ING U.S., Inc.
Form 10-Q
August 09, 2013

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

FORM 10-Q
(Mark One)

ý	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013
OR

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

For the transition period from _ to _

Commission File Number: _001-35897____

ING U.S., Inc.

(Exact name of registrant as specified in its charter)	
Delaware	52-1222820
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
230 Park Avenue	
New York, New York	10169
(Address of principal executive offices)	(Zip Code)
(212) 309-8200	
(Registrant's telephone number, including area code)	

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

Large accelerated filer o	Accelerated filer o

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: At August 7, 2013 260,776,492 shares of Common Stock, $.01 par value, were outstanding.

ING U.S., Inc.
Form 10-Q for the period ended June 30, 2013

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NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Results of Operations and Financial Condition," contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to trends in operations and financial results and the business and products of ING U.S., Inc. (the "Company"), as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend" and other similar expressions. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects on us. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company's control and many of which are subject to change. These uncertainties and contingencies could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company. Factors that could cause such differences include, but are not limited to, those discussed in Part I, Item 2. "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Part II, Item 1A. "Risk Factors" of this Form 10-Q as well as those discussed in "Risk Factors," "Management's Discussion and Analysis of Results of Operations and Financial Condition - Trends and Uncertainties" and "Business - Closed Blocks - Closed Blocks Variable Annuity" in the Company's prospectus dated May 1, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act of 1933, as amended (the "Securities Act"), on May 3, 2013 (the "IPO Prospectus") and the Company's prospectus dated July 11, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act on July 12, 2013 (the "Offering Prospectus").

The risks included here are not exhaustive. The IPO Prospectus, the Offering Prospectus, current reports on Form 8-K and other documents filed with the SEC include additional factors that could affect our businesses and financial performance. Moreover, we operate in a rapidly changing and competitive environment. New risk factors emerge from time to time, and it is not possible for management to predict all such risk factors.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ING U.S., Inc.
Condensed Consolidated Balance Sheets
June 30, 2013 (Unaudited) and December 31, 2012
(In millions, except share and per share data)

	June 30, 2013	December 31, 2012
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $65,829.2 at 2013 and $62,955.4 at 2012)	$69,843.4	$70,910.3
Fixed maturities, at fair value using the fair value option	2,771.6	2,771.3
Equity securities, available-for-sale, at fair value (cost of $240.8 at 2013 and $297.9 at 2012)	281.0	340.1
Short-term investments	2,404.8	5,991.2
Mortgage loans on real estate, net of valuation allowance of $4.1 at 2013 and $3.9 at 2012	8,929.1	8,662.3
Policy loans	2,144.9	2,200.3
Limited partnerships/corporations	430.2	465.1
Derivatives	1,174.4	2,374.5
Other investments	168.4	167.0
Securities pledged (amortized cost of $1,300.8 at 2013 and $1,470.0 at 2012)	1,357.0	1,605.5
Total investments	89,504.8	95,487.6
Cash and cash equivalents	1,549.8	1,786.8
Short-term investments under securities loan agreements, including collateral delivered	411.8	664.0
Accrued investment income	910.4	863.5
Reinsurance recoverable	7,053.0	7,379.3
Deferred policy acquisition costs and Value of business acquired	5,060.5	3,656.3
Sales inducements to contract holders	277.0	212.7
Goodwill and other intangible assets	333.0	348.5
Other assets	1,271.3	1,362.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	2,987.7	2,931.2
Cash and cash equivalents	936.6	440.8
Corporate loans, at fair value using the fair value option	4,573.5	3,559.3
Other assets	25.2	34.3
Assets held in separate accounts	102,228.9	97,667.4
Total assets	$217,123.5	$216,394.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Balance Sheets
June 30, 2013 (Unaudited) and December 31, 2012
(In millions, except share and per share data)

	June 30, 2013	December 31, 2012
Liabilities and Shareholders' Equity:		
Future policy benefits	$14,963.9	$15,493.6
Contract owner account balances	70,598.0	70,562.1
Payables under securities loan agreement, including collateral held	470.6	1,509.8
Short-term debt	138.6	1,064.6
Long-term debt	3,265.7	3,171.1
Funds held under reinsurance agreements	1,281.6	1,236.6
Derivatives	1,320.9	1,944.2
Pension and other post-employment provisions	896.5	903.2
Current income taxes	12.8	11.7
Deferred income taxes	202.5	1,042.7
Other liabilities	1,363.8	1,604.2
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	4,881.3	3,829.4
Other liabilities	851.3	292.4
Liabilities related to separate accounts	102,228.9	97,667.4
Total liabilities	202,476.4	200,333.0
Shareholders' equity:		
Common stock (900,000,000 shares authorized, 260,855,612 and 230,079,120 issued as of June 30, 2013 and December 31, 2012, respectively, and 260,776,492 and 230,000,000 outstanding as of June 30, 2013 and December 31, 2012, respectively, net of 79,120 of Treasury shares as of June 30, 2013 and December 31, 2012; $0.01 par value per share)	2.6	2.3
Additional paid-in capital	23,498.7	22,917.6
Accumulated other comprehensive income (loss)	2,087.8	3,710.7
Retained earnings (deficit):		
Appropriated-consolidated investment entities	(61.2)	6.4
Unappropriated	(13,056.3)	(12,762.1)
Total ING U.S., Inc. shareholders' equity	12,471.6	13,874.9
Noncontrolling interest	2,175.5	2,186.3
Total shareholders' equity	14,647.1	16,061.2
Total liabilities and shareholders' equity	$217,123.5	$216,394.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2013, and 2012 (Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
Net investment income	$1,112.2	$1,138.9	$2,310.9	$2,416.3
Fee income	909.7	862.9	1,801.6	1,751.9
Premiums	474.8	474.8	946.7	936.4
Net realized gains (losses):				
Total other-than-temporary impairments	(9.7)	(10.1)	(21.3)	(17.4)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(2.5)	(4.0)	(3.1)	(4.4)
Net other-than-temporary impairments recognized in earnings	(7.2)	(6.1)	(18.2)	(13.0)
Other net realized capital gains (losses)	(558.7)	491.8	(1,422.5)	(751.2)
Total net realized capital gains (losses)	(565.9)	485.7	(1,440.7)	(764.2)
Other revenue	106.1	100.5	201.7	189.5
Income (loss) related to consolidated investment entities:				
Net investment income (loss)	166.8	368.1	211.0	403.0
Changes in fair value related to collateralized loan obligations	(63.1)	(69.0)	(72.0)	(85.7)
Total revenues	2,140.6	3,361.9	3,959.2	4,847.2
Benefits and expenses:				
Policyholder benefits	711.0	924.8	1,251.5	1,372.9
Interest credited to contract owner account balance	518.9	586.8	1,039.8	1,156.9
Operating expenses	770.2	712.6	1,529.3	1,472.0
Net amortization of deferred policy acquisition costs and value of business acquired	124.5	216.2	255.0	389.9
Interest expense	43.8	38.1	88.2	62.4
Operating expenses related to consolidated investment entities:				
Interest expense	43.4	25.6	80.2	47.8
Other expense	4.0	4.7	4.7	5.1
Total benefits and expenses	2,215.8	2,508.8	4,248.7	4,507.0
Income (loss) before income taxes	(75.2)	853.1	(289.5)	340.2
Income tax expense	10.1	1.0	21.3	8.9
Net income (loss)	(85.3)	852.1	(310.8)	331.3
Less: Net income (loss) attributable to noncontrolling interest	(3.1)	217.7	(16.6)	202.1
Net income (loss) available to ING U.S., Inc.'s common shareholders	$(82.2)	$634.4	$(294.2)	$129.2
Net income (loss) available to ING U.S., Inc.'s common shareholders per common share:				
Basic	$(0.33)	$2.76	$(1.22)	$0.56
Diluted	$(0.33)	$2.76	$(1.22)	$0.56

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2013, and 2012 (Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net income (loss)	$(85.3)	$852.1	$(310.8)	$331.3
Other comprehensive income (loss), before tax:				
Unrealized gains/losses on securities	(2,110.3)	649.8	(2,510.2)	574.1
Other-than-temporary impairments	20.4	11.1	31.3	23.9
Pension and other postretirement benefits liability	(3.4)	(3.7)	(6.9)	(7.5)
Other comprehensive income (loss), before tax	(2,093.3)	657.2	(2,485.8)	590.5
Income tax expense (benefit) related to items of other comprehensive income (loss)	(728.3)	222.7	(862.9)	164.0
Other comprehensive income (loss), after tax	(1,365.0)	434.5	(1,622.9)	426.5
Comprehensive income (loss)	(1,450.3)	1,286.6	(1,933.7)	757.8
Less: Comprehensive income (loss) attributable to the noncontrolling interest	(3.1)	217.7	(16.6)	202.1
Comprehensive income (loss) attributable to ING U.S., Inc.'s common shareholders	$(1,447.2)	$1,068.9	$(1,917.1)	$555.7

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended June 30, 2013 and 2012 (Unaudited)
(In millions)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total ING U.S., Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance at January 1, 2013	$ 2.3	$ 22,917.6	$ 3,710.7	$ 6.4	$ (12,762.1)	$ 13,874.9	$ 2,186.3	$ 16,061.2
Comprehensive income (loss):								
Net income (loss)	—	—	—	—	(294.2)	(294.2)	(16.6)	(310.8)
Other comprehensive income (loss), after tax	—	—	(1,622.9)	—	—	(1,622.9)	—	(1,622.9)
Total comprehensive income (loss)						(1,917.1)	(16.6)	(1,933.7)
Reclassification of noncontrolling interest	—	—	—	(67.6)	—	(67.6)	67.6	—
Common Stock Issuance	0.3	571.7	—	—	—	572.0	—	572.0
Employee related benefits	—	9.4	—	—	—	9.4	—	9.4
Contribution from (Distribution to) noncontrolling interest, net	—	—	—	—	—	—	(61.8)	(61.8)
Balance at June 30, 2013	$ 2.6	$ 23,498.7	$ 2,087.8	$ (61.2)	$ (13,056.3)	$ 12,471.6	$ 2,175.5	$ 14,647.1

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total ING U.S., Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholder's Equity
Balance at January 1, 2012	$ 2.3	$ 22,865.2	$ 2,595.0	$ 126.5	$ (13,235.1)	$ 12,353.9	$ 1,572.2	$ 13,926.1
Comprehensive income (loss):								
Net income (loss)	—	—	—	—	129.2	129.2	202.1	331.3
Other comprehensive income (loss), after tax	—	—	426.5	—	—	426.5	—	426.5
Total comprehensive income (loss)						555.7	202.1	757.8
	—	—	—	(88.9)	—	(88.9)	88.9	—

Reclassification of noncontrolling interest								
Common Stock Issuance	—	—	—	—	—	—	—	—
Employee related benefits	—	21.1	—	—	—	21.1	—	21.1
Contribution from (Distribution to) noncontrolling interest, net	—	—	—	—	—	—	377.9	377.9
Balance at June 30, 2012	$ 2.3	$ 22,886.3	$ 3,021.5	$ 37.6	$ (13,105.9)	$ 12,841.8	$ 2,241.1	$ 15,082.9

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2013, and 2012 (Unaudited)
(In millions)

	Six Months Ended June 30,	
	2013	2012
Net cash provided by operating activities	$1,289.9	$1,347.0
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	7,714.4	9,420.2
Equity securities, available-for-sale	32.0	32.9
Mortgage loans on real estate	790.4	806.2
Loan - Dutch State obligation	—	192.3
Limited partnerships/corporations	54.0	300.3
Acquisition of:		
Fixed maturities	(10,478.1)	(8,501.7)
Equity securities, available-for-sale	(10.9)	(12.5)
Mortgage loans on real estate	(1,033.8)	(1,068.9)
Limited partnerships/corporations	(8.7)	(38.4)
Short-term investments, net	3,586.4	(2,192.2)
Policy loans, net	55.4	54.9
Derivatives, net	(1,293.4)	(528.4)
Other investments, net	11.5	3.2
Sales from consolidated investment entities	1,508.9	749.2
Purchase of consolidated investment entities	(2,027.2)	(1,180.6)
Collateral (delivered) received, net	(787.0)	502.3
Purchases of fixed assets, net	(15.1)	(24.9)
Other, net	—	(4.7)
Net cash used in investing activities	(1,901.2)	(1,490.8)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

ING U.S., Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2013 and 2012 (Unaudited)
(In millions)

	Six Months Ended June 30, 2013	2012
Cash Flows from Financing Activities:		
Deposits received for investment contracts	5,917.2	8,828.7
Maturities and withdrawals from investment contracts	(6,226.0)	(9,958.5)
Proceeds from issuance of debt with maturities of more than three months	1,748.9	2,082.8
Repayment of debt with maturities of more than three months	(2,408.7)	(73.3)
Short-term debt, net	(171.6)	26.0
Debt issuance costs	(19.6)	(29.4)
Borrowings of consolidated investment entities	27.7	45.7
Repayments of debt of consolidated investment entities	(7.8)	(43.3)
Contributions from participants in consolidated investment entities	942.2	442.4
Proceeds from issuance of common stock, net	572.0	—
Net cash provided by financing activities	374.3	1,321.1
Net (decrease) increase in cash and cash equivalents	(237.0)	1,177.3
Cash and cash equivalents, beginning of period	1,786.8	638.0
Cash and cash equivalents, end of period	$1,549.8	$1,815.3
Supplemental cash flow information:		
Income taxes paid, net	$(2.4)	$(27.9)
Interest paid	64.1	31.8

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

1. Business, Basis of Presentation and Significant Accounting Policies

Business

ING U.S., Inc. and its subsidiaries (collectively "the Company") is a financial services organization in the United States that offers a broad range of retirement services, annuities, investment management services, mutual funds, life insurance, group insurance and supplemental health products, guaranteed investment contracts and funding agreements. The Company provides its principal products and services in three businesses (Retirement Solutions, Investment Management and Insurance Solutions) and reports results through five ongoing operating segments, including Retirement, Annuities, Investment Management, Individual Life and Employee Benefits. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

In 2009, ING Groep N.V. ("ING Group" or "ING") announced the anticipated separation of its global banking and insurance businesses, including the divestiture of the Company. On April 11, 2013, the Company announced plans to rebrand in the future as Voya Financial. On May 2, 2013, the common stock of ING U.S., Inc. began trading on the New York Stock Exchange under the symbol "VOYA." On May 7, 2013, ING U.S., Inc. completed the offering of 65,192,307 shares of its common stock, including the issuance and sale by ING U.S., Inc. of 30,769,230 shares of common stock and the sale by ING Insurance International B.V. ("ING International"), an indirect wholly owned subsidiary of ING Group and previously the sole stockholder of ING U.S., Inc., of 34,423,077 shares of outstanding common stock of ING U.S., Inc. (collectively, the "IPO"). The IPO price of the shares sold in the IPO was $19.50 per share. The Company received net proceeds of $572.0 after deducting underwriting fees of $21.8 and $6.2 of incremental offering costs directly attributable to the IPO, and used the net proceeds received from the IPO to fund certain capital management activities. The Company did not receive any proceeds from the sale of shares by ING International. Immediately following the closing of the IPO on May 7, 2013, ING International owned 75% of the outstanding common stock of ING U.S., Inc.

On May 31, 2013, in connection with the option granted to the underwriters in the IPO to acquire up to an additional 9,778,846 shares of ING U.S., Inc. common stock from ING International, the underwriters exercised such option (ultimately acquiring an additional 9,778,696 shares) and ING International's ownership of ING U.S., Inc.'s common stock was reduced to 71%. The Company did not receive any proceeds from the sale of such additional shares by ING International.

ING International is a subsidiary of ING Verzekeringen N.V. ("ING V"), which is a wholly owned subsidiary of ING Insurance Topholding N.V. (“ING Topholding”), which is a wholly owned subsidiary of ING Group, the ultimate parent company. ING is a global financial services holding company based in The Netherlands, with American Depository Shares listed on the New York Stock Exchange under the symbol "ING."

In August 2013, ING Group announced that ING International, ING V and ING Topholding will distribute shares of common stock of ING U.S., Inc. that are held directly by ING International as a dividend in kind to ING Group (effectively removing ING International, ING V and ING Topholding from the chain of intermediate ownership, and resulting in such shares being held directly by ING Group). Subject to receipt of regulatory approvals and/or notices of non-objection, as the case may be, this transaction is expected to be completed on September 30, 2013.

Basis of Presentation

On April 10, 2013, the Company's Board of Directors authorized 1,000,000,000 shares, of which 900,000,000 shares, par value $0.01 per share, are designated as common stock and 100,000,000 shares, par value $0.01 per share, are designated as preferred stock. In addition, the Company's Board of Directors authorized a 2,295.248835-for-1 split of the Company's common stock. These actions were subsequently approved by the Company's sole stockholder on April 10, 2013 and effected on April 11, 2013, resulting in 230,079,120 shares of common stock issued, including 79,120 shares of Treasury stock, and 230,000,000 shares of common stock outstanding and held by ING International, prior to the IPO. The accompanying Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements give retroactive effect to the stock split for all periods presented. There are no preferred shares issued or outstanding.

The accompanying Condensed Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and are unaudited. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

The Condensed Consolidated Financial Statements include the accounts of ING U.S., Inc. and its subsidiaries, as well as partnerships (voting interest entities ("VOEs")) in which the Company has control and variable interest entities ("VIEs") for which the Company is the primary beneficiary. See the Consolidated Investment Entities Note to these Condensed Consolidated Financial Statements.

Certain immaterial reclassifications have been made to prior year financial information to conform to the current year classifications. Intercompany transactions and balances have been eliminated.

The accompanying Condensed Consolidated Financial Statements reflect all adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of June 30, 2013, its results of operations, comprehensive income, changes in shareholders' equity and cash flows for the three and six months ended June 30, 2013 and 2012, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements included in the Company's prospectus dated May 1, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act of 1933, as amended (the "Securities Act"), on May 3, 2013 (the "IPO Prospectus"), the Company's prospectus dated July 11, 2013, filed with the SEC pursuant to Rule 424(b)(1) under the Securities Act on July 12, 2013 (the "Offering Prospectus"), current reports on Form 8-K and other documents filed with the SEC that affect the Company's financial performance.

Adoption of New Pronouncements

Disclosures about Offsetting Assets and Liabilities
In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-11, "Balance Sheet (Accounting Standards Codification ("ASC") Topic 210): Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"), which requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In addition, the standard requires disclosure of collateral received and posted in connection with master netting agreements or similar arrangements.

In January 2013, the FASB issued ASU 2013-01, "Balance Sheet (ASC Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" ("ASU 2013-01"), which clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASU Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement.

The provisions of ASU 2013-01 and ASU 2011-11 were adopted retrospectively by the Company on January 1, 2013. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the pronouncement only pertains to additional disclosure. The disclosures required by ASU 2011-11 and ASU 2013-01 are included in the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements.

Disclosures about Amounts Reclassified out of Accumulated Other Comprehensive Income ("AOCI")
In January 2013, the FASB issued ASU 2013-02, "Comprehensive Income (ASC Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"), which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts.

The provisions of ASU 2013-02 were adopted by the Company on January 1, 2013. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the pronouncement only pertains to additional disclosure. The disclosures required by ASU 2013-02, including comparative period disclosures, are included in the Accumulated Other Comprehensive Income Note to these Condensed Consolidated Financial Statements.

Future Adoption of Accounting Pronouncements

Joint and Several Liability Arrangements
In February 2013, the FASB issued ASU 2013-04, "Liabilities (ASC Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date" ("ASU 2013-04"), which requires an entity to measure obligations resulting from joint and several liable arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of (1) the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (2) any additional amount it expects to pay on behalf of its co-obligors. ASU 2013-04 also requires an entity to disclose the nature and amount of the obligation, as well as other information about those obligations.

The provisions of ASU 2013-04 are effective for years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied retrospectively for those obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's year of adoption. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2013-04.

Investment Companies
In June 2013, the FASB issued ASU 2013-08, "Financial Services-Investment Companies (ASC Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements" ("ASU 2013-08"), which provides comprehensive guidance for assessing whether an entity is an investment company and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value. ASU 2013-08 also requires an entity to disclose that it is an investment company and any changes to that status, as well as information about financial support provided or required to be provided to investees.

The provisions of ASU 2013-08 are effective for interim and annual reporting periods in years beginning after December 15, 2013, and should be applied prospectively for entities that are investment companies upon the effective date of the amendments. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2013-08.

Derivatives and Hedging
In July 2013, the FASB issued ASU 2013-10, "Derivatives and Hedging (ASC Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes" ("ASU 2013-10"), which permits an entity to use the Fed Funds Effective Swap Rate ("OIS") to be used as a U.S. benchmark interest rate for hedge accounting purposes. In addition, the guidance removes the restriction on using different benchmark rates for similar hedges.

The provisions of ASU 2013-10 are effective for qualifying new or redesigned hedges entered into on or after July 17, 2013. The Company does not expect ASU 2013-10 to have an impact on its financial condition, results of operations or cash flows.

Income Taxes

In July 2013, the FASB issued ASU 2013-11, "Income Taxes (ASC Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"), which clarifies that:

- An unrecognized tax benefit should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except,
- An unrecognized tax benefit should be presented as a liability and not be combined with a deferred tax asset (i) to the extent a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date to settle any additional income taxes that would result from the disallowance of a tax position or (ii) the tax law does not require the entity to use, or the entity does not intend to use, the deferred tax asset for such a purpose.
- The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

The provisions of ASU 2013-11 are effective for years, and interim periods within those years, beginning after December 15, 2013, and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. The Company does not expect ASU 2013-11 to have an impact on its financial condition, results of operations or cash flows, as the guidance is consistent with that currently applied.

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2. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of June 30, 2013:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3]
Fixed maturities:						
U.S. Treasuries	$5,610.1	$377.2	$64.6	$—	$5,922.7	$—
U.S. Government agencies and authorities	702.0	36.6	0.5	—	738.1	—
State, municipalities and political subdivisions	278.3	15.0	0.8	—	292.5	—
U.S. corporate securities	35,244.5	2,387.9	565.5	—	37,066.9	13.0
Foreign securities:[1]						
Government	1,080.8	53.7	42.7	—	1,091.8	—
Other	13,945.1	888.4	177.4	—	14,656.1	—
Total foreign securities	15,025.9	942.1	220.1	—	15,747.9	—
Residential mortgage-backed securities:						
Agency	5,510.0	483.0	52.8	101.9	6,042.1	1.1
Non-Agency	1,353.2	165.4	42.9	59.2	1,534.9	118.9
Total Residential mortgage-backed securities	6,863.2	648.4	95.7	161.1	7,577.0	120.0
Commercial mortgage-backed securities	4,014.6	414.9	3.6	—	4,425.9	4.4
Other asset-backed securities	2,163.0	97.8	52.5	(7.3)	2,201.0	5.2
Total fixed maturities, including securities pledged	69,901.6	4,919.9	1,003.3	153.8	73,972.0	142.6
Less: Securities pledged	1,300.8	71.6	15.4	—	1,357.0	—
Total fixed maturities	68,600.8	4,848.3	987.9	153.8	72,615.0	142.6
Equity securities:						
Common stock	188.9	1.1	0.2	—	189.8	—
Preferred stock	51.9	39.3	—	—	91.2	—
Total equity securities	240.8	40.4	0.2	—	281.0	—

Total fixed maturities and equity securities investments	$68,841.6	$4,888.7	$988.1	$153.8	$72,896.0	$142.6

(1) Primarily U.S. dollar denominated.
(2) Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
(3) Represents Other-than Temporary-Impairments ("OTTI") reported as a component of Other comprehensive income.

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Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2012:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives [2]	Fair Value	OTTI[3]
Fixed maturities:						
U.S. Treasuries	$5,194.3	$691.2	$1.8	$—	$5,883.7	$—
U.S. Government agencies and authorities	645.4	78.8	—	—	724.2	—
State, municipalities and political subdivisions	320.2	32.6	—	—	352.8	—
U.S. corporate securities	32,986.1	4,226.6	48.8	—	37,163.9	13.4
Foreign securities[1]:						
Government	1,069.4	125.2	4.6	—	1,190.0	—
Other	13,321.8	1,527.4	54.7	—	14,794.5	—
Total foreign securities	14,391.2	1,652.6	59.3	—	15,984.5	—
Residential mortgage-backed securities:						
Agency	5,071.6	633.3	14.8	156.0	5,846.1	1.2
Non-Agency	1,612.6	198.6	71.9	81.6	1,820.9	139.6
Total Residential mortgage-backed securities	6,684.2	831.9	86.7	237.6	7,667.0	140.8
Commercial mortgage-backed securities	4,438.9	513.6	6.1	—	4,946.4	4.4
Other asset-backed securities	2,536.4	128.4	90.0	(10.2)	2,564.6	15.4
Total fixed maturities, including securities pledged	67,196.7	8,155.7	292.7	227.4	75,287.1	174.0
Less: Securities pledged	1,470.0	139.6	4.1	—	1,605.5	—
Total fixed maturities	65,726.7	8,016.1	288.6	227.4	73,681.6	174.0
Equity securities:						
Common stock	194.4	13.2	1.0	—	206.6	—
Preferred stock	103.5	30.0	—	—	133.5	—
Total equity securities	297.9	43.2	1.0	—	340.1	—
Total fixed maturities and equity securities investments	$66,024.6	$8,059.3	$289.6	$227.4	$74,021.7	$174.0

[1] Primarily U.S. dollar denominated.

(2) Embedded derivatives within fixed maturity securities are reported with the host investment. The changes in fair value of embedded derivatives are reported in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
(3) Represents OTTI reported as a component of Other comprehensive income.

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The amortized cost and fair value of fixed maturities, including securities pledged, as of June 30, 2013, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called, or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$2,390.5	$2,471.6
After one year through five years	15,121.5	15,862.9
After five years through ten years	19,373.8	19,928.2
After ten years	19,975.0	21,505.4
Mortgage-backed securities	10,877.8	12,002.9
Other asset-backed securities	2,163.0	2,201.0
Fixed maturities, including securities pledged	$69,901.6	$73,972.0

The investment portfolio is monitored to maintain a diversified portfolio on an ongoing basis. Credit risk is mitigated by monitoring concentrations by issuer, sector and geographic stratification and limiting exposure to any one issuer.

As of June 30, 2013 and December 31, 2012, the Company did not have any investments in a single issuer, other than obligations of the U.S. Government and government agencies, with a carrying value in excess of 10% of the Company’s consolidated Shareholders' equity.

The following tables set forth the composition of the U.S. and foreign corporate securities within the fixed maturity portfolio by industry category as of the dates indicated:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
June 30, 2013				
Communications	$4,043.7	$332.7	$56.7	$4,319.7
Financial	6,086.4	537.6	76.2	6,547.8
Industrial and other companies	28,528.9	1,637.2	490.6	29,675.5
Utilities	9,069.8	672.7	94.7	9,647.8
Transportation	1,460.8	96.1	24.7	1,532.2
Total	$49,189.6	$3,276.3	$742.9	$51,723.0
December 31, 2012				
Communications	$3,609.5	$563.4	$2.4	$4,170.5
Financial	5,912.9	749.4	46.7	6,615.6
Industrial and other companies	26,613.3	3,063.3	24.2	29,652.4
Utilities	8,893.1	1,210.5	28.9	10,074.7
Transportation	1,279.1	167.4	1.3	1,445.2

Total	$46,307.9	$5,754.0	$103.5	$51,958.4

The Company invests in various categories of Collateralized mortgage obligations ("CMOs"), including CMOs that are not agency-backed, that are subject to different degrees of risk from changes in interest rates and defaults. The principal risks inherent in holding CMOs are prepayment and extension risks related to significant decreases and increases in interest rates resulting in the prepayment of principal from the underlying mortgages, either earlier or later than originally anticipated. As of June 30, 2013 and December 31, 2012, approximately 31.5% and 33.1%, respectively, of the Company's CMO holdings, such as interest-only or principal-only strips were invested in those types of CMOs which are subject to more prepayment and extension risk than traditional CMOs.

Repurchase Agreements

The Company engages in dollar repurchase agreements with mortgage-backed securities ("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. As of June 30, 2013 and December 31, 2012, the Company did not have any securities pledged in dollar rolls and repurchase agreement transactions. The Company also enters into reverse repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. As of June 30, 2013 and December 31, 2012, the Company did not have any securities pledged under reverse repurchase agreements.

Securities Lending

The Company engages in securities lending whereby certain domestic securities from its portfolio are loaned to other institutions for short periods of time. As of June 30, 2013 and December 31, 2012, the fair value of loaned securities was $363.3 and $601.8, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets. As of June 30, 2013 and December 31, 2012, collateral retained by the lending agent and invested in liquid assets on the Company's behalf was $376.5 and $619.5, respectively, and recorded in Short-term investments under securities loan agreement, including collateral delivered on the Condensed Consolidated Balance Sheets. As of June 30, 2013 and December 31, 2012, liabilities to return collateral of $376.5 and $619.5, respectively, were included in Payables under securities loan agreement, including collateral held on the Condensed Consolidated Balance Sheets.

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Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of June 30, 2013:

	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 Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	$2,626.9	$58.2	$45.5	$6.4	$—	$—	$2,672.4	$64.6
U.S. Government agencies and authorities	56.9	0.5	—	—	—	—	56.9	0.5
U.S. corporate, state and municipalities	8,739.5	457.8	723.2	82.7	195.4	25.8	9,658.1	566.3
Foreign	3,316.3	185.9	103.4	9.2	201.6	25.0	3,621.3	220.1
Residential mortgage-backed	1,807.4	39.2	195.9	7.7	384.8	48.8	2,388.1	95.7
Commercial mortgage-backed	—	—	3.6	—	40.9	3.6	44.5	3.6
Other asset-backed	257.0	1.7	14.9	0.1	423.2	50.7	695.1	52.5
Total	$16,804.0	$743.3	$1,086.5	$106.1	$1,245.9	$153.9	$19,136.4	$1,003.3

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Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 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 Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	$451.2	$1.8	$—	$—	$—	$—	$451.2	$1.8
U.S. Government agencies and authorities	—	—	—	—	—	—	—	—
U.S. corporate, state and municipalities	1,333.4	19.2	116.5	3.0	231.2	26.6	1,681.1	48.8
Foreign	360.2	12.7	59.8	7.4	314.9	39.2	734.9	59.3
Residential mortgage-backed	369.3	6.4	42.0	2.1	585.1	78.2	996.4	86.7
Commercial mortgage-backed	22.0	0.2	15.3	1.7	44.4	4.2	81.7	6.1
Other asset-backed	70.2	—	7.0	1.2	609.2	88.8	686.4	90.0
Total	$2,606.3	$40.3	$240.6	$15.4	$1,784.8	$237.0	$4,631.7	$292.7

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 89.3% and 88.3% of the average book value as of June 30, 2013 and December 31, 2012, respectively.

Unrealized capital losses (including noncredit impairments) in fixed maturities, including securities pledged, for instances in which fair value declined below amortized cost by greater than or less than 20% for consecutive months as indicated in the tables below, were as follows as of the dates indicated:

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
June 30, 2013						
Six months or less below amortized cost	$17,670.9	$142.0	$756.1	$35.3	1,180	27
More than six months and twelve months or less below amortized cost	1,523.5	16.1	135.8	3.7	178	8
More than twelve months below amortized cost	659.9	127.3	37.9	34.5	226	35
Total	$19,854.3	$285.4	$929.8	$73.5	1,584	70

December 31, 2012						
Six months or less below amortized cost	$3,154.6	$42.1	$95.2	$11.4	308	21
More than six months and twelve months or less below amortized cost	363.3	30.2	19.5	10.3	83	9
More than twelve months below amortized cost	940.1	394.1	35.9	120.4	221	95
Total	$4,458.0	$466.4	$150.6	$142.1	612	125

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Unrealized capital losses (including noncredit impairments) in fixed maturities, including securities pledged, by market sector for instances in which fair value declined below amortized cost by greater than or less than 20% were as follows as of the dates indicated:

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
June 30, 2013						
U.S. Treasuries	$2,737.0	$—	$64.6	$—	20	—
U.S. Government agencies and authorities	57.4	—	0.5	—	2	—
U.S. corporate, state and municipalities	10,150.0	74.4	547.6	18.7	655	3
Foreign	3,763.3	78.1	201.4	18.7	287	8
Residential mortgage-backed	2,409.2	74.6	75.2	20.5	492	46
Commercial mortgage-backed	48.1	—	3.6	—	8	—
Other asset-backed	689.3	58.3	36.9	15.6	120	13
Total	$19,854.3	$285.4	$929.8	$73.5	1,584	70
December 31, 2012						
U.S. Treasuries	$453.0	$—	$1.8	$—	3	—
U.S. Government agencies and authorities	—	—	—	—	—	—
U.S. corporate, state and municipalities	1,688.5	41.4	33.1	15.7	109	3
Foreign	684.9	109.3	24.1	35.2	50	14
Residential mortgage-backed	938.3	144.8	42.5	44.2	343	77
Commercial mortgage-backed	85.9	1.9	5.6	0.5	19	1
Other asset-backed	607.4	169.0	43.5	46.5	88	30
Total	$4,458.0	$466.4	$150.6	$142.1	612	125

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The following tables summarize loan-to-value, credit enhancement and fixed floating rate details for RMBS and Other ABS in a gross unrealized loss position as of the dates indicated:

	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
June 30, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$253.3	$33.7	$13.8	$8.7
Non-agency RMBS 90% - 100%	242.4	37.5	13.6	9.3
Non-agency RMBS 80% - 90%	186.3	22.4	12.3	6.7
Non-agency RMBS < 80%	358.7	17.3	23.7	4.4
Agency RMBS	1,827.5	19.8	46.4	6.3
Other ABS (Non-RMBS)	230.3	2.2	2.3	0.7
Total RMBS and Other ABS	$3,098.5	$132.9	$112.1	$36.1

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
June 30, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$618.2	$61.3	$46.7	$15.9
Non-agency RMBS 5% - 10%	107.3	0.1	4.0	—
Non-agency RMBS 0% - 5%	194.6	8.1	6.1	2.0
Non-agency RMBS 0%	120.6	41.4	6.6	11.2
Agency RMBS	1,827.5	19.8	46.4	6.3
Other ABS (Non-RMBS)	230.3	2.2	2.3	0.7
Total RMBS and Other ABS	$3,098.5	$132.9	$112.1	$36.1

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
June 30, 2013	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$1,782.9	$11.0	$43.1	$3.3
Floating Rate	1,315.6	121.9	69.0	32.8
Total	$3,098.5	$132.9	$112.1	$36.1

[1] For purposes of this table, subprime mortgages are included in Non-agency RMBS categories.

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	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2012	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$ 562.3	$ 203.8	$ 39.5	$ 58.0
Non-agency RMBS 90% - 100%	134.2	35.2	12.8	10.7
Non-agency RMBS 80% - 90%	78.9	46.9	7.5	12.1
Non-agency RMBS < 80%	288.9	17.5	14.0	5.5
Agency RMBS	398.0	8.1	11.0	3.8
Other ABS (Non-RMBS)	83.4	2.3	1.2	0.6
Total RMBS and Other ABS	$ 1,545.7	$ 313.8	$ 86.0	$ 90.7

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2012	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$ 706.8	$ 187.1	$ 53.8	$ 51.2
Non-agency RMBS 5% - 10%	187.6	2.2	6.8	0.7
Non-agency RMBS 0% - 5%	89.4	12.3	7.6	4.2
Non-agency RMBS 0%	80.5	101.8	5.6	30.2
Agency RMBS	398.0	8.1	11.0	3.8
Other ABS (Non-RMBS)	83.4	2.3	1.2	0.6
Total RMBS and Other ABS	$ 1,545.7	$ 313.8	$ 86.0	$ 90.7

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2012	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$ 669.4	$ 33.3	$ 14.2	$ 10.2
Floating Rate	876.3	280.5	71.8	80.5
Total	$ 1,545.7	$ 313.8	$ 86.0	$ 90.7

[1] For purposes of this table, subprime mortgages are included in Non-agency RMBS categories.

All investments with fair values less than amortized cost are included in the Company’s other-than-temporary impairments analysis, and impairments were recognized as disclosed in the "Evaluating Securities for Other-Than-Temporary Impairments" section below. The Company evaluates non-agency RMBS and ABS for "other-than-temporary impairments" each quarter based on actual and projected cash flows after considering the quality and updated loan-to-value ratios reflecting current home prices of underlying collateral, forecasted loss severity, the payment priority within the tranche structure of the security and amount of any credit enhancements. The Company's assessment of current levels of cash flows compared to estimated cash flows at the time the securities were acquired indicates the amount and the pace of projected cash flows from the underlying collateral has generally been lower and slower, respectively. However, since cash flows are typically projected at a trust level, the impairment review incorporates the security's position within the trust structure as well as credit enhancement remaining in the trust to determine whether an impairment is warranted. Therefore, while lower and slower cash flows will impact the trust, the effect on a particular security within the trust will be dependent upon the trust structure. Where the assessment continues to project full recovery of principal and interest on schedule, the Company has not recorded an impairment. Unrealized losses on below investment grade securities are principally related to RMBS (primarily Alt-A RMBS), and ABS (primarily subprime RMBS) largely due to economic and market uncertainties including concerns over unemployment levels, lower interest rate environment on floating rate securities requiring higher risk premiums since purchase and valuations on residential real estate supporting non-agency RMBS. Based on this analysis, the Company determined that the remaining investments in an unrealized loss position were not other-than-temporarily impaired and therefore no further other-than-temporary impairment was necessary.

Fixed Maturity Securities Credit Quality - Ratings

Information about certain of the Company's fixed maturity securities holdings by NAIC designations is set forth in the following tables. Corresponding rating agency designation does not directly translate into NAIC designation, but represents the Company's best estimate of comparable ratings from rating agencies, including Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"). If no rating is available from a rating agency, then an internally developed rating is used.

The fixed maturities in the Company's portfolio are generally rated by external rating agencies and, if not externally rated, are rated by the Company on a basis 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 ratings received:

- when three ratings are received, the middle rating is applied;
- when two ratings are received, the lower rating is applied;
- when a single rating is received, the ARO rating is applied; and
- when ratings are unavailable, an internal rating is applied.

Subprime and Alt-A Mortgage Exposure

The Company does not originate or purchase subprime or Alt-A whole-loan mortgages. Subprime lending is the origination of loans to customers with weaker credit profiles. The Company defines 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.

The Company's 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 are included in Other ABS in the "Fixed Maturities and Equity Securities" section above. As of June 30, 2013, the fair value and gross unrealized losses related to the Company's exposure to subprime mortgage-backed securities were $802.8 and $50.2, respectively, representing 1.1% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2012, the fair value and gross unrealized losses related to the Company's exposure to subprime mortgage-backed securities were $967.3 and $89.1, respectively, representing 1.3% of total fixed maturities, including securities pledged, based on fair value.

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The following tables summarize the Company’s exposure to subprime mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Subprime Mortgage-backed Securities								
	NAIC Designation			ARO Ratings			Vintage		
June 30, 2013									
	1	58.3	%	AAA	0.4	%	2007	28.7	%
	2	8.3	%	AA	1.1	%	2006	32.7	%
	3	22.7	%	A	5.4	%	2005 and prior	38.6	%
	4	9.5	%	BBB	6.0	%		100.0	%
	5	1.0	%	BB and below	87.1	%			
	6	0.2	%		100.0	%			
		100.0	%						
December 31, 2012									
	1	60.3	%	AAA	1.1	%	2007	29.1	%
	2	11.9	%	AA	1.0	%	2006	36.8	%
	3	16.7	%	A	5.4	%	2005 and prior	34.1	%
	4	8.1	%	BBB	6.0	%		100.0	%
	5	2.8	%	BB and below	86.5	%			
	6	0.2	%		100.0	%			
		100.0	%						

The Company's exposure to Alt-A mortgages is included in Residential mortgage-backed securities in the "Fixed Maturities and Equity Securities" section above. As of June 30, 2013, the fair value and gross unrealized losses related to the Company's exposure to Alt-A RMBS aggregated to $376.3 and $25.8, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value. As of December 31, 2012, the fair value and gross unrealized losses related to the Company's exposure to Alt-A RMBS aggregated to $411.3 and $47.9, respectively, representing 0.5% of total fixed maturities, including securities pledged, based on fair value.

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The following tables summarize the Company’s exposure to Alt-A residential mortgage-backed securities by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Alt-A Mortgage-backed Securities								
	NAIC Designation			ARO Ratings			Vintage		
June 30, 2013									
	1	43.6	%	AAA	0.1	%	2007	21.1	%
	2	12.9	%	AA	0.3	%	2006	25.9	%
	3	24.4	%	A	1.8	%	2005 and prior	53.0	%
	4	15.6	%	BBB	3.7	%		100.0	%
	5	2.8	%	BB and below	94.1	%			
	6	0.7	%		100.0	%			
		100.0	%						
December 31, 2012									
	1	34.1	%	AAA	0.2	%	2007	20.4	%
	2	11.9	%	AA	1.2	%	2006	25.9	%
	3	18.8	%	A	1.5	%	2005 and prior	53.7	%
	4	26.9	%	BBB	4.1	%		100.0	%
	5	7.5	%	BB and below	93.0	%			
	6	0.8	%		100.0	%			
		100.0	%						

Commercial Mortgage-backed and Other Asset-backed Securities

As of June 30, 2013 and December 31, 2012, the fair value of the Company’s CMBS totaled $4.4 billion and $4.9 billion, respectively. As of June 30, 2013 and December 31, 2012, the gross unrealized losses related to CMBS totaled $3.6 and $6.1, respectively. CMBS investments represent pools of commercial mortgages that are broadly diversified across property types and geographical areas.

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The following tables summarize the Company's exposure to CMBS holdings by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total CMBS								
	NAIC Designation			ARO Ratings			Vintage		
June 30, 2013									
	1	98.7	%	AAA	37.3	%	2008	0.2	%
	2	0.9	%	AA	18.4	%	2007	37.0	%
	3	0.3	%	A	11.1	%	2006	31.4	%
	4	0.1	%	BBB	18.1	%	2005 and prior	31.4	%
	5	—	%	BB and below	15.1	%		100.0	%
	6	—	%		100.0	%			
		100.0	%						
December 31, 2012									
	1	98.3	%	AAA	38.1	%	2008	0.3	%
	2	1.4	%	AA	17.2	%	2007	37.4	%
	3	0.2	%	A	11.2	%	2006	30.2	%
	4	0.1	%	BBB	17.8	%	2005 and prior	32.1	%
	5	—	%	BB and below	15.7	%		100.0	%
	6	—	%		100.0	%			
		100.0	%						

As of June 30, 2013 and December 31, 2012, the fair value of the Company's Other ABS, excluding subprime exposure, totaled $1.4 billion and $1.6 billion, respectively. As of June 30, 2013 and December 31, 2012, the gross unrealized losses related to Other ABS, excluding subprime exposure, totaled $3.0 and $1.8, respectively.

As of June 30, 2013, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 40.0%, 3.5% and 35.5%, respectively, of total Other ABS, excluding subprime exposure. As of December 31, 2012, Other ABS was also broadly diversified both by type and issuer with credit card receivables, nonconsolidated collateralized loan obligations and automobile receivables, comprising 40.5%, 4.1% and 33.3%, respectively, of total Other ABS, excluding subprime exposure.

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The following tables summarize the Company’s exposure to Other ABS holdings, excluding subprime exposure, by credit quality using NAIC designations, ARO ratings and vintage year as of the dates indicated:

	% of Total Other ABS								
	NAIC Designation			ARO Ratings			Vintage		
June 30, 2013									
	1	98.4	%	AAA	92.7	%	2013	3.6	%
	2	0.9	%	AA	2.1	%	2012	23.5	%
	3	—	%	A	3.6	%	2011	12.6	%
	4	—	%	BBB	0.9	%	2010	5.4	%
	5	—	%	BB and below	0.7	%	2009	2.2	%
	6	0.7	%		100.0	%	2008	5.0	%
		100.0	%				2007 and prior	47.7	%
								100.0	%
December 31, 2012									
	1	97.7	%	AAA	91.9	%	2012	24.6	%
	2	1.7	%	AA	0.9	%	2011	14.9	%
	3	0.1	%	A	4.9	%	2010	5.8	%
	4	—	%	BBB	1.7	%	2009	2.1	%
	5	—	%	BB and below	0.6	%	2008	5.9	%
	6	0.5	%		100.0	%	2007	18.4	%
		100.0	%				2006 and prior	28.3	%
								100.0	%

Troubled Debt Restructuring

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructure when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the specific valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. As of June 30, 2013, the Company had no new private placement troubled debt restructurings and no new commercial mortgage loan troubled debt restructurings. As of December 31, 2012, the Company had one private placement troubled debt restructuring with a pre-modification carrying value of $1.2, which was written down to zero and no commercial mortgage loan troubled debt restructurings.

During the three and six months ended June 30, 2013 and 2012, the Company had no commercial mortgage loans or private placements modified in a troubled debt restructuring with a subsequent payment default.

Mortgage Loans on Real Estate

The Company's mortgage loans on real estate are all commercial mortgage loans held for investment, which are reported at amortized cost, less impairment write-downs and allowance for losses. At June 30, 2013, the Company had one mortgage property held-for-sale valued at $9.0, which represents the lower of cost or fair value less estimated costs to sell. The Company diversifies its commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. The Company manages risk when originating commercial mortgage loans by generally lending only up to 75% of the estimated fair value of the underlying real estate. Subsequently, the Company continuously evaluates all mortgage loans based on relevant current information including an appraisal of loan-specific credit quality, property characteristics and market trends. Loan performance is monitored on a loan specific basis through the review of submitted appraisals, operating statements, rent revenues and annual inspection reports, among other items. This review ensures properties are performing at a consistent and acceptable level to secure the debt.

(Dollar amounts in millions, unless otherwise stated)

The following table summarizes the Company's investment in mortgage loans as of the dates indicated:

	June 30, 2013	December 31, 2012
Commercial mortgage loans	$8,933.2	$8,666.2
Collective valuation allowance	(4.1)	(3.9)
Total net commercial mortgage loans	$8,929.1	$8,662.3

There were no impairments taken on the mortgage loan portfolio for the three and six months ended June 30, 2013 and 2012.

The following table summarizes the activity in the allowance for losses for all commercial mortgage loans for the periods indicated:

	June 30, 2013	December 31, 2012
Collective valuation allowance for losses, balance at January 1	$3.9	$4.4
Addition to (reduction of) allowance for losses	0.2	(0.5)
Collective valuation allowance for losses, end of period	$4.1	$3.9

The carrying values and unpaid principal balances of impaired mortgage loans were as follows as of the dates indicated:

	June 30, 2013	December 31, 2012
Impaired loans without allowances for losses	$16.8	$16.8
Unpaid principal balance of impaired loans	31.9	31.9

There were no impaired mortgage loans with allowances for losses as of June 30, 2013 and December 31, 2012.

The following table presents information on loans in foreclosure as of the dates indicated:

	June 30, 2013	December 31, 2012
Loans in foreclosure, at amortized cost[1]	$9.0	$9.0

[1] Amounts included in Loans in foreclosure, which were also impaired, are included in the Impaired loans, average investment during the period as shown in the table below.

There were no restructured loans or loans 90 days or more past due as of June 30, 2013 and December 31, 2012.

There were four mortgage loans in the Company's portfolio in process of foreclosure as of June 30, 2013 and December 31, 2012, with a total amortized cost of $9.0. There were no other loans in arrears with respect to principal and interest as of June 30, 2013 and December 31, 2012.

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The following table presents information on the average investment during the period in impaired loans and interest income recognized on impaired and troubled debt restructured loans for the periods indicated:

	Three Months Ended June 30,	
	2013	2012
Impaired loans, average investment during period (amortized cost)	$16.8	$32.4
Interest income recognized on impaired loans, on an accrual basis	0.1	0.3
Interest income recognized on impaired loans, on a cash basis	0.1	0.3
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	0.1

	Six Months Ended June 30,	
	2013	2012
Impaired loans, average investment during period (amortized cost)	$16.8	$36.6
Interest income recognized on impaired loans, on an accrual basis	0.3	0.3
Interest income recognized on impaired loans, on a cash basis	0.3	0.5
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	0.3

Loan-to-value ("LTV") and debt service coverage ("DSC") ratios are measures commonly used to assess the risk and quality of mortgage loans. The LTV ratio, calculated at time of origination, is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of a property's net income to its debt service payments. A DSC ratio of less than 1.0 indicates that property's operations do not generate sufficient income to cover debt payments. These ratios are utilized as part of the review process described above.

The following table presents the LTV ratios as of the dates indicated:

	June 30, 2013[1]	December 31, 2012[1]
Loan-to-Value Ratio:		
0% - 50%	$1,803.4	$1,987.9
50% - 60%	2,416.2	2,425.2
60% - 70%	4,271.5	3,736.1
70% - 80%	408.6	481.7
80% and above	33.5	35.3
Total Commercial mortgage loans	$8,933.2	$8,666.2

[1] Balances do not include allowance for mortgage loan credit losses.

The following table presents the DSC ratios as of the dates indicated:

	June 30, 2013[1]	December 31, 2012[1]
Debt Service Coverage Ratio:		
Greater than 1.5x	$6,091.6	$5,953.7
1.25x - 1.5x	1,477.0	1,336.3
1.0x - 1.25x	1,012.5	992.7
Less than 1.0x	343.1	374.6

Commercial mortgage loans secured by land or construction loans	9.0	8.9
Total Commercial mortgage loans	$8,933.2	$8,666.2

(1) Balances do not include allowance for mortgage loan credit losses.

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Properties collateralizing mortgage loans are geographically dispersed throughout the United States, as well as diversified by property type, as reflected in the following tables as of the dates indicated:

	June 30, 2013[1]			December 31, 2012[1]		
	Gross Carrying Value	% of Total		Gross Carrying Value	% of Total	
Commercial Mortgage Loans by U.S. Region:						
Pacific	$2,090.1	23.3	%	$1,973.9	22.8	%
South Atlantic	1,706.6	19.1	%	1,687.6	19.4	%
West South Central	1,246.3	14.0	%	1,176.3	13.6	%
Middle Atlantic	1,142.9	12.8	%	1,059.5	12.2	%
East North Central	1,006.7	11.3	%	962.8	11.1	%
Mountain	711.1	8.0	%	718.2	8.3	%
West North Central	502.7	5.6	%	537.5	6.2	%
New England	322.1	3.6	%	334.6	3.9	%
East South Central	204.7	2.3	%	215.8	2.5	%
Total Commercial mortgage loans	$8,933.2	100.0	%	$8,666.2	100.0	%

[1] Balances do not include allowance for mortgage loan credit losses.

	June 30, 2013[1]			December 31, 2012[1]		
	Gross Carrying Value	% of Total		Gross Carrying Value	% of Total	
Commercial Mortgage Loans by Property Type:						
Industrial	$3,183.4	35.7	%	$3,361.5	38.8	%
Retail	2,653.1	29.7	%	2,350.2	27.1	%
Office	1,281.0	14.3	%	1,284.7	14.8	%
Apartments	994.1	11.1	%	952.1	11.0	%
Hotel/Motel	323.3	3.6	%	280.6	3.2	%
Mixed Use	157.3	1.8	%	74.0	0.9	%
Other	341.0	3.8	%	363.1	4.2	%
Total Commercial mortgage loans	$8,933.2	100.0	%	$8,666.2	100.0	%

[1] Balances do not include allowance for mortgage loan credit losses.

The following table sets forth the breakdown of mortgages by year of origination as of the dates indicated:

	June 30, 2013[1]	December 31, 2012[1]
Year of Origination:		
2013	$1,028.7	$—
2012	1,783.6	1,821.0
2011	1,893.8	1,940.8
2010	414.6	429.9
2009	173.9	175.1

2008	517.0	725.1
2007 and prior	3,121.6	3,574.3
Total Commercial mortgage loans	$8,933.2	$8,666.2

(1) Balances do not include allowance for mortgage loan credit losses.

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Evaluating Securities for Other-Than-Temporary Impairments

The Company performs a regular evaluation, on a security-by-security basis, of its available-for-sale securities holdings, including fixed maturity securities and equity securities in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired.

The following tables identify the Company's credit-related and intent-related impairments included in the Condensed Consolidated Statements of Operations, excluding impairments included in Other comprehensive income (loss) by type for the periods indicated:

	Three Months Ended June 30,			
	2013		2012	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate	$—	—	$0.7	1
Foreign[1]	—	—	1.3	3
Residential mortgage-backed	5.2	64	3.5	64
Commercial mortgage-backed	—	—	—	—
Other asset-backed	0.2	3	0.6	3
Equity	1.8	1	—	—
Total	$7.2	68	$6.1	71

(1) Primarily U.S. dollar denominated.

	Six Months Ended June 30,			
	2013		2012	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate	$—	—	$1.0	2
Foreign[1]	—	—	2.2	5
Residential mortgage-backed	8.8	93	6.8	81
Commercial mortgage-backed	0.1	2	1.7	1
Other asset-backed	7.5	5	1.3	5
Equity	1.8	1	—	—
Total	$18.2	101	$13.0	94

(1) Primarily U.S. dollar denominated.

The above tables include $7.2 and $10.8 of write-downs related to credit impairments for the three and six months ended June 30, 2013, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. For the three months ended June 30, 2013, there were no write downs, relating to intent impairments. For the six months ended June 30, 2013, the remaining $7.4 in write downs, are related to intent impairments.

The above tables include $4.8 and $8.6 of write-downs related to credit impairments for the three and six months ended June 30, 2012, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining $1.3 and $4.4 in write-downs for the three and six months ended June 30, 2012, respectively, are related to intent impairments.

(Dollar amounts in millions, unless otherwise stated)

The following tables summarize these intent impairments, which are also recognized in earnings, by type for the periods indicated:

	Three Months Ended June 30,			
	2013		2012	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate	$—	—	$0.6	1
Foreign[(1)]	—	—	0.7	2
Commercial mortgage-backed	—	—	—	—
Other asset-backed	—	—	—	—
Total	$—	—	$1.3	3

[(1)] Primarily U.S. dollar denominated.

	Six Months Ended June 30,			
	2013		2012	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate	$—	—	$1.0	2
Foreign[(1)]	—	—	1.5	4
Commercial mortgage-backed	0.1	2	1.7	1
Other asset-backed	7.3	2	0.2	1
Total	$7.4	4	$4.4	8

[(1)] Primarily U.S. dollar denominated.

The Company may sell securities during the period in which fair value has declined below amortized cost for fixed maturities or cost for equity securities. In certain situations, new factors, including changes in the business environment, can change the Company's previous intent to continue holding a security. Accordingly, these factors may lead the Company to record additional intent related capital losses.

The fair value of fixed maturities with OTTI as of June 30, 2013 and December 31, 2012 was $7.6 billion and $9.0 billion, respectively.

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The following tables identify the amount of credit impairments on fixed maturities for which a portion of the OTTI loss was recognized in Other comprehensive income (loss) and the corresponding changes in such amounts for the periods indicated:

	Three Months Ended June 30,	
	2013	2012
Balance at April 1	$112.4	$130.5
Additional credit impairments:		
On securities not previously impaired	2.0	0.2
On securities previously impaired	3.0	3.9
Reductions:		
Securities sold, matured, prepaid or paid down	(7.5)	(5.7)
Balance at June 30	$109.9	$128.9

	Six Months Ended June 30,	
	2013	2012
Balance at January 1	$114.7	$133.9
Additional credit impairments:		
On securities not previously impaired	2.2	0.3
On securities previously impaired	6.0	7.2
Reductions:		
Securities sold, matured, prepaid or paid down	(13.0)	(12.5)
Balance at June 30	$109.9	$128.9

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Net Investment Income

The following table summarizes Net investment income for the periods indicated:

	Three Months Ended June 30,	
	2013	2012
Fixed maturities	$980.7	$1,058.4
Equity securities, available-for-sale	0.5	5.9
Mortgage loans on real estate	125.5	133.0
Policy loans	29.7	30.7
Short-term investments and cash equivalents	1.0	1.9
Other	(24.4)	(86.9)
Gross investment income	1,113.0	1,143.0
Less: Investment expenses	0.8	4.1
Net investment income	$1,112.2	$1,138.9

	Six Months Ended June 30,	
	2013	2012
Fixed maturities	$1,993.3	$2,138.3
Equity securities, available-for-sale	3.1	9.1
Mortgage loans on real estate	243.7	255.4
Policy loans	59.6	61.4
Short-term investments and cash equivalents	1.9	2.9
Other	11.5	(45.9)
Gross investment income	2,313.1	2,421.2
Less: Investment expenses	2.2	4.9
Net investment income	$2,310.9	$2,416.3

As of June 30, 2013 and December 31, 2012, the Company had $0.1 and $0.3, respectively, of investments in fixed maturities which produced no net investment income. Fixed maturities are moved to a non-accrual status immediately when the investment defaults.

Net Realized Capital Gains (Losses)

Net realized capital gains (losses) are comprised of the difference between the amortized cost of investments and proceeds from sale and redemption, as well as losses incurred due to the credit-related and intent-related other-than-temporary impairment of investments. Realized investment gains and losses are also primarily generated from changes in fair value of embedded derivatives within product guarantees and fixed maturities, changes in fair value of fixed maturities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. The cost of the investments on disposal is generally determined based on first-in-first-out ("FIFO") methodology.

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Net realized capital gains (losses) were as follows for the periods indicated:

	Three Months Ended June 30,	
	2013	2012
Fixed maturities, available-for-sale, including securities pledged	$(3.0)	$53.8
Fixed maturities, at fair value option	(217.9)	2.5
Equity securities, available-for-sale	(1.9)	(0.9)
Derivatives	(706.2)	1,035.1
Embedded derivative - fixed maturities	(50.2)	19.8
Embedded derivative - product guarantees	413.5	(626.5)
Other investments	(0.2)	1.9
Net realized capital gains (losses)	$(565.9)	$485.7
After-tax net realized capital gains (losses)	$(370.8)	$335.7

	Six Months Ended June 30,	
	2013	2012
Fixed maturities, available-for-sale, including securities pledged	$6.4	$182.1
Fixed maturities, at fair value option	(325.5)	(122.6)
Equity securities, available-for-sale	(1.7)	1.7
Derivatives	(1,805.9)	(633.3)
Embedded derivative - fixed maturities	(73.5)	3.6
Embedded derivative - product guarantees	759.8	(196.4)
Other investments	(0.3)	0.7
Net realized capital gains (losses)	$(1,440.7)	$(764.2)
After-tax net realized capital gains (losses)	$(939.5)	$(538.7)

Proceeds from the sale of fixed maturities and equity securities, available-for-sale and the related gross realized gains and losses, before tax, were as follows for the periods indicated:

	Six Months Ended June 30,	
	2013	2012
Proceeds on sales	$4,722.8	$6,379.8
Gross gains	77.0	225.3
Gross losses	21.1	27.0

3. Derivative Financial Instruments

The Company enters into the following types of derivatives:

Interest rate caps: The Company uses interest rate cap contracts to hedge the interest rate exposure arising from duration mismatches between assets and liabilities. Interest rate caps are also used to hedge interest rate exposure if rates rise above a specified level. Such increases in rates will require the Company to incur additional expenses. The future payout from the interest rate caps fund this increased exposure. The Company pays an upfront premium to purchase these caps. The Company utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

Interest rate swaps: Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and/or liabilities. Interest rate swaps are also used to hedge the interest rate risk associated with the value of assets it owns or in an anticipation of acquiring them. Using interest rate swaps, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest payments, calculated by reference to an agreed upon notional principal amount. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made to/from the counterparty at each due date. The Company utilizes these contracts in qualifying hedging relationships as well as non-qualifying hedging relationships.

Foreign exchange swaps: The Company uses foreign exchange or currency swaps to reduce the risk of change in the value, yield or cash flows associated with certain foreign denominated invested assets. Foreign exchange swaps represent contracts that require the exchange of foreign currency cash flows against U.S. dollar cash flows at regular periods, typically quarterly or semi-annually. The Company utilizes these contracts in non-qualifying hedging relationships.

Credit default swaps: Credit default swaps are used to reduce credit loss exposure with respect to certain assets that the Company owns, or to assume credit exposure on certain assets that the Company does not own. Payments are made to or received from the counterparty at specified intervals. In the event of a default on the underlying credit exposure, the Company will either receive a payment (purchased credit protection) or will be required to make a payment (sold credit protection) equal to the par minus recovery value of the swap contract. The Company utilizes these contracts in non-qualifying hedging relationships.

Total return swaps: The Company uses total return swaps as a hedge against a decrease in variable annuity account values, which are invested in certain indices. Using total return swaps, the Company agrees with another party to exchange, at specified intervals, the difference between the economic risk and reward of assets or a market index and the LIBOR rate, calculated by reference to an agreed upon notional principal amount. No cash is exchanged at the onset of the contracts. Cash is paid and received over the life of the contract based upon the terms of the swaps. The Company utilizes these contracts in non-qualifying hedging relationships.

Currency forwards: The Company uses currency forward contracts to hedge policyholder liabilities associated with the variable annuity contracts which are linked to foreign indices. The currency fluctuations may result in a decrease in account values, which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company utilizes these contracts in non-qualifying hedging relationships.

Forwards: The Company uses forward contracts to hedge certain invested assets against movement in interest rates, particularly mortgage rates. The Company uses To Be Announced mortgage-backed securities as an economic hedge against rate movements. The Company utilizes forward contracts in non-qualifying hedging relationships.

Futures: Futures contracts are used to hedge against a decrease in certain equity indices. Such decreases may result in a decrease in variable annuity account values which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company also uses futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of the fixed index annuity ("FIA") contracts. The Company enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margin with the exchange on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships.

Swaptions: A swaption is an option to enter into a swap with a forward starting effective date. The Company uses swaptions to hedge the interest rate exposure associated with the minimum crediting rate and book value guarantees embedded in the retirement products that the Company offers. Increases in interest rates will generate losses on assets that are backing such liabilities. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. Swaptions are also used to hedge against an increase in the interest rate benchmarked crediting strategies within FIA contracts. Such increases may result in increased payments to contract holders of FIA contracts and the interest rate swaptions offset this increased exposure. The Company pays a premium when it purchases the swaption. The Company utilizes these contracts in non-qualifying hedging relationships.

Options: The Company uses put options to manage the equity, interest rate and equity volatility risk of the economic liabilities associated with certain variable annuity minimum guaranteed living benefits. The Company also uses call options to hedge against an increase in various equity indices. Such increases may result in increased payments to the holders of the FIA contracts. The Company pays an upfront premium to purchase these options. The Company utilizes these options in non-qualifying hedging relationships.

Variance swaps: The Company uses variance swaps to manage equity volatility risk on the economic liabilities associated with certain minimum guaranteed living benefits. An increase in the equity volatility results in a higher valuations of such liabilities. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on the changes in equity volatility over a defined period. The Company utilizes equity variance swaps in non-qualifying hedging relationships.

Managed custody guarantees ("MCG"): The Company issues certain credited rate guarantees on externally managed variable bond funds that represent stand-alone derivatives. The market value is partially determined by, among other things, levels of or changes in interest rates, prepayment rates and credit ratings/spreads.

Embedded derivatives: The Company also invests in certain fixed maturity instruments and has issued certain annuity products that contain embedded derivatives whose market value is at least partially determined by, among other things, levels of or changes in domestic and/or foreign interest rates (short-term or long-term), exchange rates, prepayment rates, equity rates, or credit ratings/spreads. In addition, the Company has entered into a coinsurance with a funds withheld arrangement which contains an embedded derivative whose fair value is based on the change in the fair value of the underlying assets held in trust. The embedded derivatives for certain fixed maturity instruments, certain annuity products and coinsurance with funds withheld arrangements are reported with the host contract in investments, in Future policy benefits or Funds held under reinsurance agreements, respectively, on the Condensed Consolidated Balance Sheets. Changes in the fair value of embedded derivatives within fixed maturity investments and within annuity products are recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. Changes in fair value of embedded derivatives with reinsurance agreements are reported in Policyholder benefits in the Condensed Consolidated Statements of Operations.

The Company's use of derivatives is limited mainly to economic hedging to reduce the Company's exposure to cash flow variability of assets and liabilities, interest rate risk, credit risk, exchange rate risk, and market risk. It is the Company's policy not to offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement, which provides the Company with the legal right of offset.

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The notional amounts and fair values of derivatives were as follows as of the dates indicated:

	June 30, 2013			December 31, 2012		
	Notional Amount	Asset Fair Value	Liability Fair Value	Notional Amount	Asset Fair Value	Liability Fair Value
Derivatives: Qualifying for hedge accounting[1]						
Cash flow hedges:						
Interest rate contracts	$875.0	$120.6	$—	$1,000.0	$215.4	$—
Fair value hedges:						
Interest rate contracts	1,372.5	12.7	109.7	291.1	—	16.4
Derivatives: Non-qualifying for hedge accounting[1]						
Interest rate contracts[2]	59,840.5	780.2	1,101.6	69,719.2	1,981.1	1,545.0
Foreign exchange contracts	1,782.7	44.0	61.9	1,985.8	11.3	95.0
Equity contracts	12,923.8	171.9	17.0	14,890.4	103.4	235.1
Credit contracts	3,016.0	45.0	30.7	3,106.0	63.3	52.7
Managed custody guarantees	N/A	—	—	N/A	—	—
Embedded derivatives:						
Within fixed maturity investments	N/A	153.8	—	N/A	227.4	—
Within annuity products	N/A	—	2,889.4	N/A	—	3,571.7
Within reinsurance agreements	N/A	—	96.3	N/A	—	169.5
Total		$1,328.2	$4,306.6		$2,601.9	$5,685.4

[1] Open derivative contracts are reported as Derivatives assets or liabilities on the Condensed Consolidated Balance Sheets at fair value.
[2] As of June 30, 2013, includes a notional amount, asset fair value and liability fair value for interest rate caps of $6.5 billion, $61.0 and $8.5, respectively. As of December 31, 2012, includes a notional amount, asset fair value and liability fair value for interest rate caps of $4.5 billion, $17.7 and $0.6, respectively.
N/A - Not Applicable

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions is through the fourth quarter of 2016.

Although the Company has not elected to net its derivative exposures, the notional amounts and fair values of derivatives eligible for offset were as follows as of the dates indicated:

	June 30, 2013		
	Notional Amount	Assets Fair Value	Liability Fair Value
Credit contracts	$3,016.0	$45.0	$30.7
Equity contracts	3,987.2	142.8	14.2
Foreign exchange contracts	1,782.7	44.0	61.9
Interest rate contracts	60,185.4	898.5	1,193.5
		$1,130.3	$1,300.3

Counterparty netting(1)	$(753.3)	$(753.3)
Cash collateral netting(2)	(140.4)	(51.4)
Securities collateral netting(2)	(25.6)	(403.3)
Net receivables/payables	$211.0	$92.3

(1) Represents the netting of receivable balances with payable balances for the same counterparty under enforceable netting agreements.
(2) Represents the netting of collateral received and posted on a counterparty basis under credit support agreements.

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	December 31, 2012		
	Notional Amount	Assets Fair Value	Liability Fair Value
Credit contracts	$3,106.0	$63.3	$52.7
Equity contracts	3,967.0	79.1	19.1
Foreign exchange contracts	1,985.8	11.3	95.0
Interest rate contracts	71,010.3	2,196.5	1,561.4
		$2,350.2	$1,728.2
Counterparty netting[1]		$(1,126.9)	$(1,126.9)
Cash collateral netting[2]		(943.4)	(85.7)
Securities collateral netting[2]		(68.6)	(395.6)
Net receivables/payables		$211.3	$120.0

[1] Represents the netting of receivable balances with payable balances for the same counterparty under enforceable netting agreements.
[2] Represents the netting of collateral received and posted on a counterparty basis under credit support agreements.

Collateral

Under the terms of the Company’s Over-The-Counter ("OTC") Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company 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 the Company to pay interest on any cash received equal to the Federal Funds rate. To the extent cash collateral is received and delivered, it 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 Condensed Consolidated Balance Sheets and is reinvested in short-term investments. Collateral held is used in accordance with the CSA to satisfy any obligations. Investment grade bonds owned by the Company are the source of noncash collateral posted, which is reported in Securities pledged on the Condensed Consolidated Balance Sheets. As of June 30, 2013, the Company held $86.2 and $4.4 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2012, the Company held $890.3 of net cash collateral related to OTC derivative contracts. In addition, as of June 30, 2013 and December 31, 2012, the Company delivered securities as collateral of $993.7 and $1.0 billion, respectively.

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Net realized gains (losses) on derivatives were as follows for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Derivatives: Qualifying for hedge accounting[1]				
Cash flow hedges:				
Interest rate contracts	$—	$—	$0.1	$—
Fair value hedges:				
Interest rate contracts	25.3	(5.6)	26.6	(7.0)
Derivatives: Non-qualifying for hedge accounting[2]				
Interest rate contracts	(553.4)	716.1	(809.4)	270.6
Foreign exchange contracts	30.5	64.8	117.6	52.5
Equity contracts	(212.8)	262.5	(1,151.9)	(966.3)
Credit contracts	4.2	(2.7)	11.1	16.9
Managed custody guarantees	0.1	0.1	0.1	1.1
Embedded derivatives:				
Within fixed maturity investments[2]	(50.2)	19.8	(73.5)	3.6
Within annuity products[2]	413.4	(626.6)	759.7	(197.5)
Within reinsurance agreements[3]	58.5	(21.4)	73.2	(20.4)
Total	$(284.4)	$407.0	$(1,046.4)	$(846.5)

[1] Changes in value for effective fair value hedges are recorded in Other net realized capital gains (losses). Changes in fair value upon disposal for effective cash flow hedges are amortized through Net investment income and the ineffective portion is recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations. For the three and six months ended June 30, 2013 and 2012, ineffective amounts were immaterial.
[2] Changes in value are included in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[3] Changes in value are included in Policyholder benefits in the Condensed Consolidated Statements of Operations.

Credit Default Swaps

As of June 30, 2013, the fair values of credit default swaps of $45.0 and $30.7 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2012, the fair values of credit default swaps of $63.3 and $52.7 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of June 30, 2013, the maximum potential future net exposure to the Company was $1.0 billion, net of purchased protection of $1.0 billion on credit default swaps. As of December 31, 2012, the maximum potential future net exposure to the Company was $1.1 billion, net of purchased protection of $1.0 billion on credit default swaps.

4. Fair Value Measurements (excluding Consolidated Investment Entities)

Fair Value Measurement

The Company categorizes its financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique, pursuant to the Fair Value Measurements and disclosures of the FASB ASC Topic 820. 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), as described in the Fair Value Measurements Note in the Consolidated Financial Statements included in the Company's IPO Prospectus. If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

When available, the estimated fair value of financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, including discounted cash flow methodologies, matrix pricing, or other similar techniques.

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The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$5,251.0	$671.7	$—	$5,922.7
U.S. Government agencies and authorities	—	738.1	—	738.1
U.S. corporate, state and municipalities	—	36,894.2	465.2	37,359.4
Foreign[1]	—	15,649.2	98.7	15,747.9
Residential mortgage-backed securities	—	7,460.1	116.9	7,577.0
Commercial mortgage-backed securities	—	4,425.9	—	4,425.9
Other asset-backed securities	—	2,107.4	93.6	2,201.0
Total fixed maturities, including securities pledged	5,251.0	67,946.6	774.4	73,972.0
Equity securities, available-for-sale	216.1	5.9	59.0	281.0
Derivatives:				
Interest rate contracts	15.0	898.5	—	913.5
Foreign exchange contracts	—	44.0	—	44.0
Equity contracts	29.1	86.3	56.5	171.9
Credit contracts	—	14.3	30.7	45.0
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	4,362.5	3.9	—	4,366.4
Assets held in separate accounts	96,993.0	5,216.0	19.9	102,228.9
Total assets	$106,866.7	$74,215.5	$940.5	$182,022.7
Percentage of Level to total	58.7 %	40.8 %	0.5 %	100.0 %
Liabilities:				
Derivatives:				
Annuity product guarantees:				
FIA	$—	$—	$1,520.6	$1,520.6
GMAB/GMWB/GMWBL[2]	—	—	1,340.8	1,340.8
Stabilizer and MCGs	—	—	28.0	28.0
Other derivatives:				
Interest rate contracts	17.8	1,193.5	—	1,211.3
Foreign exchange contracts	—	61.9	—	61.9
Equity contracts	2.8	14.2	—	17.0
Credit contracts	—	—	30.7	30.7
Embedded derivative on reinsurance	—	96.3	—	96.3
Total liabilities	$20.6	$1,365.9	$2,920.1	$4,306.6

(1) Primarily U.S. dollar denominated.
(2) Guaranteed minimum accumulation benefits ("GMAB"), Guaranteed minimum withdrawal benefits ("GMWB") and Guaranteed minimum withdrawal benefits with life payouts ("GMWBL").

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The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$5,220.5	$663.2	$—	$5,883.7
U.S. Government agencies and authorities	—	724.2	—	724.2
U.S. corporate, state and municipalities	—	36,992.5	524.2	37,516.7
Foreign[1]	—	15,880.3	104.2	15,984.5
Residential mortgage-backed securities	—	7,592.9	74.1	7,667.0
Commercial mortgage-backed securities	—	4,946.4	—	4,946.4
Other asset-backed securities	—	2,449.4	115.2	2,564.6
Total fixed maturities, including securities pledged	5,220.5	69,248.9	817.7	75,287.1
Equity securities, available-for-sale	264.2	20.1	55.8	340.1
Derivatives:				
Interest rate contracts	—	2,196.5	—	2,196.5
Foreign exchange contracts	—	11.3	—	11.3
Equity contracts	24.3	55.9	23.2	103.4
Credit contracts	—	10.9	52.4	63.3
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	8,365.4	76.6	—	8,442.0
Assets held in separate accounts	91,928.5	5,722.6	16.3	97,667.4
Total assets	$105,802.9	$77,342.8	$965.4	$184,111.1
Percentage of Level to total	57.5 %	42.0 %	0.5 %	100.0 %
Liabilities:				
Derivatives:				
Annuity product guarantees:				
FIA	$—	$—	$1,434.3	$1,434.3
GMAB/GMWB/GMWBL	—	—	2,035.4	2,035.4
Stabilizer and MCGs	—	—	102.0	102.0
Other derivatives:				
Interest rate contracts	1.6	1,559.8	—	1,561.4
Foreign exchange contracts	—	95.0	—	95.0
Equity contracts	216.0	19.1	—	235.1
Credit contracts	—	—	52.7	52.7
Embedded derivative on reinsurance	—	169.5	—	169.5
Total liabilities	$217.6	$1,843.4	$3,624.4	$5,685.4

[1] Primarily U.S. dollar denominated.

Valuation of Financial Assets and Liabilities at Fair Value

Certain assets and liabilities are measured at estimated fair value on the Company’s Condensed Consolidated Balance Sheets. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The exit price and the transaction (or entry) price will be the same at initial recognition in many circumstances.

However, in certain cases, the transaction price may not represent fair value. The fair value of a liability is based on the amount that would be paid to transfer a liability to a third-party with an equal credit standing. Fair value is required to be a market-based measurement which is determined based on a hypothetical transaction at the measurement date, from a market participant's perspective. The Company considers three broad valuation techniques when a quoted price is unavailable: (i) the market approach, (ii) the income approach and (iii) the cost approach. The Company determines the most appropriate valuation technique to use, given the instrument being measured and the availability of sufficient inputs. The Company prioritizes the inputs to fair valuation techniques and allows for the use of unobservable inputs to the extent that observable inputs are not available.

The Company utilizes a number of valuation methodologies to determine the fair values of its financial assets and liabilities in conformity with the concepts of "exit price" and the fair value hierarchy as prescribed in ASC Topic 820. Valuations are obtained from third-party commercial pricing services, brokers and industry-standard, vendor-provided software that models the value based on market observable inputs. The valuations obtained from third-party commercial pricing services are non-binding. The Company reviews the assumptions and inputs used by third-party commercial pricing services for each reporting period in order to determine an appropriate fair value hierarchy level. The documentation and analysis obtained from third-party commercial pricing services are reviewed by the Company, including in-depth validation procedures confirming the observability of inputs. The valuations are reviewed and validated monthly through the internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades, or monitoring of trading volumes.

Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the six months ended June 30, 2013 and 2012. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period. There were no securities transferred between Level 1 and Level 2 for the three months ended June 30, 2013 and 2012. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

Level 3 Financial Instruments

The fair values of certain assets and liabilities are determined using prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (i.e., Level 3 as defined by ASC Topic 820), including but not limited to liquidity spreads for investments within markets deemed not currently active. These valuations, whether derived internally or obtained from a third-party, use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset or liability. In addition, the Company has determined, for certain financial instruments, an active market is such a significant input to determine fair value that the presence of an inactive market may lead to classification in Level 3. In light of the methodologies employed to obtain the fair values of financial assets and liabilities classified as Level 3, additional information is presented below.

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The following table summarizes the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the three months ended June 30, 2013:

	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers in to Level 3[2]	Transfers out of Level 3[2]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[3]
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	$556.8	$(0.2)	$(6.4)	$—	$—	$—	$(12.8)	$5.3	$(77.5)	$465.2	$(0.2)
Foreign	107.3	—	0.8	—	—	—	(9.4)	—	—	98.7	—
Residential mortgage-backed securities	88.3	(2.1)	0.2	40.1	—	(0.6)	(0.4)	—	(8.6)	116.9	(2.1)
Other asset-backed securities	100.9	2.9	(0.9)	—	—	—	(9.3)	—	—	93.6	2.2
Total fixed maturities including securities pledged	853.3	0.6	(6.3)	40.1	—	(0.6)	(31.9)	5.3	(86.1)	774.4	(0.1)
Equity securities, available-for-sale	59.4	(1.9)	1.5	—	—	—	—	—	—	59.0	(1.8)
Derivatives:											
Product guarantees:											
FIA[1]	(1,561.7)	39.5	—	—	(20.9)	—	22.5	—	—	(1,520.6)	—
GMAB/GMWB/GMWBL[1]	(1,628.6)	322.5	—	—	(34.9)	—	0.2	—	—	(1,340.8)	—
Stabilizer and MCGs[1]	(78.0)	51.5	—	(1.5)	—	—	—	—	—	(28.0)	—
Other derivatives, net	65.5	8.5	—	7.1	—	—	(24.6)	—	—	56.5	(11.2)
Assets held in separate accounts[4]	2.2	(0.1)	—	21.1	—	(3.3)	—	—	—	19.9	(0.1)

[1] All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.
[2] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[3] For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[4] The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

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The following table summarizes the change in fair value of the Company’s Level 3 assets and liabilities and transfers in and out of Level 3 for the six months ended June 30, 2013:

	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers in to Level 3[2]	Transfers out of Level 3[2]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[3]
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	$524.2	$(0.3)	$(4.7)	$0.1	$—	$—	$(26.3)	$61.1	$(88.9)	$465.2	$(0.3)
Foreign	104.2	—	5.7	—	—	—	(11.2)	—	—	98.7	—
Residential mortgage-backed securities	74.1	(3.8)	0.2	47.7	—	(0.6)	(0.7)	—	—	116.9	(3.9)
Other asset-backed securities	115.2	8.8	(1.5)	—	—	—	(28.8)	0.3	(0.4)	93.6	5.7
Total fixed maturities including securities pledged	817.7	4.7	(0.3)	47.8	—	(0.6)	(67.0)	61.4	(89.3)	774.4	1.5
Equity securities, available-for-sale	55.8	(2.2)	3.3	0.2	—	—	—	51.8	(49.9)	59.0	(1.8)
Derivatives:											
Product guarantees:											
FIA[1]	(1,434.3)	(84.2)	—	—	(35.9)	—	33.8	—	—	(1,520.6)	—
GMAB/GMWB/GMWBL[1]	(2,035.4)	766.9	—	—	(72.6)	—	0.3	—	—	(1,340.8)	—
Stabilizer and MCGs[1]	(102.0)	77.1	—	(3.1)	—	—	—	—	—	(28.0)	—
Other derivatives, net	22.9	53.2	—	13.4	—	—	(33.0)	—	—	56.5	26.3
Assets held in separate accounts[4]	16.3	(0.1)	—	21.3	—	(9.9)	—	2.2	(9.9)	19.9	(0.2)

[1] All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.
[2] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[3] For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[4] The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

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The following table summarizes the change in fair value of the Company’s Level 3 assets and liabilities and transfers in and out of Level 3 for the three months ended June 30, 2012:

	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers in to Level 3[2]	Transfers out of Level 3[2]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[3]
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	$570.3	$0.4	$(8.8)	$14.9	$—	$(3.1)	$(48.0)	$93.9	$(84.4)	$535.2	$(0.1)
Foreign	70.0	—	(3.2)	—	—	—	(1.4)	—	(6.3)	59.1	—
Residential mortgage-backed securities	93.2	(5.8)	5.9	—	—	(7.2)	(0.5)	10.7	(12.0)	84.3	(7.4)
Other asset-backed securities	107.6	2.0	(2.9)	—	—	(1.0)	(3.8)	6.2	(0.2)	107.9	1.4
Total fixed maturities including securities pledged	841.1	(3.4)	(9.0)	14.9	—	(11.3)	(53.7)	110.8	(102.9)	786.5	(6.1)
Equity securities, available-for-sale	66.7	—	(0.4)	—	—	—	—	—	—	66.3	0.2
Derivatives:											
Product guarantees:											
FIA[1]	(1,492.2)	55.3	—	—	(38.0)	—	52.7	—	—	(1,422.2)	—
GMAB/GMWB/GMWBL[1]	(1,842.0)	(622.0)	—	—	(37.8)	—	0.1	—	—	(2,501.7)	—
Stabilizer and MCGs[1]	(72.0)	(59.8)	—	(1.2)	—	—	—	—	—	(133.0)	—
Other derivatives, net	30.0	(20.7)	—	6.8	—	—	(1.1)	—	—	15.0	(21.7)
Assets held in separate accounts[4]	23.1	—	—	1.1	—	(0.8)	—	—	(14.7)	8.7	0.2

[1] All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.
[2] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[3] For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[4] The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

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The following table summarizes the change in fair value of the Company’s Level 3 assets and liabilities and transfers in and out of Level 3 for the six months ended June 30, 2012:

	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers in to Level 3[2]	Transfers out of Level 3[2]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[3]
Fixed maturities, including securities pledged:											
U.S. corporate, state and municipalities	$520.6	$0.2	$(7.0)	$15.2	$—	$(3.1)	$(41.2)	$94.3	$(43.8)	$535.2	$(0.2)
Foreign	160.6	1.8	(3.8)	—	—	(11.5)	(3.1)	—	(84.9)	59.1	—
Residential mortgage-backed securities	186.6	(7.7)	6.1	—	—	(7.2)	(0.7)	—	(92.8)	84.3	(9.2)
Other asset-backed securities	104.5	7.2	—	—	—	(1.5)	(8.4)	7.1	(1.0)	107.9	6.5
Total fixed maturities including securities pledged	972.3	1.5	(4.7)	15.2	—	(23.3)	(53.4)	101.4	(222.5)	786.5	(2.9)
Equity securities, available-for-sale	67.6	—	(0.7)	5.0	—	(5.6)	—	—	—	66.3	(0.1)
Derivatives:											
Product guarantees:											
FIA[1]	(1,304.9)	(133.2)	—	—	(66.6)	—	82.5	—	—	(1,422.2)	—
GMAB/GMWB/GMWBL[1]	(2,272.2)	(154.0)	—	—	(75.7)	—	0.2	—	—	(2,501.7)	—
Stabilizer and MCGs[1]	(221.0)	90.8	—	(2.8)	—	—	—	—	—	(133.0)	—
Other derivatives, net	(24.8)	(9.4)	—	12.6	—	—	42.0	—	(5.4)	15.0	(6.1)
Assets held in separate accounts[4]	16.1	0.3	—	1.1	—	(9.0)	—	0.2	—	8.7	0.6

[1] All gains and losses on Level 3 liabilities are classified as realized gains (losses) for the purpose of this disclosure because it is impracticable to track realized and unrealized gains (losses) separately on a contract-by contract basis. These amounts are included in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations.
[2] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[3] For financial instruments still held as of June 30, amounts are included in Net investment income and Total net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.
[4] The investment income and realized gains (losses) and change in unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which result in a net zero impact on net income for the Company.

For the three and six months ended June 30, 2013 and June 30, 2012, the transfers in and out of Level 3 for fixed maturities and separate accounts, as well as equity securities for 2013, were due to the variation in inputs relied upon for valuation each quarter. Securities that are primarily valued using independent broker quotes when prices are not available from one of the commercial pricing services are reflected as transfers into Level 3. When securities are valued using more widely available information, the securities are transferred out of Level 3 and into Level 1 or 2, as appropriate.

The fair value of certain options and swap contracts were valued using observable inputs, and such options and swap contracts were transferred from Level 3 to Level 2 for the six months ended June 30, 2013.

Significant Unobservable Inputs

Quantitative information about the significant unobservable inputs used in the Company's Level 3 fair value measurements of its annuity product guarantees is presented in the following sections and table.

The Company's Level 3 fair value measurements of its fixed maturities, equity securities available-for-sale and equity and credit derivative contracts are primarily based on broker quotes for which the quantitative detail of the unobservable inputs is neither provided nor reasonably corroborated, thus negating the ability to perform a sensitivity analysis. The Company performs a review of broker quotes by performing a monthly price variance comparison and back tests broker quotes to recent trade prices.

Significant unobservable inputs used in the fair value measurements of GMABs, GMWBs and GMWBLs include long-term equity and interest rate implied volatility, correlations between the rate of return on policyholder funds and between interest rates and equity returns, nonperformance risk, mortality and policyholder behavior assumptions, such as benefit utilization, lapses and partial withdrawals.

Significant unobservable inputs used in the fair value measurements of FIAs include nonperformance risk and lapses. Such inputs are monitored quarterly.

The significant unobservable inputs used in the fair value measurement of the Stabilizer embedded derivatives and MCG derivative are interest rate implied volatility, nonperformance risk, lapses and policyholder deposits. Such inputs are monitored quarterly.

Following is a description of selected inputs:

Equity / Interest Rate Volatility: A term-structure model is used to approximate implied volatility for the equity indices and swap rates for GMAB, GMWB and GMWBL fair value measurements and swap rates for the Stabilizer and MCG fair value measurements. Where no implied volatility is readily available in the market, an alternative approach is applied based on historical volatility.

Correlations: Integrated interest rate and equity scenarios are used in GMAB, GMWB and GMWBL fair value measurements to better reflect market interest rates and interest rate volatility correlations between equity and fixed income fund groups and between equity fund groups and interest rates. The correlations are based on historical fund returns and swap rates from external sources.

Nonperformance Risk: For the estimate of the fair value of embedded derivatives associated with the Company's product guarantees, the Company uses a blend of observable, similarly rated peer company credit default swap spreads, adjusted to reflect the credit quality of the individual insurance subsidiary that issued the guarantee and the priority of policyholder claims.

Actuarial Assumptions: Management regularly reviews actuarial assumptions, which are based on the Company's experience and periodically reviewed against industry standards. Industry standards and Company experience may be limited on certain products.

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The following table presents the unobservable inputs for Level 3 fair value measurements as of June 30, 2013:

Unobservable Input	Range[1] GMWB / GMWBL		GMAB		FIA		Stabilizer / MCG	
Long-term equity implied volatility	15% to 25%		15% to 25%		—		—	
Interest rate implied volatility	0.2% to 17%		0.2% to 17%		—		0.2% to 8.1%	
Correlations between:								
Equity Funds	50% to 98%		50% to 98%		—		—	
Equity and Fixed Income Funds	-20% to 44%		-20% to 44%		—		—	
Interest Rates and Equity Funds	-30% to -16%		-30% to -16%		—		—	
Nonperformance risk	0.03% to 1.3%		0.03% to 1.3%		0.03% to 1.3%		0.03% to 1.3%	
Actuarial Assumptions:								
Benefit Utilization	85% to 100%	(2)	—		—		—	
Partial Withdrawals	0% to 10%		0% to 10%		—		—	
Lapses	0.08% to 32%	(3)	0.08% to 31%	(3)	0% to 10%	(3)	0% to 55%	(4)
Policyholder Deposits[5]	—		—		—		0% to 60%	(4)
Mortality	—	(6)	—	(6)	—		—	

(1) Represents the range of reasonable assumptions that management has used in its fair value calculations.

(2) Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 26% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, we assume that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money". The chart below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of June 30, 2013 (account value amounts are in $ billions).

Attained Age Group	Account Values In the Money	Out of the Money	Total	Average Expected Delay (Years)
< 60	$3.3	$0.3	$3.6	5.5
60-69	6.9	0.4	7.3	1.6
70+	4.5	0.2	4.7	0.1
	$14.7	$0.9	$15.6	2.5

(3) Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period. We make dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below

shows an analysis of policy account values according to whether they are in or out of the surrender charge period and to whether they are "in the money" or "out of the money" as of June 30, 2013 (account value amounts are in $ billions).

	Moneyness	GMAB Account Value		Lapse Range	GMWB/GMWBL Account Value	Lapse Range
During Surrender Charge Period						
	In the Money**	$—	*	0.08% to 8.2%	$7.6	0.08% to 5.8%
	Out of the Money	—	*	0.41% to 12%	0.7	0.35% to 12%
After Surrender Charge Period						
	In the Money**	$—	*	2.4% to 22%	$7.0	1.5% to 17%
	Out of the Money	0.1		12% to 31%	0.7	3.2% to 32%

* Less than $0.1.
** The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyness."

(Dollar amounts in millions, unless otherwise stated)

(4) Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	87 %	0-30%	0-15%	0-55%	0-20%
Stabilizer with Recordkeeping Agreements	13 %	0-55%	0-25%	0-60%	0-30%
Aggregate of all plans	100 %	0-55%	0-25%	0-60%	0-30%

(5) Measured as a percentage of assets under management or assets under administration.

(6) The mortality rate is based on the Annuity 2000 Basic table with mortality improvements.

The following table presents the unobservable inputs for Level 3 fair value measurements as of December 31, 2012:

Unobservable Input	Range[1] GMWB / GMWBL	GMAB	FIA	Stabilizer / MCG
Long-term equity implied volatility	15% to 25%	15% to 25%	—	—
Interest rate implied volatility	0.1% to 19%	0.1% to 19%	—	0.1% to 7.6%
Correlations between:				
Equity Funds	50% to 98%	50% to 98%	—	—
Equity and Fixed Income Funds	-20% to 44%	-20% to 44%	—	—
Interest Rates and Equity Funds	-25% to -16%	-25% to -16%	—	—
Nonperformance risk	0.1% to 1.3%	0.1% to 1.3%	0.1% to 1.3%	0.1% to 1.3%
Actuarial Assumptions:				
Benefit Utilization	85% to 100% [2]	—	—	—
Partial Withdrawals	0% to 10%	0% to 10%	—	—
Lapses	0.08% to 32% [3]	0.08% to 31% [3]	0% to 10% [3]	0% to 55% [4]
Policyholder Deposits[5]	—	—	—	0% to 60% [4]
Mortality	— [6]	— [6]	—	—

(1) Represents the range of reasonable assumptions that management has used in its fair value calculations.

(2) Those policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. As a percent of account value, 26% are taking systematic withdrawals. Of those policyholders who are not taking withdrawals, we assume that 85% will begin systematic withdrawals after a delay period. The utilization function varies by policyholder age and policy duration. Interactions with lapse and mortality also affect utilization. The utilization rate for GMWB and GMWBL tends to be lower for younger contract owners and contracts that have not reached their maximum accumulated GMWB and GMWBL benefit amount. There is also a lower utilization rate, though indirectly, for contracts that are less "in the money" (i.e., where the notional benefit amount is in excess of the account value) due to higher lapses. Conversely, the utilization rate tends to be higher for contract owners near or beyond retirement age and contracts that have accumulated their maximum GMWB or GMWBL benefit amount. There is also a higher utilization rate, though indirectly, for contracts which are highly "in the money". The chart

below provides the GMWBL account value by current age group and average expected delay times from the associated attained age group as of December 31, 2012 (account value amounts are in $ billions).

	Account Values			
Attained Age Group	In the Money	Out of the Money	Total	Average Expected Delay (Years)
< 60	$3.5	$0.3	$3.8	5.5
60-69	7.0	0.4	7.4	1.9
70+	4.3	0.1	4.4	0.2
	$14.8	$0.8	$15.6	2.8

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(3) Lapse rates tend to be lower during the contractual surrender charge period and higher after the surrender charge period ends; the highest lapse rates occur in the year immediately after the end of the surrender charge period. We make dynamic adjustments to lower the lapse rates for contracts that are more "in the money." The table below shows an analysis of policy account values according to whether they are in or out of the surrender charge period and to whether they are "in the money" or "out of the money" as of December 31, 2012 (account value amounts are in $ billions).

	Moneyness	GMAB Account Value	Lapse Range	GMWB/GMWBL Account Value	Lapse Range
During Surrender Charge Period					
	In the Money**	$—	0.08% to 8.2%	$8.8	0.08% to 5.8%
	Out of the Money	—	0.41% to 12%	0.9	0.35% to 12%
After Surrender Charge Period					
	In the Money**	$—	2.4% to 22%	$6.2	1.5% to 17%
	Out of the Money	0.1	12% to 31%	0.6	3.2% to 32%

** The low end of the range corresponds to policies that are highly "in the money." The high end of the range corresponds to the policies that are close to zero in terms of "in the moneyness."

(4) Stabilizer contracts with recordkeeping agreements have a different range of lapse and policyholder deposit assumptions from Stabilizer (Investment only) and MCG contracts as shown below:

	Percentage of Plans	Overall Range of Lapse Rates	Range of Lapse Rates for 85% of Plans	Overall Range of Policyholder Deposits	Range of Policyholder Deposits for 85% of Plans
Stabilizer (Investment Only) and MCG Contracts	87 %	0-30%	0-15%	0-55%	0-20%
Stabilizer with Recordkeeping Agreements	13 %	0-55%	0-25%	0-60%	0-30%
Aggregate of all plans	100 %	0-55%	0-25%	0-60%	0-30%

(5) Measured as a percentage of assets under management or assets under administration.

(6) The mortality rate is based on the Annuity 2000 Basic table with mortality improvements.

Generally, the following will cause an increase (decrease) in the GMAB, GMWB and GMWBL embedded derivative fair value liabilities:

- An increase (decrease) in long-term equity implied volatility
- An increase (decrease) in interest rate implied volatility
- An increase (decrease) in equity-interest rate correlations
- A decrease (increase) in nonperformance risk
- A decrease (increase) in mortality
- An increase (decrease) in benefit utilization
- A decrease (increase) in lapses

Changes in fund correlations may increase or decrease the fair value depending on the direction of the movement and the mix of funds. Changes in partial withdrawals may increase or decrease the fair value depending on the timing and magnitude of withdrawals.

Generally, the following will cause an increase (decrease) in the FIA embedded derivative fair value liability:

- A decrease (increase) in nonperformance risk
- A decrease (increase) in lapses

Generally, the following will cause an increase (decrease) in the derivative and embedded derivative fair value liabilities related to Stabilizer and MCG contracts:

- An increase (decrease) in interest rate implied volatility
- A decrease (increase) in nonperformance risk
- A decrease (increase) in lapses
- A decrease (increase) in policyholder deposits

The Company notes the following interrelationships:

- Higher long-term equity implied volatility is often correlated with lower equity returns, which will result in higher in-the-moneyness, which in turn, results in lower lapses due to the dynamic lapse component reducing the lapses. This increases the projected number of policies that are available to use the GMWBL benefit and may also increase the fair value of the GMWBL.

- Generally, an increase (decrease) in benefit utilization will decrease (increase) lapses for GMWB and GMWBL.

- Generally, an increase (decrease) in interest rate volatility will increase (decrease) lapses of Stabilizer and MCG contracts due to dynamic participant behavior.

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Other Financial Instruments

The carrying values and estimated fair values of the Company's financial instruments as of the dates indicated:

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	$73,972.0	$73,972.0	$75,287.1	$75,287.1
Equity securities, available-for-sale	281.0	281.0	340.1	340.1
Mortgage loans on real estate	8,929.1	9,085.0	8,662.3	8,954.8
Policy loans	2,144.9	2,144.9	2,200.3	2,200.3
Limited partnerships/corporations	430.2	430.2	465.1	465.1
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	4,366.4	4,366.4	8,442.0	8,442.0
Derivatives	1,174.4	1,174.4	2,374.5	2,374.5
Other investments	168.4	175.1	167.0	173.7
Assets held in separate accounts	102,228.9	102,228.9	97,667.4	97,667.4
Liabilities:				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities[1]	49,618.5	53,778.4	50,133.7	56,851.0
Funding agreements with fixed maturities and guaranteed investment contracts	3,664.9	3,570.9	3,784.0	3,671.0
Supplementary contracts, immediate annuities and other	3,161.5	3,398.9	3,109.2	3,482.3
Derivatives:				
Annuity product guarantees:				
FIA	1,520.6	1,520.6	1,434.3	1,434.3
GMAB / GMWB / GMWBL	1,340.8	1,340.8	2,035.4	2,035.4
Stabilizer and MCGs	28.0	28.0	102.0	102.0
Other derivatives	1,320.9	1,320.9	1,944.2	1,944.2
Short-term debt	138.6	139.8	1,064.6	1,070.6
Long-term debt	3,265.7	3,393.2	3,171.1	3,386.2
Embedded derivatives on reinsurance	96.3	96.3	169.5	169.5

(1)