addition, although we believe our CMO-B portfolio has performed well for a number of years, and particularly well since the 2008-2009 financial crisis, primarily due to persistently low levels of short-term interest rates and mortgage prepayments in an atmosphere of tightened housing-related credit availability, this portfolio may not continue to perform as well in the future.

Defaults or delinquencies in our commercial mortgage loan portfolio may adversely affect our profitability.

The commercial mortgage loans we hold face both default and delinquency risk. We establish loan specific valuation allowances for estimated impairments at the balance sheet date. These valuation allowances are based on the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan s original effective interest rate, the estimated fair value of the loan s collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or the loan s observable market price. We also establish valuation allowances for loan losses when, based on past experience, it is probable that a credit event has occurred and the amount of the loss can be reasonably estimated. These valuation allowances are based on loan risk characteristics, historical default rates and loss severities, real estate market fundamentals and outlook as well as other relevant factors. As of March 31, 2012, our commercial loan portfolio included $16.6 million of commercial mortgage loans that were 90 or more days past due. The performance of our commercial mortgage loan investments may fluctuate in the future. In addition, legislative proposals that would allow or require modifications to the terms of commercial mortgage loans could be enacted. We cannot predict whether these proposals will be adopted, or what impact, if any, such laws, if enacted, could have on our business or investments. An increase in the delinquency and default rate of our commercial mortgage loan portfolio could adversely impact our results of operations and financial condition.

Further, any geographic or sector concentration of our commercial mortgage loans may have adverse effects on our investment portfolios and consequently on our results of operations or financial condition. While we generally seek to mitigate the risk of sector concentration by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on the investment portfolios to the extent that the portfolios are concentrated, which could affect our results of operations and financial condition.

In addition, liability under environmental protection laws resulting from our commercial mortgage loan portfolio and real estate investments could affect our results of operations or financial condition. Under the laws of several states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of cleanup. In some states, such a lien has priority over the lien of an existing mortgage against the property, which would impair our ability to foreclose on that property should the related loan be in default. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, we may be liable for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property securing a mortgage loan held by us, regardless of whether or not the environmental damage or threat was caused by the obligor, which could harm our results of operations and financial condition. We also may face this liability after foreclosing on a property securing a mortgage loan held by us.

Our investment management business operations are complex and a failure to properly perform services could have an adverse effect on our revenues and income.

Our investment management and related services include, among other things, portfolio management, investment advice, fund administration, shareholder services, transfer agency, underwriting, distribution, custodial, trustee and other fiduciary services. In order to be competitive, we must properly perform our administrative and related responsibilities, including recordkeeping and accounting, security pricing, corporate actions, compliance with investment restrictions, daily net asset value computations, account reconciliations and required distributions to fund shareholders. Further, certain of our subsidiaries may act as general partner for various investment partnerships, which may subject them to liability for the partnerships liabilities. If we fail to properly perform and monitor our investment management operations, our business could suffer and our revenues and income could be adversely affected.

Our products and services are complex and are frequently sold through intermediaries, and a failure to properly perform services or the misrepresentation of our products or services could have an adverse effect on our revenues and income.

Many of our products and services are complex and are frequently sold through intermediaries. In particular, our insurance businesses are reliant on intermediaries to describe and explain their products to potential customers. The intentional or unintentional misrepresentation of our products and services in advertising materials or other external communications, or inappropriate activities by our personnel or an intermediary, could adversely affect our reputation and business prospects, as well as lead to potential regulatory actions or litigation.

Revenues, earnings and income from our investment management business operations could be adversely affected if the terms of our asset management agreements are significantly altered or the agreements are terminated.

Our revenues from our investment management business operations are dependent on fees earned under asset management and related services agreements that we have with the clients and funds we advise. These revenues could be adversely affected if these agreements are altered significantly or terminated. The decline in revenue that might result from alteration or termination of our asset management services agreements could have a material adverse impact on our results of operations or financial condition. In addition, under certain laws, most notably the Investment Company Act of 1940 and the Investment Advisers Act of 1940, advisory contracts may require approval or consent from clients or fund shareholders in the event of an assignment of the contract or a change in control of the investment adviser. Were a transaction to result in an assignment or change in control, the inability to obtain consent or approval from clients or shareholders of mutual funds or other investment funds could result in a significant reduction in advisory fees.

The valuation of many of our financial instruments includes methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to investment valuations that may materially and adversely affect our results of operations and financial condition.

The following financial instruments are carried at fair value in our financial statements: fixed income securities, equity securities, derivatives, embedded derivatives and separate account assets. We have categorized these instruments into a three-level hierarchy, based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3), while quoted prices in markets that are not active or valuation techniques requiring inputs that are observable for substantially the full term of the asset or liability are Level 2 .

Factors considered in estimating fair values of securities, and derivatives and embedded derivatives related to our securities include coupon rate, maturity, principal paydown including prepayments, estimated duration, call provisions, sinking fund requirements, credit rating, industry sector of the issuer and quoted market prices of comparable securities. Factors considered in estimating the fair values of embedded derivatives and derivatives related to product guarantees (collectively, guaranteed benefit derivatives) include risk-free interest rates, long-term equity implied volatility, interest rate implied volatility, correlations among mutual funds associated with variable annuity contracts and actuarial assumptions such as mortality rates, lapse rates, benefit utilization, deposits and partial withdrawals. The impact of our risk of nonperformance (also known as our own credit risk) is also reflected in the estimated fair value of guaranteed benefit derivatives. In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, we will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value.

The determination of fair values are made at a specific point in time, based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. The use of different methodologies and assumptions may have a material effect on the estimated fair value amounts.

During periods of market disruption, including periods of rapidly changing credit spreads or illiquidity, it has been and will likely continue to be difficult to value certain of our securities, such as certain mortgage-backed securities, if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that could become illiquid in a difficult financial environment. In such cases, more securities may fall to Level 3 and thus require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation, thereby resulting in values that may differ materially from the value at which the investments may be ultimately sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported within the financial statements and the period-to-period changes in value could vary significantly. Decreases in value could have a material adverse effect on our results of operations and financial condition. As of March 31, 2012, 6.0%, 92.8% and 1.2% of our available-for-sale securities were considered to be Level 1, 2 and 3, respectively.

The determination of the amount of allowances and impairments taken on our investments is subjective and could materially and adversely impact our results of operations or financial condition. Gross unrealized losses may be realized or result in future impairments, resulting in a reduction in our net income (loss).

We evaluate investment securities held by us for impairment on a quarterly basis. This review is subjective and requires a high degree of judgment. For fixed income securities held, an impairment loss is recognized when the fair value of the debt security is less than the carrying value and we no longer have the intent to hold the debt security, if it is more likely than not that we will be required to sell the debt security before recovery of the amortized cost basis, or if a credit loss has occurred.

When we do not intend to sell a security in an unrealized loss position, potential credit related other-than-temporary impairments are considered using a variety of factors, including the length of time and extent to which the fair value has been less than cost, adverse conditions specifically related to the industry, geographic area in which the issuer conducts business, financial condition of the issuer or underlying collateral of a security, payment structure of the security, changes in credit rating of the security by the rating agencies, volatility of the fair value changes and other events that adversely affect the issuer. In addition, we take into account relevant broad market and economic data in making impairment decisions.

As part of the impairment review process, we utilize a variety of assumptions and estimates to make a judgment on how fixed income securities will perform in the future. It is possible that securities in our fixed income portfolio will perform worse than our expectations. There is an ongoing risk that further declines in fair value may occur and additional other-than- temporary impairments may be recorded in future periods, which could materially and adversely affect our results of operations and financial condition. Furthermore, historical trends may not be indicative of future impairments or allowances.

Fixed income and equity securities classified as available-for-sale are reported at their estimated fair value. Unrealized gains or losses on available-for-sale securities are recognized as a component of other comprehensive income (loss) and are therefore excluded from net income (loss). The accumulated change in estimated fair value of these available-for-sale securities is recognized in net income (loss) when the gain or loss is realized upon the sale of the security or in the event that the decline in estimated fair value is determined to be other-than-temporary (OTTI) and an impairment charge to earnings is taken. Such realized losses or impairments may have a material adverse effect on our net income (loss) in a particular quarterly or annual period. For example, for the three months ended March 31, 2012, we recorded OTTI of $6.9 million in net realized capital losses, compared to $158.9 million in OTTI in the comparable 2011 period. We recorded OTTI of $502.7 million, $890.8 million and $1,618.6 million in net realized capital losses in 2011, 2010 and 2009, respectively.

Our participation in a securities lending program and a reverse repurchase program subjects us to potential liquidity and other risks.

We participate in a securities lending program whereby blocks of securities, which are included in fixed income securities and short-term investments, are loaned to third party borrowers, primarily brokerage firms and commercial banks. We generally obtain cash collateral in an amount equal to 102% of the estimated fair value of the loaned securities, which is obtained at the inception of a loan and maintained at a level greater than or equal to 100% for the duration of the loan. The cash collateral received is typically invested in fixed income securities. A return of loaned securities by a borrower would require us to liquidate the investments held as collateral and return the cash collateral associated with such loaned securities.

We also participate in a reverse repurchase program for our general account whereby we sell fixed income securities to third party repurchase counterparties, primarily major brokerage firms and commercial banks, with a concurrent agreement to repurchase those same securities at a determined future date. Our policy requires that, at all times during the term of the reverse repurchase agreements, cash or other types of collateral types provided is sufficient to allow the counterparty to fund substantially all of the cost of purchasing replacement assets. The cash proceeds received under the reverse repurchase program are typically invested in fixed income securities and cannot be returned prior to the scheduled repurchase date; however, market conditions on the repurchase date may limit our ability to enter into new agreements. The repurchase of securities or our inability to enter into new reverse repurchase agreements would require us to return the cash collateral proceeds associated with such transactions on the repurchase or maturity date.

For both securities lending and reverse repurchase transactions, in some cases, the maturity of the securities held as invested collateral (i.e., securities that we have purchased with cash collateral received) may exceed the term of the related securities on loan and the estimated fair value may fall below the amount of cash received as collateral and invested. If we are required to return significant amounts of cash collateral on short notice and we are forced to sell securities to meet the return obligation, we may have difficulty selling such collateral that is invested in securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than we otherwise would have been able to realize under normal market conditions, or both. In addition, under adverse capital market and economic conditions, liquidity may broadly deteriorate, which would further restrict our ability to sell securities. If we decrease the amount of our securities lending and reverse repurchase activities over time, the amount of net investment income generated by these activities will also likely decline. See Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources Securities Lending.

Differences between actual claims experience and reserving assumptions may adversely affect our results of operations or financial condition.

We establish and hold reserves to pay future policy benefits and claims. Our reserves do not represent an exact calculation of liability, but rather are actuarial or statistical estimates based on data and models that include many assumptions and projections, which are inherently uncertain and involve the exercise of significant judgment, including assumptions as to the levels and/or timing of receipt or payment of premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), retirement, mortality, morbidity and persistency. We periodically review the adequacy of reserves and the underlying assumptions. We cannot, however, determine with precision the amounts that we will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting our policy liabilities, together with future premiums, will grow to the level assumed prior to payment of benefits or claims. If actual experience differs significantly from assumptions or estimates, reserves may not be adequate. If we conclude that our reserves, together with future premiums, are insufficient to cover future policy benefits and claims, we would be required to increase our reserves and incur income statement charges for the period in which we make the determination, which could materially and adversely affect our results of operations and financial condition.

We may face significant losses if mortality rates, morbidity rates, persistency rates or other underwriting assumptions differ significantly from our pricing expectations.

We set prices for many of our insurance and annuity products based upon expected claims and payment patterns, using assumptions for mortality rates, or likelihood of death, and morbidity rates, or likelihood of sickness of our policyholders. In addition to the potential effect of natural or man-made disasters, significant changes in mortality or morbidity could emerge gradually over time due to changes in the natural environment, the health habits of the insured population, technologies and treatments for disease or disability, the economic environment, or other factors. The long-term profitability of our insurance and annuity products depends upon how our actual mortality rates, and to a lesser extent actual morbidity rates, compare to our pricing assumptions. In addition, prolonged or severe adverse mortality or morbidity experience could result in increased reinsurance costs, and ultimately, reinsurers not willing to offer coverage. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient, we would either have to be willing to accept an increase in our net risk exposures or revise our pricing to reflect higher reinsurance premiums.

Pricing of our insurance and annuity products is also based in part upon expected persistency of these products, which is the probability that a policy will remain in force from one period to the next. Persistency of our annuity products may be significantly and adversely impacted by the increasing value of guaranteed minimum benefits contained in many of our variable annuity products due to poor equity market performance or extended periods of low interest rates as well as other factors. The minimum interest rate guarantees in our fixed annuities may also be more valuable in extended periods of low interest rates. Persistency could be adversely affected generally by developments adversely affecting customer perception of us. Results may also vary based on differences between actual and expected premium deposits and withdrawals for these products. Many of our deferred annuity products also contain optional benefits that may be exercised at certain points within a contract. We set prices for such products using assumptions for the rate of election of deferred annuity living benefits and other optional benefits offered to our contract owners. The profitability of our deferred annuity products depends upon how actual contract owner decisions to elect or delay the utilization of such benefits compare to our pricing assumptions. The development of a secondary market for life insurance, including stranger owned life insurance, life settlements or viaticals and investor owned life insurance, and third-party investor strategies in the annuities business, could also adversely affect the profitability of existing business and our pricing assumptions for new business. Actual persistency that is lower than our persistency assumptions could have an adverse effect on profitability, especially in the early years of a policy, primarily because we would be required to accelerate the amortization of expenses we deferred in connection with the acquisition of the policy. Actual persistency that is higher than our persistency assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience is higher in these later years. If actual persistency is significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate. Although some of our products permit us to increase premiums or adjust other charges and credits during the life of the policy, the adjustments permitted under the terms of the policies may not be sufficient to maintain profitability. Many of our products, however, do not permit us to increase premiums or adjust charges and credits during the life of the policy. Even if permitted under the policy, we may not be able or willing to raise premiums or adjust other charges for regulatory or competitive reasons.

Pricing of our products is also based on long-term assumptions regarding interest rates, investment returns and operating costs. Management establishes target returns for each product based upon these factors, the other underwriting assumptions noted above and the average amount of regulatory and rating agency capital that we must hold to support in-force contracts. We monitor and manage pricing and sales to achieve target returns. Profitability from a new business emerges over a period of years, depending on the nature and life of the product, and is subject to variability as actual results may differ from pricing assumptions. Our profitability depends on multiple factors, including the comparison of actual mortality, morbidity and persistency rates and policyholder behavior to our assumptions; the adequacy of investment margins; our management of market and credit risks associated with investments; our ability to maintain premiums and contract charges at a level adequate to cover mortality, benefits and contract administration expenses; the adequacy of contract charges and availability of revenue from providers of investment options offered in variable contracts to cover the cost of product features and other expenses; and management of operating costs and expenses.

Unfavorable developments in interest rates, credit spreads and policyholder behavior can result in adverse financial consequences related to our stable value products, and our hedging program and risk mitigation features may not successfully offset these consequences.

We offer stable value products as a fixed rate, liquid asset allocation option for employees of our plan sponsor customers within the defined contribution funding plans offered by our Retirement business. These products are designed to provide a guaranteed annual credited rate (currently between zero and three percent) on the invested assets in addition to enabling participants the right to withdraw and transfer funds at book value.

The sensitivity of our statutory reserves and surplus established for the stable value products to changes in interest rates, credit spreads and policyholder behavior will vary depending on the magnitude of these changes, as well as on the book value of assets, the market value of assets, the guaranteed credited rates available to customers and other product features. Realization of these risks may result in an increase in the reserves for stable value products, and could materially and adversely affect our financial position or results of operations. In particular, in low interest rate environments, we bear exposure to the risk that the credited rate exceeds the earned rate on guaranteed annual credited rate products, and, in a rising interest rate environment, we are exposed to the risk of financial disintermediation through a potential increase in the level of book value withdrawals.

To the extent that our hedging program and other risk mitigating features do not operate as intended, we remain exposed to the risks described above.

We may be required to accelerate the amortization of deferred policy acquisition cost (DAC), deferred sales inducements (DSI) and/or the valuation of business acquired (VOBA), any of which could adversely affect our results of operations or financial condition.

DAC represents the incremental, direct costs of contract acquisition, as well as costs related directly to the acquisition of new and renewal insurance and annuity contracts. DSI represents amounts that are credited to a policyholder s account balance as an inducement to purchase a contract. VOBA represents the present value of estimated cash flows embedded in acquired business, plus renewal commissions and certain other costs on such acquired business. Capitalized costs associated with DAC, DSI and VOBA are amortized in proportion to actual and estimated gross profits, gross premiums or gross revenues depending on the type of contract. Management, on an ongoing basis, tests the DAC, DSI and VOBA recorded on our balance sheets to determine if these amounts are recoverable under current assumptions. In addition, management regularly reviews the estimates and assumptions underlying DAC, DSI and VOBA. The projection of estimated gross profits, gross premiums or gross revenues requires the use of certain assumptions, principally related to separate account fund returns in excess of amounts credited to policyholders, policyholder behavior such as surrender and lapse rates, interest margin, expense margin, mortality, future impairments and hedging costs. Estimating future gross profits, gross premiums or gross revenues is a complex process requiring considerable judgment and the forecasting of events well into the future. If these assumptions prove to be inaccurate, an estimation technique used to estimate future gross profits, gross premiums or gross revenues is changed, or if significant or sustained equity market declines occur and/or persist, we could be required to accelerate the amortization of DAC, DSI and VOBA, which would result in a charge to earnings. Such adjustments could have a material adverse effect on our results of operations and financial condition.

Reinsurance subjects us to the credit risk of reinsurers and may not be available, affordable or adequate to protect us against losses.

We cede life insurance policies and annuity contracts to other insurance companies through reinsurance. However, we remain liable to the underlying policyholders, even if the reinsurer defaults on its obligations with respect to the ceded business. If a reinsurer fails to meet its obligations under the reinsurance contract, we will be forced to cover the claims on the reinsured policies. In addition, a reinsurer insolvency may cause us to lose our reserve credits on the ceded business, in which case we would be required to establish additional reserves.

In addition, if a reinsurer loses its accredited reinsurer status in any state where were we are licensed to do business, we will not be entitled to take credit for reinsurance in that state if the reinsurer does not post sufficient qualifying assets in a qualifying trust or post qualifying letters of credit, and we would be required to establish additional reserves. Similarly, the credit for reinsurance taken by our insurance subsidiaries under affiliated and unaffiliated offshore reinsurance agreements is, under certain conditions, dependent upon the offshore reinsurer s ability to obtain and provide sufficient qualifying assets in a qualifying trust or qualifying letters of credit issued by qualifying lending banks. The cost of letters of credit, when available, continues to be very expensive in the current economic environment. Because of this, our affiliated offshore reinsurer has established and will continue to pursue alternative sources for qualifying reinsurance collateral. If these steps are unsuccessful, or if unaffiliated non-accredited reinsurers that have reinsured business from our insurance subsidiaries are unsuccessful in obtaining sources of qualifying reinsurance collateral, our insurance subsidiaries might not be able to obtain full reserve credit. Loss of reserve credit by an insurance subsidiary would require it to establish additional reserves and would result in a decrease in the level of its capital, which could have a material adverse effect on our profitability, results of operations and financial condition.

We had $467.2 million and $609.6 million of unsecured unaffiliated reinsurance recoverable balances at December 31, 2011 and 2010, respectively. These reinsurance recoverable balances are periodically assessed for uncollectability and there were no significant allowances for uncollectible reinsurance as of December 31, 2011 and December 31, 2010.

The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including whether the insured losses meet the qualifying conditions of the reinsurance contract, whether reinsurers, or their affiliates, have the financial capacity and willingness to make payments under the terms of the reinsurance contract, and the degree to which our reinsurance balances are secured by sufficient qualifying assets in qualifying trusts or qualifying letters of credit issued by qualifying lender banks. Although a substantial portion of our reinsurance exposure is secured by assets held in trusts or letters of credit, the inability to collect a material recovery from a reinsurer could have a material adverse effect on our profitability, results of operation and financial condition.

The premium rates and other charges that we charge are based, in part, on the assumption that reinsurance will be available at a certain cost. Some of our reinsurance contracts contain provisions that limit the reinsurer s ability to increase rates on in-force business; however, some do not. If a reinsurer raises the rates that it charges on a block of in-force business, our profitability may be negatively impacted if we are not able to pass the increased costs on to the customer. If reinsurers raise the rates that they charge on new business, we may be forced to raise the premiums that we charge, which could have a negative impact on our competitive position.

A decrease in the RBC or statutory surplus of our insurance subsidiaries could result in increased scrutiny by insurance regulators and rating agencies and have a material adverse effect on our business, results of operations and financial condition.

The National Association of Insurance Commissioners (NAIC) has established regulations that provide minimum capitalization requirements based on RBC formulas for insurance companies. The RBC formula for life insurance companies establishes capital requirements relating to insurance, business, asset and interest rate risks, including equity, interest rate and expense recovery risks associated with variable annuities and group annuities that contain death benefits. Each of our insurance subsidiaries is subject to RBC standards and other minimum statutory capital and surplus requirements imposed under the laws of its respective jurisdiction of domicile.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors the amount of statutory income or losses generated by the insurance subsidiary (which itself is sensitive to equity market and credit market conditions), the amount of additional capital such insurer must hold to support business growth, changes in equity market levels, the value and credit ratings of certain fixed-income and equity securities in its investment portfolio, the value of certain derivative instruments that do not receive hedge accounting, changes in interest rates, as well as changes to the RBC formulas and the interpretation of the NAIC s instructions with respect to RBC calculation methodologies. Many of these factors are outside of our control. Our financial strength and credit ratings are significantly influenced by statutory surplus amounts and RBC ratios. In addition, rating agencies may implement changes to their own internal models, which differ from the RBC capital model that have the effect of increasing or decreasing the amount of statutory capital we or our insurance subsidiaries should hold relative to the rating agencies expectations. In addition, in extreme scenarios of equity market declines, sustained periods of low interest rates, rapidly rising interest rates or credit spread widening, the amount of additional statutory reserves that an insurance subsidiary is required to hold for certain types of GICs and variable annuity guarantees and stable value contracts may increase at a greater than linear rate. This increase in reserves would decrease the statutory surplus available for use in calculating its RBC ratios. To the extent that an insurance subsidiary s RBC ratios are deemed to be insufficient, we may seek to take actions to either increase the capitalization of the insurer or reduce the capitalization requirements. If we were unable to accomplish such actions, the rating agencies may view this as a reason for a ratings downgrade.

The failure of any of our insurance subsidiaries to meet its applicable RBC requirements or minimum capital and surplus requirements could subject it to further examination or corrective action imposed by insurance regulators, including limitations on its ability to write additional business, supervision by regulators or seizure or liquidation. Any corrective action imposed could have a material adverse effect on our business, results of operations and financial condition. A decline in RBC ratios also limits the ability of an insurance subsidiary to make dividends or distributions to us and could be a factor in causing ratings agencies to downgrade the insurer s financial strength ratings, which could have a material adverse effect on our business, results of operations and financial condition.

We receive a significant portion of our financing from two Federal Home Loan Banks, which subjects us to risks associated with sourcing a large concentration of our funding from two counterparties.

We have received a significant amount of financing from the Federal Home Loan Bank of Topeka and the Federal Home Loan Bank of Des Moines (collectively FHLBs). As of March 31, 2012 we had received $3.4 billion of cash financing and letters of credit in exchange for eligible collateral in the form of cash, mortgage backed securities and U.S. Treasury securities. Should the FHLBs choose to change their definition of eligible collateral, or if the market value of the pledged collateral decreases in value due to changes in interest rates or credit ratings, we may be required to post additional amounts of collateral in the form of cash or other eligible collateral. Additionally, we may be required to find other sources of financing to replace this funding if we lose access to FHLB financing. This could occur if either of the FHLBs negatively assesses our creditworthiness or if legislative or other political actions cause changes to the FHLBs mandate or the eligibility of life insurance companies to be eligible member/borrowers of the FHLB system.

Any failure to protect the confidentiality of customer information could adversely affect our reputation and have a material adverse effect on our business, financial condition and results of operation.

Our businesses and relationships with customers are dependent upon our ability to maintain the confidentiality of our and our customers trade secrets and confidential information (including customer transactional data and personal data about our employees, our customers and the customers of our customers).

Pursuant to federal laws, various federal regulatory and law enforcement agencies have established rules protecting the privacy and security of personal information. In addition, most states have enacted laws, which vary significantly from jurisdiction to jurisdiction, to safeguard the privacy and security of personal information. Certain of our employees and contractors and many sales representatives of our broker-dealer subsidiaries have access to and routinely process personal information of customers through a variety of media, including the internet and software applications. We rely on various internal processes and controls to protect the confidentiality of customer information that is accessible to, or in the possession of, us, our employees, contractors and sales representatives. It is possible that an employee, contractor or sales representative could, intentionally or unintentionally, disclose or misappropriate confidential customer information. If we fail to maintain adequate internal controls, including any failure to implement newly-required additional controls, or if our employees, contractors or sales representatives fail to comply with our policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of customer information could occur. Such internal control inadequacies or non-compliance could materially damage our reputation, result in regulatory action or lead to civil or criminal penalties, which, in turn, could have a material adverse effect on our business, results of operations and financial condition.

Changes in accounting standards could adversely impact our reported results of operations and our reported financial condition.

Our financial statements are subject to the application of GAAP, which is periodically revised or expanded. Accordingly, from time to time we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board (FASB). For example, the adoption of the provision of ASU 2010-26 decreased our retained earnings by $1.2 billion as of January 1, 2011. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our consolidated financial statements and that such changes could have a material adverse effect on our results of operations and financial condition.

In addition, FASB is working on several projects with the International Accounting Standards Board, which could result in significant changes as GAAP converges with IFRS, including how we account for our insurance policies, annuity contracts and financial instruments and how our financial statements are presented. Furthermore, the SEC is considering whether and how to incorporate IFRS into the U.S. financial reporting system. The changes to GAAP and ultimate conversion to IFRS, if undertaken, could affect the way we account for and report significant areas of our business and could impose special demands on issuers in the areas of governance, employee training, internal controls and disclosure and/or will likely affect how we manage our business.

We may be required to establish an additional valuation allowance against the deferred income tax asset if our business does not generate sufficient taxable income or if our tax planning strategies are modified. Increases in the deferred tax valuation allowance could have a material adverse effect on results of operations and financial condition.

Deferred income tax represents the tax effect of the differences between the book and tax basis of assets and liabilities. We periodically evaluate and test our ability to realize our deferred tax assets. Deferred tax assets represent the tax benefit of future deductible temporary differences, operating loss carryforwards and tax credits carryforward. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. In assessing the more likely than not criteria, we consider future taxable income as well as prudent tax planning strategies. Future facts, circumstances, tax law changes and FASB developments may result in an increase in the valuation allowance. An increase in the valuation allowance could have a material adverse effect on the Company s results of operations and financial condition.

As of December 31, 2011, we have recognized deferred tax assets based on tax planning related to unrealized gains on investment assets. To the extent these unrealized gains decrease, the tax benefit will be reduced by increasing the tax valuation allowance. For example, if interest rates increase, the amount of the unrealized gains will, most likely, decrease, with all other things constant. The decrease in the deferred tax asset may be recorded as a tax expense in tax on continuing operations based on the intra period tax allocation rules described in ASC 740, Income Taxes .

Our ability to use beneficial U.S. tax attributes may be subject to limitation.

Sections 382 and 383 of the U.S. Internal Revenue Code operate as anti-abuse rules, the general purpose of which is to prevent trafficking in tax losses and credits, but which can apply without regard to whether a loss trafficking transaction occurs or is intended. These rules are triggered when an ownership change (generally defined as when the ownership of a company, or its parent, changes by more than 50% (measured by value) on a cumulative basis in any three year period) occurs. For example, in November 2008, ING Group issued 10 billion of core Tier 1 securities to the Dutch State in connection with a capital infusion that would need to be taken into account for purposes of determining if an ownership change has occurred. In December 2009, ING Group redeemed approximately half of these securities and in May 2011, an additional 20 percent of the securities were redeemed. The redemption by ING Group of an additional amount of these securities in the near term may, depending on the facts and circumstances of such a redemption, trigger an ownership change. To the extent there is an ownership change, there most likely will be a reduction in the deferred tax asset established in recognition of tax planning for unrealized capital gains and carry forward items. The tax consequences will be recorded at the time of the ownership change. In addition, there may be a reduction in the deferred tax asset associated with other tax attributes (such as unrealized losses).

An ownership change could have an adverse effect on our future U.S. tax liabilities and could have a material adverse effect on our financial condition and results of operations. Although we are uncertain as to the ultimate financial impact of a reduction of the deferred tax asset resulting from an ownership change, we estimate that at the time of an ownership change, the deferred tax asset potentially subject to limitation is approximately $900 million. The decrease in the deferred tax asset may be recorded as a tax expense in tax on continuing operations. Moreover, under statutory accounting, such a reduction may impact the ability of the affected insurance subsidiaries to pay a dividend and consequently could adversely impact the ability of ING U.S., Inc. to service debt. The determination as to whether an ownership change occurs is complex and subject to uncertainties, and we could in the future take additional actions that could result in an additional ownership change.

We are unable to offset our U.S. taxable income against the losses of one of our reinsurance subsidiaries.

As described in Risks Related to our Closed Block Variable Annuity Segment and Business Closed Blocks Closed Block Variable Annuity, we may incur losses in the future in our Closed Block Variable Annuity segment. We expect that a significant portion of any such loss would be realized in Security Life of Denver International Limited (SLDI), a subsidiary domiciled in the Cayman Islands. SLDI has made an election to be treated as a U.S. corporation for U.S. federal income tax purposes. However, U.S. federal income tax law does not allow the operating losses of a foreign company making such an election to offset the taxable income of its U.S. affiliates. Through a reinsurance arrangement, SLDI is obligated to indemnify our other U.S. subsidiaries in the event that certain annuity guarantees are paid to customers. To the extent SLDI remains a foreign entity and has operating losses that exceed its taxable income, the losses would not be available to offset taxable income for U.S. federal income tax purposes and would increase our effective tax rate.

ING U.S., Inc. has in the past made substantial net cash payments to its subsidiaries under the Company s tax sharing agreement, and may be required to make net cash payments to subsidiaries in the future in the event they incur tax losses.

ING U.S., Inc. and its subsidiaries are parties to an intercompany tax sharing agreement that requires ING U.S., Inc. to pay its subsidiaries for the tax benefits of ordinary and capital losses as they are incurred, and in turn requires its subsidiaries to pay ING U.S., Inc. for the taxes payable on their ordinary income and capital gains.

Under the agreement, ING U.S., Inc. is required to make payments to most subsidiaries that have such tax losses even though their losses do not offset other subsidiaries ordinary income or capital gains. Accordingly, this tax sharing agreement can require ING U.S., Inc. to make cash payments to certain of its subsidiaries that exceed the amount of cash payments received from other subsidiaries under the tax sharing agreement. For the year ended December 31, 2009, ING U.S., Inc. s payments made to its subsidiaries exceeded payments received from subsidiaries under the tax sharing agreement by the amount of $1.245 billion. For the two years ended December 31, 2010 and December 2011, payments received from subsidiaries exceeded ING U.S., Inc. s payments by the amounts of $487 million and $206 million, respectively.

The Company is considering amending this tax sharing agreement, to provide that such payment will be made to a subsidiary only in the event that the consolidated tax group actually uses the tax benefit of losses generated by the subsidiary, in order to balance the net cash flows received and paid by ING U.S., Inc. under the agreement. The approval of various state insurance regulators as well as agreements with certain providers of financing would be required for the Company to make this change. There can be no assurance that, if sought, any such regulatory approval or financing providers agreement would be obtained.

Our business may be negatively affected by adverse publicity or increased governmental and regulatory actions with respect to us, other well-known companies or the financial services industry in general.

Governmental scrutiny with respect to matters relating to compensation and other business practices in the financial services industry has increased dramatically in the past several years and has resulted in more aggressive and intense regulatory supervision and the application and enforcement of more stringent standards. The financial crisis and the current political and public sentiment regarding financial institutions has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators and elected officials. Press coverage and other public statements that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, could result in some type of inquiry or investigation by regulators, legislators and/or law enforcement officials or in lawsuits. Responding to these inquiries, investigations and lawsuits, regardless of the ultimate outcome of the proceeding, is time consuming and expensive and can divert the time and effort of our senior management from its business. Future legislation or regulation or governmental views on compensation may result in us altering compensation practices in ways that could adversely affect our ability to attract and retain talented employees. Adverse publicity, governmental scrutiny, pending or future investigations by regulators or law enforcement agencies and/or legal proceedings involving us or our affiliates, including ING Group, can also have a negative impact on our reputation and on the morale and performance of employees, and on business retention and new sales, which could adversely affect our businesses and results of operations.

Litigation may adversely affect our profitability and financial condition.

We are, and may be in the future, subject to legal actions in the ordinary course of insurance, investment management and other business operations. Some of these legal proceedings may be brought on behalf of a class. Plaintiffs may seek large or indeterminate amounts of damage, including compensatory, liquidated, treble and/or punitive damages. Our reserves for litigation may prove to be inadequate. It is possible that our results of operations or cash flow in a particular quarterly or annual period could be materially affected by an ultimate unfavorable resolution of pending litigation depending, in part, upon the results of operations or cash flow for such period. Given the large or indeterminate amounts sometimes sought, and the inherent unpredictability of litigation, it is also possible that in certain cases an ultimate unfavorable resolution of one or more pending litigation matters could have a material adverse effect on our financial condition.

A loss of, or significant change in, key product distribution relationships could materially affect sales.

We distribute certain products under agreements with affiliated distributors and other members of the financial services industry that are not affiliated with us. We compete with other financial institutions to attract and retain commercial relationships in each of these channels, and our success in competing for sales through these distribution intermediaries depends upon factors such as the amount of sales commissions and fees we pay, the breadth of our product offerings, the strength of our brand, our perceived stability and financial strength ratings, and the marketing and services we provide to, and the strength of the relationships we maintain with, individual distributors. An interruption or significant change in certain key relationships could materially affect our ability to market our products and could have a material adverse effect on our business, operating results and financial condition. Distributors may elect to alter, reduce or terminate their distribution relationships with us, including for such reasons as changes in our distribution strategy, adverse developments in our business, adverse rating agency actions or concerns about market-related risks. Alternatively, we may terminate one or more distribution agreements due to, for example, a loss of confidence in, or a change in control of, one of the distributors, which could reduce sales.

We are also at risk that key distribution partners may merge or change their business models in ways that affect how our products are sold, either in response to changing business priorities or as a result of shifts in regulatory supervision or potential changes in state and federal laws and regulations regarding standards of conduct applicable to distributors when providing investment advice to retail and other customers.

The occurrence of natural or man-made disasters may adversely affect our results of operations and financial condition.

We are exposed to various risks arising from natural disasters, including hurricanes, climate change, floods, earthquakes, tornadoes and pandemic disease, as well as man-made disasters, including acts of terrorism and military actions, which may adversely affect assets under management, results of operations and financial condition by causing, among other things:

- losses in our investment portfolio due to significant volatility in global financial markets or the failure of counterparties to perform;
- changes in the rate of mortality, claims, withdrawals, lapses and surrenders of existing policies and contracts, as well as sales of new policies and contracts; and
- disruption of our normal business operations due to catastrophic property damage, loss of life, or disruption of public and private infrastructure, including communications and financial services.

There can be no assurance that our business continuation and crisis management plan or insurance coverages would be effective in mitigating any negative effects on operations or profitability in the event of a disaster, nor can we provide assurance that the business continuation and crisis management plans of the independent distributors and outside vendors on whom we rely for certain services and products would be effective in mitigating any negative effects on the provision of such services and products in the event of a disaster.

Claims resulting from a catastrophic event could also materially harm the financial condition of our reinsurers, which would increase the probability of default on reinsurance recoveries. Our ability to write new business could also be adversely affected.

In addition, the jurisdictions in which our insurance subsidiaries are admitted to transact business require life insurers doing business within the jurisdiction to participate in guaranty associations, which raise funds to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. It is possible that a catastrophic event could require extraordinary assessments on our insurance companies, which may have a material adverse effect on our business, results of operations and financial condition.

The loss of key personnel could negatively affect our financial results and impair our ability to implement our business strategy.

Our success depends in large part on our ability to attract and retain key people. Intense competition exists for key employees with demonstrated ability, and we may be unable to hire or retain such employees. Due to their skills, knowledge of our business, their years of industry experience and the potential difficulty of promptly finding qualified replacement employees, the unexpected loss of services of one or more of our key personnel could have a material adverse effect on our operations. We also rely upon the knowledge and experience of employees involved in functions that require technical expertise in order to provide for sound operational controls for our overall enterprise, including the accurate and timely preparation of required regulatory filings and GAAP and statutory financial statements and operation of internal controls. A loss of such employees could adversely impact our ability to execute key operational functions and could adversely affect our operational controls, including internal controls over financial reporting.

Interruption or other operational failures in telecommunication, information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems, including as a result of human error, could harm our business.

We are highly dependent on automated and information technology systems to record and process our internal transactions and transactions involving our customers, as well as to calculate reserving requirements, investment asset valuations and certain other components of our GAAP and statutory financial statements. We could experience a failure of one of these systems, our employees or agents could fail to monitor and implement enhancements or other modifications to a system in a timely and effective manner, or our employees or agents could fail to complete all necessary data reconciliation or other conversion controls when implementing a new software system or implementing modifications to an existing system. Despite the implementation of security and back-up measures, our information technology systems may be vulnerable to physical or electronic intrusions, viruses or other attacks, programming errors and similar disruptions. We may also be subject to disruptions of any of these systems arising from events that are wholly or partially beyond our control (for example, natural disasters, acts of terrorism, epidemics, computer viruses and electrical/telecommunications outages). All of these risks are also applicable where we rely on outside vendors to provide services to us and our customers. The failure of any one of these systems for any reason, or errors made by our employees or agents, could in each case cause significant interruptions to our operations, which could harm our reputation, adversely affect our internal control over financial reporting, or have a material adverse effect on our business, results of operations and financial condition.

We retain confidential information in our information technology systems, and we rely on industry standard commercial technologies to maintain the security of those systems. Anyone who is able to circumvent our security measures and penetrate our information technology systems could access, view, misappropriate, alter, or delete information in the systems, including personally identifiable customer information and proprietary business information. Information security risks also exist with respect to the use of portable electronic devices, such as laptops, which are particularly vulnerable to loss and theft. In addition, an increasing number of jurisdictions require that customers be notified if a security breach results in the disclosure of personally identifiable customer information. Any compromise of the security of our information technology systems that results in inappropriate disclosure or use of personally identifiable customer information could damage our reputation in the marketplace, deter people from purchasing our products, subject us to heightened regulatory scrutiny or significant civil and criminal liability and require us to incur significant technical, legal and other expenses.

We may not be able to protect our intellectual property and may be subject to infringement claims.

We rely on a combination of contractual rights with third parties and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we endeavor to protect our rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our copyrights, trademarks, patents, trade secrets and know-how or to determine their scope, validity or enforceability. This would represent a diversion of resources that may be significant and our efforts may not prove successful. The inability to secure or protect our intellectual property assets could have a material adverse effect on our business and our ability to compete.

We may also be subject to claims by third parties for (i) patent, trademark or copyright infringement, (ii) breach of copyright, trademark or license usage rights, or (iii) misappropriation of trade secrets. Any such claims and any resulting litigation could result in significant expense and liability for damages. If we were found to have infringed or misappropriated a third-party patent or other intellectual property right, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets or licenses. Alternatively, we could be required to enter into costly licensing arrangements with third parties or implement a costly work around. Any of these scenarios could have a material adverse effect on our business and results of operations.

We may incur further liabilities in respect of our defined benefit retirement plans if the value of plan assets is not sufficient to cover potential obligations, including as a result of differences between results underlying actuarial assumptions and models.

The Company operates various defined benefit retirement plans covering a significant number of our employees. The liability recognized in our consolidated balance sheet in respect of our defined benefit plans is the present value of the defined benefit obligations at the balance sheet date, less the fair value of each plan s assets, together with adjustments for unrecognized actuarial gains and losses and unrecognized past service costs. We determine our defined benefit plan obligations based on external actuarial models and calculations using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, consumer price index and the expected return on plan assets. These assumptions are updated annually based on available market data and the expected performance of plan assets. Nevertheless, the actuarial assumptions may differ significantly from actual results due to changes in market conditions, economic and mortality trends and other assumptions. Any changes in these assumptions could have a significant impact on our present and future liabilities to and costs associated with our defined benefit retirement plans and may result in increased expenses and reduce our profitability.

Although our retail variable annuity products are now managed within our Closed Block Variable Annuity segment, we continue to offer variable annuity products and other products with similar features in our core businesses.

Although our retail variable annuity products are now managed within our Closed Block Variable Annuity segment, we continue to offer variable annuity products in our core businesses, as well as products that have some of the features of variable annuities such as guaranteed benefits. For example, certain of the deferred annuities sold by our Retirement segment are on group and individual variable annuity policy forms, since these product types allow customers to allocate their retirement savings to a variety of different investment options. These products may contain guaranteed death benefit features, but they do not offer guaranteed living benefit features of the type found within the Closed Block Variable Annuity segment.

The Retirement segment has recently introduced an optional guaranteed retirement income portfolio (GRIP) feature that, if elected by an employee of one of our plan sponsor customers, provides guaranteed lifetime withdrawal benefits (GLWB) to such employees. The GLWB is offered through a multi-insurer model, whereby we and two unaffiliated insurers provide GLWB coverage to participating employees. In contrast to the retail guaranteed minimum withdrawal benefits for life (GMWBL) provisions formerly offered by the Closed Block Variable Annuity segment, the GLWB provisions within GRIP do not offer rollup benefits; furthermore, we reprice the GLWB amount purchased by contributions to the GRIP feature on a quarterly basis. In addition, the investment elections available to participating employees have substantially less flexibility than the elections offered to retail customers of the Closed Block Variable Annuity segment. We also have the right to cease accepting new contributions to the GRIP feature, subject to providing 180 days advance notice to the plan sponsor.

Our Annuities business also offers optional GLWB provisions on its indexed annuity products.

To the extent that these risk-control provisions do not mitigate the risks of the GLWB and to the extent that we continue to offer variable annuity products and products with similar features in our core businesses, the risks described below under Risks Related to our Closed Block Variable Annuity Segment will impact our core businesses.

Risks Related to our Closed Block Variable Annuity Segment

Although we no longer actively market retail variable annuities, our business, results of operations, financial condition and liquidity will continue to be affected by our Closed Block Variable Annuity segment for the foreseeable future.

Our Closed Block Variable Annuity segment consists of retail variable annuity insurance policies sold primarily from 2001 to early 2010, when the block entered run-off. This segment represented 19.0% of our total AUM as of March 31, 2012, and contributed segment operating losses before income taxes of $18.3 million, $324.8 million and $683.9 million in 2011, 2010 and 2009, respectively. See Business Closed Blocks Closed Block Variable Annuity. These products offered long-term savings vehicles in which customers (policyholders) made deposits that were invested, largely at the customer s direction, in a variety of U.S. and international equity, fixed income, real estate and other investment options. In addition, these products provided customers with the option to purchase living benefit riders, including GMWBL, guaranteed minimum income benefits (GMIB), guaranteed minimum accumulation benefits (GMAB) and guaranteed minimum withdrawal benefits without lifetime guarantees (GMWB). All retail variable annuity products include guaranteed minimum death benefits (GMDB). In 2009, we decided to cease sales of retail variable annuity products with substantial guarantee features. In early 2010, we ceased all new sales of these products, although we continue to accept new deposits in accordance with, and subject to the limitations of, the provisions of existing contracts.

Because policyholders have various contractual rights to defer withdrawals, annuitization and/or maturity of their contracts, the nature of contractual maturity, and the period over which maturity can take place, is subject to policyholder behavior and is therefore indeterminate. As a result, although we no longer actively market retail variable annuities, our overall business is likely to be materially impacted by this segment for the foreseeable future. In particular, any of the risks described below could result in a material adverse impact to our results of operations, financial condition and liquidity.

Our Closed Block Variable Annuity segment is subject to market risks.

Our Closed Block Variable Annuity segment is subject to a number of market risks, primarily associated with U.S. and other global equity market values and interest rates. For example, declining equity market values, increasing equity market volatility and declining interest rates can result in an increase in the valuation of future policy benefits, reducing our net income. Declining market values for bonds and equities also reduce the account balances of our variable annuity contracts, and since we collect fees and risk charges based on these account balances, our net income may be further reduced.

Declining interest rates, increased equity market volatility and declining equity market values may also subject us to increased hedging costs. Market events can cause an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for variable annuity guarantees, lowering their statutory surplus, which would adversely impact their ability to pay dividends to us. See Risks Related to the Notes below.

The performance of our Closed Block Variable Annuity segment depends on assumptions that may not be accurate.

Our Closed Block Variable Annuity segment is subject to risks associated with the future behavior of policyholders and future claims payment patterns, using assumptions for mortality experience, lapse rates, GMIB annuitization rates, and GMWB/GMWBL withdrawal rates. We are required to make assumptions about these behaviors and patterns, which may not reflect the actual behaviors and patterns we experience in the future.

In particular, we have only minimal experience on policyholder behavior for our GMIB and GMWBL products; as a result, future experience could lead to significant changes in our assumptions. Most of our GMIB contracts were issued in 2004 to 2006 and have a ten year waiting period before annuitization is available for policyholders and incentives exist for some policyholders to delay beyond ten years. As a result, with respect to the experience used to set annuitization rates, we have only a statistically small sample of experience to date. We do not expect observable experience data to be statistically credible until later this decade, when a large volume of GMIB begins to reach its maximum benefit over a four-year period from 2019-2022, and customers determine whether to elect to annuitize. Similarly, most of our GMWBL contracts are still in the first three to five policy years, so our assumptions for withdrawal from contracts with GMWBL benefits may change as experience emerges over the next five to seven years. We expect customer decisions on annuitization and withdrawal will be influenced by customers existing financial plans and needs as well as by interest rate and market conditions over time and by the availability of competing products and their features. If emerging experience deviates from our assumptions, we could experience losses, significant reserve strengthening requirements and increased capital requirements.

We also make estimates of expected lapse of these products, which is the probability that a policy will not remain in force from one period to the next. Lapse rate of our annuity products may be significantly impacted by the value of guaranteed minimum benefits relative to the value of the underlying separate accounts (account value or account balance). In general, policies with guarantees that are in the money (i.e., where the notional benefit amount is in excess of the account value) are assumed to be less likely to lapse. Conversely, out of the money guarantees are assumed to be more likely to lapse as the policyholder has less incentive to retain the policy. Lapse rates could also be adversely affected generally by developments that affect customer perception of us.

We make estimates of expected election rates of living benefits for these products and of the rate of election of certain optional benefits that may be exercised. The profitability of our deferred annuity products depends upon actual contract owner decisions to elect or delay the utilization of such benefits. The development of a secondary market for third-party investor strategies in the annuities business could also adversely affect the profitability of existing business by reducing lapse rates of in-the-money contracts in excess of current expectations or by causing living benefits to be elected at points in time that are more unfavorable than our current expectations. Actual lapse rates that are lower than our lapse rates assumptions could have an adverse effect on profitability in the later years of a block of business because the anticipated claims experience may be higher than expected in these later years. If actual lapse rates are significantly different from that assumed in our current reserving assumptions, our reserves for future policy benefits may prove to be inadequate.

Our variable annuity lapse rate experience has varied significantly over the period from 2006 to the present, reflecting among other factors, both pre- and post-financial crisis experience. During the early years of this period, our variable annuity policyholder lapse rate experience was higher than our current best estimate of policyholder lapse behavior would have indicated; in the later part of this period, after mid-2009, it was lower. Management s current best estimate of variable annuity policyholder lapse behavior incorporates a blend of our actual experience over that entire period, as we believe that over the duration of the Closed Block Variable Annuity policies, we will experience the full range of policyholder behavior and market conditions. If our future experience over time, however, were to approximate our lapse experience from later in the period, we would likely need to increase reserves by an amount that could be material. Any such increase to reserves could require us to make material additional capital contributions to one or more of our insurance company subsidiaries or otherwise be material and adverse to the results of operations or financial condition of the Company.

We review policyholder experience annually, or more frequently if necessary. As customer experience continues to materialize, we may adjust our assumptions. The potential magnitude of any required changes may be material. For example, in late 2011, we refined our policyholder behavior assumptions to more closely align with recent experience, resulting in a strengthening of GAAP reserves by $741 million in the fourth quarter of 2011. It is possible that future assumption changes could produce reserve changes of this magnitude or even greater.

Our Closed Block Variable Annuity hedging program currently focuses on the protection of regulatory capital and less on the GAAP earnings impact of this block, which could result in materially lower or more volatile GAAP earnings.

Our Closed Block Variable Annuity hedging program currently focuses on the protection of regulatory capital and less on the GAAP earnings impact of this block. GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures. Therefore our Closed Block Variable Annuity hedge program may create earnings volatility in our GAAP financial statements, or produce lower GAAP income or even GAAP losses compared to what our unhedged results would have been. In general, in any given period rising equity market values can produce losses in our Closed Block Variable Annuity hedging program that substantially exceed the benefit we derive from the associated decrease in valuation of the future policy benefits associated with Closed Block Variable Annuity products on a GAAP basis, and the impact of declining or neutral equity markets to future policy benefits can largely offset any gains produced by our Closed Block Variable Annuity hedging program. In this connection, we recorded GAAP net gains (losses) related to guaranteed benefit hedging in our Closed Block Variable Annuity hedging program of ($899.5) million and $(80.7) million in the three months ended March 31, 2012 and 2011, respectively, and ($631.7) million, $22.2 million and $(977.2) million in the years ended December 31, 2011, 2010 and 2009, respectively. See Management s Discussion and Analysis of Results of Operations and Financial Condition Results of Operations Company Consolidated.

Our Closed Block Variable Annuity hedging program may not be effective and may be more costly than anticipated.

We periodically re-evaluate our Closed Block Variable Annuity hedging program to respond to changing market conditions and balance the trade-offs among several important factors, including regulatory capital, rating agency capital, underlying economics, earnings and other factors. While our Closed Block Variable Annuity hedging program is intended to balance numerous critical metrics, we are subject to the risk that our strategies and other management decisions may prove ineffective or that unexpected policyholder behavior, alone or in combination with unfavorable market events, may produce losses or unanticipated cash needs beyond the scope of the risk management strategies employed. In addition, our Closed Block Variable Annuity hedging program does not hedge certain non-market risks inherent in this segment, including business, credit, insurance and operational risks; any of these risks could cause us to experience unanticipated losses or cash needs. For example, hedging counterparties may fail to perform their obligations resulting in unhedged exposures and losses on positions that are not collateralized. Finally, the cost of the Closed Block Variable Annuity hedging program itself may be greater than anticipated as adverse market conditions can limit the availability and increase the costs of the hedging instruments we employ, and such costs may not be recovered in the pricing of the underlying products being hedged. For example, the cost of hedging guaranteed minimum benefits increases as market volatilities increase and/or interest rates decrease, resulting in a reduction to net income.

Risks Related to Regulation

Our businesses are heavily regulated and changes in regulation may reduce our profitability.

We are subject to detailed insurance, asset management and other financial services laws and government regulation. In addition to the insurance, asset management and other regulations and laws specific to the industries in which we operate, regulatory agencies have broad administrative power over many aspects of our business, which may include ethical issues, money laundering, privacy, record keeping and marketing and sales practices. Also, bank regulators and other supervisory authorities in the United States and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. The financial market dislocations we have experienced have produced, and are expected to continue to produce, extensive changes in existing laws and regulations applicable to our businesses.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in laws and regulations may materially increase the cost of compliance and other expenses of doing business. There are a number of risks that may arise where applicable regulations may be unclear, subject to multiple interpretations or under development or where regulations may conflict with one another, where regulators revise their previous guidance or courts overturn previous rulings, which could result in our failure to meet applicable standards. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in suspension or revocation of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our results of operations and financial condition. If we fail to address, or appear to fail to address, appropriately any of these matters, our reputation could be harmed and we could be subject to additional legal risk, which could increase the size and number of claims and damages asserted against us or subject us to enforcement actions, fines and penalties. See Regulation for further discussion of the impact of regulations on our businesses.

Our insurance businesses are heavily regulated, and changes in regulation in the United States and regulatory investigations may reduce profitability.

Our insurance operations are subject to comprehensive regulation and supervision throughout the United States. State insurance laws regulate most aspects of our insurance businesses, and our insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled and the states in which they are licensed. The primary purpose of state regulation is to protect policyholders, and not necessarily to protect creditors and investors. See Regulation Insurance Regulation.

State insurance guaranty associations have the right to assess insurance companies doing business in their state in order to help pay the obligations of insolvent insurance companies to policyholders and claimants. Because the amount and timing of an assessment is beyond our control, liabilities we have currently established for these potential liabilities may not be adequate.

State insurance regulators and the NAIC regularly reexamine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and could materially and adversely affect our business, results of operations or financial condition.

Insurance regulators have begun to implement significant changes in the way in which insurers must determine statutory reserves and capital, particularly for products with contractual guarantees such as variable annuities and universal life policies, and are considering further potentially significant changes in these requirements. The NAIC is currently working on comprehensive reforms related to life insurance reserves and the accounting for such reserves. The timing and extent of further changes to statutory reserves and reporting requirements are uncertain.

In addition, state insurance regulators are becoming more active in adopting and enforcing suitability standards with respect to sales of fixed, indexed and variable annuities. In particular, the NAIC has adopted a revised Suitability in Annuity Transactions Model Regulation (SAT), which will, if enacted by the states, place new responsibilities upon issuing insurance companies with respect to the suitability of annuity sales, including responsibilities for training agents. Several states have already enacted laws based on the SAT.

In addition to the foregoing risks, the financial services industry is the focus of increased regulatory scrutiny as various state and federal governmental agencies and self-regulatory organizations conduct inquiries and investigations into the products and practices of the financial services industries. Refer to Note 10, *Commitments and Contingencies*, to our Condensed Consolidated Financial Statements for the three months ended March 31, 2012 for a description of certain regulatory inquiries affecting the Company. It is possible that future regulatory inquiries or investigations involving the insurance industry generally, or the Company specifically, could materially and adversely affect our business, results of operations or financial condition.

In some cases, this regulatory scrutiny has led to legislation and regulation, or proposed legislation and regulation, that could significantly affect the financial services industry, or has resulted in regulatory penalties, settlements and litigation. New laws, regulations and other regulatory actions aimed at the business practices under scrutiny could materially and adversely affect our business, results of operations or financial condition. The adoption of new laws and regulations, enforcement actions, or litigation, whether or not involving us, could influence the manner in which we distribute our products, result in negative coverage of the industry by the media, cause significant harm to our reputation and materially and adversely affect our business, results of operations or financial condition.

Our products are subject to extensive regulation and failure to meet any of the complex product requirements may reduce profitability.

Our insurance, annuity, retirement and investment products are subject to a complex and extensive array of state and federal tax, securities, insurance and employee benefit plan laws and regulations, which are administered and enforced by a number of different governmental and self-regulatory authorities, including state insurance regulators, state securities administrators, the SEC, the Financial Industry Regulatory Authority (FINRA), the Department of Labor (DOL) and the IRS.

For example, U.S. federal income tax law imposes requirements relating to insurance and annuity product design, administration and investments that are conditions for beneficial tax treatment of such products under the Internal Revenue Code. Additionally, state and federal securities and insurance laws impose requirements relating to insurance and annuity product design, offering and distribution and administration. Failure to administer product features in accordance with contract provisions or applicable law, or to meet any of these complex tax, securities, or insurance requirements could subject us to administrative penalties imposed by a particular governmental or self-regulatory authority, unanticipated costs associated with remedying such failure or other claims, harm to our reputation, interruption of our operations or adversely impact profitability.

The Dodd-Frank Act, its implementing regulations and other financial regulatory reform initiatives could have adverse consequences for the financial services industry, including us and/or materially affect our results of operations, financial condition or liquidity.

On July 21, 2010, the Dodd-Frank Act was signed into law. It effects comprehensive changes to the regulation of financial services in the United States. The Dodd-Frank Act directs existing and newly-created government agencies and bodies to perform studies and promulgate a multitude of regulations implementing the law, a process that is underway and is expected to continue over the next few years. While some studies have already been completed and the rule-making process has begun, there continues to be significant uncertainty regarding the results of ongoing studies and the ultimate requirements of regulations that have not yet been adopted. We cannot predict with certainty how the Dodd-Frank Act and such regulations will affect the financial markets generally, or impact our business, ratings, results of operations, financial condition or liquidity. Key aspects we have identified to date of the Dodd-Frank Act s potential impact on us include:

If designated by the Financial Stability Oversight Council (FSOC) as a nonbank financial company subject to supervision by the Board of Governors of the Federal Reserve System (Federal Reserve), we would become subject to a comprehensive system of prudential regulation, including, among other matters, minimum capital requirements, liquidity standards, credit exposure requirements, overall risk management requirements, management interlock prohibitions, a requirement to maintain a plan for rapid and orderly dissolution in the event of severe financial distress, stress testing, additional fees and assessments and restrictions on proprietary trading and certain investments. The exact scope and consequences of these standards are subject to ongoing rulemaking activity by various federal banking regulators and therefore are currently unclear. However, this comprehensive system of prudential regulation, if applied to us, would significantly impact the manner in which we operate and could materially and adversely impact the profitability of one or more of our business lines or the level of capital required to support our activities. In designating non-bank financial companies for heightened prudential regulation by the Federal Reserve, the FSOC considers, among other matters, their size and potential impact on the financial stability of the United States. So long as the Company continues to be controlled by ING Group, the FSOC may consider the Company together with ING Group s other operations in the United States for purposes of making this determination. Therefore, while we believe it is unlikely that the Company, either on a standalone basis or together with ING Group s other operations in the United States, will ultimately receive this designation, there is a greater likelihood of such a designation being made for so long as we are controlled by ING Group.

Title II of the Dodd-Frank Act provides that a financial company, such as us, may be subject to a special orderly liquidation process outside the federal bankruptcy code, administered by the Federal Deposit Insurance Corporation as receiver, upon a determination that it is in default or in danger of default and presents a systemic risk to U.S. financial stability. We cannot predict how rating agencies, or creditors of us or our subsidiaries, will evaluate this potential or whether it will impact our financing or hedging costs.

Title VII of the Dodd-Frank Act creates a new framework for regulation of the over-the-counter (OTC) derivatives markets. New margin and capital requirements on market participants contained in final regulations to be adopted by the SEC and the U.S. Commodity Futures Trading Commission (CFTC) could substantially increase the cost of hedging and related operations, affect the profitability of our products or their attractiveness to our customers, or cause us to alter our hedging strategy or change the composition of the risks we do not hedge.

Pursuant to requirements of the Dodd-Frank Act, the SEC and CFTC are currently considering whether stable value contracts should be regulated as swaps . In the event that stable value contracts become subject to such regulation, certain aspects of our business could be adversely impacted, including issuance of stable value contracts and management of assets pursuant to stable value mandates.

The Dodd-Frank Act establishes a Federal Insurance Office within the United States Department of the Treasury (Treasury Department) to be headed by a director appointed by the Secretary of the Treasury. While not having a general supervisory or regulatory authority over the business of insurance, the director of this office would perform various functions with respect to insurance, including participating in the FSOC s decisions regarding insurers to be designated for stricter regulation by the FRB. The Federal Insurance Office may recommend enhanced regulations to the states.

The Dodd-Frank Act also includes various securities law reforms that may affect our business practices. See Changes in U.S. federal and state securities laws and regulations may affect out operations and profitability below.

The Dodd-Frank Act could result in various ex-post assessments being imposed on us, the costs of which we are unable to estimate at this time.

Although the full impact of the Dodd-Frank Act cannot be determined until the various studies mandated by the law are conducted and implementing regulations are adopted, many of the legislation s requirements could have profound and/or adverse consequences for the financial services industry, including for us. The Dodd-Frank Act could make it more expensive for us to conduct business, require us to make changes to our business model or satisfy increased capital requirements, subject us to greater regulatory scrutiny or to potential increases in whistleblower claims in light of the increased awards available to whistleblowers under the Act and have a material adverse effect on our results of operations or financial condition.

See Regulation for further discussion of the impact of the Dodd-Frank Act on our businesses.

In addition to the Dodd-Frank Act, regulators and lawmakers in non-U.S. jurisdictions are engaged in addressing the causes of the financial crisis and means of avoiding such crises in the future. Although currently we are not directly subject to non-U.S. regulation, we may be significantly affected by foreign regulatory actions, including due to our being under control of ING Group. We are unable to predict how any such regulations could affect the way ING Group conducts its business and manages capital, or to what extent any resulting changes in the way ING Group conducts its business or manages capital could affect our business, our relationship with ING Group or our results of operations, financial condition and liquidity. For a further discussion of foreign regulation and its potential effect on us while we are controlled by ING Group, including the impact of the Solvency II Directive, see Regulation Certain International and National Regulatory Initiatives that May Affect Us as a Consequence of our Affiliation with ING Group.

Changes in U.S. federal and state securities laws and regulations may affect our operations and our profitability.

U.S. federal and state securities laws apply to our sales of mutual funds and to our variable annuity and variable life insurance products (which are considered to be both insurance products and securities). As a result, some of our subsidiaries and the products they offer are subject to regulation under these federal and state securities laws. Our insurance subsidiaries separate accounts are registered as investment companies under the Investment Company Act of 1940. Some variable annuity contracts and variable life insurance policies issued by our insurance subsidiaries also are registered under the Securities Act. Other subsidiaries are registered as broker-dealers under the Exchange Act, are members of, and subject to, regulation by FINRA, and are also registered as broker-dealers in various states, as applicable. In addition, some of our subsidiaries are registered as investment advisers under the Investment Advisers Act of 1940.

Securities laws and regulations are primarily intended to ensure the integrity of the financial markets and to protect investors in the securities markets or investment advisory or brokerage clients. These laws and regulations generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the conduct of business for failure to comply with those laws and regulations. A number of changes have recently been proposed to the laws and regulations that govern the conduct of our variable insurance products business and our distributors that could have a material adverse effect on our results of operations and financial condition. For example, the Dodd-Frank Act authorizes the SEC to establish a standard of conduct applicable to brokers and dealers when providing personalized investment advice to retail customers. This standard of conduct would be to act in the best interest of the customer without regard to the financial or other interest of the broker or dealer providing the advice. Further, proposals have been made that the SEC establish a self-regulatory organization with respect to registered investment advisers, which could increase the level of regulatory oversight over them. Changes to these laws or regulations that restrict the conduct of our business could have an adverse effect on our results of operations and financial condition.

Changes to regulations under the Employee Retirement Income Security Act of 1974 (ERISA) could adversely affect our distribution model by restricting our ability to provide customers with advice.

The prohibited transaction rules of ERISA and the Internal Revenue Code generally restrict the provision of investment advice to ERISA plans and participants and IRAs if the investment recommendation results in fees paid to the individual advisor, his or her firm or their affiliates that vary according to the investment recommendation chosen. In March 2010, the DOL issued proposed regulations which provide limited relief from these investment advice restrictions. The DOL issued final rules in October of 2011 and did not provide additional relief regarding these restrictions. As a result, the ability of our investment advisory subsidiaries and their advisory representatives to provide investment advice to ERISA plans and participants, and with respect to IRAs, will likely be significantly restricted. Also, the fee and revenue arrangements of certain advisory programs may be required to be revenue neutral, resulting in potential lost revenues for these investment advisers and their affiliates.

Other proposed regulatory initiatives under ERISA may negatively impact our broker-dealer subsidiaries. In particular, the DOL issued a proposed regulation in October 2010 that would, if adopted as proposed, significantly broaden the circumstances under which a person or entity providing investment advice with respect to ERISA plans or IRAs would be deemed a fiduciary under ERISA or the Internal Revenue Code. Although the DOL has withdrawn this proposal, it has indicated its intent to re-propose the regulation in a modified form. If adopted, the proposed regulations may make it easier for the DOL in enforcement actions, and for plaintiffs attorneys in ERISA litigation, to attempt to extend fiduciary status to advisors who would not be deemed fiduciaries under current regulations.

In addition, the DOL has issued a number of regulations recently, and may issue additional similar regulations, that increase the level of disclosure that must be provided to plan sponsors and participants. These ERISA disclosure requirements will likely increase the regulatory and compliance burden upon us, resulting in increased costs.

Changes in U.S. pension laws and regulations may affect our results of operations and our profitability.

Congress from time to time considers pension reform legislation that could decrease the attractiveness of certain of our retirement products and services to retirement plan sponsors and administrators or have an unfavorable effect on our ability to earn revenues from these products and services. In this regard, the Pension Protection Act of 2006 (PPA) made significant changes in employer pension funding obligations associated with defined benefit pension plans that are likely to increase sponsors costs of maintaining these plans and imposed certain requirements on defined contribution plans. Over time, these changes could negatively impact our sales of defined benefit or defined contribution plan products and services and cause sponsors to discontinue existing plans for which we provide insurance, asset management, administrative, or other services. Certain tax-favored savings initiatives that have been proposed could hinder sales and persistency of our products and services that support employment based retirement plans.

The Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 also includes certain provisions for defined benefit pension plan funding relief. These provisions may impact the likelihood of corporate plan sponsors terminating their plans and/or engaging in transactions to partially or fully transfer pension obligations to an insurance company. As part of our retirement services segment, we offer general account and separate account group annuity products that enable a plan sponsor to transfer these risks, often in connection with the termination of defined benefit pension plans. Consequently, this legislation could indirectly affect the mix of our business, with fewer closeouts and more non-guaranteed funding products, and adversely impact our results of operations.

We may not be able to mitigate the reserve strain associated with Regulation XXX and Actuarial Guideline 38, potentially resulting in a negative impact on our capital position or in a need to increase prices and/or reduce sales of term or universal life products.

The Model Regulation entitled Valuation of Life Insurance Policies, commonly known as Regulation XXX or XXX, requires insurers to establish additional statutory reserves for term life insurance policies with long-term premium guarantees and universal life policies with secondary guarantees. In addition, Actuarial Guideline 38 (AG38) clarifies the application of XXX with respect to certain universal life insurance policies with secondary guarantees. Many of our newly issued term insurance products and an increasing number of our universal life insurance products are affected by XXX and AG38, respectively. The application of both AG38 and XXX involves numerous interpretations. At times, there may be differences of opinion between management and state insurance departments regarding the application of these and other actuarial standards. Such differences of opinion may lead to a state insurance regulator requiring greater reserves to support insurance liabilities than management estimated.

We have implemented reinsurance and capital management actions to mitigate the capital impact of XXX and AG38, including the use of letters of credit and the implementation of other transactions that provide acceptable collateral to support the reinsurance provided by captive reinsurance subsidiaries. Rating agencies may require a portion of these letters of credit or other collateral to be included in our leverage calculations, which would pressure our leverage ratios and potentially our ratings. We cannot provide assurance that there will not be regulatory or rating agency challenges to the reinsurance and capital management actions we have taken to date or that acceptable collateral obtained through such transactions will continue to be available or available on a cost effective basis. The result of those potential challenges or inability to obtain acceptable collateral could require us to increase statutory reserves, incur higher operating and/or tax costs or reduce sales.

We also cannot provide assurance that we will be able to continue to implement actions to mitigate the impact of XXX and AG38 on future sales of term and universal life insurance products. If we are unable to continue to implement those actions, we may be required to increase statutory reserves or incur higher operating costs than we currently anticipate. Because term and universal life insurance are particularly price-sensitive products, any increase in premiums charged on these products in order to compensate us for the increased statutory reserve requirements or higher costs of reinsurance may result in a significant loss of volume and materially and adversely affect our life insurance business.

Changes in tax laws could increase our tax costs or make our insurance, annuity and investment products less attractive to customers.

Changes in tax laws could increase our taxes and our effective tax rates. For example, the Obama Administration has proposed modifying the dividends received deduction for life insurance company separate accounts, and such a modification could significantly reduce the dividends received deduction that we are able to claim for dividends received in separate accounts. We have also entered into agreements with the IRS to resolve issues related to tax accounting matters, such as hedge gains and losses and other than temporary impairment losses, which agreements may be superseded by future regulations or public guidance that increases our taxes and our effective tax rates. Further, changes in tax rates could affect the amount of our deferred tax assets and deferred tax liabilities.

Changes in tax laws could make some of our insurance, annuity and investment products less attractive to customers. Current U.S. federal income tax law permits tax-deferred accumulation of income earned under life insurance and annuity products, and permits exclusion from taxation of death benefits paid under life insurance contracts. Changes in tax laws that restrict these tax benefits could make some of our products less attractive to customers. Reductions in individual income tax rates or estate tax rates could also make some of our products less advantageous to customers.

Risks Related to Our Proposed Separation from, and Continuing Relationship With, ING Group

Our continuing relationship with ING Group, our ultimate parent, and ING Bank, our affiliate, may affect our ability to operate and finance our business as we deem appropriate and changes with respect to ING Group could negatively impact us.

ING Group currently owns all of our outstanding common stock. Even following any Divestment Transaction, it is likely that ING Group will continue to own a significant percentage of our common stock and that we will continue to be a consolidated subsidiary of ING Group for purposes of its financial reporting. Circumstances affecting ING Group, and ING Bank, our affiliate, may have an impact on us and we cannot be certain how further changes in circumstances affecting ING Group or ING Bank may impact us.

In November 2008, the Dutch State purchased non-voting core Tier 1 securities from ING Group for a total consideration of 10 billion and in the first quarter of 2009 ING Group entered into an Illiquid Asset Back-up Facility with the Dutch State (the Dutch State Transactions). In connection with the Dutch State Transactions, ING Group accepted certain restrictions regarding the compensation of certain of its senior management positions. In addition, the Dutch State was granted the right to nominate two candidates for appointment to ING Group s Supervisory Board and the Dutch State s nominees have veto rights over certain material transactions, including the issuance or repurchase by ING Group of its shares.

In 2009, ING Group was required to submit a Restructuring Plan to the EC to obtain EC approval for the Dutch State Transactions under the EC state aid rules. On October 26, 2009, ING Group announced its

Restructuring Plan, pursuant to which ING Group is required to divest by the end of 2013 all of its insurance and investment management businesses, including the Company.

ING Group has announced that the base case for divesting the Company is an initial public offering of ING U.S., Inc. common stock, in which ING Group anticipates selling a portion of its ownership interest in the Company and thereafter divesting its remaining ownership interest over time. The Company is actively engaged in numerous projects across the enterprise to become ready for an initial public offering. While the base case is an initial public offering, it is possible that ING Group s divestment of the Company may take place by means of a sale, to a single buyer or group of buyers. In case the divestment is not completed before the mandated deadline, the EC may require additional restructuring measures or take enforcement action against ING Group, or, at the request of ING Group, could allow ING Group more time to complete the divestment.

There is continuing legal action taking place involving the EC and ING Group concerning the Restructuring Plan, as described under Regulation Dutch State Transactions and Restructuring Plan. In the event ING Group, after any court ruling or is otherwise no longer required, or is allowed more time, to direct its U.S. insurance and investment management businesses, ING Group may retain an interest in the Company or significantly delay any divestiture which could result in conflicts between the interests of ING Group and the interests of other holders of our securities, including the notes.

We cannot accurately predict whether any restrictions and limitations imposed on ING Group on account of the Dutch State Transactions, or the implementation of the Restructuring Plan (or any amendment thereof), will have a negative effect on our businesses and financial flexibility or result in conflicts between the interests of ING Group and our interests. In addition, it is difficult for us to predict whether any changes to, or termination of, the Dutch State Transactions could occur as a result of the Restructuring Plan (or any amendment thereof) and any effect on our business that would result. We also note that we cannot predict the possible effect of ING Group having a remaining ownership interest in the Company and its subsidiaries beyond 2013, or any other deadline agreed upon with the EC.

Our strategy may be modified in a manner that is adverse to holders of the notes in the event that the Divestment Transaction is not consummated as currently anticipated.

As discussed in Summary Anticipated Separation from ING Group, the base case for consummation of a Divestment Transaction is an initial public offering of ING U.S., Inc., in which ING Group anticipates selling a portion of its ownership interest in the Company and thereafter divesting its remaining ownership stake over time, but all options remain open. In the event that the Divestment Transaction takes place by means of a sale to a single buyer of all of, or a controlling stake in, the Company, or is not completed, our business strategy, capital structure, management or other matters discussed in this offering memorandum may be materially modified, either to adjust to ownership by a new owner or controlling stockholder or to reflect longer-term ownership by ING Group. It is possible that any such changes would be material and adverse to holders of the notes. For example, a change in our capitalization could, if perceived by investors as negatively affecting the creditworthiness of the Company, adversely affect the market price of the notes.

Our proposed divestment from ING Group could adversely affect our business and profitability due to ING Group s strong brand and reputation.

We have been, and prior to the completion of any Divestment Transaction we will continue to be, a wholly owned subsidiary of ING Group. We have historically marketed our products and services using the ING brand name and logo. We believe the association with ING Group has provided us with preferred status among our customers, vendors and other persons due to ING Group s globally recognized brand, perceived high quality products and services and strong capital base and financial strength.

To the extent that any Divestment Transaction affects our ability to use ING Group brand names, trademarks, logos or other branding, it could adversely affect our ability to attract and retain customers, which could result in reduced sales of our products. After any separation from ING Group, some of our existing policyholders, contract owners and other customers may choose to stop doing business with us, which could increase the rate of surrenders and withdrawals in our policies and contracts. In addition, other potential policyholders and contract owners may decide not to purchase our products if we no longer will be a part of ING Group.

Any separation from ING Group could also prompt some third parties to re-price, modify or terminate their distribution or vendor relationships with us. Our ability to attract and retain highly qualified independent sales intermediaries and dedicated sales specialists for our products may also be affected. We may be required to lower the prices of our products, increase our sales commissions and fees, change long-term selling and marketing agreements and take other action to maintain our relationship with our sales intermediaries and distribution partners, all of which could have an adverse effect on our results of operations and financial condition.

Further, following the consummation of any Divestment Transaction, certain services previously provided to us by ING Group may have to be performed by third-party providers or us. We may have to obtain these services from third parties or hire additional personnel to perform these services. In addition, we may fail to identify and transition some services in an orderly manner, fail to perform such services internally or fail to procure third parties to perform services previously provided by ING Group.

The terms of our arrangements with ING Group may be more favorable than we will be able to obtain from an unaffiliated third party. We may be unable to replace the services ING Group provides us in a timely manner or on comparable terms.

We have, and after any Divestment Transaction expect to continue to have, contractual arrangements that require ING Group and its affiliates to provide certain services to us. There is no assurance that, following any Divestment Transaction, these services will be sustained at the same levels as they were when we were receiving such services from ING Group or that we will obtain the same benefits. We may not be able to replace services and arrangements in a timely manner or on terms and conditions, including cost, as favorable as those we have received from ING Group. Our agreements with ING Group and its affiliates have been entered into in the context of a parent-wholly owned subsidiary relationship, and we may have to pay higher prices for similar services from ING Group or unaffiliated third parties in the future.

If we become a public company, we expect to expend additional time and resources to comply with rules and regulations that do not currently apply to us.

If, as a result of a Divestment Transaction, we become a public company, the various rules and regulations of the SEC, as well as the rules of the exchange on which we list, will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements. Compliance with these public company obligations will increase our legal and financial compliance costs and could place additional demands on our finance and accounting staff and on our financial, accounting and information systems.

In particular, as a public company, our management will be required to conduct an annual evaluation of our internal controls over financial reporting and include a report of management on our internal controls in our annual reports on Form 10-K. In addition, we will be required to have our independent auditors attest to the effectiveness of our internal controls over financial reporting pursuant to Auditing Standard No. 5. If we are unable to conclude that we have effective internal controls over financial reporting, or if our registered public accounting firm is unable to provide us with an attestation and an unqualified report as to the effectiveness of our internal controls over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the market price of the notes.

Our historical consolidated financial data are not necessarily representative of the results we would achieve as a stand-alone company and may not be a reliable indicator of our future results.

Our historical consolidated financial data included in this offering memorandum do not reflect the results of operations, financial condition or liquidity we would have achieved as a stand-alone company during the periods presented and, accordingly, may not be indicative of our financial performance following any Divestment Transaction. For example, our historical consolidated financial data do not reflect:

- that costs of certain corporate services provided by our parent may not reflect costs to replace those services in the future;

- we historically operated against a background of both implicit and explicit parental capital support which provided a cushion against unexpected events, that as a stand-alone company we may be required to maintain higher levels of working capital and lower levels of leverage with a lower proportion of short term financing, because we would no longer have a parent that could provide capital support;

- significant increases that may occur in our cost structure as a result of any IPO, including costs related to public company reporting, investor relations and compliance with the Sarbanes-Oxley Act of 2002;

- any adverse effect on separation from ING Group may have on our relationships with customers, distributors, employees, regulators and other business relationships, which could result in the loss of preferred pricing available by virtue of our relationship with ING Group, reduced sales, increased policyholder terminations and withdrawals, increased regulatory scrutiny and disruption to our business operations; and

- the effect that any change of control created by a Divestment Transaction would have under third-party contracts.

Our financial condition and future results of operations after any Divestment Transaction may be materially different from amounts reflected in our consolidated financial statements. Any such transaction may make it difficult for investors to compare our future results to historical results or to evaluate our relative performance or trends in our business.

MANAGEMENT S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements included elsewhere in this offering memorandum. In addition to historical data, this discussion contains forward-looking statements about our business, operations and financial performance based on current expectations that involve risks, uncertainties and assumptions. Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors. Refer to Note Regarding Forward-Looking Statements included elsewhere in this offering memorandum.

Overview

We provide our principal products and services in three core businesses, Retirement Solutions, Investment Management and Insurance Solutions, and report our results for the core businesses through five segments.

The Retirement Solutions business provides its products and services through two segments: Retirement and Annuities:

Our Retirement segment provides tax deferred, employer-sponsored retirement savings plans and administrative services in corporate, health, education and government markets through our Institutional Retirement Plans division. Our Retirement segment also provides comprehensive financial advisory services to individual customers, including rollover IRAs and other retail financial products through our Individual Markets division. Our retirement products and services are distributed through multiple intermediary channels, including third-party administrators, independent and national wirehouse affiliated brokers and registered investment advisors, in addition to independent sales agents and consulting firms. We also have a direct sales team for large defined contribution plans and stable value business, as well as a team of affiliated brokers who sell our products both in person and via telephone.

Our Annuities segment provides fixed, indexed and payout annuities and custodial mutual funds for pre-retirement wealth accumulation and post-retirement income management. Annuity products are primarily distributed by independent marketing organizations, independent broker-dealers, banks, independent insurance agents, pension professionals and affiliated broker-dealers.

The Investment Management business provides its products and services through a single segment, also called Investment Management:

Our Investment Management business provides investment products and retirement solutions to both individual and institutional customers by offering domestic and international fixed income, equity, multi-asset and alternative products and solutions across a range of asset classes, geographies, market sectors, investment styles and capitalization spectrums. Investment Management products and services are primarily marketed to institutional clients, including public, corporate and union retirement plans, endowments and foundations and insurance companies, as well as individual investors and the general accounts of our insurance company subsidiaries. Investment Management products and services are distributed through a combination of our direct sales force, consultant channel and intermediary partners (such as banks, broker-dealers and independent financial advisers).

The Insurance Solutions business provides its products and services through two segments: Individual Life and Employee Benefits:

Our Individual Life segment provides wealth protection and transfer opportunities through universal, variable and term life products. Our customers range across a variety of age groups and income levels. We distribute our product offering through three main channels: our independent sales channel, our strategic distribution channel and our specialty markets channel. Our independent sales channel consists of a large network of independent general agents and marketing companies who interact with the majority of licensed independent life insurance agents in the United States. Our strategic distribution channel encompasses a network of independent managing directors who support a large team of producers who engage with our broker dealers to sell a range of products including our branded life, annuity and mutual funds. Finally, our specialty markets channel focuses on alternative distribution and consists of a large team of producers, in addition to banks, life insurance quote agencies and internet direct marketers.

Our Employee Benefits segment provides life, stop loss, disability and voluntary employee-paid products to mid-sized and large businesses. We reinsure substantially all of our new disability sales to a third party. To distribute our products, we utilize brokers, consultants and our direct sales team. In the voluntary market, policies are marketed to employees at the worksite through enrollment firms.

In addition to our core businesses, we also have Closed Blocks and Corporate reporting segments. Corporate includes our corporate operations and corporate level assets and financial obligations. The Corporate segment includes investment income on assets backing surplus in excess of amounts held at the segment level, financing and interest expenses, other items not allocated to segments, such as certain expenses and liabilities of employee benefit plans, and intercompany eliminations.

Closed Blocks consists of three separate reporting segments that include run-off and non-core business lines that are no longer being actively marketed or sold, and that we manage to minimize capital risk as they run-off. The Closed Block Variable Annuity segment consists of variable annuity contracts that were designed to offer long-term savings products in which individual contract owners made deposits that are maintained in separate accounts. These products included options for policyholders to purchase living benefit riders. Sales in this segment have been closed to new business since early 2010. The Closed Block Institutional Spread Products segment historically issued guaranteed investment contracts and funding agreements, collectively referred to as GICs and invested amounts raised to earn a spread. This segment shifted to a non-core business in early 2009. While the business in this segment is being managed in active run-off, liabilities continue to be issued from time to time to replace liabilities that are maturing. The Closed Block Other segment consists primarily of retained and run-off activity related to divestments, including our group reinsurance and individual reinsurance businesses, three broker dealers and Life Insurance Company of Georgia. Closed Block Other also includes certain unreimbursed expenses related to ING Group s Latin America business, which was sold in December 2011.

Trends and Uncertainties

The following factors represent some of the key trends and uncertainties that have influenced the development of our business and our historical financial performance, and that we believe will continue to influence our business and financial performance in the future.

The impact of our Closed Block Variable Annuity Segment on GAAP Earnings

Our ongoing management of our Closed Block Variable Annuity segment is focused on preserving our current capitalization status through careful risk management and hedging. Because GAAP accounting differs from the methods used to determine regulatory and rating agency capital measures, our hedge programs may create earnings volatility in our GAAP financial statements. We will attempt to manage GAAP earnings volatility to the extent that it does not conflict with our goal of protecting regulatory capital.

In addition to market impacts, the GAAP earnings of our Closed Block Variable Annuity segment depends upon estimates of future claims payment patterns, using assumptions for mortality rates, persistency and utilization of living benefit guarantees. GAAP earnings of our variable annuity products depends upon the actual experience observed over any period. The pattern of GAAP earnings will be affected by how actual experience compares with our assumptions throughout the life of the block.

Governmental and Public Policy Impact on Demand for Our Products

The demand for our products is influenced by a dynamic combination of governmental and public policy factors. We anticipate that legislative and other governmental activity and our ability to flexibly respond to changes resulting from such activity will be a crucial to our long-term financial performance. In particular, the demand for our products is influenced by the following factors:

Availability and quality of public retirement solutions: The lack of comprehensive or sufficient government-sponsored retirement solutions has been a significant driver of the popularity of private sector retirement products. We believe that concerns regarding Social Security and the reduced enrollment in defined benefit retirement plans may further increase the demand for private-sector retirement solutions. The impact of any legislative actions or new government programs relating to retirement solutions on our business and financial performance will depend substantially on the level of private-sector involvement and our ability to participate in any such programs. We believe we are well positioned to take advantage of any future developments involving participation in any such programs by private sector providers.

Tax-advantaged status: Many of the retirement savings, accumulation and protection products we sell qualify for tax-advantaged status. Changes in U.S. tax laws that alter the tax benefits of certain investment vehicles could have a material effect on demand for our products.

Market Conditions

The recent increase in market volatility, which we believe may continue for some time, has affected and may continue to affect our business and financial performance in varying ways. In the short to medium-term, this increased volatility, coupled with prevailing low interest rates, can pressure sales and reduce demand as consumers hesitate to make financial decisions. In addition, this environment makes it difficult to manufacture products that are both attractive to customers and profitable. In the long-term, however, we believe the financial crisis and resultant lingering uncertainty will motivate individuals to seek solutions combining elements of capital preservation, income and growth. Thus, as a company with strong retirement, investment management and insurance capabilities, we believe current market conditions may ultimately enhance the attractiveness of our broad portfolio of products and services. We will need to continue to monitor the behavior of our customers including mortality rates, morbidity rates, annuitization rates and lapse rates, which adjusts in response to changes in market conditions in order to ensure that our products and services remain attractive as well as profitable.

Aging of the U.S. Population

We believe that the aging of the U.S. population will affect both the demand for our products and the levels of our AUM and AUA. As the baby boomer generation prepares for retirement, we believe that demand for retirement savings, growth and income products will grow. The impact of this growth may be offset to some extent by asset outflows as an increasing percentage of the population begins withdrawing assets to convert their savings into income.

Competition

Our core businesses operate in highly competitive markets. We face a variety of large and small industry participants, including diversified financial institutions, investment managers and insurance companies. These companies compete in one form or another for the growing pool of retirement assets driven by a number of exogenous factors such as the continued aging of the U.S. population and the reduction in safety nets provided by governments and corporations. In many segments, product differentiation is difficult as product development and life cycles have shortened. In addition, we have experienced pressure on fees as product unbundling and lower cost alternatives have emerged. As a result, scale and the ability to provide value-added services and relationships are important factors to compete effectively. We believe that our leading presence in the retirement market and resulting relationships with millions of participants, diverse range of capabilities (as a provider of retirement, investment management and insurance products and services), and broad distribution network uniquely position us to effectively serve consumers increasing demand for retirement savings, income and protection solutions.

Operating Measures

This management s discussion and analysis includes discussion of operating income (loss) before income taxes and operating revenues each of which is a measure that is not determined in accordance with GAAP because our management uses non-GAAP financial measures to manage our businesses and allocate our resources, and we discuss non-GAAP financial measures generally because we believe that they provide our investors with useful information regarding our financial performance. In particular, these measures facilitate a comparison of period-to-period results without the effect of the volatility created by certain changes in the financial markets that affect our financial results as reported under GAAP. Other companies may use similarly titled non-GAAP measures that are calculated differently from the way we calculate them; accordingly, our non-GAAP financial measures may not be comparable to similar measures used by other companies.

We also discuss certain operating measures, described below, which provide useful information about our businesses and the operational factors underlying our financial performance.

Operating Income (Loss) before Income Taxes

Operating income (loss) before income taxes is an internal measure we use to evaluate segment performance. Operating income (loss) before income taxes does not replace net income (loss) as the GAAP measure of the consolidated results of operations, and consists of operating revenues less operating benefits and expenses. Each segment s operating income (loss) before income taxes is calculated by adjusting each segment s income (loss) before income taxes for the following items:

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the fair value option (FVO) unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;

- Net guaranteed benefit hedging gains (losses), which include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. All other derivative and reserve changes related to guaranteed benefits are excluded from operating results, including the impacts related to changes in our non-performance spread, assumption changes and the gains or losses associated with our capital hedge overlay program;

- Income (loss) related to business exited through reinsurance or divestment;

- Income (loss) attributable to noncontrolling interests;

- Income (loss) related to early extinguishment of debt;

- Impairment of goodwill, value of managements contracts (VMCR) and value of customer relationships acquired (VOCRA);

- Immediate recognition of net actuarial gains (losses) related to our pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments; and

Other items, including restructuring expenses (severance, lease write-offs, etc.), integration expenses related to our acquisition of CitiStreet and certain third-party expenses related to our anticipated Divestment Transaction.

The most directly comparable GAAP measure to operating income (loss) before income taxes is income (loss) before income taxes. For a reconciliation of operating income (loss) before income taxes to income (loss) before income taxes, see Results of Operations Company Consolidated below.

Operating Revenues

Operating revenues is a measure of our segment revenues. We calculate operating revenues by adjusting each segment s revenue for the following items:

Net realized investment gains (losses) and related charges and adjustments include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the fair value option (FVO) unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;

Loss on change in fair value of derivatives related to guaranteed benefits include changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with our long-term expectations and includes the cost of hedging. All other derivative and reserve changes related to guaranteed benefits are excluded from operating revenues, including the impacts related to changes in our non-performance spread, assumption changes and the gains or losses associated with our capital hedge overlay program;

Revenues related to businesses exited through reinsurance or divestment;

Revenues attributable to non-controlling interests;

Other adjustments to operating revenues primarily reflect fee income earned by our broker dealers for sales of non-proprietary products, which are reflected net of commission expense in our segments operating revenues.

The most directly comparable GAAP measure to operating revenues is total revenues. For a reconciliation of operating revenue to total revenues, see Results of Operations Company Consolidated below.

Assets Under Management and Assets Under Administration

A substantial portion of our fees, other charges and margins are based on AUM. AUM represents on-balance sheet assets supporting customer account values/liabilities, and surplus as well as off-balance sheet institutional/mutual funds. Customer account values reflect the amount of policyholder equity that has accumulated within retirement, annuity and universal life products. AUM includes general account assets managed by our Investment Management segment in which we bear the investment risk, separate account assets in which the contract owner bears the investment risk and institutional/mutual funds which are excluded from our balance sheet. AUM-based revenues increase or decrease with a rise or fall in the amount of AUM, whether caused by changes in capital markets or by net flows.

AUM is principally affected by net deposits (i.e., new deposits, less surrenders and other outflows) and investment performance (i.e., interest credited to contract owner accounts for assets that earn a fixed return or market performance for assets that earn a variable return). Separate account AUM and institutional/mutual fund AUM include assets managed by our Investment Management segment, as well as assets managed by third-party investment managers. Our Investment Management segment reflects the revenues earned for managing affiliated assets for our other segments (based on arm s length agreements) as well as assets managed for third parties. Our consolidated AUM includes eliminations of AUM managed by our Investment Management segment that is also reflected in other segments AUM and adjustments for AUM not reflected in any segments.

AUA represents accumulated assets on contracts under which we only provide administrative services, such as recordkeeping and/or product guarantees. These contracts are not insurance contracts and the assets are excluded from the Consolidated Financial Statements. Fees earned on AUA can be based on the number of participants, asset levels and/or the level of services or product guarantees that are provided.

Adjusted Debt to Capital

We measure the ratio of our debt to our total capital by making certain adjustments to short-term and long-term debt as presented on our consolidated balance sheets. We believe these adjustments present a more transparent picture of our total indebtedness and its position in our capital structure. In recent years, ING U.S., Inc. has been partially funded through internal reciprocal lending arrangements with its subsidiaries. While these lending arrangements are eliminated in producing our consolidated balance sheets, they replace indebtedness that we would otherwise have had to obtain through external sources, therefore we believe it is appropriate to increase the debt shown in our capital ratio by these amounts. Additionally, we eliminate certain items from short-term and long-term debt as stated on our consolidated balance sheets which we deemed to represent operating leverage. These items include self-liquidating forms of financing such as securities lending, reverse repurchase, and captive reinsurance reserve financing arrangements.

Sales Statistics

In our discussion of our segment results under Results of Operations Segment by Segment, we sometimes refer to sales activity for various products. The term sales is used differently for different products, as described more fully below. These sales statistics do not correspond to revenues under GAAP and are used by us as operating measures underlying our financial performance.

Net flows are deposits less redemptions (including benefits and other product charges).

Sales for Individual Life products are based on a calculation of weighted average annual premiums. *Sales* for Employee Benefits products are based on a calculation of annual premiums, which represents regular premiums on new policies, plus a portion of new single premiums.

Weighted average annual premiums (WAP) is defined as the amount of premium for a policy s first year that is eligible for the highest first year commission rate, plus a varying portion of any premium in excess of this base amount, depending on the product. WAP is a key measure of recent sales performance of our products and is an indicator of the general growth or decline in certain lines of business. WAP is not equal to premium revenue under GAAP. Renewal premiums on existing policies are included in GAAP premium revenue in addition to first year premiums and thus changes in persistency of existing in-force business can potentially offset growth from current year sales.

Total gross premiums are defined as premium revenue on a GAAP basis for policies we have directly written. Ceded premiums are not considered in the calculation of total gross premiums. This measure provides information as to growth and persistency trends in premium revenue.

Other Measures

Total annualized in-force premiums are defined as a full year of premium at the rate in effect at the end of the period. This measure provides information as to the growth and persistency trends in premium revenue.

Interest adjusted loss ratios are defined as the ratio of benefits expense to premium revenue exclusive of the discount component in the change in benefit reserve. This measure reports the loss ratio related to mortality on life products and morbidity on health products.

In-force face amount is defined as the total life insurance coverage in effect as of the end of the period presented. This measure provides information as to changes in policy growth and persistency with respect to death benefit coverage.

In-force policy count is defined as the number of policies with coverage in effect as of the end of the period. This measure provides information as to policy growth and persistency.

New business policy count (paid) is defined as the number of policies issued during the period for which initial and renewal premiums have been paid by the policyholder. This measure provides information as to policy growth from sales during the period.

Results of Operations Company Consolidated

The following table presents summary condensed consolidated financial information for the periods indicated:

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenues:					
Net investment income	$ 1,277.4	$ 1,284.9	$ 4,968.8	$ 4,987.0	$ 5,568.6
Fee income	923.5	937.6	3,743.2	3,662.4	3,478.2
Premiums	461.6	443.1	1,770.0	1,707.5	1,985.5
Net realized capital gains (losses)	(1,249.9)	(466.2)	(1,531.4)	(1,678.0)	(2,178.7)
Other revenue	95.1	119.6	456.5	584.4	988.1
Income (loss) related to consolidated investment entities:					
Net investment income (loss)	34.9	24.9	528.4	316.0	(284.1)
Changes in fair value related to collateralized loan obligations	(16.7)	(55.0)	(48.8)	(121.8)	
Total revenues	1,525.9	2,288.9	9,886.7	9,457.5	9,557.6
Benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	1,058.8	1,257.9	5,909.9	5,210.6	5,823.3
Operating expenses	759.4	681.1	3,030.8	3,033.5	3,352.2
Net amortization of deferred policy acquisition costs and value of business acquired	173.7	130.3	387.0	746.6	1,052.3
Interest expense	24.3	40.2	139.3	332.5	385.5
Operating expenses related to consolidated investment entities:					
Interest expense	22.2	14.8	68.4	49.8	
Other expense	0.4	2.1	73.5	46.7	52.9
Total benefits and expenses	2,038.8	2,126.4	9,608.9	9,419.7	10,666.2
Income (loss) before income taxes	(512.9)	162.5	277.8	37.8	(1,108.6)
Income tax expense (benefit)	7.9	(80.9)	175.0	171.0	(298.0)
Net income (loss)	(520.8)	243.4	102.8	(133.2)	(810.6)
Less: Net income (loss) attributable to noncontrolling interest	(15.6)	(51.3)	190.9	(10.3)	(207.4)
Net income (loss) available to the Company s common shareholder	$ (505.2)	$ 294.7	$ (88.1)	$ (122.9)	$ (603.2)

The following table presents AUM and AUA as of the dates indicated:

($ in millions)	As of March 31, 2012	As of March 31, 2011	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
Assets under Management and Administration					
Retirement Solutions:					
Retirement	$ 300,628.4	$ 301,151.0	$ 287,726.7	$ 290,811.8	$ 271,925.4
Annuities	27,592.6	28,014.5	27,690.2	27,849.3	26,368.7
Investment Management	229,063.2	228,105.3	225,114.0	223,140.9	215,459.2
Insurance Solutions:					
Individual Life	15,060.9	14,966.6	14,769.8	14,846.3	14,750.6
Employee Benefits	1,739.8	1,734.4	1,741.2	1,736.4	1,823.7
Eliminations/Other	(171,612.0)	(171,322.7)	(167,939.3)	(168,316.3)	(163,089.1)
Total Core Businesses	402,472.9	402,649.1	389,102.6	390,068.4	367,238.5
Closed Blocks:					
Closed Block Variable Annuity	45,133.8	48,670.1	42,645.5	47,978.0	46,644.0
Closed Block Institutional Spread Products	5,242.0	7,297.8	5,581.7	7,002.4	8,715.8
Closed Block Other	612.4	607.7	599.6	606.5	1,289.3
Total Closed Blocks	50,988.2	56,575.6	48,826.8	55,586.9	56,649.1
Total Assets under Management and Administration	$ 453,461.1	$ 459,224.7	$ 437,929.4	$ 445,655.3	$ 423,887.6
AUM	$ 237,912.5	$ 237,293.0	$ 229,680.4	$ 231,381.3	$ 220,847.3
AUA	215,548.6	221,931.7	208,249.0	214,274.0	203,040.3
Total AUM and AUA	$ 453,461.1	$ 459,224.7	$ 437,929.4	$ 445,655.3	$ 423,887.6

The following table presents the relative contributions of each segment to operating income (loss) before income taxes for the periods indicated, and a reconciliation of operating income (loss) before income taxes to income (loss) before income taxes:

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Retirement Solutions:					
Retirement	$ 123.9	$ 125.5	$ 441.9	$ 469.6	$ 358.3
Annuities	36.4	39.4	387.6	115.0	48.7
Investment Management	33.0	25.3	87.5	50.1	44.4
Insurance Solutions:					
Individual Life	54.4	76.3	290.1	267.5	317.2
Employee Benefits	15.6	13.3	83.3	82.0	37.2
Total Core Businesses	263.3	279.8	1,290.4	984.2	805.8
Corporate	(48.2)	(44.5)	(230.2)	(399.1)	(470.5)
Closed Blocks:					
Closed Block Variable Annuity	(30.3)	21.2	(18.3)	(324.8)	(683.9)
Closed Block Institutional Spread Products	22.1	19.5	83.2	(3.8)	1.8
Closed Block Other	2.2	(4.0)	(13.0)	(6.7)	6.9
Total Closed Blocks	(6.0)	36.7	51.9	(335.3)	(675.2)
Total operating income (loss) before income taxes	$ 209.1	$ 272.0	$ 1,112.1	$ 249.8	$ (339.9)
Adjustments:					
Net investment gains (losses) and related charges and adjustments	82.8	32.8	146.5	32.2	318.2
Net guaranteed benefit hedging losses and related charges and adjustments	(762.1)	(75.7)	(901.1)	(7.8)	(790.8)
Loss related to businesses exited through reinsurance or divestment	(12.6)	(8.2)	(35.1)	(3.3)	(20.4)
Income (loss) attributable to noncontrolling interests	(15.6)	(51.3)	190.9	(10.3)	(207.4)
Loss on early extinguishment of debt				(108.3)	
Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments			(157.8)	(47.5)	2.6
Other adjustments to operating income	(14.5)	(7.1)	(77.7)	(67.0)	(70.9)
Income (loss) before income taxes	$ (512.9)	$ 162.5	$ 277.8	$ 37.8	$ (1,108.6)

The following table presents the relative contributions of each segment to operating revenues for the periods indicated, and a reconciliation of operating revenues to Total revenues:

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Retirement Solutions:					
Retirement	$ 580.4	$ 560.9	$ 2,225.4	$ 2,179.0	$ 2,024.5
Annuities	351.2	360.4	1,401.4	1,482.5	1,442.7
Investment Management	130.6	128.6	491.9	454.5	392.0
Insurance Solutions:					
Individual Life	753.6	721.0	2,962.7	2,801.8	2,724.2
Employee Benefits	313.3	321.5	1,246.2	1,277.8	1,357.2
Total Core Businesses	2,129.1	2,092.4	8,327.6	8,195.6	7,940.6
Corporate	14.4	(27.1)	(13.7)	(132.3)	(73.8)
Closed Blocks:					
Closed Block Variable Annuity	193.8	237.7	857.5	838.2	933.7
Closed Block Institutional Spread Products	43.0	47.8	188.1	167.6	308.6
Closed Block Other	10.4	14.2	52.2	64.3	88.4
Total Closed Blocks	247.2	299.7	1,097.8	1,070.1	1,330.7
Total operating revenues	$ 2,390.7	$ 2,365.0	$ 9,411.7	$ 9,133.4	$ 9,197.5
Adjustments:					
Net realized investment gains (losses) and related charges and adjustments	124.2	50.4	272.9	125.2	154.2
Loss on change in fair value of derivatives related to guaranteed benefits	(1,069.3)	(161.1)	(525.3)	(309.7)	(900.8)
Revenues related to businesses exited through reinsurance or divestment	7.5	4.7	116.1	137.6	1,049.4
Revenues (loss) attributable to non-controlling interests	21.3	(18.2)	399.1	143.2	(99.7)
Other adjustments to operating revenues	51.5	48.1	212.2	227.8	157.0
Total revenues	$ 1,525.9	$ 2,288.9	$ 9,886.7	$ 9,457.5	$ 9,557.6

The following table presents operating income (loss) excluding interest expense (net of interest rate swaps), DAC/VOBA and other intangible unlocking, and the reserve increase related to use of the U.S. Social Security Death Master File:

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Operating Income As Reported	$ 209.1	$ 272.0	$ 1,112.1	$ 249.8	$ (339.9)
Less:					
Interest Expense (net of interest rate swaps)	(16.7)	(71.0)	(185.7)	(384.9)	(506.3)
DAC/VOBA, and other intangible unlocking	(20.7)	28.1	302.9	(24.9)	(522.7)
Reserve increase related to use of U.S. Social Security Death Master File			(68.9)		
Operating Income Adjusted for Items Above	$ 246.5	$ 314.9	$ 1,063.8	$ 659.6	$ 689.1

The following table presents the adjustment to income (loss) before taxes related to total realized investment gains (losses) and the related net amortization of DAC/VOBA and other intangibles:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Other than temporary impairments	$ (6.9)	$ (158.9)	$ (502.7)	$ (890.8)	$ (1,618.6)
CMO-B fair value adjustments[1]	(15.7)	121.6	345.9	451.3	498.0
Gains (losses) on the sale of securities	137.8	45.4	577.7	599.5	1,303.6
Other, including changes in the fair value of derivatives	9.0	42.3	(148.0)	(34.8)	(28.8)
Total realized investment gains (losses)	124.2	50.4	272.9	125.2	154.2
Net amortization of DAC/VOBA and other intangibles on above	(41.4)	(17.6)	(126.4)	(93.0)	164.0
Net realized investment gains (losses)	$ 82.8	$ 32.8	$ 146.5	$ 32.2	$ 318.2

(1) For a description of our CMO-B portfolio, see Investments CMO-B Portfolio.

The following table presents the adjustment to income (loss) before taxes related to guaranteed benefit hedging gains (losses) net of DAC/VOBA and other intangible amortization:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Net guaranteed benefit hedging losses and related charges and adjustments					
Closed Block Variable Annuity					
Decrease (increase) in liabilities [1]					
Decrease (increase) in the fair value of embedded derivative liabilities, excluding non-performance	$ 1,039.6	$ 294.0	$ (2,135.5)	$ (318.3)	$ 2,349.1
Decrease (increase) in reserves	295.1	80.5	(505.4)	264.9	170.7
Total [2]	1,334.7	374.5	(2,640.9)	(53.4)	2,519.8
Change in fair value of hedge positions [3]					
Guarantee hedge program	(1,375.3)	(289.5)	1,622.1	(370.3)	(1,287.7)
Capital hedge overlay program	(287.4)	(9.0)	(129.9)	(2.3)	(1,083.1)
Total	(1,662.7)	(298.5)	1,492.2	(372.6)	(2,370.8)
Decrease (increase) in embedded derivative liabilities due to non-performance	(571.5)	(156.7)	517.0	448.2	(1,017.7)
Net gain (loss) prior to related amortization of DAC, VOBA and sales inducements	(899.5)	(80.7)	(631.7)	22.2	(868.7)
Net amortization of DAC, VOBA and sales inducements					(108.5)
Net gain (loss)	(899.5)	(80.7)	(631.7)	22.2	(977.2)
Other Segments					
Gain (loss), excluding non-performance risk	225.9	26.9	(377.9)	(264.8)	513.2
Decrease (increase) due to non-performance	(100.5)	(26.1)	(21.3)	197.9	(285.9)
Net gain (loss) prior to related amortization of DAC, VOBA and sales inducements	125.4	0.8	(399.2)	(66.9)	227.3
Net amortization of DAC, VOBA and sales inducements	12.0	4.2	129.8	36.9	(40.9)

Net gain (loss)	137.4	5.0	(269.4)	(30.0)	186.4
Net guaranteed benefit hedging losses and related charges and adjustments	$ (762.1)	$ (75.7)	$ (901.1)	$ (7.8)	$ (790.8)

(1) Excluding estimated costs reflected in operating income before income taxes and impacts related to non-performance
(2) Decrease (increase) in total liabilities includes approximately ($741.2 million) in the fourth quarter of 2011 related to changes in policyholder behavior assumptions and approximately ($246.0 million) in 2009 related to a change in GMIB annuitization assumptions
(3) Excluding estimated costs reflected in operating income before income taxes

Terminology Definitions

Net realized capital gains (losses), *net realized investment gains (losses) and related charges and adjustments* and *net guaranteed benefit hedging losses and related charges and adjustments* include changes in the fair value of derivatives. Increases in the fair value of derivative assets or decreases in the fair value of derivative liabilities result in gains. Decreases in the fair value of derivative assets or increases in the fair value of derivative liabilities result in losses.

In addition, we have certain products that contain guarantees that are embedded derivatives related to guaranteed benefits, while other products contain such guarantees that are considered derivatives (collectively guaranteed benefit derivatives).

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Net Income (Loss)

Net investment income decreased $7.5 million from $1,284.9 million to $1,277.4 million as an increase in assets in our Retirement segment driven by positive net flows, including customer transfers from variable separate accounts, was offset by a decline in average assets by approximately 24% in our Closed Block Institutional Spread Products segment and due to lapses in multi-year guaranteed annuities (MYGAs). Certain MYGAs, mostly sold in 2002, will reach the end of their initial term in 2012. Most of these MYGAs have high crediting rates and the supporting assets generate returns below the targets set when the policies were issued, negatively impacting returns in our Annuities segment. During the three months ended March 31, 2012, portions of the block lapsed and we expect that portions of the block will lapse during the rest of 2012, as renewal crediting rates offered will be lower than current rates. The run-off of these MYGA contracts is expected to enhance the margin of our Annuities segment in future periods.

Fee income decreased $14.1 million from $937.6 million to $923.5 million primarily due to a decline in AUM in the Closed Block Variable Annuity segment and to a reduction in large Retirement recordkeeping cases due to terminated contracts. These decreases were partially offset by growth in the Retirement full service products and the Individual Life segment.

Premiums increased $18.5 million from $443.1 million to $461.6 million primarily due to growth in our Individual Life segment, partially offset by slight decreases in Employee Benefits premiums and sales of immediate annuities with life contingencies in our Retirement segment.

Net realized capital losses increased $783.7 million from $466.2 million to $1,249.9 million primarily due to an increase in hedge losses in our Closed Block Variable Annuity segment. The hedge program in the Closed Block Variable Annuity segment focuses on protecting regulatory capital rather than mitigating earnings volatility, and as a result the losses for the first quarter of 2012 are only partially offset by a reduction in reserves. The derivative losses from Closed Block Variable Annuity segment liability hedges increased $1,097.4 million due primarily to the strong equity market returns and increases in interest rates in the first quarter of 2012. In addition, derivative losses on the capital hedge overlay were $278.4 million higher in the first quarter of 2012 due primarily to stronger equity markets and higher notional amounts for hedging the associated underlying risk. The higher capital losses for the first quarter of 2012 were partially offset by a $152.0 million reduction in OTTI, an increase of $92.4 million in trading gains, $144.3 million in higher gains on guaranteed benefit derivatives related to certain Stabilizer contracts in our Retirement segment and $330.8 million in higher gains on the Closed Block Variable Annuity guaranteed benefit derivatives. The gains on guaranteed benefit derivatives in Retirement is primarily related to a reduction in expected future guaranteed interest rates on certain Stabilizer contracts. Changes in the Retirement, Annuities and Closed Block Variable Annuity segment guaranteed benefit derivatives are net of $489.2 million in increased losses due to changes in the nonperformance risk primarily as a result of the narrowing of ING V s credit spreads.

Other revenue decreased $24.5 million from $119.6 million to $95.1 million due to unfavorable market value adjustments on certain retirement plan customer surrenders, lower surrender fees on the Individual Life segment as we experienced higher persistency with the in-force block, lower surrender fees on the Closed Block Variable Annuity segment as that business declined and a reduction in the deferred gain amortization on the divested group reinsurance business.

Interest credited and other benefits to contract owners/policyholders decreased $199.1 million from $1,257.9 million to $1,058.8 million primarily due to a reduction in reserves in the Closed Block Variable Annuity segment and, to a lesser extent, a reduction in interest credited due to declining reserves for the Closed Block Institutional Spread Products segment and for MYGAs. A reduction in average crediting rates across several product lines also contributed to the decrease. The higher reduction in reserves in the Closed Block Variable Annuity segment was driven by the stronger equity market returns, as favorable equity markets decreased the guaranteed benefit reserves. However, the change in reserves is less sensitive to equity market changes than the derivatives that hedge these guarantees. These reductions were partially offset by adverse mortality results in our Individual Life segment, where the percentage of claims subject to reinsurance recoveries in the first quarter of 2012 was lower than expected.

Operating expenses increased $78.3 million from $681.1 million to $759.4 million primarily due to a reduction in incentive compensation expense in the first quarter of 2011, an increase in letter of credit costs in the first quarter of 2012 primarily related to the contingent capital letter of credit for the Closed Block Variable Annuity segment and due to growth in our Individual Life segment.

Net amortization of DAC/VOBA increased $43.4 million from $130.3 million to $173.7 million primarily due to unfavorable unlocking in the first quarter of 2012 in our Annuities segment primarily due to a decrease in projected investment margins on the MYGA block compared to favorable unlocking in the first quarter of 2011 in both the Retirement and Annuities segments.

Interest expense decreased $15.9 million from $40.2 million to $24.3 million primarily due to the conversion of $2.7 billion and $1.3 billion of debt to equity in the second and fourth quarters of 2011, respectively, related to capital contributions from ING V, our indirect parent, which resulted in the extinguishment of such debt previously owed to ING V.

Income (loss) before income taxes decreased $675.4 million from income of $162.5 million to a loss of $512.9 million primarily due to the increase in hedging losses related to our Closed Block Variable Annuity segment, which was partially offset by a reduction in the reserves for guaranteed variable annuity benefits.

Income tax expense (benefit) of $7.9 million was primarily due to an increase in a valuation allowance of $217.2 million resulting from the inability to support deferred tax assets due to continued tax losses. This unfavorable item was partially offset by the favorable dividends received deduction of $18.6 million and a state tax benefit of $17.3 million associated with state operating losses. The income tax expense (benefit) of ($80.9) million in the first quarter of 2011 was due primarily to the decrease of $146.8 million in valuation allowances and a favorable dividends received deduction of $18.8 million. These favorable items were offset by the $17.3 million impact of an audit settlement and decreasing losses on noncontrolling interests.

Operating Income (Loss) before Income Taxes

Operating income before income taxes decreased $62.9 million from $272.0 million to $209.1 million due to a reduction in incentive compensation expense in the first quarter of 2011, an increase in letter of credit costs in the first quarter of 2012 primarily related to the contingent capital letter of credit for the Closed Block Variable Annuity segment and adverse mortality results in our Individual Life segment, where the percentage of claims subject to reinsurance recoveries in the first quarter of 2012 was lower than expected. In addition, unfavorable DAC/VOBA unlocking in the first quarter of 2012 in our Annuities segment compared to favorable unlocking in the first quarter of 2011 in both the Annuities and Retirement segments and lower results in our Closed Block Variable Annuity segment due to lower fee income and higher hedge and reserve costs contributed to the decrease. These decreases were partially offset by improved investment income results, lower credited rates and growth in our Retirement, Investment Management and Individual Life segments.

Adjustments from Income (Loss) before Income Taxes to Operating Income (Loss) before Taxes

Net investment gains increased $50.0 million from $32.8 million to $82.8 million due to higher realized trading gains and lower impairments on invested assets, partially offset by lower fair value adjustments on our CMO-B portfolio and by lower derivative mark to market adjustments net of DAC/VOBA amortization.

Net guaranteed benefit hedging losses and related charges and adjustments increased $686.4 million from $75.7 million to $762.1 million. Losses in the Closed Block Variable Annuity segment increased $818.8 million, but were partially offset by an increase in gains in the core business segments of $132.4 million, primarily related to gains on guaranteed benefit derivatives as a result of a reduction in expected future guaranteed interest rates to certain Retirement Stabilizer contracts. The higher loss in the Closed Block Variable Annuity segment was primarily due to a $414.8 million increase in the loss on guaranteed benefit derivatives for non-performance risk and a $278.4 million higher loss on the capital hedge overlay derivatives, due to the impact of equity market movements in the quarter. The Closed Block Variable Annuity capital hedge overlay program is designed to protect regulatory capital and is not designed to mitigate earnings volatility. Excluding the losses related to non-performance risk and the capital hedge overlay program, the loss in the first quarter of 2012 was $40.6 million. A $276.0 million net gain on Closed Block Variable Annuity hedges versus reserves carried at fair value was more than offset by a $316.6 million net loss on Closed Block Variable Annuity hedges versus reserves accounted for as insurance contracts. Changes in reserves accounted for as insurance contracts are less sensitive to market movements than the underlying hedge results.

Losses related to businesses exited through reinsurance or divestment increased $4.4 million from $8.2 million to $12.6 million primarily due to a reduction in the deferred gain amortization on the divested group reinsurance business as the business runs off.

Other adjustments to operating income changed ($7.4) million from ($7.1) million to ($14.5) million due to increased third party expenses related to the anticipated Divestment Transaction.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Income (Loss)

Net investment income decreased $18.2 million from $4,987.0 million to $4,968.8 million due to a decline in assets in our Closed Block Institutional Spread Products segment and lower earned rates driven by the low interest rate environment. This decline was partially offset by an increase in assets in our Retirement segment, which was driven by positive net flows, including customer transfers from variable separate accounts and the favorable impact of reinvesting short-term investments into longer duration fixed income securities.

Fee income increased $80.8 million from $3,662.4 million to $3,743.2 million primarily due to growth in our Retirement full service products, as well as our Investment Management and Individual Life segments due to a combination of strong sales and an improvement in the equity market, partially offset by a reduction in large Retirement recordkeeping cases resulting from terminated contracts and the continuing run-off of the Closed Block Other segment.

Premiums increased $62.5 million from $1,707.5 million to $1,770.0 million primarily due to growth in our Individual Life segment, partially offset by decreases in Employee Benefits due to competitor pricing actions and sales of immediate annuities with life contingencies in our Annuities segment.

Net realized capital losses decreased $146.6 million from $1,678.0 million to $1,531.4 million primarily due to a reduction of $388.1 million in OTTI, partially offset by a $242.5 million increase in net derivative losses as follows. Net gains on derivatives increased $1,662.1 million from a loss of $1,243.5 million to a gain of $418.6 million. Our Closed Block Variable Annuity segment was the largest driver of this variance. Our Closed Block Variable Annuity segment reported a net gain of $945.9 million for the year ended December 31, 2011 compared to a net loss of $908.7 million for the year ended December 31, 2010. Losses on equity derivative contracts were $513.5 million lower due to the relative equity market movements in each year and changes in notional amounts. Gains on interest rate derivative contracts were $1,331.8 million higher in 2011 primarily due to decreasing interest rates and changes in notional amounts. These gains were largely offset by losses on guaranteed benefit derivatives, which increased $1,872.4 million from 2010 to 2011, primarily in Closed Block Variable Annuity, but also in our Retirement Solutions business (stable value products and fixed indexed annuities).

Other revenue decreased $127.8 million from $584.4 million to $456.5 million primarily due to the reduction in a deferred gain amortization on the divested group reinsurance business caused by the continuing run-off of the business and the divestment of three broker dealers in early 2010.

Interest credited and other benefits to contract owners/policyholders increased $699.3 million from $5,210.6 million to $5,909.9 million primarily due to an increase in reserves for the Closed Block Variable Annuity segment, which was largely due to updating lapse and other policyholder behavior assumptions in the fourth quarter of 2011, unfavorable claims experience in the Individual Life segment, an incurred-but-not-reported (IBNR) reduction in 2010 and an increase in 2011 related to our use of the U.S. Social Security Death Master File (SSDMF) to accrue for unfiled death claims. These increases were partially offset by a reduction in credited rates, a decrease in Employee Benefits reserves resulting from lower premiums, declining contract account balances in the Closed Blocks Institutional Spread Products segment and a decline in sales of immediate annuities with life contingencies in our Annuities segment.

Operating expenses decreased $2.7 million from $3,033.5 million to $3,030.8 million. Significant expense decreased due to restructuring initiatives, a reduction in incentive compensation expense, the divestment of three broker dealers in early 2010 and the continuing run-off of our Closed Block Other segment were entirely offset by a $110.3 million increase in the portion of our pension expense that is related to the immediate recognition of actuarial losses due primarily to changes in interest rates.

Net amortization of DAC/VOBA decreased $359.6 million from $746.6 million to $387.0 million due to favorable unlocking in 2011, which was primarily due to prospective assumption changes related to investment margins, which caused favorable unlocking in our Annuities segment. Unlocking was minimal in 2010 with unfavorable unlocking in our Closed Block Variable Annuity segment due to loss recognition being offset by favorable unlocking in our Retirement segment.

Interest expense decreased $193.2 million from $332.5 million to $139.3 million primarily due to the conversion of $4.0 billion of debt to equity in 2011.

Income before income taxes increased $240.0 million from $37.8 million to $277.8 million primarily due to growth in core businesses, reduction in impairments, reduction in interest cost and favorable DAC/VOBA and other intangible unlocking, partially offset by an increase in reserves for our Closed Block Variable Annuity segment.

Income tax expense (benefit) for the year ended December 31, 2011 was $77.8 million greater than the tax at the statutory rate primarily due to an increase in the valuation allowance of $175.0 million, the tax impact of non-deductible expenses of $32.0 million, offset by the $74.0 million favorable impact of the dividends received deduction and $67.0 million of favorable impact from net income noncontrolling interests. The increase in the valuation allowance was due primarily to continued tax losses, the benefit of which is uncertain. The income tax expense (benefit) for 2010 was $157.8 million greater than the tax at the statutory rate primarily due to an increase in the valuation allowance of $547.0 million and the $38.0 million tax effect of a loss from early extinguishment of debt. These increases in tax expense were partially offset by $312.0 million release of tax liabilities related to settlement of IRS examinations and the $108.0 million favorable impact of the dividends received deduction. The increase in the valuation allowance was primarily due to continued tax losses, the benefit of which is uncertain.

Operating Income (Loss) before Income Taxes

Operating income before income taxes increased $862.3 million from $249.8 million to $1,112.1 million primarily due to growth in our core businesses, improved investment margins (investment income less credited interest), expense reduction initiatives, reduction in interest expense as a result of an aggregate $4.0 billion of debt to equity conversion during 2011. Furthermore, favorable DAC/VOBA and other intangible unlocking was $302.9 million in 2011 compared to an unfavorable impact of $24.9 million in 2010.

Adjustments from Income (Loss) before Income Taxes to Operating Income before Taxes

Net investment gains increased $114.3 million from $32.2 million to $146.5 million due to reductions in impairments, partially offset by lower realized trading gains net of applicable and lower derivative mark to market adjustments and fair value adjustments on our CMO-B portfolio and DAC/VOBA amortization.

Losses related to guaranteed benefit hedging and related changes / adjustments increased $893.3 million from $7.8 million to $901.1 million primarily due to a $741.2 million reserve increase in our Closed Block Variable Annuity segment in the fourth quarter of 2011 related to updating lapse and other policyholder behavior assumptions, as well as a $127.6 million increase in the losses on derivatives supporting the Closed Block Variable Annuity capital hedge overlay program, which focuses on protecting regulatory capital rather than mitigating earnings volatility. Guaranteed benefit derivative losses in our Retirement and Annuities segments driven by low interest rates contributed to the loss in 2011. The guaranteed benefit derivatives on Retirement s stable value products decreased from a gain of $9.0 million in 2010 to a loss of $212.5 million in 2011, while the guaranteed benefit derivatives in our fixed indexed annuity products increased from a loss of $75.9 million in 2010 to a loss of $186.6 million in 2011, net of hedging gains (losses).

Losses related to businesses exited through reinsurance or divestment increased $31.8 million from $3.3 million to $35.1 million primarily due to a reduction in the deferred gain amortization on the divested group reinsurance business.

Other adjustments to operating income changed ($10.7) million from ($67.0) million to ($77.7) million due to increased third party expenses related to the anticipated Divestment Transaction.

Losses related to early extinguishment of debt was $108.3 million due to a $3.0 billion debt to equity conversion in 2010.

Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan amendments and curtailments changed $110.3 million from a loss of $47.5 million to a loss of $157.8 million due primarily to changes in interest rates.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Income (Loss)

Net investment income decreased $581.6 million from $5,568.6 million to $4,987.0 million primarily due to the run-off of assets in our Closed Block Institutional Spread Products segment, the divestment of the group reinsurance business and lower earned rates due to a combination of changes in asset mix to reduce risk in the portfolio and the impacts related to the low interest rate environment. These reductions were partially offset by an increase in assets in our Retirement and Annuities segments.

Fee income increased $184.2 million from $3,478.2 million to $3,662.4 million primarily due to higher AUM in the Closed Block Variable Annuity, Retirement and Investment Management segments. The increase in AUM was primarily driven by an improvement in the equity markets in 2010 compared to 2009. These increases were partially offset by a reduction in large Retirement recordkeeping cases due to terminated contracts and the continuing run-off of the Closed Block Other segment.

Premiums decreased $278.0 million from $1,985.5 million to $1,707.5 million due to the divestment of the group reinsurance business and a significant reduction in Employee Benefits premiums, primarily related to the reinsurance of long-term disability business written after September 1, 2009. These decreases were partially offset by growth in the sale of term life products in our Individual Life segment and an increase in sales of annuities with life contingencies in our Annuities segment.

Net realized capital losses decreased $500.7 million from $2,178.7 million to $1,678.0 million primarily due to lower OTTI of $727.8 million driven by the improved economic and interest rate environment, offset by a $704.1 million decrease in trading gains. Trading gains in 2009 included assets involved in the Illiquid Assets Back-up Facility transaction generating gains of $870.0 million. An OTTI loss of $889.5 million was recorded on these assets in 2008 since we did not have the intent to hold the assets until full recovery. In addition, we experienced lower losses on derivatives of $693.1 million, consisting of $1,814.8 million in derivatives, $(1,448.9) million in guaranteed benefit derivatives, and $327.2 million on embedded derivatives on fixed income instruments. Our Closed Block Variable Annuity segment was the largest driver of this $1,814.8 million change. Our Closed Block Variable Annuity segment reported a net loss on derivatives of $908.7 million for 2010 compared to a net loss on derivatives of $2,717.4 million for 2009. Equity contracts accounted for $996.8 million of the Closed Block Variable Annuity losses in 2010 and $2,621.4 million in 2009, offset by gains on interest rate contracts, which accounted for $103.3 million in 2010 and losses of $86.3 million in 2009. Gains (losses) on guaranteed benefit derivatives changed by ($1,448.9) million (from a gain of $1,376.2 million to a loss of $72.7 million).

Other revenue decreased $403.7 million from $988.1 million to $584.4 million primarily due to the divestment of three broker dealers in early 2010.

Interest credited and other benefits to contract owners/policyholders decreased $612.7 million from $5,823.3 million to $5,210.6 million due to the divestment of the group reinsurance business, a smaller increase in reserves for our Closed Block Variable Annuity segment compared to 2009, the run-off of our Closed Block Institutional Spread Products segment, improved Employee Benefits disability claim development in 2010 compared to 2009, reinsurance of long-term disability business written after September 1, 2009 and a reduction in average credited rates in our Retirement and Annuities segments. These decreases were partially offset by growth in our Individual Life segment and an increase in sales of annuities with life contingencies.

Operating expenses decreased $318.7 million from $3,352.2 million to $3,033.5 million due to the divestment of three broker dealers and the group reinsurance business, the continuing run-off of our Closed Block Other segment and a decline in commission expense in our Employee Benefits segment due to a decline in premiums. These decreases were partially offset by higher commissions due to the increase in AUM and mutual fund sales, costs of restructuring within the Retirement segment that resulted in a significant reduction in headcount in the fourth quarter of 2010, an increase in pension expense related to the immediate recognition of actuarial losses primarily due to changes in interest rates, differences in incentive compensation and retention expenses between 2009 and 2010 and growth in our Individual Life segment.

Net amortization of DAC/VOBA decreased $305.7 million from $1,052.3 million to $746.6 million primarily due to a smaller DAC/VOBA write-down in our Closed Block Variable Annuity segment. Both years reflected charges primarily related to loss recognition. Sharp declines in equity markets in the first quarter of 2009 and the second quarter of 2010 caused a portion of our Closed Block Variable Annuity segment DAC/VOBA to become unrecoverable from the present value of expected future gross profits. The write-down related to unlocking/loss recognition in the second quarter of 2010 was $158.6 million compared to $423.8 million in the first quarter of 2009.

Interest expense decreased $53.0 million from $385.5 million to $332.5 million primarily due to the conversion of $3.0 billion of debt to equity in 2010, reflecting the reduction in interest expense net of prepayment fees.

Income (loss) before income taxes increased $1,146.4 million from a loss of $1,108.6 million to income of $37.8 million due to a reduction in investment losses, a smaller loss recognition in Closed Block Variable

Annuity segment, an increase in fee income due to improved equity markets, lower interest expense, improved disability claim development in 2010 compared to 2009 and growth in our core businesses.

Income tax expense (benefit) for the year ended December 31, 2010 was $157.8 million greater than the tax at the statutory rate as described above. The income tax expense (benefit) for the year ended December 31, 2009 was $90.0 million less than the benefit at the statutory rate primarily due to the establishment of $90.0 million for valuation allowance for net operating losses, the benefit of which is uncertain. All other items were allocated to Other comprehensive income in accordance with the exception described in ASC 740-20-45-7.

Operating Income (Loss) before Income Taxes

Operating income (loss) before income taxes increased $589.7 million from a loss of $339.9 million to income of $249.8 million primarily due to improving equity markets, which increased fee income and investment returns on alternative investments, a reduction in interest expense and favorable DAC/VOBA and other intangible unlocking in our Retirement and Individual Life segments and a smaller DAC/VOBA and other intangible write-down in our Closed Block Variable Annuity segment. As described above, both years reflected DAC/VOBA and other intangible charges related to Closed Block Variable Annuity loss recognition, with the write-down in 2010 being smaller than 2009.

Adjustments from Income (Loss) before Income Taxes to Operating Income before Taxes

Net investment gains decreased $286.0 million from $318.2 million to $32.2 million due to reduction in gains on the sale of securities and were partially offset by a reduction in impairments.

Net guaranteed benefit hedging losses and related charges and adjustments decreased $783.0 million from $790.8 million to $7.8 million. Losses in 2010 were close to zero as hedge losses were essentially offset by reserve reductions, but we incurred a $1,083.1 million loss in 2009 due to the capital hedge overlay program from equity market appreciation. As discussed above, the Closed Block Variable Annuity capital hedge overlay program focuses on protecting regulatory capital rather than mitigating earnings volatility. Improving credit spreads in 2009 drove a fair value loss on embedded derivatives of $1,303.6 million for non-performance risk. These losses in 2009 were partially offset by gains on embedded derivatives from increasing interest rates.

Losses related to businesses exited through reinsurance or divestment decreased $17.1 million from $20.4 million to $3.3 million primarily due to the deferred gain amortization on the group reinsurance business that was divested at the end of 2009, partially offset by higher letter of credit costs on the individual reinsurance business that was divested in prior years, but where we remain responsible for a portion of the letter of credit costs.

Other adjustments to operating income changed ($3.9) million from ($70.9) million to ($67.0) million due to reduction in projects related to the CitiStreet integration, which was acquired in 2008.

Losses related to early extinguishment of debt was $108.3 million in 2010 due to the difference in the book value versus market value of $3.0 billion of debt that was converted to equity in 2010. There was no similar conversion in 2009.

Immediate recognition of net actuarial gains (losses) related to pension and other post-employment benefit obligations and gains (losses) from plan adjustments and curtailments increased $50.1 million from a gain of $2.6 million to a loss of $47.5 million due primarily to changes in interest rates.

Results of Operations   Segment by Segment

Retirement Solutions   Retirement

The following table reflects operating income before income taxes of our Retirement segment for the periods indicated:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Operating revenues:					
Net investment income and net realized gains (losses)	$ 388.1	$ 353.7	$ 1,435.9	$ 1,405.2	$ 1,304.4
Fee income	177.1	183.3	713.5	711.4	657.0
Premiums	0.5	4.3	8.1	3.0	2.4
Other revenue	14.7	19.6	67.9	59.4	60.7
Total operating revenues	580.4	560.9	2,225.4	2,179.0	2,024.5
Operating benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	208.4	200.2	826.2	797.9	781.9
Operating expenses	213.9	213.0	844.5	900.3	821.8
Net amortization of DAC/VOBA	33.8	21.7	111.1	9.2	60.4
Interest expense	0.4	0.5	1.7	2.0	2.1
Total operating benefits and expenses	456.5	435.4	1,783.5	1,709.4	1,666.2
Operating income (loss) before income taxes	$ 123.9	$ 125.5	$ 441.9	$ 469.6	$ 358.3

The following tables present AUM and AUA for our Retirement segment at the dates indicated:

($ in millions)	As of March 31,		As of December 31,		
	2012	2011	2011	2010	2009
Corporate market	$ 31,680.7	$ 30,309.6	$ 29,134.4	$ 29,486.0	$ 26,749.5
Tax exempt market	45,304.0	42,979.6	42,691.3	43,221.9	39,942.7
Total full service plans	76,984.7	73,289.2	71,825.7	72,707.9	66,692.2
Stable value[(1)]	5,838.4	3,947.8	5,560.9	1,987.7	810.0
Individual market	2,256.7	1,982.3	2,091.1	1,842.2	1,382.9
Total AUM	85,079.8	79,219.3	79,477.7	76,537.8	68,885.1
AUA	215,548.6	221,931.7	208,249.0	214,274.0	203,040.3
Total AUM and AUA	$ 300,628.4	$ 301,151.0	$ 287,726.7	$ 290,811.8	$ 271,925.4

	As of March 31,		As of December 31,		
	2012	2011	2011	2010	2009
General Account	$ 25,784.5	$ 23,838.0	$ 25,528.3	$ 23,588.1	$ 22,755.4
Separate Account	47,053.1	45,188.1	42,920.8	43,284.1	38,585.0
Mutual Funds/Institutional Funds	12,242.2	10,193.2	11,028.6	9,665.6	7,544.7
AUA	215,548.6	221,931.7	208,249.0	214,274.0	203,040.3

Total AUM and AUA	$ 300,628.4	$ 301,151.0	$ 287,726.7	$ 290,811.8	$ 271,925.4

(1) Where we are the investment manager

The following table presents a rollforward of AUM for our Retirement segment for the periods indicated:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Balance as of beginning of year	$ 79,477.7	$ 76,537.8	$ 76,537.8	$ 68,885.1	$ 58,273.5
Deposits	3,142.1	2,967.3	11,927.4	12,575.3	9,597.6
Surrenders, benefits and product charges	(2,522.5)	(2,674.5)	(8,926.4)	(11,129.9)	(8,740.0)
Net flows	619.6	292.8	3,001.0	1,445.4	857.6
Interest credited and investment performance	4,982.5	2,388.7	(61.1)	6,207.3	9,754.0
Balance as of end of year	$ 85,079.8	$ 79,219.3	$ 79,477.7	$ 76,537.8	$ 68,885.1

Retirement Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Operating revenues

Net investment income and net realized gains (losses) increased $34.4 million from $353.7 million to $388.1 million primarily due to an increase in general account assets, which increased $2.0 billion from $23.8 billion to $25.8 billion. The volatility in the equity market during the second half of 2011 resulted in participants transferring funds from variable investment options into the fixed investment option, which contributed to an increase in average general account assets.

Fee income decreased $6.2 million from $183.3 million to $177.1 million. The decrease in fee income was primarily due to a decrease in pricing for certain full service retirement plans as a result of competition. Additionally, recordkeeping fees decreased due to an increase in terminated contracts.

Premiums decreased $3.8 million from $4.3 million to $0.5 million primarily due to a decline in the issuance of single premium immediate annuities with life contingencies.

Other revenue decreased $4.9 million from $19.6 million to $14.7 million due to a change in contractual amounts paid to/from retirement plan customers upon surrender.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $8.2 million from $200.2 million to $208.4 million primarily due to an increase in general account liabilities, which corresponded to the increase in general account assets as described above. The increase was partially offset by a decrease in average credited rates on general account liabilities due to actions taken in January 2012 to reflect the low interest rate environment.

Net amortization of DAC/VOBA increased $12.1 million from $21.7 million to $33.8 million as a result of $13.3 million of lower favorable DAC/VOBA and other intangible unlocking.

Operating income (loss) before income taxes

Operating income (loss) before income taxes for our Retirement segment was essentially flat. Significant growth in net investment income (loss), due to an increase in general account asset volume, was offset by reductions in other revenue items and lower favorable DAC unlocking. Retirement net flows improved to $619.6 million from $292.8 million. The improvement was attributable to strong corporate and tax exempt market sales performance and persistency. Retirement account values totaled $85.1 billion, up from $79.2 billion at the end of the first quarter in 2011 and $79.5 billion at the end of the fourth quarter of 2011, driven by the increase in the equity market and positive net flows.

Retirement Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating revenues

Net investment income and net realized gains (losses) increased $30.7 million from $1,405.2 million to $1,435.9 million primarily due to an increase in account values ($1.9 billion increase in general account assets as provided in the table above), partially offset by a $34.1 million decrease in alternative investment income. New sales, customer transfers from variable to fixed investment options in qualified and nonqualified annuity and funding agreement products and positive net flows through improved persistency contributed to the increase in general account assets. Overall yields for the general account, net of investment expense and excluding alternative investment results, remained consistent with 2010 and were approximately 5.7%. The decrease in alternative investment returns reflects the market declines and volatility in 2011.

Fee income increased $2.1 million from $711.4 million to $713.5 million. Increases in full service retirement plan and individual retirement product revenues of $17.8 million which were driven by net increases in separate account and institutional /mutual fund AUM were offset by a $17.8 million decrease in recordkeeping fees primarily due to terminated contracts.

Premiums increased $5.1 million from $3.0 million to $8.1 million primarily due to the timing of the sale of immediate annuity products with lifetime contingencies.

Other revenue increased $8.5 million from $59.4 million to $67.9 million primarily due to increases in broker dealer revenue

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $28.3 million from $797.9 million to $826.2 million primarily due to a $1.9 billion increase in general account AUM as provided in the table above. The increase was partially offset by a slight decrease in average credited rates on fixed fund options in qualified and nonqualified annuity and funding agreement products compared to 2010 due to management actions. Most of our fixed fund options contain guaranteed minimum credited rates ranging from 1% to 4%. As of December 31, 2011, approximately 70% of these funds were at the minimum credited rates.

Operating expenses decreased $55.8 million from $900.3 million to $844.5 million primarily driven by a $33.6 million decrease as a result of a restructuring effort in late 2010, which included the elimination of the wholesale distribution channel. Expenses in the recordkeeping business decreased $24.7 million commensurate with terminated contracts.

Net amortization of DAC/VOBA increased $101.9 million from $9.2 million to $111.1 million primarily as a result of $116.2 million of lower favorable DAC unlocking in 2011. The 2011 results include a favorable impact of $44.2 million compared to a favorable impact of $160.4 million in 2010 due to unlocking. Favorable unlocking in 2011 was driven by future assumption changes and greater than expected net flows into fixed investment option funds. Favorable unlocking in 2010 was driven by equity market growth above expectations and assumption updates resulting in an increase in future gross profit projections. Excluding the impact from the unlocking of DAC/VOBA, net amortization of DAC/VOBA decreased $14.3 million due to lower amortization rates resulting from favorable assumption updates.

Operating income (loss) before income taxes

Full-service retirement plan sales growth, together with our emphasis on strengthening net flows and implementing cost reductions, were the primary underlying drivers of improved results, absent DAC impacts. Favorable net flows of $3.0 billion in 2011 resulted in higher levels of AUM leading to both additional net investment income (loss) and fee income. The implementation of expense reduction initiatives resulted in lower operating expenses in 2011 as further distribution efficiencies were realized. However, the drivers of 2011 results were offset by a lower favorable DAC and other intangible unlocking of $116.2 million compared to 2010 resulting in a decrease in operating income before income taxes.

Retirement Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating revenues

Net investment income and net realized gains (losses) increased $100.8 million from $1,304.4 million to $1,405.2 million primarily due to $137.1 million of higher alternative investment income, as the equity markets improved in 2010. This was partially offset by a decline in yields on general account assets as a result of the low interest rate environment. Overall yields on general account assets, net of investment expense and excluding alternative investments were approximately 5.7% in 2010 compared to 5.9% in 2009.

Fee income increased $54.4 million from $657.0 million to $711.4 million primarily due to a $76.8 million increase in fee revenue associated with full service retirement plans and individual retirement products. This was driven by higher average separate account and institutional/mutual fund AUM due to improved equity market performance. This increase was partially offset by a $23.9 million decrease in recordkeeping fees primarily due to an increase in terminated contracts.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $16.0 million from $781.9 million to $797.9 million due to an increase in account values ($0.8 billion in general account AUM as provided in the table above) along with higher premium and interest bonuses paid on accounts. The increase was partially offset by a slight decrease in average credited rates on fixed fund options in qualified and nonqualified annuity and funding agreement products compared to 2009 due to management actions.

Operating expenses increased $78.5 million from $821.8 million to $900.3 million due to the transfer of the wholesale distribution force in early 2010 from our Closed Block Variable Annuity segment to support sales of the individual retirement rollover products and non-deferrable project spending to improve the then current infrastructure and prepare for anticipated future growth. Subsequently, the individual retirement product business was restructured in late 2010, which resulted in a significant reduction in headcount in the fourth quarter of 2010 and a reduction in the expense run rate heading into 2011. The remaining increase relates to a $13.6 million increase in AUM-based commissions driven by higher AUM levels.

Net amortization of DAC/VOBA decreased $51.2 million from $60.4 million to $9.2 million primarily due to $93.2 million in favorable unlocking. The 2010 results included a favorable unlocking impact of $160.4 million compared to $67.2 million in 2009. Favorable unlocking in both 2010 and 2009 was driven by higher than expected equity market appreciation, as well as assumption updates resulting in an increase in future gross profit projections. Excluding the impact from the unlocking of DAC/VOBA, net amortization of DAC/VOBA increased $42.0 million due primarily to a higher level of gross profits in 2010.

Operating income (loss) before income taxes

Markets continued their recovery into 2010, laying the groundwork for improvement in operating income. The higher equity market levels in 2010 compared to early 2009 contributed to higher favorable DAC/VOBA and other intangible unlocking and improved AUM-based fee income. The increase in operating income also reflected better net investment income, as returns on alternative investments improved.

Retirement Solutions Annuities

The following table reflects operating income before income taxes of the Annuities segment for the periods indicated:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	**2011**	**2011**	**2010**	**2009**
Operating revenues:					
Net investment income and net realized gains (losses)	$ 329.0	$ 339.2	$ 1,321.9	$ 1,369.4	$ 1,381.8
Fee income	7.4	5.7	29.8	24.1	14.9
Premiums	11.8	9.7	34.1	67.3	34.5
Other revenue	3.0	5.8	15.6	21.7	11.5
Total operating revenues	351.2	360.4	1,401.4	1,482.5	1,442.7
Operating benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	241.9	268.0	978.0	1,091.9	1,100.4
Operating expenses	31.2	30.3	126.7	131.0	114.4
Net amortization of DAC/VOBA	41.6	22.5	(91.5)	143.9	178.4
Interest expense	0.1	0.2	0.6	0.7	0.8
Total operating benefits and expenses	314.8	321.0	1,013.8	1,367.5	1,394.0
Operating income (loss) before income taxes	$ 36.4	$ 39.4	$ 387.6	$ 115.0	$ 48.7

The following table presents AUM for our Annuities segment at the dates indicated:

($ in millions)	As of March 31,		As of December 31,		
	2012	**2011**	**2011**	**2010**	**2009**
AUM					
General account	$ 24,770.2	$ 25,801.1	$ 25,198.5	$ 25,925.0	$ 25,302.9
Separate account	795.5	847.6	730.4	835.3	805.4
Mutual funds	2,026.9	1,365.8	1,761.3	1,089.0	260.4
Total AUM	$ 27,592.6	$ 28,014.5	$ 27,690.2	$ 27,849.3	$ 26,368.7

The following table presents a rollforward of AUM for our Annuities segment for the periods indicated:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	**2011**	**2011**	**2010**	**2009**
Balance as of beginning of year	$ 27,690.2	$ 27,849.3	$ 27,849.3	$ 26,368.7	$ 25,150.5
Deposits	596.1	756.1	2,716.8	2,855.6	3,204.6
Surrenders, benefits and product charges	(1,107.7)	(948.1)	(3,935.1)	(2,897.1)	(3,069.7)
Net flows	(511.6)	(192.0)	(1,218.3)	(41.5)	134.9
Interest credited and investment performance	414.0	357.2	1,059.2	1,522.1	1,083.3
Balance as of end of year	$ 27,592.6	$ 28,014.5	$ 27,690.2	$ 27,849.3	$ 26,368.7

Annuities — Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Operating revenues

Net investment income and net realized gains (losses) decreased $10.2 million from $339.2 million to $329.0 million primarily due to lower general account assets, which were partially offset by higher yields on our

CMO-B portfolio. General account assets decreased as a result of MYGAs lapsing at the end of their initial terms, largely due to crediting rates that were lower than the crediting rates during the initial term.

Fee income increased $1.7 million from $5.7 million to $7.4 million due to growth in assets of custodial mutual fund products, which are sold by the annuity distribution channel as an alternative retirement product. The growth in these products was due to new deposits and investment performance in the first quarter of 2012.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $26.1 million from $268.0 million to $241.9 million. The decrease was primarily a result of lower option costs on fixed index annuities (FIA) as well as a result of lapses of MYGA policies (as discussed above).

Net amortization of DAC/VOBA increased $19.1 million from $22.5 million to $41.6 million primarily due to an unfavorable change in unlocking being partially offset by lower amortization during the first quarter of 2012. The unfavorable unlocking is mainly due to a decrease in projected investment margins on the MYGA block in the first quarter of 2012 as well as an unfavorable variance between actual and expected gross profits in the first quarter of 2012. The favorable variance in amortization is mostly a result of a lower amortization rate due to revisions to the future gross profit projections as of December 31, 2011.

Operating income before income taxes

Operating income before income taxes decreased $3.0 million from $39.4 million to $36.4 million. The decrease was primarily driven by lower net investment income (loss) and higher amortization of DAC/VOBA, which was partially offset by higher fee income and lower interest credited and other benefits to contract owners/policyholders.

Annuities Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating revenues

Net investment income and net realized gains (losses) decreased $47.5 million from $1,369.4 million to $1,321.9 million due to lower yields. The decrease in yield reflects the impact of lower interest rates in 2011.

Fee income increased $5.7 million from $24.1 million to $29.8 million due to growth in assets of mutual fund products, which are sold by the annuity distribution force as an alternative retirement product. Sales of mutual fund products increased from $859.9 million to $977.6 million during 2011, or a growth of 13.7%.

Premiums declined by $33.2 million from $67.3 million to $34.1 million due to lower sales of immediate annuities with life contingencies.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $113.9 million from $1,091.9 million to $978.0 million primarily due to a decrease in average crediting rates resulting from contracts with higher rates reaching maturity. The decrease also reflects lower sales of annuities with life contingencies, which results in a decrease in the related reserve associated with those products. In addition, amortization of sales inducements decreased due to an increase in estimated gross profits.

Operating expenses decreased $4.3 million from $131.0 million to $126.7 million due to slightly lower commission expenses in 2011.

Net amortization of DAC/VOBA decreased $235.4 million from $143.9 million to ($91.5) million primarily due to a favorable change in unlocking in 2011 compared to unfavorable unlocking in 2010. The favorable unlocking of DAC/VOBA in 2011 resulted from prospective assumption changes related to investment margins, or earned investment income less credited interest. The projections of this assumption were updated using improved modeling techniques, which provided for a better estimate of future cash flows.

Operating income before income taxes

Operating income before income taxes in 2011 increased $272.6 million from $115.0 million to $387.6 million primarily impacted by increased investment margins as well as updated actuarial assumptions and resulted in favorable unlocking of DAC/VOBA as described above.

Annuities Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating revenues

Net investment income and net realized gains (losses) decreased $12.4 million from $1,381.8 million to $1,369.4 million primarily due to lower yields reflecting a portfolio restructuring that we conducted in mid-2009 to early 2010 in order to maintain a strong liquidity profile. See Investments Investment Strategy.

Fee income increased $9.2 million from $14.9 million to $24.1 million due to growth in assets of custodial mutual fund products, which the annuity distribution channel sells as an alternative retirement product.

Premiums increased $32.8 million from $34.5 million to $67.3 million due to higher sales of immediate annuities with life contingencies.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $8.5 million from $1,100.4 million to $1,091.9 million primarily due to a decrease in average crediting rates as more contracts were established at lower rates as a result of the low interest rate environment, partially offset by an increase in annuities with life contingencies reserves due to higher sales.

Operating expenses increased $16.6 million from $114.4 million to $131.0 million as a result of higher commissions driven by a growth in sales of custodial mutual fund products as well as higher trail commissions on indexed annuities.

Net amortization of DAC/VOBA decreased $34.5 million from $178.4 million to $143.9 million primarily due to lower amortization rates and lower gross profits.

Operating income before income taxes

Operating income before income taxes increased $66.3 million from $48.7 million to $115.0 million. The increase was primarily driven by lower net amortization of DAC/VOBA, being partially offset by a decrease in investment margins as a result of the portfolio restructuring described above.

Investment Management

The following table reflects operating income before income taxes of our Investment Management segment for the periods indicated:

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Operating revenues:					
Net investment income and net realized gains (losses)	$ 5.4	$ 6.2	$ 8.8	$ 2.2	$ (46.4)
Fee income	117.9	117.1	469.3	446.4	434.2
Other revenue	7.3	5.3	13.8	5.9	4.2
Total operating revenues	130.6	128.6	491.9	454.5	392.0
Operating benefits and expenses:					
Operating expenses	97.6	103.3	404.4	404.4	347.6
Total operating benefits and expenses	97.6	103.3	404.4	404.4	347.6
Operating income (loss) before income taxes	$ 33.0	$ 25.3	$ 87.5	$ 50.1	$ 44.4

Our Investment Management operating segment revenues include the following intersegment revenues, primarily consisting of asset-based management and administration fees. The following table reflects the current fee structure pursuant to the asset management agreement.

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Investment Management intersegment revenues	$ 40.1	$ 40.8	$ 164.1	$ 156.8	$ 170.8

The following tables present AUM and AUA for our Investment Management segment at the dates indicated:

($ in millions)	As of March 31, 2012	As of March 31, 2011	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
AUM					
Investment Management retail/institutional sourced	$ 49,754.9	$ 49,432.8	$ 49,391.5	$ 47,302.6	$ 48,602.2
ING U.S. retail/institutional sourced(1)	44,050.0	37,882.9	37,851.8	33,907.3	31,700.3
ING U.S. sourced general account	77,121.7	77,517.4	78,878.3	77,277.8	75,059.8
Total AUM	170,926.6	164,833.1	166,121.6	158,487.7	155,362.3
AUA					
ING U.S. retail/institutional sourced	58,136.6	63,272.2	58,992.4	64,653.2	60,096.9
Total AUM and AUA	$ 229,063.2	$ 228,105.3	$ 225,114.0	$ 223,140.9	$ 215,459.2

(1) ING U.S. retail/institutional sourced assets include AUM that is also included in other U.S. segments.

	As of March 31,		As of December 31,		
	2012	2011	2011	2010	2009
AUM					
Institutional/retail	$ 56,182.8	$ 54,342.1	$ 55,705.6	$ 51,612.3	$ 50,738.9
Insurance company separate account	37,622.1	32,973.6	31,537.7	29,597.6	29,563.6
General account	77,121.7	77,517.4	78,878.3	77,277.8	75,059.8
Total AUM	170,926.6	164,833.1	166,121.6	158,487.7	155,362.3
AUA					
ING U.S. retail/institutional sourced	58,136.6	63,272.2	58,992.4	64,653.2	60,096.9
Total AUM and AUA	$ 229,063.2	$ 228,105.3	$ 225,114.0	$ 223,140.9	$ 215,459.2

The following table presents net flows for our Investment Management segment for the periods indicated:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Net Flows					
Investment Management sourced	$ (186.0)	$ 452.9	$ 2,398.8	$ (932.7)	$ (5,266.8)
ING U.S. sourced, excluding Closed Block Variable Annuity	4,184.8	2,960.1	4,827.7	541.0	(2,532.8)
Closed Block Variable Annuity	(339.9)	(302.0)	(1,524.2)	(1,062.8)	
Total	$ 3,658.9	$ 3,111.0	$ 5,702.3	$ (1,454.5)	$ (7,799.6)

Investment Management Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Operating revenues

Net investment income and net realized gains (losses) was relatively constant, with a decrease of $0.8 million from $6.2 million to $5.4 million. We invest capital to seed new funds and strategies and to co-invest along with clients as a strategy to build scale and leverage costs. We expect the account balance to fluctuate from period to period due to the nature of these investments.

Fee income increased $0.8 million from $117.1 million to $117.9 million primarily due to an increase in AUM resulting in higher management and administrative fees earned. AUM increased 4% to $170.9 billion from $164.8 billion. The increase in AUM was the result of higher equity markets and the re-assignment of several large mutual fund management contracts to us based on our performance. We previously serviced these contracts and reported the assets as AUA.

Other revenue increased $2.0 million from $5.3 million to $7.3 million primarily due to an increase in performance and administrative related fees. Performance fees are earned when the return of certain asset classes exceeds benchmark returns or other performance targets.

Operating benefits and expenses

Operating expenses declined $5.7 million from $103.3 million to $97.6 million due primarily to lower incentive compensation expense in the first quarter of 2012.

Operating income before income taxes

Operating income before income taxes increased $7.7 million primarily due to lower operating expenses in the first quarter of 2012 and an increase in AUM that we manage on behalf of institutional and retail investors. The increase in AUM was the result of higher equity markets and the re-assignment of several large mutual fund management contracts to us based on our performance. We previously serviced these contracts and reported the assets as AUA.

Investment Management Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating revenues

Net investment income and net realized gains (losses) increased $6.6 million from $2.2 million to $8.8 million primarily due to improved performance of funds and partnership investments resulting from improved market conditions.

Fee income increased $22.9 million from $446.4 million to $469.3 million primarily due to increase in AUM resulting in higher management and administrative fees earned. The increase in AUM was also due to the re-assignment of several large mutual fund management contracts to us based on our performance. We previously serviced these contracts and reported the assets as AUA.

Other revenue increased $7.9 million from $5.9 million to $13.8 million primarily due to an increase in production fees from a higher level of mortgage loan and private placement production activity as well as an increase in mortgage loan servicing fees. This was partially offset by a decrease in performance fees compared to 2010.

Operating benefits and expenses

Operating expenses were level with 2010 expenses at $404.4 million, the result of slightly higher compensation expense offset by cost reductions in other categories.

Operating income before income taxes

The overall increase in operating income in 2011 was primarily driven by an increase in AUM that we managed on behalf of institutions and retail investors. The increase in AUM was the result of higher equity markets as well as the re-assignment of several large mutual fund management contracts, which has resulted in additional fee income to us. We previously serviced these contracts and reported the assets as AUA. Operating expenses remained level with 2010.

Investment Management Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating revenues

Net investment income and net realized gains (losses) increased $48.6 million from ($46.4) million to $2.2 million primarily due to improved performance of funds, partnership investments and hedging strategies compared to losses reported on these investments in 2009. The primary driver of this increase was related to losses incurred on principal investing activities in 2009 that did not recur in 2010.

Fee income increased $12.2 million from $434.2 million to $446.4 million primarily due to increase in AUM and AUA, which resulted in a $30.0 million increase in management and administration fees. This was partially offset by a $17.8 million decrease in fees earned in connection with our management of general account assets due to asset mix changes which resulted in lower management fees.

Other revenue increased $1.7 million from $4.2 million to $5.9 million primarily due to an increase in production fees from a higher level of mortgage loan and private placement production activity. The increase was also due to an increase in mortgage loan servicing fees which was partially offset by a decrease in performance fees.

Operating benefits and expenses

Operating expenses increased $56.8 million from $347.6 million to $404.4 million primarily due to retention-based revisions affecting certain incentive compensation awards earned beginning in 2009. The increase was due in part to the deferral of $36.7 million of incentive compensation awards in 2009, the payment of which is being amortized over a three-year period beginning in 2010.

Operating income before income taxes

The overall increase in operating earnings was driven primarily by an increase in net investment income (loss). The primary driver of this increase was related to losses incurred on principal investing activities in 2009 that did not recur in 2010. The increase in operating earnings was also driven by higher fee income which was the result of an increase in average AUM and AUA during 2010. The increase in revenues was offset by an increase in operating expenses, which was primarily the result of the decision to defer a significant portion of incentive compensation in 2009 and amortize these deferrals over a three-year period beginning in 2010.

Insurance Solutions Individual Life

The following table reflects operating income before income taxes of our Individual Life segment for the periods indicated:

($ in millions)	Three Months Ended March 31, 2012	2011	Year Ended December 31, 2011	2010	2009
Operating revenues:					
Net investment income and net realized gains (losses)	$ 247.0	$ 241.7	$ 950.0	$ 942.8	$ 932.6
Fee income	318.8	309.8	1,288.7	1,229.1	1,235.1
Premiums	179.4	152.1	660.9	539.1	448.6
Other revenue	8.4	17.4	63.1	90.8	107.9
Total operating revenues	753.6	721.0	2,962.7	2,801.8	2,724.2
Operating benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	547.3	508.6	2,040.4	1,926.0	1,827.9
Operating expenses	97.0	81.5	332.8	325.0	299.0
Net amortization of DAC/VOBA	50.3	48.7	280.5	261.3	257.4
Interest expense	4.6	5.9	18.9	22.0	22.7
Total operating benefits and expenses	699.2	644.7	2,672.6	2,534.3	2,407.0
Operating income (loss) before income taxes	$ 54.4	$ 76.3	$ 290.1	$ 267.5	$ 317.2

The following table presents sales, gross premiums, in-force and policy count for our Individual Life segment for the periods indicated:

($ in millions) Sales by Product Line	Three Months Ended March 31, 2012	2011	Year Ended December 31, 2011	2010	2009
Universal life					
Guaranteed	$ 22.2	$ 16.6	$ 68.1	$ 27.2	$ 50.2
Accumulation	6.1	9.9	28.7	36.6	25.8
Indexed	5.1	5.5	28.3	20.7	8.5
Total universal life	33.4	32.0	125.1	84.5	84.5
Variable life	1.2	4.1	12.3	11.5	14.3
Term	33.7	37.2	155.5	127.7	147.0
Total sales by product line	$ 68.3	$ 73.3	$ 292.9	$ 223.7	$ 245.8
Total gross premiums	$ 598.7	$ 529.0	$ 2,140.7	$ 1,912.5	$ 1,898.2
In-force face amount	$ 581,725.6	$ 514,841.7	$ 567,718.1	$ 496,711.7	$ 434,804.9
In-force policy count	1,327,381	1,255,880	1,313,057	1,237,165	1,185,765
New business policy count (paid)	34,054	38,733	156,650	132,856	159,391

Individual Life Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Operating revenues

Net investment income and net realized gains (losses) increased $5.3 million from $241.7 million to $247.0 million primarily due to $5.4 million of increased prepayment fees.

Fee income increased $9.0 million from $309.8 million to $318.8 million primarily due to a growth in cost of insurance (COI) consistent with in-force growth and other policyholder charges as a result of strong sales. Low lapse rates also helped the in-force block grow on a net basis.

Premiums increased $27.3 million from $152.1 million to $179.4 million due to increased renewal premiums from the first quarter of 2011 term life sales along with strong term life sales in the first quarter of 2012.

Other revenue decreased $9.0 million from $17.4 million to $8.4 million primarily as a result of lower surrender fees on our Individual Life segment as we experienced higher persistency with the in-force block.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $38.7 million from $508.6 million to $547.3 million primarily due to unfavorable net mortality results. Direct claims were favorable when compared to the first quarter of 2011, but reinsurance recoveries provided less of a benefit, specifically on the universal life block, as there were a higher number of gross claims with low face amounts that had little to no reinsurance.

Operating expenses increased $15.5 million from $81.5 million to $97.0 million driven primarily by higher premium tax assessments as a result of higher collected premiums. Also contributing to this increase was the overall growth in policy administration and other non-deferrable expenses to support the business growth.

Interest expense decreased $1.3 million from $5.9 million to $4.6 million due to lower LIBOR rates in first quarter of 2012, as interest costs associated with our surplus notes backing captive financial reinsurance arrangements are based on LIBOR.

Operating income before income taxes

Individual Life segment results decreased in comparison to the first quarter of 2011 primarily due to unfavorable net mortality results. Direct claims were favorable when comparing periods, but reinsurance recoveries provided less of a benefit, specifically on the universal life block, as there were a higher number of gross claims with low face amounts that had little to no reinsurance. The unfavorable variance was partially offset by strong revenue growth, which was primarily driven by higher premiums as a result of in-force growth.

Individual Life Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating revenues

Net investment income and net realized gains (losses) increased $7.2 million from $942.8 million to $950.0 million primarily due to higher yields on our CMO-B portfolio, this increase was partially offset by lower prepayment fees.

Fee income increased $59.6 million from $1,229.1 million to $1,288.7 million primarily due to a growth in cost of insurance consistent with in-force growth and other policyholder charges as a result of strong sales of universal life and term products. Lower lapse rates also helped the in-force block grow on a net basis.

Premiums increased $121.8 million from $539.1 million to $660.9 million due to continued growth in term sales and favorable lapse experience on in-force term policies. Term sales increased $27.8 million in 2011 primarily due to the distribution strategy targeting more affluent customers. This resulted in higher sales per policy and increased overall sales in 2011. In addition, term policies renewed at a higher than expected rate, particularly on policies issued in 2010, and thus provided for higher premiums due to this higher persistency.

Other revenue decreased $27.7 million from $90.8 million to $63.1 million primarily as a result of lower surrender fees as we experienced higher persistency with the in-force block.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $114.4 million from $1,926.0 to $2,040.4 million primarily due to a decrease in recoveries on gross claims on the UL block, an increase in direct claims on the term block in 2011 and growth in the term business. In addition, 2010 results included a favorable reserve development of $27.4 million associated with certain universal life products. The absence of a similar reserve development in 2011 resulted in lower earnings as compared to 2010.

Operating expenses increased $7.8 million from $325.0 million to $332.8 million as a result of an increase in information technology and project-related expenses to support business growth and process efficiency.

Net amortization of DAC/VOBA increased $19.2 million from $261.3 million to $280.5 million primarily due to increased gross profits on universal life products in 2011. Amortization also increased primarily due to additional deferred costs on the term life products, as a result of the continued growth of this block of business.

Interest expense decreased $3.1 million from $22.0 million to $18.9 million due to lower LIBOR rates in 2011, as interest costs associated with our surplus notes backing captive financial reinsurance arrangements are based on LIBOR.

Operating income (loss) before income taxes

Our actions to competitively decrease pricing and introduce new universal life products in 2010 resulted in a substantial growth in sales in 2011. Fee income increased as a result of this growth in universal life sales in 2011. Term products also experienced considerable growth in 2011 with sales improving 21.8%. While premium revenue on term policies increased substantially, part of this revenue growth was offset by the increase in benefits associated with the expected rise in term reserves and the absence of favorable reserve development related to a block of universal life policies, which improved 2010 results. Financing costs for captive reinsurance arrangements also increased following the establishment of additional capacity facilities and the restructuring of existing facilities, which increased contractual rates.

Individual Life   Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating revenues

Net investment income and net realized gains (losses) increased $10.2 million from $932.6 million to $942.8 million primarily due to higher returns on alternative investments, larger returns on our CMO-B portfolio and the related derivative activity and higher prepayment fee income. These increases are partially offset by the impact of lower interest rates and the restructuring of the investment portfolio.

Fee income decreased $6.0 million from $1,235.1 million to $1,229.1 million due to a decline in account values associated with the universal and variable life products during 2010.

Premiums increased $90.5 million from $448.6 million to $539.1 million due to growth of the term life block of business. Sales of term life products were $127.7 million in 2010 compared to $147.0 million in 2009. However, the periods prior to 2010 experienced significant growth in term life product sales prior to 2010 and renewals of these products were a key driver of the increase in 2010. We decreased our prices of term life in 2010 in order to strengthen our position in this highly competitive market.

Other revenue decreased $17.1 million from $107.9 million to $90.8 million primarily as a result of lower surrender fees as we experienced higher persistency with the in-force block resulting in lower fees on surrenders.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders increased $98.1 million from $1,827.9 million to $1,926.0 million due primarily to a $90.3 million increase in net mortality (direct claims, net of reinsurance recoveries and reserves released upon death). The change was primarily due to favorable net mortality in 2009 that did not occur in 2010. In addition, growth in term insurance premiums contributed to the increase in reserves.

Operating expenses increased $26.0 million from $299.0 million to $325.0 million due to overall growth in policy administration and other non-deferrable expenses to support the growth in the business.

Net amortization of DAC/VOBA increased $3.9 million from $257.4 million to $261.3 million primarily due to increased premiums on the term life products as a result of the continued growth of this block.

Interest expense decreased $0.7 million from $22.7 million to $22.0 million due to lower LIBOR rates in first quarter of 2010, as interest costs associated with our surplus notes backing captive financial reinsurance arrangements are based on LIBOR.

Operating income (loss) before income taxes

Overall, 2010 was impacted by the lingering effects of the economic crisis, that were muted in 2009 by very favorable net mortality and non-repeatable levels of surrender fee income. Gross claims in 2010 were higher and recoveries only partially offset the higher gross claims. In addition, surrender fees were higher in 2009 due to the financial crisis which generated higher than normal surrenders on the universal life block.

Insurance Solutions Employee Benefits

The following table reflects operating income before income taxes of the Employee Benefits segment for the periods indicated:

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Operating revenues:					
Net investment income and net realized gains (losses)	$ 31.7	$ 31.3	$ 124.3	$ 128.3	$ 95.0
Fee income	15.4	15.4	61.8	61.0	59.6
Premiums	268.4	275.5	1,063.4	1,091.5	1,200.8
Other revenue	(2.2)	(0.7)	(3.3)	(3.0)	1.8
Total operating revenues	313.3	321.5	1,246.2	1,277.8	1,357.2
Operating benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	234.0	244.0	917.7	943.5	1,067.7
Operating expenses	61.2	60.7	229.3	232.9	242.9
Net amortization of DAC/VOBA	2.5	3.5	15.9	19.4	9.4
Total operating benefits and expenses	297.7	308.2	1,162.9	1,195.8	1,320.0
Operating income (loss) before income taxes	$ 15.6	$ 13.3	$ 83.3	$ 82.0	$ 37.2

The following table presents sales, gross premiums and in-force for our Employee Benefits segment for the periods indicated:

($ in millions) Sales by Product Line	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Group life	$ 25.3	$ 18.2	$ 36.8	$ 41.6	$ 48.0
Group stop loss	112.3	95.5	140.9	170.9	134.3
Other group products	9.6	6.2	19.8	22.6	19.0
Total group products	147.2	119.9	197.5	235.1	201.3
Voluntary products	7.4	7.7	28.0	28.9	29.2
Total sales by product line	$ 154.6	$ 127.6	$ 225.5	$ 264.0	$ 230.5
Gross premiums	$ 312.8	$ 320.9	$ 1,244.6	$ 1,278.7	$ 1,345.6
Total annualized in-force premiums	1,308.1	1,279.2	1,259.5	1,320.8	1,363.7
Interest Adjusted Loss Ratios					
Group life	82.8%	82.8%	77.5%	81.0%	79.0%
Group stop loss	76.2%	83.5%	82.9%	83.7%	80.2%

Employee Benefits Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Operating revenues

Premiums decreased $7.1 million from $275.5 million to $268.4 million primarily due to a decline in group life premiums when compared to the same quarter in 2011, which was partially offset by an increase of 6.0% in stop loss premiums. Disability premiums continued to decline due to the reinsurance of substantially all of our short term and voluntary disability business effective April 1, 2011.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $10.0 million from $244.0 million to $234.0 million primarily due to favorable claims experience in our stop loss product, due to an increase in reinsurance recoveries, partially offset by unfavorable mortality results in the voluntary universal life products and lower favorable claims reserve development on the retained long-term disability product.

Net amortization of DAC/VOBA decreased $1.0 million from $3.5 million to $2.5 million, due to a $2.6 million write down of DAC included in the fourth quarter of 2011, resulting from a reinsurance transaction for the voluntary disability product.

Operating income before income taxes

Growth of the in-force stop loss business and improved loss ratios on stop loss contributed significantly to improved operating income in the first quarter of 2012 compared to the first quarter of 2011. The improved operating income was offset by lower favorable reserve development on the retained long-term disability business in the first quarter of 2012. Significant initiatives in 2011 focused on improving the quality of our stop-loss business through more selective underwriting and reducing our retained risk on short-term disability and voluntary disability products through a new reinsurance arrangement. Claims on the long-term disability business with an effective date after September 1, 2009 are substantially all reinsured and claims prior to September 1, 2009 are substantially all retained. This retained business experienced favorable reserve development in the first quarter of 2012 and 2011, but the favorable development is declining as the business runs off. The results on stop loss and long-term disability largely offset each other, which resulted in a slightly higher operating income.

Employee Benefits   Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating revenues

Net investment income and net realized gains (losses) decreased $4.0 million from $128.3 million to $124.3 million primarily due to lower invested assets as a result of the decline in size of the group life in-force block.

Premiums decreased $28.1 million from $1,091.5 million to $1,063.4 million primarily due to an 11.8% decline in group life in-force and a 35.6% decline in disability in-force. In addition, reinsured premiums increased due to reinsurance of short-term and voluntary disability business beginning April 1, 2011. The group life in-force decline reflects tighter competitor pricing in the market where we have chosen not to relax our risk and profitability requirements in pricing. The disability in-force decline reflects more selective underwriting and pricing actions by our reinsurer, which is driving higher lapse rates and lower sales. The reinsurance was structured in similar manner to our long-term disability reinsurance program entered into in 2009. Accordingly, we reinsure substantially all the risk for new claims on existing in-force business beginning April 1, 2011 and for new business written after that date. These policies contributed to direct premium revenue for the full year for 2010, but only the first quarter of 2011.

Operating benefits and expenses

Interest credited and other benefits to contract owners/policyholders decreased $25.8 million from $943.5 million to $917.7 million primarily due to the decline in total in-force insurance policies as evidenced by a 2.7% decrease in gross premiums. Improved loss ratios on group stop loss products also contributed to the decline. The improved loss ratios were partially offset by unfavorable mortality results in the voluntary products, particularly the whole life block and less favorable experience on claims associated with the run-off block of the retained long-term disability products relative to 2010.

Operating expenses decreased $3.6 million from $232.9 million to $229.3 million due to a combination of factors. Operating expenses declined by $6.0 million primarily driven by lower costs resulting from reinsuring the disability business. Reinsurance allowances increased $1.8 million in 2011 due to the new reinsurance contract covering the short-term disability and voluntary disability business which became effective on April 1, 2011. These positive impacts were offset by lower capitalized commissions of $3.7 million.

Net amortization of DAC/VOBA decreased $3.5 million primarily from $19.4 million to $15.9 million due to a decline in amortization on universal life products due to lower gross profits, this decrease was partially offset by a growth in amortization on short-term disability and voluntary disability products due to the impact of the aforementioned reinsurance transaction. Unfavorable prospective unlocking in 2010 of $2.0 million resulted in lower DAC amortization in 2011. The reinsurance transaction also resulted in a $2.5 million adjustment of DAC.

Operating income (loss) before income taxes

Growth of the in-force stop loss business and improved loss ratios on stop loss contributed significantly to improved operating income relative to 2010, despite a reduction in new sales. Significant initiatives in 2011 focused on improving the quality of our group stop loss business through more selective underwriting and reducing our retained risk on short-term disability and voluntary disability products through a new reinsurance arrangement. New long-term disability business is substantially reinsured and our in-force is in run-off. The retained claims experienced favorable development, partially due to case management initiatives. The favorable development on the run-off long term disability block was approximately $20.0 million more in 2010 than in 2011. The net effect of these results on stop loss and long-term disability, respectively, largely offset each other resulting in essentially flat operating income in 2011 relative to 2010.

Employee Benefits Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating revenues

Net investment income and net realized gains (losses) increased $33.3 million from $95.0 million to $128.3 million primarily due to higher yields on invested assets.

Premiums decreased $109.3 million from $1,200.8 million to $1,091.5 million primarily due to lower in-force annualized premiums in disability and group life, partially offset by higher stop loss premiums. Long-term disability premiums decreased significantly from 2009 due to the reinsurance of a substantial portion of the business written after September 1, 2009. Group stop loss sales increased $36.6 million, attributable primarily to improved rates. The group life market, however, continued to be highly competitive and sales decreased $6.4 million. The overall growth in the group sector was partially offset by a decrease in voluntary product sales.

Operating Benefits and Expenses

Interest credited and other benefits to contract owners/policyholders decreased $124.2 million from $1,067.7 million to $943.5 million due to a combination of factors, including a 5.0% decline in gross premiums associated with a decrease in total insurance in-force and thus less exposure to claims expense. Group disability benefits also decreased as a result of the reinsurance put in place effective September 1, 2009, which allowed for more active case management on retained long-term disability claims, including recovery of overpayments on targeted claims. The more active case management resulted in favorable run-off experience on the retained long-term disability business of $37.2 million and is accretive to 2010 earnings. Higher benefit expenses during 2010 resulted in a higher loss ratio for group life and stop loss products.

Operating expenses decreased $10.0 million from $242.9 million to $232.9 million primarily due to $3.8 million lower commissions from the continued decline in total annualized in-force premiums in disability and group life. In addition, reinsurance expense reimbursements were $9.8 million in 2010 from the implementation of reinsurance on the long-term disability products which resulted in an increase in expense allowances. The reinsurance expense reimbursements were offset by $4.9 million of higher operating expenses in 2009, including $2.1 million related to the positive effects of certain compensation adjustments and legal fee reimbursements recognized in 2009 but not in 2010.

Net amortization of DAC/VOBA increased $10.0 million from $9.4 million to $19.4 million due to $4.4 million of higher amortization on universal life products and $3.5 million of higher amortization on voluntary health products. There was $2.0 million unfavorable unlocking during 2010 related to prospective changes in lapse and maintenance expense assumptions.

Operating income (loss) before income taxes

Improvements in market conditions during 2010 anchored an increase of $44.8 million, due in part from higher returns on alternative investments, which increased by $33.2 million. In addition, we focused on reducing risk through product initiatives, including the reduction of long-term disability claim expense through more active case management. Coupled with favorable development on reserves, our long-term disability business results were $37.2 million higher. Partially offsetting these items was decreased operating income of $21.2 million due to higher loss ratios on the group life product as a result of higher claims.

Corporate

The following table reflects operating income before income taxes of our Corporate segment for the periods presented:

($ in millions)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Interest expense (including interest rate swap settlements)	$ (16.7)	$ (71.0)	$ (185.7)	$ (383.5)	$ (506.3)
Closed Block Variable Annuity contingent capital letter of credit costs	(18.9)				
Amortization of intangibles	(8.7)	(8.3)	(34.4)	(33.6)	(33.5)
Other	(3.9)	34.8	(10.1)	18.0	69.3
Operating income (loss) before income taxes	$ (48.2)	$ (44.5)	$ (230.2)	$ (399.1)	$ (470.5)

Our Corporate segment operating results include investment income on assets backing surplus in excess of amounts held at the operating segment level, financing and interest expenses, amortization of intangibles, and other items not allocated to operating segments.

Corporate Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Operating loss before income taxes increased $3.7 million from $44.5 million to $48.2 million as a result of several offsetting factors. The largest contributor was a $54.3 million decline in interest expenses (net of swap settlements) due to a $2.7 billion and a $1.3 billion debt to equity conversion in the second quarter and fourth quarter of 2011, respectively, and lower swap interest expense due to the termination of the interest rate swaps in 2011. The lower interest expense was offset by an $18.9 million increase in contingent capital letter of credit costs for our Closed Block Variable Annuity segment and an increase in operating expenses due to $30.1 million of lower compensation expense in 2011, resulting from payments related to 2010 performance which were less than the accrual. This accrual release was not allocated to our segments.

Corporate Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Operating loss before income taxes decreased $168.8 million from $399.1 million to $230.2 million primarily driven by a $199.2 million reduction in interest costs as a result of a $2.7 billion debt to equity conversion during the second quarter of 2011 and $1.3 billion debt to equity conversion in the fourth quarter of 2011. In addition, operating expenses in 2010 included a charge of $24.0 million related to an insurance industry insolvency fund for Executive Life Insurance Company of New York (ELNY) compared to a charge of $4.0 million in 2011. Offsetting these favorable items was a 2011 charge of $68.9 million, net of associated DAC, to increase reserves in connection with our use of the SSDMF to identify potential life insurance claims that have not yet been presented to us.

Corporate   Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Operating loss before income taxes declined by $71.4 million from $470.5 million to $399.1 million primarily due to a $121.4 million reduction in interest expenses due to a $3.0 billion debt to equity conversion in January 2010. This was partially offset by a charge of $24.0 million related to an insurance industry insolvency fund for ELNY and a $12.6 million reduction in investment income backing surplus due to changes in yields on our CMO-B portfolio.

Closed Blocks

The following table reflects operating income (loss) before income taxes of our Closed Blocks for the periods presented:

($ in millions)	**Three Months Ended March 31,**		**Year Ended December 31,**		
	2012	**2011**	**2011**	**2010**	**2009**
Closed Block Variable Annuity	$ (30.3)	$ 21.2	$ (18.3)	$ (324.8)	$ (683.9)
Closed Block Institutional Spread Products	22.1	19.5	83.2	(3.8)	1.8
Closed Block Other	2.2	(4.0)	(13.0)	(6.7)	6.9
	$ (6.0)	$ 36.7	$ 51.9	$ (335.3)	$ (675.2)

The following table reflects operating income (loss) before income taxes of our Closed Block Variable Annuity segment for the periods presented:

($ in millions)	**Three Months Ended March 31,**		**Year ended December 31,**		
	2012	**2011**	**2011**	**2010**	**2009**
Operating revenues:					
Net investment income and net realized gains (losses)	$ (123.2)	$ (104.3)	$ (461.1)	$ (493.6)	$ (241.2)
Fee income	310.3	330.1	1,280.7	1,285.7	1,133.0
Premiums					0.4
Other revenue	6.7	11.9	37.9	46.1	41.5
Total operating revenues	193.8	237.7	857.5	838.2	933.7
Operating benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	98.9	89.6	377.4	505.2	647.5
Operating expenses	110.2	107.5	421.1	398.7	408.3
Net amortization of DAC/VOBA	15.0	19.4	77.3	252.6	555.2
Interest expense				6.5	6.6
Total operating benefits and expenses	224.1	216.5	875.8	1,163.0	1,617.6
Operating income (loss) before income taxes	$ (30.3)	$ 21.2	$ (18.3)	$ (324.8)	$ (683.9)

The following table reflects operating income (loss) before income taxes of our Closed Block Institutional Spread Products segment for the periods presented:

($ in millions)	Three Months Ended March 31,		Year ended December 31,		
	2012	2011	2011	2010	2009
Operating revenues:					
Net investment income and net realized gains (losses)	$ 42.9	$ 48.2	$ 188.8	$ 168.0	$ 307.0
Fee income			0.1	0.3	0.5
Premiums	0.6	0.6	2.3	2.3	2.3
Other revenue	(0.5)	(1.0)	(3.1)	(3.0)	(1.2)
Total operating revenues	43.0	47.8	188.1	167.6	308.6
Operating benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	17.4	24.7	89.0	152.8	275.8
Operating expenses	2.8	2.9	11.3	13.8	19.4
Net amortization of DAC/VOBA	0.1	0.1	0.6	0.6	0.6
Interest expense	0.6	0.6	4.0	4.2	11.0
Total operating benefits and expenses	20.9	28.3	104.9	171.4	306.8
Operating income (loss) before income taxes	$ 22.1	$ 19.5	$ 83.2	$ (3.8)	$ 1.8

The following table reflects operating income (loss) before income taxes of our Closed Block Other segment for the periods presented:

($ in millions)	Three Months Ended March 31,		Year ended December 31,		
	2012	2011	2011	2010	2009
Operating revenues:					
Net investment income and net realized gains (losses)	$ 8.2	$ 9.4	$ 39.0	$ 36.4	$ 41.1
Fee income	0.1	2.3	5.7	18.1	35.4
Premiums	1.7	1.7	4.3	5.3	5.5
Other revenue	0.4	0.8	3.2	4.5	6.4
Total operating revenues	10.4	14.2	52.2	64.3	88.4
Operating benefits and expenses:					
Interest credited and other benefits to contract owners/policyholders	7.0	10.1	29.0	22.8	7.8
Operating expenses	1.2	8.1	36.1	48.9	73.5
Net amortization of DAC/VOBA				(0.7)	
Interest expense			0.1	0.1	0.2
Total operating benefits and expenses	8.2	18.2	65.2	71.0	81.5
Operating income (loss) before income taxes	$ 2.2	$ (4.0)	$ (13.0)	$ (6.7)	$ 6.9

Closed Blocks Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

Closed Block Variable Annuity

Operating income (loss) before income taxes for our Closed Block Variable Annuity segment decreased $51.5 million from $21.2 million to ($30.3) million as a result of several factors. Net investment income (loss), which includes the cost of hedging GMIB and GMDB benefits, was $18.9 million lower due to lower yield on assets backing reserves and higher hedge cost as a result of higher average hedge notional balances on the GMIB and GMDB products. Fee income was lower by $19.8 million due to lower average equity AUM balances resulting from continued product outflows. Interest credited and other benefits to contract owners/policyholders was $9.3 million higher due to an increase in reserve costs on the GMIB product. Partially offsetting these items was $4.4 million lower DAC/VOBA amortization due to lower gross revenues.

Closed Block Institutional Spread Products

Operating income before income taxes for our Closed Block Institutional Spread Products segment increased $2.6 million from $19.5 million to $22.1 million due to improved yields on certain structured asset classes and reductions in contract interest crediting costs, which had a favorable impact to income, offset by a reduction in block size. The average block size based on AUM declined approximately 24.0% from $7.1 billion to $5.4 billion.

Closed Block Other

Operating income (loss) before income taxes for our Closed Block Other segment increased $6.2 million from ($4.0) million to $2.2 million as a result of several factors. A favorable reserve development in the retained portion of the group reinsurance business was partially offset by a reduction in net investment income. In addition to the impact from the group reinsurance business, a $4.0 million decline in operating expenses resulted from the elimination of certain Corporate functions that supported ING Group s Latin America business. ING Group sold the Latin America business during late 2011. The continuing run-off of this segment contributed to a decline in fee income and a corresponding decrease in operating expenses.

Closed Blocks Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Closed Block Variable Annuity Segment

Operating loss before income taxes changed $306.5 million from ($324.8) million to ($18.3) million. This was primarily driven by the following factors. Amortization of DAC/VOBA was $175.3 million lower than 2010, primarily due to a loss recognition write down due to the market decline in the second quarter of 2010. Interest credited and other benefits to contract owners/policyholders was $127.8 million lower, due to a write down of the deferred sales inducement asset in the second quarter of 2010, a decrease in the benefit ratio for GMIB and GMDB benefits, resulting from the strong equity market returns in the latter part of 2010, and favorable development on a claims provision. Investment income was $32.5 million higher due to increased yields on assets backing reserves. These improvements were partially offset by an increase in operating expenses of $22.4 million primarily due to an increase in trail commissions.

Closed Block Institutional Spread Products

Operating income before income taxes increased $87.0 million from ($3.8) million to $83.2 million as a result of the following factors. Net investment income was $20.8 million higher due to higher yields on the CMO-B portfolio, partially offset by a decrease in block size assets. See Investments CMO-B Portfolio. The average block size based on AUM declined approximately 20.2% from $7.9 billion in 2010 to $6.3 billion in 2011. In addition, interest credited and other benefits to contract owners/policyholders decreased $63.8 million primarily due the drop in the block size, as well as declines in the overall contract costs. In the latter half of 2010, a significant block of fixed rate contracts were restructured to floating rate contracts which resulted in lower interest crediting costs in 2011.

Closed Block Other

Operating loss before income taxes increased $6.3 million from ($6.7) million to ($13.0) million as a result of several factors. Fee income decreased $12.4 million primarily due to the continued decline in fees associated with the run-off of the health and welfare business. This decrease is representative of run-off due to the strategic decision to discontinue active marketing of these services. Interest credited and other benefits to contract owners/policyholders increased $6.2 million due to an increase in reserves for exposure to worker s compensation claims associated with the retained group reinsurance business. This reserve strengthening was the result of our ongoing review of experience and expectations of claims development on this business. Operating expenses decreased $12.8 million due to the decline in expenses associated with continued run-off of this segment.

Closed Blocks Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Closed Block Variable Annuity

Operating income (loss) before income taxes improved $359.1 million from ($683.9) million to ($324.8) million as a result of several factors. Fee income increased $152.7 million, due to higher average equity AUM balances in 2010, as a result of strong equity market performance in the last nine months of 2009 and in the last half of 2010. Amortization of DAC/VOBA was $302.6 million less in 2010. While the DAC/VOBA assets were written down in both years due to loss recognition and unlocking (as a result of the market declines in the first quarter of 2009 and in the second quarter of 2010), the write down in 2010 was lower than in 2009. Interest credited and other benefits to contract owners/policyholders was $142.3 million lower in 2010 primarily due to lower amortization of deferred sales inducements, as a result of the same factors that lowered DAC/VOBA amortization. These benefits were partially offset by a decrease in net investment income and net realized gains (losses) of $252.4 million, primarily due to an increase in hedge costs, driven by higher average hedge notional balances related to GMIB and GMDB products.

Closed Block Institutional Spread Products

Operating income (loss) before income taxes decreased $5.6 million from $1.8 million to ($3.8) million as a result of the following factors. Net investment income (loss) decreased $139.0 million primarily due to a $3.8 billion decrease in the average size of the block, resulting from the shift to a non-core business with a run-off strategy and due to lower investment yields. The lower investment yields were the result of the continued decline in interest rates and a change in the mix of assets in the portfolio. Interest credited and other benefits to contract owners/policyholders decreased $123.0 million due to the decrease in the size of the block and lower interest crediting rates in 2010. In the latter half of 2010, some fixed rate contracts were restructured to floating rate contracts which reduced the interest crediting costs.

Closed Block Other

Operating income (loss) before income taxes decreased $13.6 million from $6.9 million to ($6.7) million as a result of the following factors. Efforts to exit non-strategic business units continued into 2010. We sold our Advisors Network business, which provided brokerage, advisory and insurance and trust services, in January 2010. Fee income declined by $17.3 million due to the continued decline in fees associated with the management of the health and welfare business. Interest credited and other benefits to contract owners/policyholders increased $15.0 million due to an increase in reserves for exposure to worker s compensation claims associated with the retained group reinsurance business. This growth in reserves is attributable to the accumulation of required interest during the period on incurred claims. Operating expenses decreased $24.6 million due to the decline in expenses associated with the continued run-off of this segment.

Unlocking of DAC/VOBA and other Contract Owner/Policyholder Intangibles

Changes in operating income (loss) before income taxes and net income (loss) are influenced by increases and decreases in amortization of DAC, VOBA, DSI, and unearned revenue reserves (URR). The DAC asset represents policy acquisition costs that have been capitalized and are subject to amortization and interest. Capitalized costs are direct incremental costs of contract acquisition, as well as certain costs related directly to acquisition activities. Such costs consist principally of certain commissions, underwriting, sales, and contract issuance and processing expenses directly related to the successful acquisition of new and renewal business. The VOBA asset represents the outstanding value of in force business acquired and is subject to amortization and interest. The value is based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition and increased for subsequent deferrable expenses on purchased policies. We amortize VOBA over the life of the contracts using the same methodology and assumptions employed to amortize DAC. The DSI asset represents benefits paid to contract owners for a specified period that are incremental to the amounts we credit on similar contracts without sales inducements and are higher than the contracts expected ongoing crediting rates for periods after the inducement. We defer sales inducements and amortize them over the life of the contracts using the same methodology and assumptions employed to amortize DAC. (The amortization of sales inducements is included in *Interest credited and other benefits to contract owners/policyholders*.) In addition, a URR liability is recorded related to variable universal life and universal life products and represents policy charges for services to be provided in future periods. These policy charges are deferred as unearned revenue and amortized over the expected life of the contracts in proportion to the estimated gross profits in a manner consistent with DAC for these products. The change in URR is included in *Fee income*.

Generally, we amortize DAC/VOBA, DSI, and URR related to fixed and variable universal life contracts, variable deferred annuity contracts, and fixed deferred annuity contracts over the estimated lives of the contracts in relation to the emergence of estimated gross profits. For variable deferred annuity contracts within the Closed Block Variable Annuity segment, we amortize DAC, VOBA, and DSI in relation to the emergence of estimated gross revenue. Assumptions as to mortality, persistency, interest crediting rates, returns associated with separate account performance, impact of hedge performance, expenses to administer the business, and certain economic variables, such as inflation, are based on our experience and our overall short-term and long-term future expectations for returns available in the capital markets. At each valuation date, actual historical gross profits are reflected and estimated gross profits, and related assumptions, are evaluated for continued reasonableness. Adjustments to estimated gross profits require that amortization rates be revised retroactively to the date of the contract issuance, which is referred to as unlocking. As a result of this process, the cumulative balances of DAC/VOBA, DSI, and URR are adjusted with an offsetting benefit or charge to income to reflect changes in the period of the revision. An unlocking event that results in a benefit (favorable unlocking) generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates. An unlocking event that results in a charge (unfavorable unlocking) generally occurs as a result of actual experience or future expectations being unfavorable compared to previous estimates. When unlocking, we unlock assumptions for each of the appropriate intangibles, and refer to the unlocking as DAC/VOBA and other intangible unlocking. As a result of unlocking, the amortization schedules for future periods are also adjusted.

The Company also reviews the estimated gross profits for each block of business to determine the recoverability of DAC, VOBA, and DSI balances each period. These assets are deemed to be unrecoverable if the estimated gross profits do not exceed these balances and a write-down is recorded that is referred to as loss recognition. We experienced loss recognition write-downs in first quarter 2009 and second quarter 2010 in our Closed Block Variable Annuity segment as a result of sharp equity declines.

The following table presents the amount of DAC, VOBA, DSI, and URR (DAC/VOBA and other intangible) unlocking and loss recognition that is included in segment operating income (loss) before income taxes:

($ in millions)	Three Months Ended March 31, 2012	2011	Year Ended December 31, 2011	2010	2009
Retirement	$ 3.8	$ 17.1	$ 44.2	$ 160.4	$ 67.2
Annuities	(20.3)	12.7	266.0	(10.2)	6.0
Individual Life	(4.4)	(1.9)	(6.4)	27.6	(50.4)
Employee Benefits				(2.0)	
Closed Block Variable Annuity	0.2	0.2	(0.9)	(200.7)	(545.5)
Total U.S.	$ (20.7)	$ 28.1	$ 302.9	$ (24.9)	$ (522.7)

See Notes 1 and 6 to consolidated financial statements for additional information regarding these intangibles.

Consolidated Investment Entities

We provide investment management services to, and have transactions with, various collateralized debt structures and securitizations (primarily consolidated investment entities (CLO entities)), private equity funds, real estate funds, hedge funds, fund-of-funds, insurance entities and other investment entities in the normal course of business. In certain instances, we serve as the investment manager, making day-to-day investment decisions concerning the assets of these entities. These entities are considered to be either variable interest entities (VIEs) or voting interest entities (VOEs) and we evaluate our involvement with each entity to determine whether consolidation is required.

Certain investment entities are consolidated under consolidation guidance. We consolidate entities under the VIE guidance when it is determined that we are the primary beneficiary. We consolidate certain entities under the VOE guidance when we act as the controlling general partner and the limited partners have no substantive rights to impact ongoing governance and operating activities.

With the exception of guarantees we issued in relation to collateral support for reinsurance contracts, we have no right to the benefits from, nor do we bear the risks associated with these investments beyond our direct equity and debt investments in and management fees generated from these investment products. Such direct investments amounted to approximately \$1.2 billion, \$1.2 billion and \$1.0 billion as of March 31, 2012 and December 31, 2011 and 2010, respectively. If we were to liquidate, the assets held by consolidated investment entities would not be available to our general creditors, and as a result, we do not consider assets held in consolidated investment entities to be our assets.

Consolidated Investments

CLO Entities

Certain of our subsidiaries structure and manage CLO entities created for the sole purpose of offering investors various maturity and risk characteristics by issuing multiple tranches of collateralized debt. The notes issued by the CLO entities are backed by diversified portfolios consisting primarily of senior secured floating rate leveraged loans.

We provide collateral management services to the CLO entities and earn investment management fees and contingent performance fees. We have invested in certain of these entities, generally taking an ownership position in the unrated junior subordinated tranches. Theses CLO entities are structured and managed similarly, but have differing fee structures, and we make different levels of initial capital investments in them. Our ownership interests and management and contingent performance fees were assessed to determine if we are the primary beneficiary of these entities.

In March 2012, we sponsored a new CLO entity and determined that we were its primary beneficiary and consolidated it. The fair value of the assets and liabilities consolidated was \$361.9 million as of March 31, 2012.

The collateral assets of consolidated CLO entities are held solely to satisfy the obligations of the CLO entities and the investors in the consolidated CLO entities have no recourse to the general credit of the Company for any losses sustained in the CLO entities.

Private Equity Funds, Real Estate Funds, Hedge Funds and Funds-of-Funds (Partnerships)

We invest in and manage various alternative investments, including hedge funds, funds-of-funds, private equity funds, funds-of-private equity funds and real estate funds. We, as a general partner or managing member of certain sponsored investment funds, are generally presumed to control these alternative investments unless the limited partners have the substantive ability to remove us, as the general partner without cause based upon a simple majority vote, or can otherwise dissolve the partnership, or have substantive participating rights over decision-making of the partnerships. As of March 31, 2012 and December 31, 2011 and 2010, we consolidated 33 funds, 27 funds and 26 funds, respectively.

Fair Value Measurement

Upon consolidation of CLO entities, we elected to apply the FVO for financial assets and financial liabilities held by these entities to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLO entities) at fair value. We have elected the FVO to more closely align the accounting with the economics of the transactions and allow us to more effectively reflect changes in the fair value of CLO assets with a commensurate change in the fair value of CLO liabilities.

Investments held by consolidated private equity funds, real estate funds, hedge funds and fund-of-funds are reported in our Consolidated Financial Statements. Changes in the fair value of consolidated investment entities are recorded as a separate line item within Income related to Consolidated Investment Entities in our Consolidated Financial Statements.

The methodology for measuring the fair value and fair value hierarchy classification of financial assets and liabilities of consolidated investment entities is consistent with the methodology and fair value hierarchy rules that we apply to our investment portfolio. Refer to the Fair Value Measurement section of Note 1, *Business, Basis of Presentation and Significant Policies*, to our Consolidated Financial Statements.

Non-Consolidated VIEs

CLO Entities

In addition to the consolidated CLO entities discussed above, we also hold variable interest in certain CLO entities that we do not consolidate because we have determined that we are not the primary beneficiary. With these CLO entities, we serve as the investment manager and receive investment management fees and contingent performance fees. Generally, we do not hold any interest in those non-consolidated CLO entities. We have not provided and are not obligated to provide any financial or other support to these entities.

Investment Funds

We manage or hold investments in certain private equity funds, hedge fund and fund-of-funds that are not consolidated but are accounted for as consolidated investments. These funds are managed as a portfolio of investments that use advanced investment strategies such as leverage, long, short and derivative positions in both domestic and international markets with the goal of generating high returns. With these entities, we serve as the investment manager and are entitled to receive investment management fees and contingent performance fees that are generally expected to be insignificant. We do not hold any equity interest in these fund VIEs and have not provided and are not obligated to provide any financial or other support to these funds.

Although we have the power to direct the activities that significantly impact the economic performance of the funds, we do not hold a significant variable interest in any of these funds and, as such, do not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Accordingly, we are not considered the primary beneficiary of, and do not consolidate, any of these investment funds.

In addition, we do not consolidate funds, in which our involvement takes a form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner s interest does not provide us with any substantive kick-out or participating rights, which would overcome the presumption of control by the general partner.

Securitizations

We invest in various tranches of securitization entities, including RMBS, commercial mortgage based securities (CMBS) and asset-based securities (ABS). Certain RMBS investments represent agency pass-through securities and close-to-the-index tranches issued by Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or a similar government-sponsored entity. Investments held by us in non-agency RMBS and CMBS also include interest-only, principal-only and inverse floating securities. Through our investments, we are not obligated to provide any financial or other support to these entities.

Each of the RMBS, CMBS and ABS entities described above is thinly capitalized by design and each is considered to be a VIE. Our involvement with these entities is limited to that of a passive investor, therefore we are not the primary beneficiary. We do not consolidate any of the RMBS, CMBS and ABS entities in which we hold investments. These investments are accounted for as investments available-for-sale as described in Note 5, *Fair Value Measurements (excluding Consolidated Investment Entities*), to our Consolidated Financial Statements and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS that are accounted for under the FVO whose change in fair value is reflected in Net investment income (loss) in our consolidated statements of operations. Our maximum exposure to loss on these structured investments is limited to the amount of our investment. Refer to Note 3, *Investments (excluding Consolidated Investment Entities*), to our Consolidated Financial Statements for details regarding the carrying amounts and classifications of these assets.

Liquidity and Capital Resources

Liquidity is our ability to generate sufficient cash flows to meet the cash requirements of operating, investing and financing activities. Capital refers to our long-term financial resources available to support the business operations and contribute to future growth. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of the businesses, timing of cash flows on investments and products, general economic conditions and access to the capital markets and the alternate sources of liquidity and capital described herein.

Consolidated Sources and Uses of Liquidity and Capital

Our principal available sources of liquidity are product charges, investment income, proceeds from the maturity and sale of investments, proceeds from debt issuance and borrowing facilities, repurchase agreements, contract deposits and securities lending. Primary uses of these funds are payments of policyholder benefits commissions and operating expenses, interest credits, investment purchases and contract maturities, withdrawals and surrenders.

Parent Company Sources and Uses of Liquidity

In evaluating liquidity it is important to distinguish the cash flow needs of ING U.S., Inc. from the cash flow needs of the Company as a whole. ING U.S., Inc. is largely dependent on cash flows from its operating subsidiaries to meet its obligations. The principal sources of funds available to ING U.S., Inc. include dividends and returns of capital from its operating subsidiaries, as well as cash and short-term investments. These sources of funds are currently supplemented by ING U.S., Inc. s access to the unused borrowing capacity under the $1.5 billion direct borrowing limit on its Revolving Credit Agreement, ING U.S., Inc. s $3.0 billion commercial paper program and reciprocal borrowing facilities maintained with its subsidiaries as well as other alternate sources of liquidity described below either directly or indirectly through its insurance subsidiaries.

ING U.S., Inc.   s primary sources and uses of cash, for the three months ended March 31, 2012 and 2011 are summarized in the following table:

($ in millions)	Three Months Ended March 31, 2012	2011
Sources:		
Payments under interest rate swap contracts, net	$	$ 2.0
Proceeds from issuance of commercial paper, net of repayments	125.4	51.6
Proceeds from borrowings from parent		263.0
Dividends and returns of capital from subsidiaries		200.0
Loan repayments from subsidiaries, net of new issuance	16.7	425.3
Other, net		52.5
Total sources	142.1	994.4
Uses:		
Payment of interest expense	3.3	20.3
Capital provided to subsidiaries		377.0
Repayment of loans from subsidiaries, net of new issuance	135.2	599.1
Other, net	4.4	
Total uses	142.9	996.4
Net (decrease) increase in cash and cash equivalents	$ (0.8)	$ (2.0)

ING U.S., Inc.   s primary sources and uses of cash for the year ended December 31, 2011 are summarized in the following table:

($ in millions)	Year Ended December 31, 2011
Sources:	
Proceeds from borrowings from parent	$ 263.0
Dividends and returns of capital from subsidiaries	200.0
Loan repayments from subsidiaries, net of new issuance	870.2
Amounts received from subsidiaries under tax sharing arrangements, net	205.7
Total sources	1,538.9
Uses:	
Payment of interest expense	52.6
Capital provided to subsidiaries	377.0
Payments under interest rate swap contracts, net	410.4
Proceeds from repayment of commercial paper, net of new issuance	649.0
Repayment of loans from subsidiaries, net of new issuance	40.8
Other, net	10.8
Total uses	1,540.6
Net (decrease) increase in cash and cash equivalents	$ (1.7)

Liquidity

We manage liquidity through access to substantial investment portfolios as well as a variety of other sources of liquidity including committed credit facilities, commercial paper, securities lending and repurchase agreements. Our asset/liability management (ALM) process takes into account the expected maturity of investments and expected benefit payments as well as the specific nature and risk profile of the liabilities, including variable products with guarantees. As part of our liquidity management process, we model different scenarios to determine whether existing assets are adequate to meet projected cash flows. Key variables in the modeling process include interest rates, equity market movements, quantity and type of interest and equity market hedges, anticipated contract owner behavior, market value of general account assets, variable separate account performance and implications of rating agency actions.

Restrictions on Dividends and Returns of Capital from Subsidiaries

Our business is conducted through operating subsidiaries. U.S. insurance laws and regulations regulate the payment of dividends and other distributions by our U.S. insurance subsidiaries to their respective parents. Dividends in excess of prescribed limits established by the applicable state regulations are considered to be extraordinary transactions and require explicit regulatory approval. In addition, under the insurance laws of the states of domicile of our principal insurance subsidiaries, no dividend or other distribution exceeding an amount equal to an insurance company s earned surplus may be paid without the domiciliary insurance regulator s prior approval. For a summary of the applicable laws and regulations governing dividends, see Regulation Insurance Regulation United States Insurance Holding Company Regulation Dividend Payment Restrictions.

Dividends permitted to be paid by our principal insurance subsidiaries to ING U.S., Inc. or Lion Holdings without the need for insurance regulatory approval were as follows for the periods presented:

($ in millions)	Dividends Permitted without Approval			
	2012	2011	2010	2009
Subsidiary Name (State of domicile):				
ING USA Annuity and Life Insurance Company (IA)	$	$	$	$
ING Life Insurance and Annuity Company (ILIAC) (CT)	190.0[1]		203.9	
Security Life of Denver Insurance Company (CO)				
ReliaStar Life Insurance Company (MN)				13.7

(1) $190.0 million to be paid as part of the June 2012 distribution of $800 million expected to be paid on or before June 30, 2012.

In addition to the principal insurance subsidiaries listed above, we also have U.S. insurance subsidiaries domiciled in Indiana and New York. We also have special purpose financial captive insurance company subsidiaries domiciled in Missouri and South Carolina that provide reinsurance to our U.S. insurance subsidiaries in order to facilitate the financing of excess reserve requirements associated with Regulation XXX or AG38. We also have a subsidiary in the Cayman Islands that primarily provides reinsurance to our U.S. insurance subsidiaries. See Regulation Insurance Regulation.

Dividends or return of capital distributions paid to ING U.S., Inc. or Lion Holdings by our principal insurance subsidiaries were as follows for the periods presented:

($ in millions)	Dividends Paid			Return of Capital Distribution		
	2011	2010	2009	2011	2010	2009
Subsidiary Name (State of domicile):						
ING USA Annuity and Life Insurance Company (IA)	$	$	$	$	$	$
ING Life Insurance and Annuity Company (CT)[1]		203.0				
Security Life of Denver Insurance Company (CO)[2]				200.0		
ReliaStar Life Insurance Company (MN)[3]		221.0				

(1) Connecticut Insurance Department approved ILIAC s 2010 dividend.

(2) Colorado Insurance Division approved SLD s 2011 return of capital distribution.

(3) Minnesota Insurance Division approved RLI s 2010 dividend.

ING U.S., Inc. and Lion Holdings did not receive any dividends or return of capital distributions from any of our insurance subsidiaries during the periods presented above, other than as described above. Dividends and return of capital distributions in 2011 and 2010 were made for the purpose of rebalancing statutory capital among our principal U.S. insurance subsidiaries and all amounts received by ING U.S., Inc. or Lion Holdings were in turn contributed to U.S. insurance subsidiaries. Payment of these amounts was approved by the insurance regulatory authorities of the relevant domiciliary states in response to requests that stated the intended use of the proceeds was to make capital contributions to certain of our U.S. insurance subsidiaries.

In June 2012 our insurance subsidiaries domiciled in Connecticut, Colorado and Iowa received regulatory approvals or notices of non-objection from their respective domiciliary insurance regulators to make extraordinary distributions to ING U.S., Inc. or Lion Holdings in the aggregate amount of $670 million. As of June 22, 2012, we have also been advised in writing by the Minnesota insurance regulator that Minnesota has completed its review of all issues relating to our Minnesota insurance subsidiary s request to pay a $130 million extraordinary dividend, that the regulator has no objection to such payment and that they will provide formal approval shortly. Such distributions are expected to be made on or before June 30, 2012. These domiciliary state regulatory actions have been taken by the relevant domiciliary state insurance regulators in response to requests that stated the intended use of the proceeds was to make a capital contribution of $500 million to our Cayman domiciled subsidiary and retain the balance at ING U.S., Inc. for general corporate purposes.

We may receive dividends from or contribute capital to our wholly owned non-life subsidiaries such as broker-dealers, investment management entities, and intermediate holding companies. For the three months ended March 31, 2012, as well as 2011, 2010 and 2009, dividends net of capital contributions received by ING U.S., Inc. and Lion Holdings from non-life subsidiaries were $0.0 million, $109.6 million, $149.3 million and $21.6 million respectively. Of these amounts, $0.0 million, $9.6 million, $50.0 million and $21.6 million, respectively, came from entities which are not expected to produce significant distributions in the future. Additionally, in 2010, $33.9 million came from entities that were divested in that same year.

Description of Certain Indebtedness

We borrow funds to provide liquidity, invest in the growth of the business and for general corporate purposes. Our ability to access these borrowings depends on a variety of factors including, but not limited to, the credit rating of ING U.S., Inc. and of its insurance company subsidiaries and general macroeconomic conditions. The following table summarizes our borrowing activities for the three months ended March 31, 2012.

	Three Months Ended March 31, 2012				
($ in millions)	Beginning Balance	Issuance	Maturities and Repayments	Other Changes	Ending Balance
Short-Term Debt					
Commercial paper	$ 554.6	$ 6,074.0	$ (5,948.6)	$	$ 680.0
Current portion of long-term debt	500.0				500.0
Total short-term debt	$ 1,054.6	$ 6,074.0	$ (5,948.6)	$	$ 1,180.0
Long-Term Debt					
Debt securities in issue	$ 649.8	$	$	$ 0.2	$ 650.0
Borrowings from parent[1]	500.0				500.0
Windsor property loan	4.9				4.9
Surplus notes	688.4				688.4
Subtotal	$ 1,843.1			$ 0.2	$ 1,843.3
Less: Current portion of long-term debt	(500.0)				(500.0)
Total long-term debt[2]	$ 1,343.1	$	$	$ 0.2	$ 1,343.3

(1) On April 12, 2012, the maturity for ING U.S., Inc. s $500.0 million floating rate loan agreement with ING V was extended until April 29, 2016.
(2) On April 20, 2012, ING U.S., Inc. entered into a $5.0 billion senior unsecured credit facility. On that date, ING U.S., Inc. borrowed a total of $2.0 billion which was used to replace internal funding. See Senior Unsecured Credit Facility below.

The following table summarizes our borrowing activities for the year ended December 31, 2011:

($ in millions)	Year Ended December 31, 2011 Beginning Balance	Issuance	Maturities and Repayments	Other Changes	Ending Balance
Short-Term Debt					
Commercial paper	$ 1,203.6	$ 21,654.5	$ (22,303.5)	$	$ 554.6
Repurchase agreements	425.2	2,225.6	(2,650.8)		
Borrowings from Parent[1]	2,715.0	23,352.0	(23,089.0)	(2,978.0)	
Current portion of long-term debt				500.0	500.0
Other third party borrowed funds	1,120.8		(1,120.8)		
Total short-term debt	$ 5,464.6	$ 47,232.1	$ (49,164.1)	$ (2,478.0)	$ 1,054.6
Long-Term Debt					
Debt securities in issue	$ 648.7	$	$	$ 1.1	$ 649.8
Borrowings from Parent[1]	1,500.0			(1,000.0)	500.0
Windsor property loan	4.9				4.9
Surplus notes	630.4	58.0			688.4
Subtotal	$ 2,784.0	$ 58.0	$	$ (998.9)	$ 1,843.1
Less: Current portion of long-term debt				(500.0)	(500.0)
Total long-term debt	$ 2,784.0	$ 58.0	$	$ (1,498.9)	$ 1,343.1

(1) Includes all issuances within the year including amounts issued to refinance maturing amounts. During 2011, we converted $4.0 billion of debt owed to ING V following capital contributions from ING V. See Related Party Transactions Intercompany Loans.

Senior Unsecured Credit Facility

As part of the Senior Unsecured Credit Facility, in April 2012 ING U.S., Inc. entered into a Revolving Credit Agreement. The Revolving Credit Agreement is made up of a $3.5 billion letter of credit facility. Additionally, the Revolving Credit Agreement allows up to $1.5 billion of direct borrowings by ING U.S., Inc. However, at no time may the total outstanding amount of LOCs and direct borrowings exceed $3.5 billion. ING Bank, an affiliate of the Company, has committed up to $250.0 million in financing as a member of the syndicate of lenders which entered into the Revolving Credit Agreement. The cost of borrowings and LOCs vary depending on ING U.S., Inc. s current credit rating. The Revolving Credit Agreement expires on April 20, 2015. The Senior Unsecured Credit Facility contains a clause that requires ING U.S., Inc. to maintain liquidity of $500.0 million at all times. Liquidity is defined for this purpose to include, among other things, cash, ordinary dividend capacity from operating subsidiaries and undrawn borrowing capacity under the Revolving Credit Agreement. In order to meet this requirement, ING U.S., Inc. may be required to restrict otherwise available drawing on the Revolving Credit Agreement.

On the date of closing of the Revolving Credit Agreement, ING U.S., Inc. drew $500.0 million of direct borrowings which was used to replace financing that was internally funded. $1.4 billion of LOCs were issued that replaced $1.4 billion of LOCs issued under a pre-existing $2.5 billion LOC facility. Subsequent to March 31, 2012, $220 million of additional LOCs were issued under this facility such that total LOCs currently outstanding amount to $1.6 billion.

Concurrently with the Revolving Credit Agreement and as part of the Senior Unsecured Credit Facility, ING U.S., Inc. entered into a Term Loan Agreement under which it borrowed $1.5 billion to replace financing that was internally funded. ING U.S., Inc. pays interest at a variable rate based on its current credit rating. ING U.S., Inc. is required to make principal payments totaling 20% of the original borrowing amount over the first 12 months and 30% over the second twelve months with all remaining amounts due at maturity. The loan agreement expires on April 20, 2014.

Our affiliate, ING Bank, acted as Joint Lead Arranger, Joint Book Manager and Documentation Agent for these transactions. For its services, ING Bank received various fees totaling $3.3 million.

Letter of Credit Facilities and Subsidiary Credit Support Arrangements

We use letter of credit facilities primarily to provide collateral required under our affiliated reinsurance transactions. We also issue guarantees and enter into financing arrangements in connection with our affiliated reinsurance transactions. These arrangements are designed to facilitate the financing of excess reserve requirements associated with Statutory Regulation XXX and AG38. Regulation XXX requires insurers to hold significantly higher levels of reserves on term products and AG38 requires insurers to hold significantly higher levels of reserves on universal life insurance products with secondary guarantees than are generally thought to be sufficient. By reinsuring business to special purpose financial captive reinsurance companies, we are able to use alternative sources of collateral to fund the excess reserve requirements and are generally able to secure longer term financing on a more capital efficient basis.

Letter of Credit Facilities

As of March 31, 2012, our unsecured and uncommitted LOC facilities totaled $3.7 billion, and unsecured and committed LOC facilities totaled $5.6 billion. ING Bank, a wholly owned subsidiary of ING Group, is a lender under certain of these facilities. We also have approximately $275.0 million in secured facilities.

Of the aggregate $9.6 billion ($4.9 billion with ING Bank) in LOC capacity available under the LOC facilities as of March 31, 2012, we utilized $8.3 billion ($4.3 billion with ING Bank).

The following table outlines our credit facilities, their dates of expiration, capacity and utilization as of March 31, 2012.

				As of March 31, 2012		
($ in millions)	**Secured/ Unsecured**	**Committed/ Uncommitted**	**Expiration**	**Capacity**	**Utilization**	**Unused Commitment**
Obligor / Applicant						
ING U.S., Inc. / Security Life of Denver International Limited / Roaring River LLC[(1)(2)]	Unsecured	Uncommitted	08/30/12	$ 1,418.6	$ 1,418.6	$
ING U.S., Inc. / Security Life of Denver International Limited / Roaring River LLC[(1)(3)]	Unsecured	Uncommitted	02/28/13	1,605.0	997.2	
Security Life of Denver International Limited[(1)]	Unsecured	Committed	12/31/31	1,500.0	1,500.0	
ING U.S., Inc. / Security Life of Denver International Limited[(6)]	Unsecured	Committed	08/19/21	750.0	750.0	
ING U.S., Inc. / Security Life of Denver International Limited[(6)]	Unsecured	Committed	11/09/21	750.0	750.0	
Security Life of Denver International Limited[(1)(6)]	Unsecured	Committed	12/31/13	825.0	825.0	
ING U.S., Inc. / Security Life of Denver International Limited[(1)(4)]	Unsecured	Uncommitted	06/30/13	625.0	608.4	
ReliaStar Life Insurance Company	Secured	Committed	Conditional[(5)]	265.0	265.0	
ING U.S., Inc. / Security Life of Denver International Limited	Unsecured	Committed	12/31/25	475.0	475.0	
ING U.S., Inc.	Unsecured	Uncommitted	Various dates	2.1	2.1	
ING U.S., Inc.	Secured	Uncommitted	Various dates	10.0	4.7	
ING U.S., Inc./ Whisperingwind I	Unsecured	Committed	09/20/18	350.0	257.0	93.0
ING U.S., Inc./ Roaring River II LLC	Unsecured	Committed	12/31/19	995.0	400.0	595.0
Total				$ 9,570.7	$ 8,253.0	$ 688.0
Secured facilities				$ 275.0	$ 269.7	$
Unsecured and uncommitted				3,650.7	3,026.3	
Unsecured and committed				5,645.0	4,957.0	688.0
Total				$ 9,570.7	$ 8,253.0	$ 688.0
ING Bank				$ 4,878.4	$ 4,254.1	$

(1) Refer to Related Party Transactions for more information.

(2) We replaced $1.4 billion of LOCs issued under a $2.5 billion Syndicated LOC Facility entered into on May 4, 2010, with LOCs issued under the Revolving Credit Agreement on April 20, 2012. LOCs issued by ING Bank under the Revolving Credit Agreement amounted to $101.4 million. Refer to the Subsequent Events note included in the Consolidated Financial Statements.

(3) Subsequent to March 31, 2012, LOCs under this facility were reduced by $259.0 million, to $738.2 million.
(4) Subsequent to March 31, 2012, LOCs under this facility were reduced by $385.0 million, to $223.4 million.
(5) Refer to FHLB for a discussion of this facility.
(6) Securities borrowing facilities used in connection with the transactions described under Reinsurance Subsidiaries ING U.S., Inc. Credit Support.

Reinsurance Subsidiaries Standalone Credit Facilities

As of March 31, 2012, our Cayman subsidiary, Security Life of Denver International (SLDI), was the sole obligor under a $1.5 billion committed contingent capital letter of credit with ING Bank, under which $1.5 billion of LOCs have been issued to support SLDI s reinsurance obligations to ING USA Annuity and Life Insurance Company (ING USA) for certain minimum guarantees included in its Closed Block Variable Annuity products. This facility, which is unconditional and irrevocable, expires on December 31, 2031. Subject to the terms of the Credit Agreement, draws under the letter of credit will be financed by ING Bank and payable in full on December 31, 2041. The proceeds of draws may only be used to meet SLDI s obligations under its reinsurance agreement with ING USA. The agreement has no recourse to ING U.S., Inc.

Reinsurance Subsidiaries ING U.S., Inc. Credit Support

As of March 31, 2012, ING U.S., Inc. used $1.4 billion in LOC capacity under a syndicated credit facility, including $323.4 million provided by ING Bank, to support the reinsurance obligations of SLDI and certain of our onshore captive reinsurance subsidiaries. Subsequently in April 2012, the syndicated facility agreement was cancelled and all letters of credit then outstanding of $1.4 billion were cancelled and replaced with $1.4 billion of letters of credit issued under the Revolving Credit Agreement including $101.4 million provided by ING Bank. Also as of March 31, 2012, ING U.S., Inc. supported such reinsurance obligations with a further $1.6 billion in letters of credit issued by ING Bank on which $997.2 million was guaranteed by ING V. The guaranteed letters of credit expire no later than February 28, 2013. This amount has subsequently been reduced to $738.2 million during the second quarter of 2012.

ING U.S., Inc. also maintains LOC facilities with third-party banks to support the reinsurance obligations of our onshore captive reinsurance subsidiaries. As of March 31, 2012, such facilities provided for up to $1.3 billion of LOC capacity, of which $657.0 million was utilized. ING V provides a guarantee with respect to $350.0 million of such facilities, of which $257.0 million was used, as of March 31, 2012.

In addition to providing LOCs, we also provide credit support to our onshore captive reinsurance subsidiaries through surplus maintenance agreements, pursuant to which we agree to cause these subsidiaries to maintain particular levels of capital or surplus, and which we entered into in connection with particular reinsurance transactions. These agreements are effective for the duration of the in-force policies subject to the related reinsurance transactions, and the maximum potential obligations are not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these agreements.

In connection with certain reinsurance transactions involving a third-party trust (the Master Trust), ING U.S., Inc. and SLDI are parties to reimbursement agreements with third-party banks that lend securities to the Master Trust. SLDI has reimbursement obligations to the banks under these agreements, in an aggregate amount of up to $1.5 billion, which obligations are guaranteed by ING U.S., Inc. ING U.S., Inc. also provides an indemnification to the third-party banks with respect to any defaults by the Master Trust under the securities lending agreements under which these banks lend securities to the Master Trust, up to $1.5 billion. These agreements and the related indemnification were entered into to facilitate collateral requirements supporting reinsurance and are effective for the duration that the collateral remains outstanding.

ING U.S., Inc. provides a separate indemnification to ING Bank with respect to any defaults by the Master Trust under a similar securities lending agreement between the Master Trust and ING Bank, up to $825 million. This agreement and the related indemnification were entered into to facilitate collateral requirements supporting reinsurance agreements and are effective for the duration that the collateral remains outstanding. This agreement expires on December 31, 2013.

ING U.S., Inc. has also entered into a corporate guarantee agreement with a third party ceding insurer where it guarantees the reinsurance obligations of our subsidiary, Security Life of Denver Insurance Company (SLD), assumed under a reinsurance agreement with the third party cedent. The maximum potential obligation is not specified or applicable. Since these obligations are not subject to limitations, it is not possible to determine the maximum potential amount due under these guarantees.

Reinsurance Subsidiaries Other Credit Support

ReliaStar Life Insurance Company (RLI) and SLD, both indirect subsidiaries of ING U.S., Inc., guarantee a reinsurance contract entered into by SLDI with respect to SLDI s reinsurance of $250.0 million of the principal and interest of a bond insured by an unrelated insurance company. The rating agency financial strength rating downgrades of RLI and SLD on October 27, 2009 triggered a collateralization event under the reinsurance treaty, which required posting of required collateral, an acceptable LOC or a replacement of the guarantors. RLI provided a LOC of $265.0 million issued by the Federal Home Loan Bank (FHLB) to the unrelated insurer which is secured by assets pledged by RLI to FHLB. As of March 31, 2012 and December 31, 2011, the LOC is collateralized by assets with a market value of approximately $315.0 million and $354.0 million, respectively.

Other Subsidiaries ING U.S., Inc. Credit Support

ING U.S., Inc. guarantees obligations of Lion Holdings with respect to a $500.0 million loan from ING V, which matures in 2016. ING U.S., Inc. also guarantees obligations of Lion Holdings under $13.0 million par amount of Trust Originated Preferred Securities maturing in 2027. From time to time, ING U.S., Inc. may also have outstanding guarantees of various obligations of its subsidiaries.

We did not recognize any asset or liability as of December 31, 2011 and 2010 in relation to intercompany indemnifications and support agreements. As of March 31, 2012, no circumstances existed in which we were required to currently perform under these indemnifications and support agreements.

Commercial Paper

ING U.S., Inc. has a commercial paper program with an authorized capacity of $3.0 billion. Our commercial paper borrowings have been generally used to fund the working capital needs of our subsidiaries and provide short-term liquidity to us. Outstanding commercial paper borrowings were $680.0 million, $554.6 million and $1.2 billion at March 31, 2012, and December 31, 2011 and 2010, respectively. The issuances under this program benefit from a full and irrevocable guarantee provided by ING V.

Debt Securities

At March 31, 2012, and December 31, 2011 and 2010, Lion Holdings had outstanding $138.7 million par amount of 6.75% Debentures due September 15, 2013, $163.0 million par amount of 7.25% Debentures due August 15, 2023, $235.1 million par amount of 7.63% Debentures due August 15, 2026, and $108.0 million par amount of 6.97% Debentures due August 15, 2036 (collectively, the Aetna Notes), all of which were issued by a predecessor of Lion Holdings, and assumed in connection with our acquisition of Aetna s insurance and related businesses. In addition, Equitable of Iowa Capital Trust II, a limited purpose trust, has outstanding $13.0 million par amount of 8.42% Series B Capital Securities due April 1, 2027 (the ING USA Notes). ING Group guarantees all of the foregoing debt securities with the exception of the $13.0 million par amount Series B Capital Securities which benefits from a guarantee by ING U.S., Inc.

Surplus Notes

Two of our onshore captive reinsurance subsidiaries have issued surplus notes in order to finance insurance reserves assumed. These notes have maturities in 2037. These notes had $688.4 million and $630.4 million outstanding as of December 31, 2011 and 2010, respectively.

ING Group Credit Support

As described above, certain of our indebtedness benefits from a guarantee provided by ING Group or ING V. As of March 31, 2012, the indebtedness for which ING Group or ING V provide guarantees included:

- A $350.0 million LOC facility with third-party banks used to support the reinsurance obligations of our onshore captive reinsurance subsidiaries, of which $257.0 million was used;

- $997.2 million in LOCs issued by ING Bank and used to support the reinsurance obligations of SLDI and certain of our onshore captive reinsurance subsidiaries;

- $680.0 million in borrowings under our commercial paper program; and

- $644.8 million aggregate par amount of Aetna Notes issued by Lion Holdings.

All of this guaranteed indebtedness is further described above.

In addition, ING V guarantees our obligations under $1.0 billion notional amount of credit default swaps written by one of our subsidiaries.

Securities Lending

We engage in securities lending for cash whereby certain securities from our portfolio are loaned to other institutions for short periods of time. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned domestic securities. For portions of the program, the lending agent retains 5% collateral deposited by the borrower in (liquid) securities and transfers the remaining 95% to us. For other portions of the program, the lending agent retains all of the cash collateral. Collateral retained by the agent is invested in liquid assets on our behalf. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates due to interest rates, spreads and other risk factors. At March 31, 2012 and December 31, 2011 and 2010, the fair value of loaned securities was $0.3 billion, $1.0 billion and $1.1 billion, respectively, and is included in Securities pledged in the consolidated balance sheets. Collateral received by us is included in cash and cash equivalents (cash release) and short-term investments under securities loan agreement, including collateral delivered. The liabilities are included in borrowed money (cash release) and Payables under securities loan agreement, including collateral held in the consolidated balance sheet.

Repurchase Agreements

We engage in dollar repurchase agreements with MBS (dollar rolls) and repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements. We enter into dollar roll transactions by selling existing MBS and concurrently entering into an agreement to repurchase similar securities within a short time frame at a lower price. Under repurchase agreements, we borrow cash from a counterparty at an agreed upon interest rate for an agreed upon time frame and pledge collateral in the form of securities. At the end of the agreement, the counterparty returns the collateral to us, and we, in turn, repay the loan amount along with the additional agreed upon interest. Company policy requires that at all times during the term of the dollar roll and repurchase agreements that cash or other collateral types obtained is sufficient to allow us to fund substantially all of the cost of purchasing replacement assets. Cash received is invested in short-term investments, with the offsetting obligation to repay the loan included as a liability on the consolidated balance sheets. As per the terms of the agreements, the market value of the loaned securities is monitored with additional collateral obtained or refunded as the market value of the loaned securities fluctuates due to changes in interest rates, spreads and other risk factors.

The carrying value of the securities pledged in dollar rolls and repurchase agreement transactions and the related repurchase obligation are included in securities pledged and short-term debt, respectively, on the consolidated balance sheets. As of March 31, 2012 and December 31, 2011 and 2010, the carrying value of the securities pledged in dollar rolls and repurchase agreement transactions, the related repurchase obligation, including accrued interest, and the collateral posted by the counterparty in connection with the change in the value of pledged securities that will be released upon settlement, were as follows.

	As of March 31, 2012	As of December 31, 2011	2010
Securities pledged	$	$	$ 437.2
Repurchase obligation			425.8

We also enter into reverse repurchase agreements from time to time. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. Company policy requires that, at all times during the term of the reverse repurchase agreements, cash or other collateral types provided is sufficient to allow the counterparty to fund substantially all of the cost of purchasing replacement assets. As of March 31, 2012 and December 31, 2011 and 2010, we did not have any securities pledged under reverse repurchase agreements.

The primary risk associated with short-term collateralized borrowings is that the counterparty will be unable to perform under the terms of the contract. Our exposure is limited to the excess of the net replacement cost of the securities over the value of the short-term investments as well as the market value fluctuations that occur after the counterparty is unable to perform under the terms of the contract. We believe the counterparties to the dollar rolls, repurchase and reverse repurchase agreements are financially responsible and that the counterparty risk is minimal.

FHLB

We are currently a member of the Federal Home Loan Bank of Des Moines and the Federal Home Loan Bank of Topeka and are required to maintain a collateral deposit that would back any Advances, Funding Agreements and/or Letters of Credit issued by the FHLB. We have the ability to obtain funding from the FHLBs based on a percentage of the value of our assets and are subject to the availability of eligible collateral. The limits across all programs are 15% of the general and separate accounts of ING USA Annuity and Life Insurance Company, potentially up to 40% of the general account of SLD based on credit approval from FHLB Topeka, and 20% of the general and separate accounts of RLI. Furthermore, collateral is pledged based on the outstanding balances of FHLB Advances, Funding Agreements and LOCs. The amount varies based on the type, rating and maturity of the collateral posted to the FHLB. Generally, mortgage securities are pledged to the FHLBs. Market value fluctuations resulting from changes in interest rates, spreads and other risk factors for each type of assets are monitored and collateral is either pledged or released from the collateral deposit account at each FHLB as needed.

Our borrowing capacity under these credit facilities does not have an expiration date as long as we maintain a satisfactory level of creditworthiness based on the FHLBs credit assessment. At March 31, 2012 and December 31, 2011 and 2010, we had \$3.1 billion, \$3.2 billion and \$2.9 billion in non-putable funding agreements, respectively, which are included in Contract owner account balances on the consolidated balance sheets. At March 31, 2012 and December 31, 2011 and 2010, we had \$265.0 million in LOCs issued by the FHLB. At March 31, 2012 and December 31, 2011 and 2010, we had assets with a market value of approximately \$3.4 billion, \$3.8 billion and \$3.6 billion, respectively, which collateralized the FHLB funding agreements. At March 31, 2012 and December 31, 2011 and 2010, we had assets with a market value of approximately \$315.0 million, \$354.0 million and \$311.6 million, respectively, which collateralized the FHLB LOCs. Assets pledged to the FHLB are included in fixed maturities, available-for-sale, on the consolidated balance sheets. See Liquidity and Capital Resources Description of Certain Indebtedness above for further discussion.

Borrowings from Parent

For information related to these arrangements, see Related Party Transactions .

Borrowings from Subsidiaries

We maintain revolving reciprocal loan agreements with a number of our life and non-life subsidiaries that are used to fund short-term cash requirements that arise in the ordinary course of business. Under these agreements, either party may borrow up to the maximum allowable under the agreement for a term not more than 270 days. For life subsidiaries, the amounts that either party may borrow from the other under the agreement vary depending on the state of domicile, and are equal to 2%-5% of the insurance subsidiary s statutory net admitted assets (excluding separate accounts) as of the previous year end depending on the state of domicile. As of March 31, 2012, the aggregate amount that may be borrowed or lent under agreements with life subsidiaries was $2.6 billion. Each agreement with a life insurance subsidiary has received all necessary approvals from the appropriate state insurance regulatory authorities. For non-life subsidiaries, the maximum allowable under the agreement is based on the assets of the subsidiaries and their particular cash requirements. As of March 31, 2012, we borrowed $2.2 billion from our subsidiaries and lent $162.7 million. On April 20, 2012, we repaid approximately $2.0 billion to our subsidiaries from borrowings under our Senior Unsecured Credit Facility.

Collateral Derivative Contracts

Under the terms of our Over-The-Counter Derivative International Swaps and Derivatives Association, Inc. (ISDA) Agreements, we may receive from, or deliver to, counterparties, collateral to assure that all terms of the ISDA Agreements will be met with regard to the Credit Support Annex (CSA). The terms of the CSA call for us to pay interest on any cash received equal to the federal funds rate (Federal Funds Rate). As of March 31, 2012, we held $541.0 million of net cash collateral related to derivative contracts. As of March 31, 2012, we delivered $32.7 million and $24.5 million of cash collateral related to derivative contracts and credit facilities, respectively. As of December 31, 2011, we held $757.7 million of net cash collateral related to derivative contracts. As of December 31, 2011, we delivered $40.0 million and $11.8 million of cash collateral related to derivative contracts and credit facilities, respectively. As of December 31, 2010, we held $13.2 million of net cash collateral related to derivative contracts. As of December 31, 2010, we delivered $52.6 million and $11.5 million of cash collateral related to derivative contracts and credit facilities, respectively. The collateral held and delivered is included in payables under securities loan agreements, including collateral held and short-term investments under securities loan agreements, including collateral delivered, respectively, on the interim condensed consolidated balance sheets. In addition, as of March 31, 2012, December 31, 2011 and 2010, we delivered securities as collateral of $1.2 billion, $1.3 billion and $1.1 billion, respectively, which was included in securities pledged on the consolidated balance sheets. Collateral requirements are monitored on a daily basis and incorporate changes in market values of both the derivatives contract as well as the collateral pledged. Market value fluctuations are due to changes in interest rates, spreads and other risk factors.

Ratings

Our access to funding and our related cost of borrowing, requirements for derivatives collateral posting and the attractiveness of certain of our products to customers are affected by our credit ratings and insurance financial strength ratings, which are periodically reviewed by the rating agencies. Financial strength ratings and credit ratings are important factors affecting public confidence in an insurer and its competitive position in marketing products. The credit ratings are also important for the ability to raise capital through the issuance of debt and for the cost of such financing.

A downgrade in our credit or financial strength ratings or our rated subsidiaries could potentially, among other things, limit our ability to market products, reduce our competitiveness, increase the number or value of policy surrenders and withdrawals, increase our borrowing costs and potentially make it more difficult to borrow funds, adversely affect the availability of financial guarantees or LOCs cause additional collateral requirements or other required payments under certain agreements, allow counterparties to terminate derivative agreements and/or hurt our relationships with creditors, distributors or trading counterparties thereby potentially negatively affecting our profitability, liquidity and/or capital. In addition, we consider our own risk of non-performance in determining the fair value of our liabilities. Therefore, changes in our credit or financial strength ratings may affect the fair value of our liabilities.

Additionally, our ratings may be influenced by the credit ratings of our indirect parent companies, ING V and ING Group. A downgrade of the credit ratings of these entities could result in downgrades of our own credit and financial strength ratings. We received explicit guarantees of our commercial paper program and certain credit facilities from ING V. A downgrade of the credit rating of ING V could impact our ability to issue commercial paper or increase the amount of collateral that we are required to provide under these credit facilities.

Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurance company to meet its obligations under an insurance policy. Credit ratings represent the opinions of rating agencies regarding an entity s ability to repay its indebtedness. These ratings are not a recommendation to buy or hold any of our securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The financial strength and credit ratings of ING U.S., Inc. and its principal subsidiaries as of the date of this offering memorandum are summarized in the following table:

Company	A.M. Best	Fitch	Moody s	S&P
ING U.S., Inc. (Commercial Paper)	NR	NR	P-2[1]	A-3
ING U.S., Inc. (Long-term Issuer Credit)			Baa3 (LT Issuer Domestic)[2]	
	NR	NR	Baa2 (Senior Unsecured Foreign)[2]	BBB-
ING Life Insurance and Annuity Company	A	A-	A3	A-
ING USA Annuity & Life Insurance	A	A-	A3	A-
ReliaStar Life Insurance Company	A	A-	A3	A-
Security Life of Denver Insurance Company	A	A-	A3	A-
Lion Connecticut Holdings, Inc. (Long-term Issuer Credit)	NR	NR	Baa3 (LT Issuer)	BBB-
ING USA Annuity & Life Insurance (Short-term Issuer Credit)	NR	NR	P-2	A-2
ReliaStar Life Insurance Company (Short-term Issuer Credit)	NR	NR	NR	A-2
Security Life of Denver Insurance Company (Short-term Issuer Credit)	NR	NR	P-2	A-2

(1) Guaranteed by ING V.
(2) Guaranteed by Lion Holdings.

Our ratings by S&P, Fitch, Inc. (Fitch), A.M. Best Company (A.M. Best) and Moody s reflect a broader view of how the financial services industry is being challenged by the current economic environment, but also are based on the rating agencies specific views of our financial strength. In making their ratings decisions, the agencies consider past and expected future capital and earnings, asset quality and risk, profitability and risk of existing liabilities and current products, market share and product distribution capabilities and direct or implied support from parent companies, including implications of the ING Group Restructuring Plan, among other factors.

Rating agencies use an outlook statement for both industry sectors and individual companies. For an industry sector, a stable outlook generally implies that over the next 12 to 18 months the rating agency expects ratings to remain unchanged among companies in the sector. For a particular company, an outlook generally indicates a medium- or long-term trend in credit fundamentals, which if continued, may lead to a rating change.

Ratings actions affirmation and outlook changes by S&P, Moody s and A.M. Best from December 31, 2011 through March 31, 2012 and subsequently in April 2012 are as follows:

On April 17, 2012, Moody s assigned a Baa3 guaranteed issuer rating to ING U.S., Inc. guaranteed by Lion Holdings (issuer rating Baa3, Stable outlook). Separately, Moody s affirmed the A3 insurance financial strength ratings of our insurance subsidiaries with a stable outlook.

On March 7, 2012, S&P affirmed the A- financial strength ratings on our insurance subsidiaries and the BBB- counterparty credit ratings on ING U.S., Inc. and Lion Holdings. S&P removed all ratings from Credit Watch negative and assigned a Stable outlook. The affirmation reflects S&P s decision to treat the $1.5 billion long-dated letter of credit from ING Bank as operating leverage. The letter of credit was put in place during the fourth quarter of 2011 to offset additional reserve requirement on our Closed Block Variable Annuity segment.

Ratings actions affirmations and outlook changes by S&P, Moody s and AM Best in December 2011 followed the fourth quarter 2011 announcements by ING Group regarding a charge of 1.1 billion against fourth quarter results of our Closed Block Variable Annuity segment, as reflected in ING Group s 2011 financial statements reported under IFRS, are:

On December 14, 2011, A.M. Best affirmed the financial strength ratings of the life companies at A and revised the outlook to Ratings Under Review with Negative Implications from Stable.

On December 8, 2011, S&P downgraded the financial strength ratings of the life companies to A- from A and revised the outlook to Watch Negative from Stable.

On December 7, 2011, Moody s downgraded the financial strength ratings of the life companies to A3 from A2 and revised the outlook to Stable from Negative.

The following are selected ratings actions that took place prior to December 2011:

On November 17, 2011, S&P affirmed the A rating of the life companies and revised the outlook to Stable from Negative based on de-risking and improving business fundamentals.

On August 19, 2011, Fitch revised the Rating Watch status to Evolving from Negative. The revision in the Rating Watch status Evolving reflects the improvement in ING U.S., Inc. s standalone credit profile, which Fitch views as sustainable. The Rating Watch Evolving status reflects uncertainty over our pending change in ownership.

On June 16, 2011, A.M. Best affirmed the financial strength ratings of A and issued credit ratings of A+ .

Potential Impact of a Ratings Downgrade

Our ability to borrow funds and the terms under which we borrow are sensitive to our short- and long-term issuer credit ratings. A downgrade of either or both of these credit ratings could increase our cost of borrowing. Additionally, a downgrade of either or both of these credit ratings could decrease the total amount of new debt that we are able to issue in the future or increase the costs associated with an issuance.

Certain of our credit facility agreements contain provisions that are linked to the credit or financial strength ratings of certain legal entities, including our indirect parent ING V. If financial strength ratings were downgraded in the future, these provisions might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity.

Based on the amount of credit outstanding as of March 31, 2012 and December 31, 2011, a one-notch downgrade of the credit ratings of ING U.S., Inc. by S&P or Moody s would have resulted in an estimated increase in our collateral requirements by approximately $1.2 billion and $1.2 billion, respectively. A two notch downgrade of the credit ratings of ING U.S., Inc. would not have resulted in an additional increase in our collateral requirements above that resulting from a one notch downgrade. The nature of the collateral that we may be required to post is principally in the form of cash and U.S. Treasury securities. Alternative forms of collateral, such as LOC, may also be used.

Based on the amount of credit outstanding as of March 31, 2012 and December 31, 2011, a one notch downgrade of the credit ratings of ING V would not result in an increase in our estimated collateral requirements. A two-notch downgrade of the credit ratings of ING V by S&P would have resulted in an estimated increase in our collateral requirements by approximately $2.4 billion and $3.4 billion, respectively.

Certain of our reinsurance agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the reinsurance agreement. If the insurance subsidiaries financial strength ratings were downgraded in the future, the terms in our reinsurance agreements might be triggered and counterparties to the credit facility agreements could demand collateralization which could negatively impact overall liquidity. Based on the amount of credit outstanding as of March 31, 2012 and December 31, 2011, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our collateral requirements by approximately $19.5 million and $84.0 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash, highly rated securities or LOC.

Certain of our derivative agreements contain provisions that are linked to the financial strength ratings of the individual legal entity that entered into the derivative agreement. If insurance subsidiaries financial strength ratings were downgraded in the future, the terms in our derivative agreements might be triggered and counterparties to the derivative agreements could demand immediate further collateralization which could negatively impact overall liquidity. Based on the market value of our derivatives as of March 31, 2012 and December 31, 2011, a one-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in our derivative collateral requirements by approximately $149.5 million and $123.0 million, respectively. The nature of the collateral that we may be required to post is principally in the form of cash and U.S. Treasury securities.

Based on the market value of our derivatives as of March 31, 2012 and December 31, 2011, a two-notch downgrade of our insurance subsidiaries would have resulted in an estimated increase in the derivative collateral requirements required by a one-notch downgrade by an additional $7.2 million and $6.7 million, respectively.

The amount of collateral that would be required to be posted is also dependent on the fair value of our derivative positions. For additional information on our derivative positions, refer to Note 4, *Derivative Financial Instruments*, to our Consolidated Financial Statements and Interim Condensed Consolidated Financial Statements.

Reinsurance

We have reinsurance treaties covering a portion of the mortality risks and guaranteed death and living benefits under its life insurance and annuity contracts. We remain liable to the extent our reinsurers do not meet their obligations under the reinsurance agreements.

We reinsure our business through a diversified group of well capitalized, highly rated reinsurers. We monitor trends in arbitration and any litigation outcomes with our reinsurers. Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers. Large reinsurance recoverable balances with offshore or other non-accredited reinsurers are secured through various forms of collateral, including secured trusts, funds withheld accounts and irrevocable letters of credit.

We utilize indemnity reinsurance agreements to reduce our exposure to large losses from GMDBs in our annuity insurance business. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge our primary liability as direct insurer of the risks. We evaluate the financial strength of potential reinsurers and continually monitor the financial strength and credit ratings of our reinsurers.

The S&P rating of our reinsurers with the largest reinsurance recoverable balances are all A-rated or better. These reinsurers are Lincoln National Corporation (Lincoln), Hannover Life Reassurance Company of America and Hannover Life Reassurance (Ireland) Limited (collectively, Hannover Re) and various subsidiaries of Reinsurance Group of America Incorporated (collectively, RGA). Only those reinsurance recoverable balances where recovery is deemed probable are recognized as assets on the Company s consolidated balance sheets.

We have a significant concentration of reinsurance arising from the disposition of our individual life insurance business. In 1998, we entered into an indemnity reinsurance agreement with a subsidiary of Lincoln. The Lincoln subsidiary established a trust to secure its obligations to us under the reinsurance transaction. Of the reinsurance recoverable in the consolidated balance sheets, $2.2 billion and $2.3 billion at December 31, 2011 and 2010, respectively, is related to the reinsurance recoverable from the subsidiary of Lincoln under this reinsurance agreement.

Effective January 1, 2009, the Company entered into a master asset purchase agreement (the MPA) with Scottish Re Group Limited, Scottish Holdings, Inc., Scottish Re (U.S.), Inc., Scottish Re Life (Bermuda) Limited and Scottish Re (Dublin) Limited (collectively, Scottish Re) and Hannover Re. Pursuant to the MPA, the Company recaptured all business then reinsured to Scottish Re, and immediately ceded 100% of such business to Hannover Re on a modified coinsurance, funds withheld, and coinsurance basis, which resulted in no gain or loss. The Company will remain obligated to maintain collateral for certain reserve requirements of the business transferred from the Company to Hannover Re for the duration of such reserve requirements or until the underlying reinsurance contracts are novated to Hannover Re or Hannover Re puts into place its own collateral for such reserve requirements. Of the Reinsurance recoverable on the consolidated balance sheets, $3.1 billion as of December 31, 2011 and 2010 is related to the reinsurance recoverable from Hannover Re under this reinsurance agreement.

On December 31, 2004, SLDI, a wholly owned subsidiary, reinsured the individual life reinsurance business (and sold certain systems and operating assets used in the individual life reinsurance business) to Scottish Re (U.S.), Inc. (SRUS) and Scottish Re Life (Bermuda) on a 100% coinsurance basis (the 2004 Transaction).

As part of the 2004 Transaction, we paid a ceding commission and transferred assets backing reserves and miscellaneous other liabilities on the individual life reinsurance to Scottish Re and Scottish Bermuda. The ceding commission (net of taxes), along with other reserve assets, was placed in trust for our benefit to secure Scottish Re s and Scottish Bermuda s obligations as reinsurers of the acquired business.

On November 19, 2008, an existing reinsurance agreement between SRUS and Ballantyne Re, concerning a portion of the business that was originally ceded to Scottish Re as part of the 2004 Transaction, was novated with the result that we were substituted for SRUS as the ceding company to Ballantyne Re and made the sole beneficiary of trust assets connected with the Ballantyne Re facility. The trust assets support the reserve requirements of the business transferred from SLD to Ballantyne Re.

Effective January 1, 2010, the Company disposed of several blocks of its reinsurance business under coinsurance agreements with various subsidiaries of RGA for $129.8 million. Under the terms of the agreements, the Company ceded to RGA 100% of various blocks of business, including Group Life, Accident and Special Risk, Medical, Managed Care and Long-term Disability contracts. RGA established trusts with initial assets of $625.4 million to secure its obligations to the Company under the reinsurance transaction. As of December 31, 2011, due primarily to novation, there were no remaining trust funding requirements. Of the Reinsurance recoverable on the consolidated balance sheets, $11.1 million as of December 31, 2011 is related to the reinsurance recoverable from RGA under this reinsurance agreement.

For additional information on our reinsurance arrangements, refer to Note 9, *Reinsurance*, to our Consolidated Financial Statements.

Statutory Capital and Risk-Based Capital

Each of our wholly owned U.S. insurance subsidiaries is subject to minimum RBC established by the insurance departments of their applicable state of domicile. The formulas for determining the amount of RBC specify various weighting factors that are applied to 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 (TAC), as defined by the NAIC, to company action level RBC (CAL), as defined by the NAIC. Each of ING U.S., Inc. s United States insurance subsidiaries exceeded the minimum RBC requirements for all periods presented herein.

Our insurance subsidiaries are required to prepare statutory financial statements in accordance with statutory accounting practices prescribed or permitted by the insurance department of the state of domicile. Statutory accounting practices primarily differ from GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions as well as valuing investments and certain assets and accounting for deferred taxes on a different basis. Certain assets that are not admitted under statutory accounting principles are charged directly to surplus. Depending on the regulations of the insurance department of the state of domicile, the entire amount or a portion of an asset balance can be non-admitted depending on specific rules regarding admissibility. The most significant non-admitted assets are typically deferred tax assets. Refer to the discussion regarding Statement of Statutory Accounting Principles (SSAP) 10 No. 10R for additional information on the admissibility of deferred tax assets.

Statutory capital and surplus of our principal insurance subsidiaries is as follows for the periods presented:

($ in millions)	Statutory Capital and Surplus				
	As of March 31,		**As of December 31,**		
	2012[3]	**2011**	**2011**	**2010**	**2009**
Subsidiary Name (state of domicile):					
ING USA Annuity and Life Insurance Company (IA)	$ 2,326.4	$ 2,060.5	$ 2,222.0	$ 1,724.7	$ 1,485.1
ING Life Insurance and Annuity Company (CT)	2,040.0	1,844.8	1,931.9	1,688.3[1]	1,762.1
Security Life of Denver Insurance Company (CO)	1,486.9	1,232.3	1,519.5	1,457.0	1,697.5
ReliaStar Life Insurance Company (MN)	2,187.7	2,207.5	2,104.3	2,078.1[2]	2,190.3

(1) As prescribed by statutory accounting practices, ILIAC statutory surplus as of December 31, 2010 included the impact of $150 million capital contribution received by ILIAC from its immediate parent, Lion Holdings, on February 18, 2011.

(2) As prescribed by statutory accounting practices, RLI statutory surplus as of December 31, 2010 included the impact of $50 million capital contribution received by RLI from its immediate parent, Lion Holdings, on February 18, 2011.

(3) Does not reflect dividends expected to be paid in the second quarter of 2012.

We monitor the ratio of our insurance subsidiaries TAC to CAL. A ratio in excess of 125% indicates that the insurance subsidiary is not required to take any corrective actions to increase capital levels at the direction of the applicable state of domicile. The ratio of TAC to CAL for each of our principal insurance subsidiaries is set out below for the periods presented:

($ in millions)	As of December 31, 2011			As of December 31, 2010			As of December 31, 2009		
	CAL	TAC	Ratio	CAL	TAC	Ratio	CAL	TAC	Ratio
Subsidiary Name (state of domicile):									
ING USA Annuity and Life Insurance Company (IA)	$ 464.0	$ 2,329.0	502%	$ 462.0	$ 1,815.0	393%	$ 506.0	$ 1,552.0	307%
ING Life Insurance and Annuity Company (ILIAC) (CT)	426.0	2,150.0	505%	420.0	1,786.0	425%	370.0	1,832.0	495%
Security Life of Denver Insurance Company (CO)(1)	298.0	1,686.0	566%	332.0	1,638.0	493%	454.0	1,722.0	379%
ReliaStar Life Insurance Company (MN)(2)	498.0	2,248.0	451%	490.0	2,144.0	438%	472.0	2,218.0	470%
Eliminations & Adjustments(3)	(31.0)	(342.0)		(60.0)	(385.0)			(809.0)	
U.S. Combined	$ 1,655.0	$ 8,071.0	488%	$ 1,644.0	$ 6,998.0	426%	$ 1,802.0	$ 6,515.0	362%

(1) SLD paid a $200 million return of capital distribution during the first quarter of 2011. Capital contributions were recorded for statutory accounting purposes as an admitted receivable of ILIAC ($150 million) and of RLI ($50 million) for the year ended December 31, 2010.

(2) RLI paid a dividend of $221 million and ILIAC paid a dividend of $203 million during the first quarter of 2010. Capital contributions were recorded as an admitted statutory receivable of SLD ($260 million) and ING USA ($239 million) for the year ended December 31, 2009.

(3) Includes eliminations of surplus notes issued by ING USA and held by ILIAC, SLD and RLI. Also includes adjustments for timing differences between dividends and SSAP 72 capital infusions.

Statutory reserves established for variable annuity contracts and riders are sensitive to changes in the equity markets and are affected by the level of account values relative to the level of any guarantees, product design and reinsurance arrangements. As a result, the relationship between reserve changes and equity market performance is non- linear during any given reporting period. Market conditions greatly influence the ultimate capital required due to its effect on the valuation of reserves and derivative assets hedging these reserves.

The sensitivity of our insurance subsidiaries statutory reserves and surplus established for variable annuity contracts and certain minimum interest rate guarantees to changes in the interest rates, credit spreads and equity markets will vary depending on the magnitude of the decline. The sensitivity will be affected by the level of account values, the level of guaranteed amounts and product design. Should statutory reserves increase, this could result in future reductions in our insurance subsidiaries surplus, which may also impact RBC. Adverse changes in interest rates and the continued widening of credit spreads may result in an increase in the reserves for product guarantees which adversely impact statutory surplus, which may also impact RBC.

RBC is also affected by the product mix of the in force book of business (i.e., the amount of business without guarantees is not subject to the same level of reserves as the business with guarantees). RBC is an important factor in the determination of the credit and financial strength ratings of us and our insurance subsidiaries.

Effective December 31, 2009, our insurance subsidiaries adopted Actuarial Guideline 43 Variable Annuity Commissioners Annuity Reserve Valuation Method (AG43) for its statutory basis of accounting. The adoption of AG43 resulted in higher reserves than those calculated under previous standards by $293.0 million. Where the application of AG43 produces higher reserves than our insurance subsidiaries had otherwise established under previous standards, we may request permission from the respective state insurance departments to grade-in the impact of higher reserves over a three year period. This grade-in provision was elected for some of our insurance subsidiaries, as allowed under AG43 and as approved by the applicable insurance regulator of domicile, which allows our insurance subsidiaries to reflect the impact of adoption over a three year period. The impact of the grade-in for the year ended December 31, 2010 was an increase in reserves and a corresponding decrease in statutory surplus of $23.0 million. The grade-in did not have an impact on reserves or statutory surplus in 2011.

In June 2012, in conjunction with a limited scope examination of ING USA s AG43 variable annuity reserves, we agreed with the Iowa Insurance Division that by December 31, 2012 we would implement a revised prudent margin (i.e., provision for adverse deviation) to the assumed mortality for our block of GMIB and GMWBL liabilities ceded from ING USA to SLDI. This revision will not alter our best estimate mortality assumption used in our US GAAP financial statements. It will increase our gross AG43 reserves before ceded reinsurance. Had this prudent margin been reflected in ING USA s financial statement as of December 31, 2011, ING USA s gross AG43 reserves would have been $300 million greater and the related reserve ceded to SLDI would have been $360 million more. Thus, the net reserve impact to statutory reserves at ING USA would have been $60 million favorable and SLDI would have been required to increase collateral in support of ceded reserves (i.e., qualifying assets in trust or approved letters of credit) in the amount of $360 million. The impact of this revision as of December 31, 2012 is not yet determinable and will depend primarily on 2012 market conditions.

Effective December 31, 2009, our insurance subsidiaries adopted SSAP No. 10R, Income Taxes (SSAP 10R), for our statutory basis of accounting. This statement requires our insurance subsidiaries to calculate admitted deferred tax assets based upon what is expected to reverse within one year with a cap on the admitted portion of the deferred tax asset equal to 10% of capital and surplus for its most recently filed statement. If our RBC levels of our insurance subsidiaries, after reflecting the above limitation, exceeds 250% of the authorized control level, SSAP 10R increases the reversal period on admitted deferred tax assets from one year to three years and increases the limitation on the admitted portion of the deferred tax asset from 10% of capital and surplus for its most recently filed statement to 15%. Other revisions in SSAP 10R include the requirement for our insurance subsidiaries to reduce the deferred tax asset by a statutory valuation allowance adjustment if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some portion of or all of the deferred tax assets will not be realized. To temporarily mitigate this RBC impact and as a temporary measure at December 31, 2009 only, a 5% pre-tax RBC charge must be applied to the additional admitted deferred tax assets generated by SSAP 10R. The adoption for 2009 had a December 31, 2009 sunset; however, during 2010, the 2009 adoption, including the 5% pre-tax RBC charge, was extended through December 31, 2011. The effects on our insurance subsidiaries 2009 financial statements of adopting this change in accounting principle at December 31, 2009 were increases to total assets and capital and surplus of $303.7 million. This adoption had no impact on total liabilities or net income (loss).

Effective January 1, 2012, our insurance subsidiaries adopted statutory basis of accounting SSAP No. 101, Income Taxes, a replacement of SSAP No. 10R and SSAP No. 10 (SSAP 101). SSAP 101 changed statutory accounting for income taxes in two key areas: (1) tax contingencies and (2) the admissibility of deferred tax assets. Under SSAP 101, federal and foreign income tax contingencies are now determined under a modified version of SSAP No. 5 Revised, Liabilities, Contingencies and Impairment of Assets (SSAP 5R). Under this standard, the recognition of tax loss contingencies uses a more-likely-than-not model. SSAP No. 101 also provides for a three-step calculation to determine the admitted portion of adjusted gross deferred tax assets. In the first part of the admissibility test, all filers will be allowed to use a reversal period that corresponds to the tax loss carry-back provisions of the Internal Revenue Code (not to exceed three years). In the second part of the admissibility test, the reversal period and surplus limitation parameters (one year and 10.0% or three years and 15.0%) are determined based upon RBC levels. Companies not meeting the minimum threshold are prohibited from admitting anything in this part of the admissibility test. For purposes of determining test parameters, calculations of RBC or surplus thresholds will use current reporting period information. The effects on the insurance subsidiaries 2012 statutory-based financial statements of adopting this change in accounting principle at January 1, 2012 were an increase to statutory-based total assets and statutory-based capital and surplus of $65.9 million.

Pension and Postretirement Plans

For the three months ended March 31, 2012 and 2011 we contributed $20.6 million and $104.2 million to our pension plans and $1.4 million and $1.7 million to our postretirement plans. We contributed $173.1, $43.2 and $23.6 in 2011, 2010 and 2009, respectively, to our pension plans; and $4.9, $6.1 and $6.1 in 2011, 2010 and 2009, respectively, to our postretirement plans.

We expect that we will make additional cash contribution of approximately $80.6 million to the pension plans and approximately $3.4 million to other post-retirement plans during the remaining nine months of 2012, based upon certain economic and business assumptions. These assumptions include, but are not limited to, equity market performance and changes in interest rates.

For additional information on our pension and postretirement plan arrangements, refer to Note 14, *Employee Benefit Arrangements*, to our Consolidated Financial Statements. Also see Business Employees.

Off-Balance Sheet Arrangements

Through the normal course of investment operations, we commit to either purchase or sell securities, commercial mortgage loans, or money market instruments, at a specified future date and at a specified price or yield. The inability of counterparties to honor these commitments may result in either a higher or lower replacement cost. Also, there is likely to be a change in the value of the securities underlying the commitments.

At March 31, 2012 and December 31, 2011 and 2010, we had off-balance sheet commitments to purchase investments equal to their fair value of $1.1 billion, $1.3 billion and $1.6 billion, respectively, of which $367.4 million, $470.9 million and $634.1 million, respectively, relates to consolidated investment entities.

Aggregate Contractual Obligations

As of December 31, 2011, we had certain contractual obligations due over a period of time as summarized in the following table. The estimated payments reflected in this table are based on our estimates and assumptions about these obligations. Because these estimates and assumptions are necessarily subjective, the actual cash outflows in future periods will vary, possibly materially, from those reflected in the table.

($ in millions)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations					
Purchase obligations[1]	$ 1,367.3	$ 1,367.3	$	$	$
Reserves for insurance obligations[2]	135,343.8	14,305.3	21,890.4	19,608.0	79,540.1
Pension obligations[3]	986.1	91.1	185.2	191.8	518.0
Short-term and long-term debt obligations[4][7][8]	3,960.4	1,115.3	271.5	144.0	2,429.6
Operating leases[5]	182.3	46.6	64.4	38.8	32.5
Securities lending and repurchase agreements[6]	1,024.1	1,024.1			
Total	$ 142,864.0	$ 17,949.7	$ 22,411.5	$ 19,982.6	$ 82,520.2

(1) Purchase obligations consist primarily of outstanding commitments under alternative investments that may occur any time within the terms of the partnership, private loans and mortgages. The exact timing, however, of funding these commitments cannot be estimated. Therefore, the total amount of the commitments is included in the category Less than 1 Year.

(2) Reserves for insurance obligations consist of amounts required to meet our future obligations for future policy benefits and contract owner account balances. Amounts presented in the table represent estimated cash payments under such contracts, including significant assumptions related to the receipt of future premiums, mortality, morbidity, lapse, renewal, retirement, disability and annuitization comparable with actual experience. These assumptions also include market growth and interest crediting consistent with assumptions used in amortizing deferred policy acquisition costs. All estimated cash payments are undiscounted for the time value of money. Accordingly, the sum of cash flows presented for all years of $135.3 billion significantly exceeds the sum of future policy benefits and contract owner account balances of $88.4 billion recorded on the Company s consolidated balance sheet at December 31, 2011. Estimated cash payments are also presented gross of reinsurance. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results.

(3) Pension obligations consist of contribution matching obligations and other supplemental retirement and insurance obligations, under various benefit plans.

(4) The estimated payments due by period for long-term debt reflects the contractual maturities of principal, as disclosed in *Financing Agreements* in our Consolidated Financial Statements, as well as estimated future interest payments. The payment of principal and estimated future interest for short-term debt are reflected in estimated payments due in less than one year. Refer to *Financing Agreements* in our Consolidated Financial Statements for additional information concerning the short-term and long-term debt.

(5) Operating leases consist primarily of outstanding commitments for office space, equipment and automobiles.

(6) Payables under securities loan agreements including collateral held represents the liability to return collateral received from counterparties under securities lending agreements. Securities lending agreements include provisions which permit the Company to call back securities with minimal notice and accordingly, the payable is classified as having a term of less than 1 year.

(7) On April 12, 2012, the maturity for ING U.S., Inc. s $500.0 million floating rate loan agreement with ING V was extended until 2016. As a result, amounts included in short-term and long-term debt obligations less than 1 year have decreased by $500.0 million, and amounts included in 3-5 years will increase by $500.0 million, after the date as of which this table is presented.

(8) On April 20, 2012, ING U.S., Inc. borrowed a total of $2.0 billion under its Senior Unsecured Credit Facility. As a result, amounts included in short-term and long-term debt obligations less than 1 year and 1-3 years have increased by $300.0 million and $1.7 billion, respectively, after the date as of which this table is presented.

Critical Accounting Judgments and Estimates

General

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts and disclosures. Critical estimates and assumptions are evaluated on an on-going basis based on historical developments, market conditions, industry trends and other information. There can be no assurance that actual results will conform to estimates and assumptions and that reported results of operations will not be materially and adversely affected by the need to make future accounting adjustments to reflect changes in these estimates and assumptions.

We have identified the following accounting judgments and estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability: Reserves for future policy benefits, valuation and amortization of DAC and VOBA, valuation of investments and derivatives, impairments of investments, consolidation of variable interest entities (VIEs) and voting interest entities (VOEs), income taxes, contingencies and employee benefit plans.

In developing these accounting estimates and policies, we make subjective and complex judgments that are inherently uncertain and subject to material changes as facts and circumstances develop. Although variability is inherent in these estimates, we believe the amounts provided are appropriate based upon the facts available upon compilation of the Consolidated Financial Statements contained in this offering memorandum. For a more detailed discussion of other significant accounting policies, refer to Note 1, *Business, Basis of Presentation and Significant Accounting Policies*, to our Consolidated Financial Statements included elsewhere in this offering memorandum.

Sensitivity

DAC/VOBA and other intangible

We perform sensitivity analyses to assess the impact that certain assumptions have on DAC/VOBA and other intangible amortization/unlocking. The following table shows the estimated instantaneous impact of various assumption changes on our DAC/VOBA and other intangible amortization/unlocking. The effects presented are not representative of the aggregate impacts that could result if a combination of such changes to equity markets, interest rates and other assumptions occurred.

	As of December 31, 2011 Estimated impact to income before income taxes (in millions)
Decrease in long-term rate of return assumption by 100 basis points	$ (246.4)
A change to the long-term interest rate assumption of -50 basis points	(117.5)
A change to the long-term interest rate assumption of +50 basis points	110.6
An assumed increase in future mortality by 1%	(32.4)
A one-time, 10% drop in equity market values	(317.5)

Assumptions regarding shifts in market factors may be overly simplistic and not indicative of actual market behavior in stress scenarios.

Employee Benefits Plans

The discount rate and expected rate of return assumptions relating to our defined benefit pension and other postretirement benefit plans have historically had the most significant effect on our net periodic benefit costs and the projected and accumulated projected benefit obligations associated with these plans.

The discount rate is based upon current market information provided by plan actuaries. The discount rate modeling process involves selecting a portfolio of high quality, non-callable bonds that will match the cash flows of the ING Americas Retirement Plan. The discount rate in 2011 for the net periodic benefit cost was 5.5%. The discount rate for determining the projected benefit obligation and accumulated projected benefit obligation as of December 31, 2011 was 4.75%.

The effect of an increase or decrease in the discount rate by 100 basis points on the net periodic benefit costs would be a decrease in costs of $249.9 million and an increase in costs of $314.8 million, respectively.

At December 31, 2011, the sensitivity of our pension and accumulated postretirement benefit obligation to a 100 basis points increase or decrease in discount rate would be a decrease in obligations of $311.2 million and an increase in obligation of $246.6 million, respectively.

The expected rate of return considers the asset allocation, historical returns on the types of assets held and the current economic environment. We expect that the assets will earn an average percentage per year over the long term based on an active return on a compound basis.

Impact of New Accounting Pronouncements

For information regarding the impact of new accounting pronouncement, refer to Note 1, *Business, Basis of Presentation and Significant Accounting Policies*, to our Consolidated Financial Statements, included elsewhere in this offering memorandum.

Qualitative and Quantitative Disclosure About Market Risk

Market risk is the risk that our consolidated financial position and results of operations will be affected by fluctuations in the value of financial instruments. We have significant holdings in financial instruments and are naturally exposed to a variety of market risks. The main market risks we are exposed to include credit risk, interest rate risk and equity market price risk. We do not have material market risk exposure to trading activities in the Consolidated Financial Statements.

Risk Management

As a financial services company active in retirement solutions, investment management and insurance solutions, taking measured risks is part of our business. To ensure measured risk taking, we have integrated risk management in our daily business activities and strategic planning

We place a high priority to risk management and risk control. We have comprehensive risk management and control procedures in place at all levels and have established a dedicated risk management function with responsibility for the formulation of our risk appetite, strategies, policies and limits. The risk management function is also responsible for monitoring our overall market risk exposures and provides review, oversight and support functions across the Company on risk-related issues.

Our risk appetite is aligned with how our businesses are managed and anticipates future regulatory developments. In particular, our risk appetite is aligned with regulatory capital requirements applicable to other regulated insurance subsidiaries as well as metrics that are aligned with various ratings agency models.

Our risk governance and control systems enable us to identify, control, monitor and aggregate risks and provide assurance that risks are being measured, monitored and reported adequately and effectively. To promote measured risk taking, we have integrated risk management with our business activities and strategic planning through a strategy to manage risk in accordance with the following three principles:

1. Operating unit management has primary responsibility for the day-to-day management of risk and form the first line of defense.

2. The risk management function, both at the corporate and the business unit level, as the second line of defense, has the primary responsibility to align risk taking with strategic planning through risk tolerance and limit setting. Risk managers in the business units have direct reporting lines to the U.S. Chief Risk Officer.

3. The internal audit function provides an ongoing independent (i.e. outside of the risk organization) and objective assessment of the effectiveness of internal controls, including financial and operational risk management and forms the third line of defense.

Our risk management is organized along a functional line comprising two levels within the organization: the corporate and business unit levels. The Chief Risk Officer (CRO) heads the functional line. Each of the business units has a similar function headed by a Chief Risk Officer (business unit CRO). This layered, functional approach is designed to promote consistent application of guidelines and procedures, regular reporting and appropriate communication vertically through the risk management function, as well as to provide ongoing support for the business. The scope, roles, responsibilities and authorities of the risk management function at different levels are described in an Insurance Risk Management Governance Framework to which all business units and business lines must adhere. The CRO and business unit CROs operate within this framework.

Our Risk Committee discusses and approves all risk policies and reviews and approves risks associated with our activities. This includes volatility (affecting earnings and value), exposure (required capital and market risk) and insurance risks. Each insurance business unit has an Asset-Liability Committee that reviews business specific risks and is governed by the Risk Committee.

We have implemented several limit structures to manage risk. Examples include, but are not limited to, the following:

- At-risk limits on sensitivities of earnings and regulatory capital to the capital markets provide the fundamental framework to manage capital markets risks including the risk of asset / liability mismatch;
- Duration and convexity mismatch limits;
- Credit risk concentration limits;
- Mortality concentration limits;
- Catastrophe and mortality exposure retention limits for our insurance risk; and
- Investment and derivative guidelines.

We manage a risk appetite based on two key risk metrics:

- U.S. Regulatory Capital Sensitivities: the potential reduction, under a moderate capital markets stress scenario, of the excess of available statutory capital above the minimum required under the NAIC regulatory RBC methodology; and
- Earnings Sensitivities: the potential reduction in results of operations under a moderate capital markets stress scenario. Maintaining a consistent level of earnings helps us to finance our operations, support our capital requirements and provide funds to pay dividends to stockholders.

Our risk metrics cover the most important aspects in terms of performance measures where risk can materialize and are representative of the regulatory constraints to which our business is subject. The sensitivities for earnings and statutory capital are important metrics since they provide insight into the level of risk we take under moderate stress scenarios. They also are the basis for internal risk management.

We are also subject to cash flow stress testing pursuant to U.S. regulatory requirements. This analysis measures the effect of changes in interest rate assumptions on asset and liability cash flows. The analysis includes the effects of:

- the timing and amount of redemptions and prepayments in our asset portfolio;
- our derivative portfolio;
- lapses and surrenders in our insurance products;

minimum interest guarantees in our insurance products; and

book value guarantees in our insurance products.

We evaluate any shortfalls that our cash flow testing reveals and if needed increase statutory reserves or adjust portfolio management strategies.

Derivatives are financial instruments whose values are derived from interest rates, foreign currency exchange rates, financial indices, or other prices of securities or commodities. Derivatives include swaps, futures, options and forward contracts. Under U.S. insurance statutes, our insurance subsidiaries may use derivatives to hedge market values or cash flows of assets or liabilities; to replicate cash market instruments; and for certain limited income generating activities. Our insurance subsidiaries are generally prohibited from using derivatives for speculative purposes. References below to hedging and hedge programs refer to our process of reducing exposure to various risks. This does not mean that the process necessarily results in hedge accounting treatment for the respective derivative instruments. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item and meet other specific requirements. Effectiveness of the hedge is assessed at inception and throughout the life of the hedging relationship. Even if a derivative qualifies for hedge accounting treatment, there may be an element of ineffectiveness of the hedge. The ineffective portion of a hedging relationship subject to hedge accounting is recognized in net realized capital gains (losses) in the Consolidated Statements of Operations.

Market Risk Related to Interest Rates

We define interest rate risk as the risk of an economic loss due to adverse changes in interest rates. This risk arises from our holdings in interest sensitive assets and liabilities, primarily as a result of investing life insurance premiums, fixed annuity and guaranteed investment contract deposits received in interest-sensitive assets and carrying these funds as interest-sensitive liabilities. We are also subject to interest rate risk on our variable annuity business, as a sustained decline in interest rates may subject us to higher cost of guaranteed benefits and increased hedging costs.

We use product design, pricing and ALM strategies to reduce the adverse effects of interest rate movement. Product design and pricing strategies can include the use of surrender charges, withdrawal restrictions and the ability to reset credited interest rates. ALM strategies can include the use of derivatives and duration and convexity mismatch limits. See Risk Factors Risks Related to Our Business General Interest rate volatility may adversely affect our profitability.

Derivatives strategies include the following:

Minimum Interest Rate Guarantees For certain liability contracts, we provide the contract holder a guaranteed minimum interest rate. These contracts include certain fixed annuities and other insurance liabilities. We purchase interest rate floors, swaps and swaptions to reduce risk associated with these liability guarantees.

Book Value Guarantees in Long Duration Liability Contracts For certain stable value contracts, the contract holder can surrender the contract for the account value even if the market value of the asset portfolio is in an unrealized loss position. We purchase derivatives including interest rate caps, swaps and swaptions to reduce the risk associated with this type of guarantee.

Interest Risk Related to Variable Annuity Guaranteed Living Benefits For Variable Annuity contracts with Guaranteed Living benefits, the contract holder may elect to receive income benefits over the remainder of their lifetime. We use derivatives such as interest rate swaps to hedge a portion of the interest rate risk associated with this type of guarantee.

Other Market Value and Cash Flow Hedges We also use derivatives in general to hedge present or future changes in cash flows or market value changes in our assets and liabilities. We use derivatives such as interest rate swaps to specifically hedge interest rate risks associated with our CMO-B portfolio, see Investments CMO-B Portfolio.

We assess interest rate exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either increasing or decreasing 100 basis point parallel shifts in the yield curve, reflecting changes in either credit spreads or risk-free rates. The following tables set forth the net estimated potential change in fair value from hypothetical 100 basis point upward and downward shifts in interest rates as of both March 31, 2012 and December 31, 2011. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future interest rates or the performance of fixed-income markets, they are a near-term, reasonably possible hypothetical change that illustrates the potential impact of such events. These tests do not measure the change in value that could result from non-parallel shifts in the yield curve. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

	As of March 31, 2012			
			Hypothetical Change in Fair Value	
($ in millions)	Notional	Fair Value	+100 Basis Points Yield Curve Shift	-100 Basis Points Yield Curve Shift
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged		$ 70,964.1	$ (4,288.2)	$ 4,269.5
Equity securities, available for sale		354.2	(7.8)	8.2
Commercial mortgage and other loans		9,264.1	(316.4)	282.9
Loan-Dutch State obligation		1,666.4	(18.1)	13.6
Derivatives:				
Interest rate swaps, caps, forwards	$ 64,281.0	267.7	(909.7)	1,183.6
Financial liabilities with interest rate risk:				
Investment contracts				
Deferred annuities		55,844.2	(4,015.2)	5,058.7
Guaranteed investment contracts		5,064.5	(184.2)	196.7
Supplementary contracts and immediate annuities		3,415.8	(176.8)	201.5
Long-term debt		1,451.0	(52.9)	60.2
Embedded derivatives on reinsurance		136.2	(84.0)	85.6
Guaranteed benefit derivatives:				
FIA		1,492.2	(92.4)	98.8
GMAB / GMWB / GMWBL		1,842.0	(787.7)	1,011.4
Stabilizer and MCGs		72.0	(72.0)	143.6

($ in millions)	Notional	As of December 31, 2011 Fair Value[(1)]	Hypothetical Change in Fair Value +100 Basis Points Yield Curve Shift	-100 Basis Points Yield Curve Shift
Financial assets with interest rate risk:				
Fixed maturity securities, including securities pledged		$ 72,669.4	$ (4,334.6)	$ 4,326.1
Equity securities, available for sale		353.8	(7.6)	8.0
Commercial mortgage and other loans		8,943.7	(293.0)	235.8
Loan-Dutch State obligation		1,806.4	(19.0)	9.3
Derivatives:				
Interest rate swaps, caps, forwards	$ 65,352.0	839.9	(1,090.6)	1,367.2
Financial liabilities with interest rate risk:				
Investment contracts				
Deferred annuities[(2)]		55,014.7	(3,677.6)	4,592.1
Guaranteed investment contracts		5,261.0	(184.5)	197.4
Supplementary contracts and immediate annuities		3,311.9	(173.2)	198.3
Long-term debt		1,448.5	(52.2)	59.5
Embedded derivatives on reinsurance		137.2	(86.4)	85.7
Guaranteed benefit derivatives:[(2)]				
FIA		1,304.9	(81.9)	88.8
GMAB / GMWB / GMWBL		2,272.2	(837.9)	1,065.6
Stabilizer and MCGs		221.0	(137.1)	192.1

(1) Separate account assets and liabilities which are interest sensitive are not included herein as any interest rate risk is borne by the holder of the separate account.

(2) Certain amounts included in Deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

Market Risk Related to Equity Market Prices

Our variable products, FIA products and general account equity securities are significantly influenced by global equity markets. Increases or decreases in equity markets impact certain assets and liabilities related to our variable products and our earnings derived from those products. Our variable products include variable annuity contracts and variable life insurance.

Hedging of Variable Annuity Guaranteed Benefits

We primarily mitigate variable annuity market risk exposures through hedging. Market risk arises primarily from the minimum guarantees within the variable annuity products, whose economic costs are primarily dependent on future market returns, interest rate levels and policyholder behavior. The variable annuity hedging program is used to mitigate our exposure to equity market and interest rate changes and to ensure that the required assets are available to satisfy future death benefit and living benefit obligations. While the variable annuity guarantee hedge program does not explicitly hedge statutory or GAAP reserves, as markets move up or down, the returns generated by the variable annuity hedging program will significantly offset the statutory and GAAP reserve changes.

The objective of the guarantee hedging program is to offset changes in the present value of future expected guarantee payouts with respect to equity market returns, while also providing interest rate protection for certain minimum guaranteed living benefits. We do not hedge interest rate risks for our GMIB or GMDB primarily because doing so would result in volatility in our regulatory capital that exceeds our tolerances and, secondarily, because doing so would produce additional volatility in our GAAP financial statements.

Variable Annuity Capital Hedge Overlay Program

Variable annuity guaranteed benefits are hedged based on their economic or fair value; however, the statutory reserves are not based on a market value. When equity markets decrease, the statutory reserve for the variable annuity guaranteed benefit can increase more quickly than the value of the derivatives held under the

Guarantee Hedging Program. This causes statutory capital to decrease. To protect the residual risk to statutory capital in a decreasing equity market, we implemented the use of a capital hedge in 2008 which was based on the in-force notional of the block of business and underlying variable fund characteristics upon inception of the strategy. This initial hedge resulted in losses due to improving equity markets, which resulted in a shift to a dynamic hedging program in 2010. The current hedge strategy is intended to actively mitigate equity risk to the regulatory capital of the Company. The hedge is executed through the purchase and sale of equity index futures and is designed to limit the uncovered reserve increase in an immediate shock down equity market scenario (20% immediate down market shock as of March 31, 2012) to an amount we believe reasonable for a company of our size and scale ($240 million as of March 31, 2012). This amount will change over time with market movements, changes in regulatory capital and management actions.

Hedging of Fixed Indexed Annuity Benefits

We mitigate FIA market risk exposures through a combination of capital market hedging, product design and capital management. For the FIA book of business, these risks stem from the Minimum Guaranteed Interest Rates (MGIR) offered and the additional interest credits (Equity Participation or Interest Rate Participation) based on exposure to various stock market indices or the 3-month LIBOR. The minimum guarantees and stock market exposures are strongly dependent on capital markets and, to a lesser degree, policyholder behavior.

The credited rate mechanism for FIA exposes us to changes in various equity indices. We mitigate this exposure in two ways. The primary way we hedge FIA equity exposure is to purchase over-the-counter equity index call options from broker-dealer derivative counterparties who generally have a minimum credit rating of A3 from Moody s and A- from S&P. For each broker-dealer counterparty, our derivative exposure to that counterparty is aggregated with any fixed income exposure to the same counterparty and is maintained within applicable limits. The second way to hedge FIA equity exposure is by purchasing exchange traded equity index futures contracts.

Additionally, the credited rate mechanism for certain FIA contracts exposes us to changes in interest rate benchmarks. We mitigate this exposure by purchasing over-the-counter interest rate swaptions from broker-dealer derivative counterparties who generally have a minimum credit rate of A3 from Moody s and A- from S&P. For each broker-dealer counterparty, our derivative exposure to that counterparty is aggregated with any fixed income exposure to the same counterparty and is maintained within applicable limits.

These hedge programs are limited to the current policy term of the liabilities, based on current participation rates. Future returns, which may be reflected in FIA credited rates beyond the current policy term, are not hedged.

While the FIA hedging program does not explicitly hedge statutory or GAAP income volatility, the FIA hedging program tends to mitigate the statutory and GAAP reserve changes associated with movements in the equity market and 3-month LIBOR. This is due to the fact that a key component in the calculation of statutory and GAAP reserves is the market valuation of the current term embedded derivative. The risk management of the current term embedded derivative is the goal of the FIA hedging program. Due to the alignment of the embedded derivative reserve component with hedging of this same embedded derivative, there should be a match between changes in this component of the reserve and changes in the assets backing this component of the reserve. However, there may be an interim mismatch due to the fact that the hedges which are put in place are only intended to cover exposures expected to remain until the end of an indexing term (e.g. account value restrictions during an indexing term associated with expected lapses and mortality are not hedged).

We assess equity risk exposures for financial assets, liabilities and derivatives using hypothetical test scenarios that assume either an increase or decrease of 10% in all equity market benchmark levels. The following tables set forth the net estimated potential change in fair value from an instantaneous increase and decrease in all equity market benchmark levels of 10% as of both March 31, 2012 and December 31, 2011. In calculating these amounts, we exclude separate account equity securities related to products for which the investment risk is borne primarily by the separate account contract holder rather than by us. While the test scenarios are for illustrative purposes only and do not reflect our expectations regarding future the performance of equity markets, they are near-term, reasonably possible hypothetical changes that illustrate the potential impact of such events. These scenarios consider only the direct effect on fair value of declines in equity benchmark market levels and not changes in asset-based fees recognized as revenue, changes in our estimates of total gross profits used as a basis for amortizing deferred policy acquisition and other costs, or changes in any other assumptions such as market volatility or mortality, utilization or persistency rates in variable contracts that could also impact the fair value of our living benefits features. In addition, these scenarios do not reflect the effect of basis risk, such as potential differences in the performance of the investment funds underlying the variable annuity products relative to the equity market benchmark we use as a basis for developing our hedging strategy. The impact of basis risk could result in larger differences between the change in fair value of the equity-based derivatives and the related living benefit features, in comparison to the hypothetical test scenarios.

	As of March 31, 2012			
			Hypothetical Change in Fair Value	
($ in millions)	**Notional**	**Fair Value**	**+10% Equity Shock**	**-10% Equity Shock**
Financial assets with equity market risk:				
Equity securities, available for sale	$	$ 354.2	$ 33.9	$ (33.9)
Limited liability partnerships/corporations		626.8	26.7	(26.7)
Derivatives				
Equity futures and total return swaps	12,873.6	(26.1)	(1,287.2)	1,287.2
Equity options	2,990.2	75.8	64.5	(53.2)
Financial liabilities with equity market risk:				
Investment contracts				
Deferred annuities		55,844.2	(173.1)	258.4
Guaranteed benefit derivatives:				
FIA		1,492.2	175.9	(175.9)
GMAB / GMWB/ GMWBL		1,842.0	(253.5)	329.0

	As of December 31, 2011			
			Hypothetical Change in Fair Value	
($ in millions)	**Notional**	**Fair Value**	**+10% Equity Shock**	**-10% Equity Shock**
Financial assets with equity market risk:				
Equity securities, available for sale	$	$ 353.8	$ 33.9	$ (33.9)
Limited liability partnerships/corporations		599.6	25.5	(25.5)
Derivatives				
Equity futures and total return swaps	12,737.7	6.5	(1,274.7)	1,274.7
Equity options	3,059.7	34.3	29.3	(27.6)
Financial liabilities with equity market:				
Investment contracts				
Deferred annuities		55,014.7	(194.0)	267.1
Guaranteed benefit derivatives:				
FIA		1,304.9	222.0	(222.0)
GMAB / GMWB/ GMWBL		2,272.2	(270.1)	328.1

(1) Certain amounts included in Deferred annuities section are also reflected within the Guaranteed benefit derivatives section of the tables above.

Market Risk Related to Credit Risk

Credit risk is primarily embedded in the general account portfolio. The carrying value of our fixed maturity and equity portfolio totaled $69.9 billion and $70.8 billion at March 31, 2012 and December 31, 2011, respectively. Our credit risk materializes primarily as impairment losses. We are exposed to occasional cyclical economic downturns, during which impairment losses may be significantly higher than the long-term historical average. This is offset by years where we expect the actual impairment losses to be substantially lower than the long-term average.

Credit risk in the portfolio can also materialize as increased capital requirements as assets migrate into lower credit qualities over time. The effect of rating migration on our capital requirements is also dependent on the economic cycle and increased asset impairment levels may go hand in hand with increased asset related capital requirements.

We manage the risk of default and rating migration by applying disciplined credit evaluation and underwriting standards and prudently limiting allocations to lower quality, higher risk investments. In addition, we diversify our exposure by issuer and country, using rating based issuer and country limits. We also set investment constraints that limit our exposure by industry segment. To limit the impact that credit risk can have on earnings and capital adequacy levels, we have portfolio-level credit risk constraints in place. Limit compliance is monitored on a daily or, in some cases, monthly basis. Limit violations are reported to senior management and we are actively involved in decisions around curing such limit violations.

We also have credit risk related to the ability of our derivatives and reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. In order to minimize the risk of credit loss on such contracts, we diversify our exposures among several counterparties and limit the amount of exposure to each based on credit rating. For most counterparties, including the largest reinsurance counterparties, we have collateral agreements in place that would substantially limit our credit losses in case of a counterparty default. We also limit our selection of counterparties to those with an A credit rating or above. For derivatives counterparty risk exposures (which includes reverse repurchase and securities lending transactions), we measure and monitor our risks on a market value basis daily.

We use credit derivatives to reduce our exposure to credit-related events as well as taking credit risk. For every subsidiary or internal portfolio, notional amount of credit risk taken using credit derivatives is limited to the amount of U.S. Treasury security investments in the same portfolio. We also place a limit on the amount of earnings volatility that these instruments can cause.

INVESTMENTS

Investments for our general account are managed by our wholly owned asset manager, ING Investment Management LLC, pursuant to investment advisory agreements with affiliates. In addition, our internal treasury group manages our holding company liquidity investments, primarily money market funds.

Investment Strategy

Our investment strategy seeks to achieve sustainable risk-adjusted returns by focusing on principal preservation, disciplined matching of asset characteristics with liability requirements and the diversification of risks. Investment activities are undertaken according to investment policy statements that contain internally established guidelines and risk tolerances and in all cases are required to comply with applicable laws and insurance regulations. Risk tolerances are established for credit risk, credit spread risk, market risk, liquidity risk and concentration risk across issuers, sectors and asset types that seek to mitigate the impact of cash flow variability arising from these risks.

Segmented portfolios are established for groups of products with similar liability characteristics. Our investment portfolio consists largely of high quality fixed maturities and short-term investments, investments in commercial mortgage loans, alternative investments and other instruments, including a small amount of equity holdings. Fixed maturities include publicly issued corporate bonds, government bonds, privately placed notes and bonds, ABS, traditional MBS and various CMO tranches managed in combination with financial derivatives as part of a proprietary strategy known as CMO-B .

We use derivatives for hedging purposes to reduce our exposure to the cash flow variability of assets and liabilities, interest rate risk, credit risk and market risk. In addition, we use credit derivatives to replicate exposure to individual securities or pools of securities as a means of achieving credit exposure similar to bonds of the underlying issuer(s) more efficiently.

Since the height of the financial crisis in 2008, we have pursued a substantial repositioning of the investment portfolio aimed at reducing risk, increasing the stability and predictability of returns and pursuing intentional investment risks that are reliant on our core strengths. In the initial stages of the portfolio transition during the financial crisis, sizeable shifts in asset allocation occurred over short periods of time including greater than $1 billion of reduction in exposure to hedge funds over 2008-2009, execution of the Illiquid Asset Back-up Facility in early 2009 (see Risk Factors Risks Related to Our Proposed Separation from, and Continuing Relationship With, ING Group) and redeployment of routine cash flow into U.S. Treasury securities. As global capital markets began to stabilize in the middle of 2009 and the investment environment became less volatile, we began to gradually and selectively invest primarily in corporate credit with an emphasis on high quality, liquid assets. Over 2010 and 2011, in concert with reinvestment into public and private corporate credit and commercial mortgage loans, we executed a series of focused reduction programs in CMBS and Subprime RMBS securities. The repositioning has resulted in a significant decrease in exposure to structured assets, an improvement in the NAIC designation profile of our remaining structured assets and an increase in exposure to public and private investment grade corporate bonds and U.S. Treasury securities.

Over the 2009-2011 period, we significantly reduced our exposure to Non-Agency RMBS and CMBS securities. The most substantial reduction occurred in the 2009 Illiquid Asset Back-up Facility, in which a full credit risk transfer to the Dutch State was realized on 80% of the approximately $4.5 billion Alt-A RMBS portfolio. Over the same period, our exposure to Subprime RMBS and CMBS securities was reduced approximately $2.4 billion and $4.0 billion, respectively, through sales and impairments. The remaining Subprime and CMBS exposure carries a significantly improved NAIC designation profile. Over the same period, we have reduced exposure to financial institutions by approximately $2.0 billion, primarily out of a desire to reduce exposure to risk in the portfolio that is highly correlated with our own business model.

Each of these significant reductions in exposure and the repositioning overall represents our attempt at reducing risk, improving the stability and predictability of our investment returns and leveraging our core strengths.

Refer to Note 3, *Investments (excluding Consolidated Investment Entities)*, to our Consolidated Financial Statements for additional information on our investments.

Portfolio Composition

The following table represents the investment portfolio as of the dates indicated:

($ in millions)	As of March 31, 2012 Carrying Value	%	As of December 31, 2011 Carrying Value	%	As of December 31, 2010 Carrying Value	%
Fixed maturities available-for-sale, excluding securities pledged	$ 66,464.6	73.8%	$ 67,405.6	72.7%	$ 62,446.8	71.9%
Fixed maturities, at fair value using the fair value option	3,064.1	3.4%	3,010.3	3.3%	2,685.3	3.1%
Equity securities, available-for-sale	354.2	0.4%	353.8	0.4%	525.6	0.6%
Short-term investments[1]	3,073.3	3.4%	3,572.7	3.8%	2,809.2	3.2%
Mortgage loans on real estate	8,929.0	9.9%	8,691.1	9.4%	8,181.7	9.4%
Loan Dutch State obligation[2]	1,645.0	1.8%	1,792.7	1.9%	2,314.2	2.7%
Policy loans	2,224.1	2.5%	2,263.9	2.4%	2,391.8	2.8%
Alternative investments	626.8	0.7%	599.6	0.6%	757.2	0.8%
Derivatives	2,043.9	2.3%	2,660.9	2.9%	783.9	0.9%
Other investments	207.1	0.2%	215.1	0.2%	200.3	0.2%
Securities pledged[3]	1,435.4	1.6%	2,253.5	2.4%	3,790.1	4.4%
Total investments	$ 90,067.5	100.0%	$ 92,819.2	100.0%	$ 86,886.1	100.0%

(1) Short-term investments include investments with remaining maturities of one year or less, but greater than 3 months, at the time of purchase.

(2) The reported value of the Dutch State loan obligation is based on the outstanding loan balance plus any unamortized premium.

(3) Refer to Management s Discussion and Analysis of Results of Operations and Financial Condition Liquidity and Capital Resources for information regarding securities pledged.

Fixed Maturities

Total fixed maturities by market sector, including securities pledged, were as follows as of the dates indicated:

($ in millions)	As of March 31, 2012 Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	$ 4,110.3	6.3%	$ 4,560.0	6.4%
U.S. government agencies and authorities	648.6	1.0%	717.5	1.0%
State, municipalities and political subdivisions	368.6	0.6%	392.2	0.6%
U.S. corporate securities	30,509.4	46.7%	33,322.5	47.0%
Foreign securities[1]	14,071.5	21.6%	15,209.5	21.4%
Residential mortgage-backed securities	7,708.7	11.8%	8,789.6	12.4%
Commercial mortgage-backed securities	5,182.8	7.9%	5,481.4	7.7%
Other asset-backed securities	2,647.8	4.1%	2,491.4	3.5%
Total fixed maturities, including securities pledged	$ 65,247.7	100.0%	$ 70,964.1	100.0%

(1) Primarily U.S. dollar denominated.

($ in millions)	As of December 31, 2011			
	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities:				
U.S. Treasuries	$ 5,283.8	7.9%	$ 5,972.5	8.2%
U.S. government agencies and authorities	643.1	1.0%	727.8	1.0%
State, municipalities and political subdivisions	375.1	0.6%	393.9	0.5%
U.S. corporate securities	30,486.5	45.5%	33,473.1	46.2%
Foreign securities[1]	14,041.9	21.0%	15,067.4	20.7%
Residential mortgage-backed securities	7,935.0	11.8%	9,048.1	12.5%
Commercial mortgage-backed securities	5,387.1	8.1%	5,485.4	7.5%
Other asset-backed securities	2,727.0	4.1%	2,501.2	3.4%
Total fixed maturities, including securities pledged	$ 66,879.5	100.0%	$ 72,669.4	100.0%

(1) Primarily U.S. dollar denominated.

($ in millions)	As of December 31, 2010			
	Amortized Cost	% of Total	Fair Value	% of Total
Fixed maturities				
U.S. Treasuries	$ 5,063.2	7.8%	$ 5,062.4	7.3%
U.S. government agencies and authorities	943.7	1.4%	999.5	1.4%
State, municipalities and political subdivisions	489.9	0.7%	463.0	0.7%
U.S. corporate securities	27,218.9	41.4%	28,722.5	41.7%
Foreign securities[1]	13,726.0	20.8%	14,445.7	21.0%
Residential mortgage-backed securities	8,154.5	12.4%	9,273.8	13.5%
Commercial mortgage-backed securities	6,094.0	9.3%	6,220.4	9.0%
Other asset-backed securities	4,080.7	6.2%	3,734.9	5.4%
Total fixed maturities, including securities pledged to creditors	$ 65,770.9	100.0%	$ 68,922.2	100.0%

(1) Primarily U.S. dollar denominated.

As of March 31, 2012, December 31, 2011 and December 31, 2010, the average duration of our fixed maturities portfolio, including securities pledged, is between 5.5 and 6.5 years.

Fixed Maturities Credit Quality Ratings

The Securities Valuation Office (SVO) of the NAIC evaluates the fixed maturities investments of insurers for regulatory reporting and capital assessment purposes and assigns securities to one of six credit quality categories called NAIC designations. An internally developed rating is used if no rating is available as permitted by the NAIC. These designations are generally similar to the credit quality designations of the NAIC acceptable rating organization (ARO) for marketable fixed maturities, called rating agency designations, except for certain structured securities as described below. NAIC designations of 1, highest quality, and 2, high quality, include fixed maturities generally considered investment grade (IG) (i.e., rated Baa3 or better by Moody s or rated BBB- or better by S&P and Fitch). NAIC designations 3 through 6 include fixed maturit generally considered below investment grade (BIG) (i.e., rated Ba1 or lower by Moody s or rated BB+ or lower by S&P and Fitch).

The NAIC adopted revised designation methodologies for non-agency RMBS, including RMBS backed by subprime mortgage loans reported within ABS, that became effective December 31, 2009 and for CMBS that became effective December 31, 2010. The NAIC s objective with the revised designation methodologies for these structured securities was to increase the accuracy in assessing expected losses and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from such structured securities.

As a result of time lags between the funding of investments, the finalization of legal documents and the completion of the SVO filing process, the fixed maturity portfolio generally includes securities that have not yet been rated by the SVO as of each balance sheet date, such as private placements. Pending receipt of SVO ratings, the categorization of these securities by NAIC designation is based on the expected ratings indicated by internal analysis.

Information about our fixed maturity securities holdings, including securities pledged, by NAIC designations is set forth in the following tables. Corresponding rating agency designations do not directly translate into NAIC designations, but represent our best estimate of comparable ratings from rating agencies, including Moody s, S&P and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.

The fixed maturities in our portfolio are generally rated by external rating agencies and, if not externally rated, are rated by us on a basis we believe to be similar to that used by the rating agencies. Ratings are derived from three ARO ratings and are applied as follows based on the number of agency rating received:

when three ratings are received then the middle rating is applied;

when two ratings are received then the lower rating is applied;

when a single rating is received, the ARO rating is applied; and

when ratings are unavailable then an internal rating is applied.

The following tables represent credit quality of fixed maturities, including securities pledged, using NAIC designations as of the date indicated:

($ in millions)	As of March 31, 2012						
NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
U.S. Treasuries	$ 4,560.0	$	$	$	$	$	$ 4,560.0
U.S. government agencies and authorities	717.5						717.5
State, municipalities and political subdivisions	362.4	4.6	0.9	24.3			392.2
U.S. corporate securities	15,252.0	16,157.2	1,580.0	292.6	24.3	16.4	33,322.5
Foreign securities(1)	4,044.6	10,323.3	705.2	35.4	99.0	2.0	15,209.5
Residential mortgage-backed securities	7,820.5	177.6	305.2	144.1	330.5	11.7	8,789.6
Commercial mortgage-backed securities	5,057.7	141.8	241.9	18.3	21.7		5,481.4
Other asset-backed securities	2,202.4	82.6	141.9	29.8	29.4	5.3	2,491.4
Total fixed maturities	$ 40,017.1	$ 26,887.1	$ 2,975.1	$ 544.5	$ 504.9	$ 35.4	$ 70,964.1

	As of December 31, 2011						
NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
U.S. Treasuries	$ 5,972.5	$	$	$	$	$	$ 5,972.5
U.S. government agencies and authorities	727.8						727.8
State, municipalities and political subdivisions	333.6	4.7	0.9	54.7			393.9
U.S. corporate securities	15,680.3	15,978.0	1,449.2	320.4	45.2		33,473.1
Foreign securities(1)	4,185.6	9,754.3	968.9	63.0	95.5	0.1	15,067.4

Residential mortgage-backed securities	8,060.8	197.8	300.6	125.8	223.0	140.1	9,048.1
Commercial mortgage-backed securities	5,090.8	140.3	195.9	36.3		22.1	5,485.4
Other asset-backed securities	2,228.3	80.8	130.2	29.5	26.3	6.1	2,501.2
Total fixed maturities	$ 42,279.7	$ 26,155.9	$ 3,045.7	$ 629.7	$ 390.0	$ 168.4	$ 72,669.4

NAIC Quality Designation	1	2	3	4	5	6	Total Fair Value
	As of December 31, 2010						
U.S. Treasuries	$ 5,062.4	$	$	$	$	$	$ 5,062.4
U.S. government agencies and authorities	998.3	1.2					999.5
State, municipalities and political subdivisions	336.6	61.3	65.1				463.0
U.S. corporate securities	14,315.9	12,516.8	1,432.1	358.5	43.7	55.5	28,722.5
Foreign securities[(1)]	5,004.0	8,274.6	939.7	150.7	61.8	14.9	14,445.7
Residential mortgage-backed securities	8,719.4	153.2	189.8	168.6	40.3	2.5	9,273.8
Commercial mortgage-backed securities	5,051.0	515.2	458.9	97.3	56.8	41.2	6,220.4
Other asset-backed securities	3,058.3	271.4	154.3	168.8	39.5	42.6	3,734.9
Total fixed maturities	$ 42,545.9	$ 21,793.7	$ 3,239.9	$ 943.9	$ 242.1	$ 156.7	$ 68,922.2

(1) Primarily U.S. dollar denominated.

At March 31, 2012, the weighted average quality rating of our fixed maturities portfolio was A. The following tables represent credit quality of fixed maturities, including securities pledged, using ARO ratings as of the dates indicated:

($ in millions)	As of March 31, 2012						
ARO Quality Rating:	AAA	AA	A	BBB	BB	B and Below	Total Fair Value
U.S. Treasuries	$ 4,560.0	$	$	$	$	$	$ 4,560.0
U.S. government agencies and authorities	710.1	4.6	2.8				717.5
State, municipalities and political subdivisions	107.0	223.1	32.3	4.6	0.9	24.3	392.2
U.S. corporate securities	717.1	1,837.2	12,919.1	15,931.5	1,621.0	296.6	33,322.5
Foreign securities[(1)]	41.8	881.5	3,487.7	10,226.1	512.9	59.5	15,209.5
Residential mortgage-backed securities	6,915.7	49.0	269.9	63.9	86.6	1,404.5	8,789.6
Commercial mortgage-backed securities	2,386.0	575.9	873.5	877.2	627.9	140.9	5,481.4
Other asset-backed securities	1,352.4	49.2	121.9	105.1	131.6	731.2	2,491.4
Total fixed maturities	$ 16,790.1	$ 3,620.5	$ 17,707.2	$ 27,208.4	$ 2,980.9	$ 2,657.0	$ 70,964.1

	As of December 31, 2011						
ARO Quality Rating:	AAA	AA	A	BBB	BB	B and Below	Total Fair Value
U.S. Treasuries	$ 5,972.5	$	$	$	$	$	$ 5,972.5
U.S. government agencies and authorities	722.4	2.9	2.5				727.8
State, municipalities and political subdivisions	106.4	195.6	31.6	4.7	0.9	54.7	393.9
U.S. corporate securities	714.6	2,045.1	13,268.3	15,653.3	1,464.8	327.0	33,473.1
Foreign securities[(1)]	43.4	1,021.9	3,479.9	9,690.9	727.9	103.4	15,067.4
Residential mortgage-backed securities	7,118.8	68.3	290.7	70.4	83.0	1,416.9	9,048.1
Commercial mortgage-backed securities	2,591.5	553.1	907.1	740.3	577.1	116.3	5,485.4
Other asset-backed securities	1,361.2	59.4	118.0	144.1	144.9	673.6	2,501.2
Total fixed maturities	$ 18,630.8	$ 3,946.3	$ 18,098.1	$ 26,303.7	$ 2,998.6	$ 2,691.9	$ 72,669.4

	As of December 31, 2010						
ARO Quality Rating:	AAA	AA	A	BBB	BB	B and Below	Total Fair Value
U.S. Treasuries	$ 5,062.4	$	$	$	$	$	$ 5,062.4
U.S. government agencies and authorities	995.7	2.6		1.2			999.5
State, municipalities and political subdivisions	129.3	169.7	37.6	61.4	65.0		463.0
U.S. corporate securities	518.0	2,413.7	11,556.2	12,377.5	1,488.7	368.4	28,722.5
Foreign securities(1)	47.7	1,119.0	4,043.9	8,368.3	640.8	226.0	14,445.7
Residential mortgage-backed securities	7,363.8	94.8	128.7	95.9	46.2	1,544.4	9,273.8
Commercial mortgage backed securities	2,992.4	774.0	999.2	846.6	489.7	118.5	6,220.4
Other asset-backed securities	1,367.2	288.1	142.5	286.5	189.9	1,460.7	3,734.9
Total fixed maturities	$ 18,476.5	$ 4,861.9	$ 16,908.1	$ 22,037.4	$ 2,920.3	$ 3,718.0	$ 68,922.2

(1) Primarily U.S. dollar denominated.

The amortized cost and fair value of fixed maturities, including securities pledged, as of March 31, 2012 and December 31, 2011, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called, or prepaid. MBS and Other ABS are shown separately because they are not due at a single maturity date.

($ in millions)	As of March 31, 2012		As of December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due to mature:				
One year or less	$ 2,299.7	$ 2,371.7	$ 2,815.1	$ 2,885.5
After one year through five years	12,737.9	13,536.7	13,850.8	14,543.9
After five years through ten years	16,535.4	17,865.4	16,512.4	17,753.2
After ten years	18,135.4	20,427.9	17,652.1	20,452.1
Mortgage-backed securities	12,891.5	14,271.0	13,322.1	14,533.5
Other asset-backed securities	2,647.8	2,491.4	2,727.0	2,501.2
Fixed maturities, including securities pledged	$ 65,247.7	$ 70,964.1	$ 66,879.5	$ 72,669.4

We did not have any investments in a single issuer, other than obligations of the U.S. government and government agencies and the Dutch State loan obligation, with a carrying value in excess of 10% of our shareholder s equity at March 31, 2012 and December 31, 2011.

Unrealized Capital Losses

Unrealized capital losses (including non credit impairments), along with the fair value of fixed maturities, including securities pledged, by market sector and duration were as follows as of the dates indicated:

($ in millions)	As of March 31, 2012							
	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss
U.S. Treasuries	$ 726.0	$ 0.9	$	$	$	$	$ 726.0	$ 0.9
U.S. government agencies and authorities								
U.S. corporate, state and municipalities	1,979.7	44.0	359.0	16.8	369.1	40.6	2,707.8	101.4
Foreign	791.9	26.1	271.3	15.1	351.7	40.1	1,414.9	81.3
Residential mortgage-backed	668.9	8.0	152.5	5.3	925.2	163.1	1,746.6	176.4
Commercial mortgage-backed	72.8	1.1	436.1	23.3	278.6	37.0	787.5	61.4
Other asset-backed	49.6	0.4	90.3	7.1	717.9	209.7	857.8	217.2
Total	$ 4,288.9	$ 80.5	$ 1,309.2	$ 67.6	$ 2,642.5	$ 490.5	$ 8,240.6	$ 638.6

	As of December 31, 2011							
	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss
U.S. Treasuries	$	$	$	$	$	$	$	$
U.S. government agencies and authorities								
U.S. corporate, state and municipalities	1,812.9	55.7	173.2	10.4	393.4	45.3	2,379.5	111.4
Foreign	1,177.6	66.2	80.2	7.3	655.8	71.9	1,913.6	145.4
Residential mortgage-backed	426.6	5.1	388.3	16.1	865.1	219.6	1,680.0	240.8
Commercial mortgage-backed	338.3	6.4	1,131.6	87.6	241.4	55.2	1,711.3	149.2
Other asset-backed	306.9	5.3	165.8	42.7	668.5	222.7	1,141.2	270.7
Total	$ 4,062.3	$ 138.7	$ 1,939.1	$ 164.1	$ 2,824.2	$ 614.7	$ 8,825.6	$ 917.5

	As of December 31, 2010							
	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss	Fair Value	Unrealized Capital Loss
U.S. Treasuries	$ 1,702.4	$ 55.9	$	$	$	$	$ 1,702.4	$ 55.9
U.S. government agencies and authorities	38.0	1.3					38.0	1.3
U.S. corporate, state and municipalities	4,665.2	152.3	68.1	2.8	750.4	65.6	5,483.7	220.7
Foreign	2,440.8	94.8	63.1	1.7	431.5	42.6	2,935.4	139.1
Residential mortgage-backed	1,244.5	22.6	20.4	1.9	1,082.9	244.1	2,347.8	268.6
Commercial mortgage-backed	122.4	1.4			1,584.9	160.1	1,707.3	161.5
Other asset-backed	307.5	3.9	16.9	0.1	1,408.1	405.2	1,732.5	409.2
Total	$ 10,520.8	$ 332.2	$ 168.5	$ 6.5	$ 5,257.8	$ 917.6	$ 15,947.1	$ 1,256.3

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 84.4%, 82.1% and 85.3% of the average book value as of March 31, 2012 and December 31, 2011 and 2010, respectively.

As of March 31, 2012, December 31, 2011 and December 31, 2010, gross unrealized losses on fixed maturities, including securities pledged, decreased $278.9 million, $338.8 million and $3.1 billion, respectively. The decrease in gross unrealized losses was primarily due to recognition of OTTI on Other ABS and the declining yields and tightening spreads.

CMO-B Portfolio

As part of our broadly diversified investment portfolio, we have a core holding in a proprietary mortgage derivatives strategy known as CMO-B, which invests in a variety of CMO securities in combination with interest rate derivatives in targeting a specific type of exposure to the U.S. residential mortgage market. Because of their relative complexity and generally small natural buyer base, we believe certain types of CMO securities are consistently priced below their intrinsic value, thereby providing a source of potential return for investors in this strategy.

The CMO securities that are part of our CMO-B portfolio are either notional or principal securities, backed by the interest and principal components, respectively, of mortgages secured by single-family residential real estate. There are many variations of these two types of securities including Interest Only (IO) and Principal Only (PO) securities, as well as Inverse-floating rate (principal) securities and Inverse IOs, all of which are part of our CMO-B portfolio. This strategy has been in place for nearly two decades and thus far has been a significant source of investment income while exhibiting relatively low volatility and correlation compared to the other asset types in the investment portfolio, although we cannot predict whether favorable returns will continue in future periods.

To protect against the potential for credit loss associated with financially troubled borrowers, investments in our CMO-B portfolio are primarily in CMO securities backed by one of the government sponsored entities Fannie Mae, Freddie Mac or Government National Mortgage Association.

Because the timing of the receipt of the underlying cash flow is highly dependent on the level and direction of interest rates, our CMO-B portfolio also has exposure to both interest rate and convexity risk. The exposure to interest rate risk the potential for changes in value that results from changes in the general level of interest rates is managed to a defined target duration using interest rate swaps. The exposure to convexity risk the potential for changes in value that result from changes in duration caused by changes in interest rates is dynamically hedged using interest rate swaps, and at times, interest rate swaptions.

Changes in the prepayment behavior of homeowners represent both a risk and potential source of return for our CMO-B portfolio. As a result, we seek to invest in securities that are broadly diversified by collateral type to take advantage of the uncorrelated prepayment experiences of homeowners with unique characteristics that influence their ability or desire to prepay their mortgage. We choose collateral type and individual security based on an in-depth quantitative analysis of prepayment incentives across all available borrower types.

The following table shows fixed maturities balances held in the CMO-B portfolio by NAIC rating as of the dates indicated:

($ in millions)

	As of March 31, 2012			As of December 31, 2011			As of December 31, 2010		
NAIC Designation	**Amortized Cost**	**Fair Value**	**% Fair Value**	**Amortized Cost**	**Fair Value**	**% Fair Value**	**Amortized Cost**	**Fair Value**	**% Fair Value**
1	$ 3,146.7	$ 4,106.5	91.3%	$ 3,157.4	$ 4,214.1	91.6%	$ 3,373.0	$ 4,630.0	98.1%
2	6.6	12.0	0.3%	6.6	12.0	0.3%	11.7	12.6	0.3%
3	10.9	17.5	0.4%	8.2	12.9	0.3%	12.5	16.6	0.4%
4	37.9	46.0	1.0%	36.5	46.2	1.0%	28.1	37.5	0.8%
5	163.2	303.6	6.8%	121.2	174.6	3.8%	9.7	19.6	0.4%
6	0.8	8.5	0.2%	42.0	140.7	3.0%	0.8	1.5	0.0%
	$ 3,366.1	$ 4,494.1	100.0%	$ 3,371.9	$ 4,600.5	100.0%	$ 3,435.8	$ 4,717.8	100.0%

For CMO securities where the Company elected FV option, amortized cost represents the market values. For details on the NAIC designation methodology, please refer to the Fixed Maturities Credit Quality Ratings above.

The notional amounts and fair values of derivatives were as follows as of the dates indicated:

($ in millions)	As of March 31, 2012			As of December 31, 2011			As of December 31, 2010		
	Notional Amount	**Assets Fair Value**	**Liability Fair Value**	**Notional Amount**	**Assets Fair Value**	**Liability Fair Value**	**Notional Amount**	**Assets Fair Value**	**Liability Fair Value**
Derivatives non-qualifying for hedge accounting:									
Interest Rate Contracts	$ 33,221.3	$ 648.6	$ 954.6	$ 33,204.1	$ 770.2	$ 1,024.3	$ 30,981.7	$ 438.1	$ 688.6

The financial crisis of 2008 resulted in tighter lending standards which has led to higher involuntary and lower voluntary prepayments, greater variations in prepayments based on borrower traits, lower correlation between interest rates and prepayments and elevated sensitivity to government policy changes for prepayments and valuations. We believe our CMO-B portfolio was positioned for such a landscape, as the IO and Inverse IO, or notional, exposure in the portfolio generally benefited from slowing prepayments in 2009. At the same time the diversified nature of the mortgage collateral underlying the securities in our CMO-B portfolio benefited from the renewed importance of differentiation by borrower classification. Our CMO-B portfolio also benefitted in 2009 from the fact that, consistent with the market generally, valuations of some of the CMO-B securities had fallen significantly in late 2008 despite a lack of significant changes in the expectations for underlying cash flows. The decrease in valuations in 2008 created an opportunity for increases in valuations in 2009 when investors recognized the attractiveness of the sector.

The following table shows fixed maturity securities balances and tranche type as of the dates indicated:

($ in millions)	As of March 31, 2012			As of December 31, 2011			As of December 31,		
Tranche Type	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value	Amortized Cost	Fair Value	% Fair Value
Inverse Floater	$ 1,295.7	$ 1,865.2	41.5%	$ 1,386.5	$ 2,001.2	43.5%	$ 1,706.5	$ 2,331.8	49.4%
Interest Only (IO)	304.2	337.9	7.5%	259.7	290.6	6.3%	287.3	322.3	6.8%
Inverse IO	1,413.8	1,931.9	43.0%	1,339.6	1,913.3	41.6%	1,164.3	1,779.3	37.7%
Principal Only (PO)	225.2	229.2	5.1%	246.9	252.6	5.5%	195.2	200.4	4.2%
Floater	110.5	112.3	2.5%	120.6	120.7	2.6%	53.9	52.1	1.1%
Other	16.7	17.6	0.4%	18.6	22.1	0.5%	28.6	31.9	0.7%
Total	$ 3,366.1	$ 4,494.1	100.0%	$ 3,371.9	$ 4,600.5	100.0%	$ 3,435.8	$ 4,717.8	100.0%

Generally, a continued increase in valuations, as well as muted prepayments despite low interest rates, led to a strong performance of our CMO-B portfolio in 2010. Based on fundamental prepayment analysis, we were able to increase the allocation to notional securities in a manner that was diversified by borrower and mortgage characteristics without unduly increasing portfolio risk because of the new mortgage financing environment and the belief that an increase in prepayments would be muted by the tight credit environment.

While the market in the second half of 2011 was volatile as a result of the European debt crisis and concerns regarding the implications of Home Affordable Refinance Program 2.0, our CMO-B portfolio performed well due to persistently low levels of prepayments and a diversified selection of underlying collateral types. Lower valuations and prepayments due to tight housing-related credit continued in the first quarter of 2012; however, to the extent these conditions change, we expect that the results of our CMO-B portfolio will likely underperform those of recent periods.

The following table shows returns for our CMO-B portfolio for the periods indicated:

($ in millions)	Three Months Ended March 31,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Net investment income (loss)	$ 286.3	$ 288.1	$ 1,158.5	$ 1,261.4	$ 1,286.0
Net realized capital gains (losses)[(1)]	(170.6)	(44.7)	(294.9)	(243.3)	(177.1)
Total income (pre-tax)	$ 115.7	$ 243.4	$ 863.6	$ 1,018.1	$ 1,108.9
Annualized return[(2)]	13.7%	29.3%	25.9%	27.9%	25.5%

(1) Net realized capital gains (losses) also include derivatives interest settlements, mark to market adjustments and realized gains (losses) on standalone derivatives contracts that are in the CMO-B portfolio.

(2) Returns are calculated using average amortized cost.

In defining operating income before income taxes and non-operating income for our CMO-B portfolio, certain recharacterizations are recognized. As indicated in footnote (1) above, derivatives activity including net coupon settlement on interest rate swaps is included as net realized capital gains (losses). Since these swaps are hedging securities whose coupon payments are reflected as net investment income (loss) (operating income), it is appropriate to represent the net swap coupons as operating income before income taxes rather than non-operating income. Also included in net realized gains (losses) is the premium amortization and mark to market for securities designated under the fair value option, whereas the coupon for these securities is included in net investment income (loss). In order to present the economics of these fair value securities in a similar manner to those of an available for sale security, the premium amortization is reclassified from net/realized capital gains (losses) (or non-operating income) to operating income.

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After adjusting for the two items referenced immediately above, the following table shows the resultant operating income before income taxes and non-operating income for the periods indicated:

	Three Months Ended March 31,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Operating income before income taxes	$ 131.4	$ 121.8	$ 517.7	$ 566.8	$ 610.9
Non-operating income	(15.7)	121.6	345.9	451.3	498.0
Income before income taxes	$ 115.7	$ 243.4	$ 863.6	$ 1,018.1	$ 1,108.9

Subprime and Alt-A Mortgage Exposure

The performance of underlying subprime and Alt-A mortgage collateral originated prior to 2008 continues to reflect the problems associated with a housing market characterized by substantial price declines and an employment market that remains weak and under stress. Credit spreads have widened on the securities and rating agency downgrades have been widespread and severe within the sector. Over the course of 2010 and early 2011, price transparency and liquidity for bonds backed by subprime mortgages improved with lower volatility across broader risk markets and an apparent increase in overall risk appetite. However, beginning in the second quarter of 2011, the market for the lower quality, distressed segments of the subprime and Alt-A mortgage markets weakened. Severe supply distortions of these asset types increased volatility and reduced liquidity in these segments of the non-agency RMBS markets. In the second half of 2011, these supply problems decreased, but additional fundamental weaknesses in the housing market and uncertainty regarding broader global markets negatively impacted credit risk premiums, which pressured prices lower in these segments of the non-agency RMBS markets. We consider collateral performance and structural characteristics associated with our various positions in managing our risk exposures to subprime and Alt-A mortgages.

We do not originate or purchase subprime or Alt-A whole-loan mortgages. Subprime lending is the origination of loans to customers with weaker credit profiles. We define Alt-A mortgages to include the following: residential mortgage loans to customers who have strong credit profiles but lack some element(s), such as documentation to substantiate income; residential mortgage loans to borrowers that would otherwise be classified as prime but whose loan structure provides repayment options to the borrower that increase the risk of default; and any securities backed by residential mortgage collateral not clearly identifiable as prime or subprime.

We have exposure to RMBS, CMBS and ABS. Our exposure to subprime mortgage-backed securities is primarily in the form of ABS structures collateralized by subprime residential mortgages and the majority of these holdings were included in Other ABS under Fixed Maturities above. As of March 31, 2012, the fair value and gross unrealized losses related to our exposure to subprime mortgage-backed securities were $978.8 million and $218.3 million, representing 1.4% of total fixed maturities, including securities pledged, respectively. As of December 31, 2011, the fair value and gross unrealized losses related to our exposure to subprime mortgage-backed securities were $974.2 million and $272.1 million, representing 1.3% of total fixed maturities, including securities pledged, respectively. As of December 31, 2010, the fair value and gross unrealized losses related to our exposure to subprime mortgage-backed securities were $2.1 billion and $384.8 million, representing 3.0% of total fixed maturities, including securities pledged, respectively.

The NAIC adopted revised designation methodologies for non-agency RMBS, including RMBS backed by subprime mortgage loans reported within ABS, that became effective December 31, 2009 and for CMBS that became effective December 31, 2010. The NAIC s objective with the revised designation methodologies for these structured securities was to increase the accuracy in assessing expected losses and to use the improved assessment to determine a more appropriate capital requirement for such structured securities. The revised methodologies reduce regulatory reliance on rating agencies and allow for greater regulatory input into the assumptions used to estimate expected losses from such structured securities.

The following tables summarize our exposure to subprime mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

NAIC Designation	% of Total Subprime Mortgage-backed Securities	ARO Ratings		Vintage	
		As of March 31, 2012			
1	77.6%	AAA	1.8%	2007	27.6%
2	4.0%	AA	0.9%	2006	40.4%
3	14.6%	A	4.8%	2005 and prior	32.0%
4	2.8%	BBB	6.3%		100.0%
5	0.5%	BB and below	86.2%		
6	0.5%		100.0%		
	100.0%				
		As of December 31, 2011			
1	78.1%	AAA	2.9%	2007	26.9%
2	4.7%	AA	1.2%	2006	41.2%
3	13.4%	A	4.5%	2005 and prior	31.9%
4	2.7%	BBB	8.8%		100.0%
5	0.5%	BB and below	82.6%		
6	0.6%		100.0%		
	100.0%				
		As of December 31, 2010			
1	79.4%	AAA	7.1%	2007	33.9%
2	4.0%	AA	7.0%	2006	40.0