Voya Financial, Inc.
Form 10-Q
August 06, 2018

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, 2018

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

Voya Financial, 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)
Securities registered pursuant to Section 12(b) of the Act:

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 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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: As of July 27, 2018, 160,570,829 shares of Common Stock, $0.01 par value, were outstanding.

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Voya Financial, Inc.
Form 10-Q for the period ended June 30, 2018

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For the purposes of the discussion in this Quarterly Report on Form 10-Q, the term Voya Financial, Inc. refers to Voya Financial, Inc. and the terms "Company," "we," "our," and "us" refer to Voya Financial, Inc. and its subsidiaries.

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements relating to future developments in our business or expectations for our future financial performance and any statement not involving a historical fact. Forward-looking statements use words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. Actual results, performance or events may differ materially from those projected in any forward-looking statement due to, among other things, (i) general economic conditions, particularly economic conditions in our core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels, (v) persistency and lapse levels, (vi) interest rates, (vii) currency exchange rates, (viii) general competitive factors, (ix) changes in laws and regulations, (x) changes in the policies of governments and/or regulatory authorities, and (xi) our ability to successfully manage the separation of Venerable (as defined below), including the transition services, on the expected timeline and economic terms. Factors that may cause actual results to differ from those in any forward-looking statement also include those described under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations-Trends and Uncertainties" and "Business-Closed Blocks-CBVA" in the Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 001-35897) (the "Annual Report on Form 10-K").

The risks included here are not exhaustive. Current reports on Form 8-K and other documents filed with the Securities and Exchange Commission ("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
Voya Financial, Inc.
Condensed Consolidated Balance Sheets
June 30, 2018 (Unaudited) and December 31, 2017
(In millions, except share and per share data)

	June 30, 2018	December 31, 2017
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $44,386 as of 2018 and $44,366 as of 2017)	$46,104	$ 48,329
Fixed maturities, at fair value using the fair value option	2,983	3,018
Equity securities, at fair value (cost of $320 as of 2018 and $353 as of 2017)	385	380
Short-term investments	102	471
Mortgage loans on real estate, net of valuation allowance of $2 as of 2018 and $3 as of 2017	8,904	8,686
Policy loans	1,849	1,888
Limited partnerships/corporations	1,070	784
Derivatives	376	397
Other investments	90	47
Securities pledged (amortized cost of $1,882 as of 2018 and $1,823 as of 2017)	1,994	2,087
Total investments	63,857	66,087
Cash and cash equivalents	1,534	1,218
Short-term investments under securities loan agreements, including collateral delivered	1,679	1,626
Accrued investment income	674	667
Premium receivable and reinsurance recoverable	7,617	7,632
Deferred policy acquisition costs and Value of business acquired	4,008	3,374
Current income taxes	23	4
Deferred income taxes	1,266	781
Other assets	1,152	1,310
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	1,731	1,795
Cash and cash equivalents	86	217
Corporate loans, at fair value using the fair value option	458	1,089
Other assets	13	75
Assets held in separate accounts	78,642	77,605
Assets held for sale	—	59,052
Total assets	$162,740	$ 222,532

The accompanying notes are an integral part of these Condensed

Voya Financial, Inc.
Condensed Consolidated Balance Sheets
June 30, 2018 (Unaudited) and December 31, 2017
(In millions, except share and per share data)

	June 30, 2018	December 31, 2017
Liabilities and Shareholders' Equity:		
Future policy benefits	$ 15,191	$ 15,647
Contract owner account balances	50,789	50,158
Payables under securities loan agreement, including collateral held	1,957	1,866
Short-term debt	1	337
Long-term debt	3,458	3,123
Derivatives	117	149
Pension and other postretirement provisions	527	550
Other liabilities	1,695	2,076
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	491	1,047
Other liabilities	630	658
Liabilities related to separate accounts	78,642	77,605
Liabilities held for sale	—	58,277
Total liabilities	153,498	211,493
Commitments and Contingencies (Note 13)		
Shareholders' equity:		
Common stock ($0.01 par value per share; 900,000,000 shares authorized; 272,008,619 and 270,078,294 shares issued as of 2018 and 2017, respectively; 162,027,329 and 171,982,673 shares outstanding as of 2018 and 2017, respectively)	3	3
Treasury stock (at cost; 109,981,290 and 98,095,621 shares as of 2018 and 2017, respectively)	(4,442)	(3,827)
Additional paid-in capital	23,951	23,821
Accumulated other comprehensive income (loss)	943	2,731
Retained earnings (deficit):		
Appropriated-consolidated investment entities	—	—
Unappropriated	(11,995)	(12,719)
Total Voya Financial, Inc. shareholders' equity	8,460	10,009
Noncontrolling interest	782	1,030
Total shareholders' equity	9,242	11,039
Total liabilities and shareholders' equity	$ 162,740	$ 222,532

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

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Voya Financial, Inc.
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2018 and 2017 (Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Net investment income	$813	$832	$1,636	$1,675
Fee income	660	639	1,336	1,276
Premiums	533	526	1,072	1,073
Net realized capital gains (losses):				
Total other-than-temporary impairments	—	(1)	(14)	(2)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	1	—	1	1
Net other-than-temporary impairments recognized in earnings	(1)	(1)	(15)	(3)
Other net realized capital gains (losses)	(119)	(24)	(286)	(108)
Total net realized capital gains (losses)	(120)	(25)	(301)	(111)
Other revenue	101	90	200	179
Income (loss) related to consolidated investment entities:				
Net investment income	126	129	137	156
Total revenues	2,113	2,191	4,080	4,248
Benefits and expenses:				
Policyholder benefits	706	733	1,414	1,483
Interest credited to contract owner account balances	382	403	764	802
Operating expenses	645	630	1,345	1,298
Net amortization of Deferred policy acquisition costs and Value of business acquired	74	195	174	259
Interest expense	46	45	95	91
Operating expenses related to consolidated investment entities:				
Interest expense	16	27	22	44
Other expense	3	3	4	3
Total benefits and expenses	1,872	2,036	3,818	3,980
Income (loss) from continuing operations before income taxes	241	155	262	268
Income tax expense (benefit)	45	—	49	93
Income (loss) from continuing operations	196	155	213	175
Income (loss) from discontinued operations, net of tax	28	64	457	(98)
Net income (loss)	224	219	670	77
Less: Net income (loss) attributable to noncontrolling interest	58	52	58	53
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$166	$167	$612	$24
Net income (loss) per common share:				
Basic				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.83	$0.56	$0.91	$0.65
Income (loss) available to Voya Financial, Inc.'s common shareholders	$1.00	$0.90	$3.60	$0.13
Diluted				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.80	$0.55	$0.88	$0.63

Income (loss) available to Voya Financial, Inc.'s common shareholders	$0.96	$0.89	$3.48	$0.12
Cash dividends declared per share of common stock	$0.01	$0.01	$0.02	$0.02

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

Voya Financial, Inc.
Condensed Consolidated Statements of Comprehensive Income
For the Three and Six Months Ended June 30, 2018 and 2017 (Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	$224	$219	$670	$77
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	(867)	762	(2,390)	1,047
Other-than-temporary impairments	10	1	30	12
Pension and other postretirement benefits liability	(3)	(4)	(6)	(7)
Other comprehensive income (loss), before tax	(860)	759	(2,366)	1,052
Income tax expense (benefit) related to items of other comprehensive income (loss)	(292)	265	(606)	367
Other comprehensive income (loss), after tax	(568)	494	(1,760)	685
Comprehensive income (loss)	(344)	713	(1,090)	762
Less: Comprehensive income (loss) attributable to noncontrolling interest	58	52	58	53
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$(402)	$661	$(1,148)	$709

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

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended June 30, 2018 (Unaudited)
(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2018	$ 3	$ (3,827)	$ 23,821	$ 2,731	$ —	$ (12,719)	$ 10,009	$ 1,030	$ 11,039
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2014-09	—	—	—	—	—	84	84	—	84
Adjustment for adoption of ASU 2016-01	—	—	—	(28)	—	28	—	—	—
Balance as of January 1, 2018 - As adjusted	3	(3,827)	23,821	2,703	—	(12,607)	10,093	1,030	11,123
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	612	612	58	670
Reversal of Other Comprehensive Income (Loss) due to Sale of Annuity and CBVA	—	—	—	(79)	—	—	(79)	—	(79)
Other comprehensive income (loss), after tax	—	—	—	(1,681)	—	—	(1,681)	—	(1,681)
Total comprehensive income (loss)							(1,148)	58	(1,090)
Effect of transaction for entities under common control	—	—	(31)	—	—	—	(31)	—	(31)
Net consolidations (deconsolidations) of consolidated investment entities	—	—	—	—	—	—	—	(33)	(33)
Common stock issuance	—	—	1	—	—	—	1	—	1
Common stock acquired - Share repurchase	—	(600)	100	—	—	—	(500)	—	(500)
Dividends on common stock	—	—	(3)	—	—	—	(3)	—	(3)
Share-based compensation	—	(15)	63	—	—	—	48	—	48
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(273)	(273)
Balance as of June 30, 2018	$ 3	$ (4,442)	$ 23,951	$ 943	$ —	$ (11,995)	$ 8,460	$ 782	$ 9,242

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

Voya Financial, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended June 30, 2017 (Unaudited)
(In millions)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit) Appropriated	Retained Earnings (Deficit) Unappropriated	Total Voya Financial, Inc. Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance as of January 1, 2017 - As previously filed	$ 3	$ (2,796)	$ 23,609	$ 1,921	$ —	$ (9,742)	$ 12,995	$ 973	$ 13,968
Cumulative effect of changes in accounting:									
Adjustment for adoption of ASU 2016-09	—	—	—	—	—	15	15	—	15
Balance as of January 1, 2017 - As adjusted	3	(2,796)	23,609	1,921	—	(9,727)	13,010	973	13,983
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	24	24	53	77
Other comprehensive income (loss), after tax	—	—	—	685	—	—	685	—	685
Total comprehensive income (loss)							709	53	762
Common stock issuance	—	—	1	—	—	—	1	—	1
Common stock acquired - Share repurchase	—	(623)	200	—	—	—	(423)	—	(423)
Dividends on common stock	—	—	(4)	—	—	—	(4)	—	(4)
Share-based compensation	—	(7)	66	—	—	—	59	—	59
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(86)	(86)
Balance as of June 30, 2017	$ 3	$ (3,426)	$ 23,872	$ 2,606	$ —	$ (9,703)	$ 13,352	$ 940	$ 14,292

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

Voya Financial, Inc.
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2018 and 2017 (Unaudited)
(In millions)

	Six Months Ended June 30, 2018	2017
Cash Flows from Operating Activities:		
Net cash (used in) provided by operating activities - continuing operations	$(408)	$86
Net cash provided by operating activities - discontinued operations	1,462	470
Net cash provided by operating activities	1,054	556
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	4,577	4,013
Equity securities	20	16
Mortgage loans on real estate	471	487
Limited partnerships/corporations	152	124
Acquisition of:		
Fixed maturities	(4,881)	(3,953)
Equity securities	(20)	(27)
Mortgage loans on real estate	(574)	(1,132)
Limited partnerships/corporations	(158)	(179)
Short-term investments, net	403	12
Derivatives, net	35	163
Sales from consolidated investment entities	602	1,214
Purchases within consolidated investment entities	(607)	(1,389)
Collateral received (delivered), net	38	(126)
Other, net	(5)	35
Net cash provided by investing activities - discontinued operations	34	40
Net cash provided by (used in) investing activities	87	(702)
Cash Flows from Financing Activities:		
Deposits received for investment contracts	3,083	2,395
Maturities and withdrawals from investment contracts	(2,716)	(2,827)
Proceeds from issuance of debt with maturities of more than three months	350	—
Repayment of debt with maturities of more than three months	(350)	(91)
Debt issuance costs	(6)	—
Borrowings of consolidated investment entities	469	738
Repayments of borrowings of consolidated investment entities	(461)	(725)
Contributions from (distributions to) participants in consolidated investment entities, net	34	656
Proceeds from issuance of common stock, net	1	1
Share-based compensation	(15)	(7)
Common stock acquired - Share repurchase	(500)	(423)
Dividends paid	(3)	(4)
Net cash (used in) provided by financing activities - discontinued operations	(1,209)	89
Net cash used in financing activities	(1,323)	(198)
Net decrease in cash and cash equivalents	(182)	(344)
Cash and cash equivalents, beginning of period	1,716	2,911
Cash and cash equivalents, end of period	1,534	2,567
Less: Cash and cash equivalents of discontinued operations, end of period	—	1,039
Cash and cash equivalents of continuing operations, end of period	$1,534	$1,528

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

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

1. Business, Basis of Presentation and Significant Accounting Policies

Business

Voya Financial, 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.

On June 1, 2018, the Company consummated a series of transactions (collectively, the "Transaction") pursuant to a Master Transaction Agreement dated December 20, 2017 (the "MTA") with VA Capital Company LLC ("VA Capital") and Athene Holding Ltd ("Athene"). As part of the Transaction, Venerable Holdings, Inc. ("Venerable"), a wholly owned subsidiary of VA Capital, acquired two of the Company's subsidiaries, Voya Insurance and Annuity Company ("VIAC") and Directed Services, LLC ("DSL"). The Transaction resulted in the disposition of substantially all of the Company's Closed Block Variable Annuity ("CBVA") and Annuities businesses. The assets and liabilities related to the businesses sold were classified as held for sale in the Condensed Consolidated Balance Sheet as of December 31, 2017. The results of operations and cash flows of the businesses sold were classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and the Condensed Consolidated Statements of Cash Flows, respectively and are reported separately for all periods presented. See the Discontinued Operations Note to these Condensed Consolidated Financial Statements.

As a result of the Transaction, the Company no longer considers its CBVA and Annuities businesses as reportable segments. Additionally, the Company evaluated its segment presentation and determined that the retained CBVA and Annuities policies that are not included in the disposed businesses described above ("Retained Business") are insignificant. As such, the Company reported the results of the Retained Business in Corporate.

The Company provides its principal products and services through four segments: Retirement, Investment Management, Employee Benefits and Individual Life. In addition, the Company includes in Corporate the financial data not directly related to its segments, and other business activities that do not have an ongoing meaningful impact to the Company's results. See the Segments Note to these Condensed Consolidated Financial Statements.

Prior to May 2013, the Company was an indirect, wholly-owned subsidiary of ING Groep N.V. ("ING Group" or "ING"), a global financial services holding company based in The Netherlands. In May 2013, Voya Financial Inc. completed its initial public offering of common stock, including the issuance and sale of common stock by Voya Financial, Inc. and the sale of shares of common stock owned indirectly by ING Group. Between October 2013 and March 2015, ING Group completed the sale of its remaining shares of common stock of Voya Financial, Inc. in a series of registered public offerings.

Basis of Presentation

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 as of 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 Voya Financial, 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. Intercompany transactions and balances have been eliminated.

The accompanying Condensed Consolidated Financial Statements reflect adjustments (including normal, recurring adjustments) necessary to present fairly the financial position of the Company as of June 30, 2018, its results of operations and comprehensive income for the three and six months ended June 30, 2018 and 2017, and its changes in shareholders' equity and statements of cash flows for the six months ended June 30, 2018 and 2017, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

The December 31, 2017 Consolidated Balance Sheet is from the audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K, filed with the SEC. Therefore, these unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K.

Significant Accounting Policies

Investments

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01 "Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01") (See the Adoption of New Pronouncements section below). As a result, the Company measures its equity securities at fair value and recognizes any changes in fair value in net income. Prior to adoption, equity securities were designated as available-for-sale and reported at fair value with unrealized capital gains (losses) recorded in Accumulated other comprehensive income (loss) ("AOCI").

Recognition of Revenue

As of January 1, 2018, the Company changed its method for recognizing costs to obtain and fulfill certain financial services contracts upon the adoption of ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" ("ASU 2014-09"). (See the Adoption of New Pronouncements section below.)

Financial services revenue is disaggregated by type of service in the following tables. For the three months ended June 30, 2018, such revenue represents approximately 27.0% of total Retirement revenue, all of Investment Management revenue, and 23.1% of Corporate revenue. For the six months ended June 30, 2018, such revenue represents approximately 28.1% of total Retirement revenue, all of Investment Management revenue, and 30.0% of Corporate revenue. Such revenue is immaterial for Employee Benefits and Individual Life. For the three and six months ended June 30, 2018, a portion of the revenue recognized in the current period from distribution services is related to performance obligations satisfied in previous periods.

	Three Months Ended June 30, 2018		
	Reportable Segments		
	Retirement	Investment Management	Corporate
Service Line			
Advisory	$55	$ 136	$ —
Asset management	—	43	—
Recordkeeping & administration	60	39	2
Distribution & shareholder servicing	71	45	7
Total financial services revenue	$186	$ 263	$ 9

Six Months Ended June 30, 2018

	Reportable Segments		
	Retirement	Investment Management	Corporate
Service Line			
Advisory	$110	$ 277	$ —
Asset management	—	84	—
Recordkeeping & administration	122	82	4
Distribution & shareholder servicing	145	89	15
Total financial services revenue	$377	$ 532	$ 19

Receivables of $205 are included in Other assets on the Condensed Consolidated Balance Sheets as of June 30, 2018.

Financial Services Revenue
Revenue for various financial services is measured based on consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties. For advisory, asset management, and recordkeeping and administration services, the Company recognizes revenue as services are provided, generally over time. In addition, the Company may arrange for sub-advisory services for a customer under certain contracts. Revenue is recognized when the Company has satisfied a performance obligation by transferring control of a service to a customer. Contract terms are typically less than one year, and consideration is generally variable and due as services are rendered.

For distribution and shareholder servicing revenue, the Company provides distribution services at a point in time and shareholder services over time. Such revenue is recognized when the Company has satisfied a performance obligation and related consideration is received. Contract terms are less than one year, and consideration is variable. For distribution services, revenue may be recognized in periods subsequent to when the Company has satisfied a performance obligation, as a component of related consideration is constrained under certain contracts.

For a description of principal activities by reportable segment from which the Company generates revenue, see the Segments Note in Part II, Item 8. of the Company's Annual Report on Form 10-K for further information.

Revenue for various financial services is recorded in Fee income or Other revenue in the Condensed Consolidated Statements of Operations.

Contract Costs
Contract cost assets represent costs incurred to obtain or fulfill a contract that are expected to be recovered and, thus, have been capitalized and are subject to amortization. Capitalized contract costs include incremental costs of obtaining a contract and fulfillment costs that relate directly to a contract and generate or enhance resources of the Company that are used to satisfy performance obligations.

The Company defers (1) incremental commissions and variable compensation paid to the Company's direct sales force, consultant channel, and intermediary partners, as a result of obtaining certain financial services contracts and (2) account set-up expenses on certain recordkeeping contracts. The Company expenses as incurred deferrable contract costs for which the amortization period would be one year or less (based on the U.S. GAAP practical expedient) and other contract-related costs. The Company periodically reviews contract cost assets for impairment. Capitalized contract costs are included in Other assets on the Condensed Consolidated Balance Sheets, and costs expensed as incurred are included in Operating expenses in the Condensed Consolidated Statements of Operations.

As of June 30, 2018, contract cost assets were $106. Capitalized contract costs are amortized on a straight-line basis over the estimated lives of the contracts, which typically range from 5 to 15 years. This method is consistent with the transfer of services to which the assets relate. For the three and six months ended June 30, 2018, amortization expenses of $6 and $12, respectively, were recorded in Operating expenses in the Condensed Consolidated Statements of Operations. There was no impairment loss in relation to the contract costs capitalized.

Adoption of New Pronouncements

Retirement Benefits

In March 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (ASC Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" ("ASU 2017-07"), which requires employers to report the service cost component of net periodic pension cost and net periodic postretirement benefit cost in the same line item as other compensation costs arising from services rendered by employees during the period. Other components of net benefit costs are required to be presented in the statement of operations separately from service costs. In addition, only service costs are eligible for capitalization in assets, when applicable.

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The provisions of ASU 2017-07 were adopted by the Company on January 1, 2018 retrospectively for the presentation of service costs and other components in the statement of operations, and prospectively for the capitalization of service costs in assets. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

Derecognition of Nonfinancial Assets
In February 2017, the FASB issued ASU 2017-05, "Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (ASC Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance & Accounting for Partial Sales of Nonfinancial Assets" ("ASU 2017-05"), which requires entities to apply certain recognition and measurement principles in ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" (see Revenue from Contracts with Customers below) when they derecognize nonfinancial assets and in substance nonfinancial assets through sale or transfer, and the counterparty is not a customer.

The provisions of ASU 2017-05 were adopted on January 1, 2018 using the modified retrospective approach. The adoption had no effect on the Company's financial condition, results of operations, or cash flows.

Statement of Cash Flows
In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (ASC Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"), which addresses diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments provide guidance on eight specific cash flow issues.

The provisions of ASU 2016-15 were adopted retrospectively on January 1, 2018 and resulted in the reclassification of the Company's cash payments for debt extinguishment costs from Cash Flows from Operating Activities to Cash Flows from Financing Activities in the Condensed Consolidated Statements of Cash Flows of $3 and $1 for the six months ended June 30, 2018 and 2017, respectively. The adoption of the remaining provisions of ASU 2016-05 had no effect on the Company's financial condition, results of operations, or cash flows.

Share-Based Compensation
In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (ASC Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which simplifies the accounting for share-based payment award transactions with respect to:

- The income tax consequences of awards,
- The impact of forfeitures on the recognition of expense for awards,
- Classification of awards as either equity or liabilities, and
- Classification on the statement of cash flows.

The provisions of ASU 2016-09 were adopted by the Company on January 1, 2017 using the transition method prescribed for each applicable provision:

- On a prospective basis, all excess tax benefits and tax deficiencies related to share-based compensation will be reported in Net income (loss), rather than Additional paid-in capital. Prior year excess tax benefits will remain in Additional paid-in capital.

- The provision that removed the requirement to delay recognition of excess tax benefits until they reduce taxes payable was required to be adopted on a modified retrospective basis. Upon adoption, this provision resulted in a $15 increase in Deferred income tax assets with a corresponding increase to Retained earnings on the Condensed Consolidated Balance Sheet as of January 1, 2017, to record previously unrecognized excess tax benefits.
- The Company elected to retrospectively adopt the requirement to present cash inflows related to excess tax benefits as operating activities. For the six months ended June 30, 2017, the Company had no excess tax benefits.
- The Company also elected to continue its existing accounting policy of including estimated forfeitures in the calculation of share-based compensation expense.

The adoption of the remaining provisions of ASU 2016-09 had no effect on the Company's financial condition, results of operations, or cash flows.

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Financial Instruments - Recognition and Measurement
In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (ASC Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"), which requires:

- Equity investments (except those consolidated or accounted for under the equity method) to be measured at fair value with changes in fair value recognized in net income.
- Elimination of the disclosure of methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost.
- The use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
- Separate presentation in other comprehensive income of the portion of the total change in fair value of a liability resulting from a change in own credit risk if the liability is measured at fair value under the fair value option.
- Separate presentation on the balance sheet or financial statement notes of financial assets and financial liabilities by measurement category and form of financial asset.

The Company adopted the provisions of ASU 2016-01 on January 1, 2018 using a modified retrospective approach, except for certain provisions that were required to be applied prospectively. The impact to the January 1, 2018 Condensed Consolidated Balance Sheet was a $28 increase, net of tax, to Unappropriated retained earnings with a corresponding decrease of $28, net of tax, to Accumulated other comprehensive income to recognize the unrealized gain associated with Equity securities. The provisions that required prospective adoption had no effect on the Company's financial condition, results of operations, or cash flows. Under previous guidance, prior to January 1, 2018, Equity securities were classified as available for sale with changes in fair value recognized in Other comprehensive income.

Revenue from Contracts with Customers
In May 2014, the FASB issued ASU 2014-09, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the entity satisfies a performance obligation under the contract. ASU 2014-09 also updated the accounting for certain costs associated with obtaining and fulfilling contracts with customers and requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the FASB issued various amendments during 2016 to clarify the provisions and implementation guidance of ASU 2014-09. Revenue recognition for insurance contracts and financial instruments is explicitly scoped out of the guidance.

The Company adopted the provisions of ASU 2014-09 on January 1, 2018, using the modified retrospective approach. The adoption had no impact on revenue recognition. However, the adoption resulted in a $106 increase in Other assets to capitalize costs to obtain and fulfill certain financial services contracts in the Retirement segment and Corporate. This adjustment was offset by a related $22 decrease in Deferred income taxes, resulting in a net $84 increase to Retained earnings (deficit) on the Condensed Consolidated Balance Sheet as of January 1, 2018. In addition, disclosures have been updated to reflect accounting policy changes made as a result of the implementation of ASU 2014-09. (See the Significant Accounting Policies section above.)

Comparative information has not been adjusted and continues to be reported under previous revenue recognition guidance. As of June 30, 2018 the adoption of ASU 2014-09 resulted in a $106 increase in Other assets, reduced by a related $22 decrease in Deferred income taxes, resulting in a net $84 increase to Retained earnings (deficit) on the

Condensed Consolidated Balance Sheet. For the three and six months ended June 30, 2018, the adoption resulted in a $1 increase in Operating expenses on the Condensed Consolidated Statement of Operations. For the six months ended June 30, 2018, adopting the provisions of ASU 2014-09 had no impact on Net cash provided by operating activities.

Future Adoption of Accounting Pronouncements

Reclassification of Certain Tax Effects

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income (ASC Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted Tax Cuts and Jobs Act of 2017 ("Tax Reform"). Stranded tax effects arise because U.S. GAAP requires that the impact of a change in tax laws or rates on deferred tax liabilities and assets be reported in net income, even if related to items recognized within accumulated other comprehensive income. The amount of the reclassification would be based on the difference

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between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate, applied to deferred tax liabilities and assets reported within accumulated other comprehensive income.

The provisions of ASU 2018-02 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Initial adoption of ASU 2018-02 may be reported either in the period of adoption or on a retrospective basis in each period in which the effect of the change in the U.S. federal corporate income tax rate resulting from Tax Reform is recognized. The Company is currently evaluating the provisions of ASU 2018-02.

Derivatives & Hedging
In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic ASC 815): Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which enables entities to better portray risk management activities in their financial statements, as follows:

- Expands an entity's ability to hedge nonfinancial and financial risk components and reduces complexity in accounting for fair value hedges of interest rate risk,
- Eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item,
- Eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness, and
- Modifies required disclosures.

The provisions of ASU 2017-12 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-12 is required to be reported using a modified retrospective approach, with the exception of the presentation and disclosure requirements which are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-12.

Debt Securities
In March 2017, the FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (ASC Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities" ("ASU 2017-08"), which shortens the amortization period for certain callable debt securities held at a premium by requiring the premium to be amortized to the earliest call date.

The provisions of ASU 2017-08 are effective for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. Initial adoption of ASU 2017-08 is required to be reported using a modified retrospective approach. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2017-08.

Financial Instruments - Credit Losses
In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which:

- Introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments,

- Modifies the impairment model for available-for-sale debt securities, and
- Provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

The provisions of ASU 2016-13 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted for fiscal years beginning after December 15, 2018. Initial adoption of ASU 2016-13 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-13.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC Topic 842)" ("ASU 2016-02"), which requires lessees to recognize a right-of-use asset and a lease liability for all leases with terms of more than 12 months. The lease liability will be measured as the present value of the lease payments, and the asset will be based on the liability. For income statement purposes, expense recognition will depend on the lessee's classification of the lease as either finance, with a front-loaded amortization expense pattern similar to current capital leases, or operating, with a straight-line expense pattern similar to current operating leases. Lessor accounting will be similar to the current model, and lessors will be required to classify leases as operating, direct financing, or sales-type.

ASU 2016-02 also replaces the sale-leaseback guidance to align with the new revenue recognition standard, addresses statement of operation and statement of cash flow classification, and requires additional disclosures for all leases. In addition, the FASB issued various amendments during 2018 to clarify and simplify the provisions and implementation guidance of ASU 2016-02.

The provisions of ASU 2016-02 are effective on a modified retrospective basis for fiscal years beginning after December 15, 2018, including interim periods, with early adoption permitted. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2016-02.

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2. Discontinued Operations

As noted in the Business, Basis of Presentation and Significant Accounting Policies Note, on June 1, 2018, the Company closed the Transaction with VA Capital and Athene (the "Buyers") pursuant to which Venerable acquired two of the Company’s subsidiaries, VIAC and DSL. The Transaction resulted in the disposition of substantially all of the Company’s CBVA and Annuities businesses.

The purchase price for VIAC was equal to the difference between the Required Adjusted Book Value (as defined in the MTA) and the Statutory capital in VIAC at closing, after giving effect to certain restructuring and other pre-sale transactions, including the reinsurance of the fixed and fixed indexed annuity business of VIAC to affiliates of Athene. Following the closing of the Transaction, the Company, through its other insurance subsidiaries, continues to own surplus notes issued by VIAC in an aggregate principal amount of $350 and acquired a 9.99% equity interest in VA Capital. The investment in surplus notes is reported in Fixed maturities, available-for-sale on the Company's Condensed Consolidated Balance Sheet as of June 30, 2018. VIAC's corresponding liability is included in Liabilities held for sale on the Company's Condensed Consolidated Balance Sheet as of December 31, 2017. In the summary of major categories of assets and liabilities related to discontinued operations as of December 31, 2017 presented below, VIAC's corresponding liability for the surplus notes is included in Notes payable.

Pursuant to the terms of the MTA and prior to the closing of the Transaction, VIAC undertook certain restructuring transactions with several affiliates in order to transfer businesses and assets into and out of VIAC from and to the Company's affiliates. Such transactions included, but were not limited to, the following reinsurance transactions:

- VIAC recaptured the CBVA business previously assumed by Roaring River II, Inc., a subsidiary of the Company.
- the Company, through its subsidiary ReliaStar Life Insurance Company ("RLI") ceded, under modified coinsurance agreements, fixed and fixed indexed annuity reserves of $451 to Athene Annuity & Life Assurance Company ("AADE") and Athene Life Re, Ltd. ("ALRe"). Under the terms of the agreements, AADE and ALRe contractually assumed from the Company the policyholder liabilities and obligations related to the policies, although the Company remains obligated to the policyholders. Upon the consummation of the agreements, the Company recognized no gain or loss in the Condensed Consolidated Statements of Operations.
- the Company, through its subsidiary RLI, assumed, under coinsurance and modified coinsurance agreements, certain individual life and deferred annuity policies from VIAC. Upon the consummation of the agreements, the Company recognized no gain or loss in the Condensed Consolidated Statements of Operations. As of June 30, 2018, assumed reserves related to these agreements were $856.

In connection with the closing, Voya Investment Management Co., LLC ("Voya IM") or its affiliated advisors, entered into one or more agreements to perform asset management and ancillary services for Venerable as part of the transaction. As part of the agreements, Voya IM will serve as the preferred asset management partner for Venerable. Under the agreements, subject to certain criteria, Voya IM will manage and service certain assets, including, for at least five years following the closing of the transaction, certain general account assets. The Company and Voya IM also agreed to provide certain transitional services to Venerable following the closing of the Transaction. The length of each service varies depending on the type of service provided.

The Company has determined that the CBVA and Annuities businesses disposed of in the Transaction meet the criteria to be classified as discontinued operations and that the sale represents a strategic shift that has a major effect on the Company's operations. Accordingly, the results of operations of the businesses sold have been presented as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows for all periods presented, and the assets and liabilities of the businesses sold were classified as held for sale in the Condensed Consolidated Balance Sheet as of December 31, 2017. If, immediately prior to the sale, the carrying value of the business classified as discontinued operations exceeds its estimated fair value less cost to sell, a loss is recognized.

The results of discontinued operations are reported in "Income (loss) from discontinued operations, net of tax" in the accompanying Condensed Consolidated Statements of Operations for all periods presented. As of December 31, 2017, the Company recorded an estimated loss on sale, net of tax of $2,423 which included estimated transactions costs of $31 as well as the loss of $692 of deferred tax assets to write down the assets of the businesses sold to fair value less cost to sell as of December 31, 2017. Income (loss) from discontinued operations, net of tax, for the six months ended June 30, 2018 includes a favorable adjustment to the estimated loss on sale of $505, net of tax. The loss on sale, net of tax as of June 30, 2018 of $1,918, which includes the loss of $460 of deferred tax assets, represents the excess of the carrying value, immediately prior to the sale, of the businesses classified as discontinued operations over the purchase price, which approximates fair value, less cost to sell. Additionally, in connection with the Transaction, the Company reversed $79 of other comprehensive income, net of tax that was previously recorded and related to the Annuity and CBVA businesses sold. The Buyers have the option to inquire or request changes to the closing Required Adjusted Book Value and/or Statutory capital of VIAC during a period of 180 days after the close of the Transaction. Based on the Company's receipt and review of any inquiries, the Company may determine that additional updates to the closing Required Adjusted Book Value and/or Statutory capital of VIAC are required which may cause changes to the purchase price for VIAC. Consequently, this may impact the final loss on sale related to the Transaction which will result in changes to be recorded in the Company's Condensed Consolidated Statements of Operations in future periods related to the loss on sale.

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The following table summarizes the major categories of assets and liabilities classified as discontinued operations in the accompanying Condensed Consolidated Balance Sheet as of December 31, 2017:

	December 31, 2017
Assets:	
Investments:	
Fixed maturities, available-for-sale, at fair value	$ 21,904
Fixed maturities, at fair value using the fair value option	615
Short-term investments	352
Mortgage loans on real estate, net of valuation allowance	4,212
Derivatives	1,514
Other investments[1]	351
Securities pledged	861
Total investments	29,809
Cash and cash equivalents	498
Short-term investments under securities loan agreements, including collateral delivered	473
Deferred policy acquisition costs and Value of business acquired	805
Sales inducements	196
Deferred income taxes	404
Other assets[2]	396
Assets held in separate accounts	28,894
Write-down of businesses held for sale to fair value less cost to sell	(2,423)
Total assets held for sale	$ 59,052
Liabilities:	
Future policy benefits and contract owner account balances	$ 27,065
Payables under securities loan agreement, including collateral held	1,152
Derivatives	782
Notes payable	350
Other liabilities	34
Liabilities related to separate accounts	28,894
Total liabilities held for sale	$ 58,277

[1] Includes Other investments, Equity securities, Limited Partnerships/corporations and Policy loans.
[2] Includes Other assets, Accrued investment income, Premium receivable and reinsurance recoverable.

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The following table summarizes the components of Income (loss) from discontinued operations, net of tax for the five months ended May 31, 2018 (the Transaction closed on June 1, 2018) and the six months ended June 30, 2017:

	Five Months Ended May 31, 2018	Six Months Ended June 30, 2017
Revenues:		
Net investment income	$ 510	$ 633
Fee income	295	412
Premiums	(50)	96
Total net realized capital gains (losses)	(345)	(588)
Other revenue	10	11
Total revenues	420	564
Benefits and expenses:		
Interest credited and other benefits to contract owners/policyholders	442	550
Operating expenses	(14)	133
Net amortization of Deferred policy acquisition costs and Value of business acquired	49	68
Interest expense	10	10
Total benefits and expenses	487	761
Income (loss) from discontinued operations before income taxes	(67)	(197)
Income tax expense (benefit)	(19)	(99)
Adjustment to loss on sale, net of tax	505	—
Income (loss) from discontinued operations, net of tax	$ 457	$ (98)

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3. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities were as follows as of June 30, 2018:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$ 1,815	$ 365	$ 4	$ —	$ 2,176	$ —
U.S. Government agencies and authorities	204	39	—	—	243	—
State, municipalities and political subdivisions	1,648	32	21	—	1,659	—
U.S. corporate public securities	19,541	1,297	261	—	20,577	—
U.S. corporate private securities	6,224	178	141	—	6,261	—
Foreign corporate public securities and foreign governments[1]	5,259	252	111	—	5,400	—
Foreign corporate private securities[1]	5,247	110	105	—	5,252	—
Residential mortgage-backed securities:						
Agency	2,957	141	56	14	3,056	—
Non-Agency	1,539	96	10	11	1,636	13
Total Residential mortgage-backed securities	4,496	237	66	25	4,692	13
Commercial mortgage-backed securities	2,954	27	49	—	2,932	—
Other asset-backed securities	1,863	35	9	—	1,889	3
Total fixed maturities, including securities pledged	49,251	2,572	767	25	51,081	16
Less: Securities pledged	1,882	151	39	—	1,994	—
Total fixed maturities	$ 47,369	$ 2,421	$ 728	$ 25	$ 49,087	$ 16

[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 (loss).
[4] Amount excludes $335 of net unrealized gains on impaired available-for-sale securities.

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Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2017:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3][4]
Fixed maturities:						
U.S. Treasuries	$ 2,047	$ 477	$ 2	$ —	$ 2,522	$ —
U.S. Government agencies and authorities	223	52	—	—	275	—
State, municipalities and political subdivisions	1,856	68	11	—	1,913	—
U.S. corporate public securities	20,857	2,451	50	—	23,258	—
U.S. corporate private securities	5,628	255	50	—	5,833	—
Foreign corporate public securities and foreign governments[1]	5,241	493	18	—	5,716	—
Foreign corporate private securities[1]	4,974	251	64	—	5,161	10
Residential mortgage-backed securities:						
Agency	2,990	164	30	21	3,145	—
Non-Agency	1,257	110	4	16	1,379	16
Total Residential mortgage-backed securities	4,247	274	34	37	4,524	16
Commercial mortgage-backed securities	2,646	69	11	—	2,704	—
Other asset-backed securities	1,488	43	3	—	1,528	3
Total fixed maturities, including securities pledged	49,207	4,433	243	37	53,434	29
Less: Securities pledged	1,823	284	20	—	2,087	—
Total fixed maturities	47,384	4,149	223	37	51,347	29
Equity securities:						
Common stock	272	1	—	—	273	—
Preferred stock	81	26	—	—	107	—
Total equity securities	353	27	—	—	380	—
Total fixed maturities and equity securities investments	$ 47,737	$ 4,176	$ 223	$ 37	$ 51,727	$ 29

(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 (loss).
(4) Amount excludes $441 of net unrealized gains on impaired available-for-sale securities.

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The amortized cost and fair value of fixed maturities, including securities pledged, as of June 30, 2018, 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	$ 857	$865
After one year through five years	7,695	7,817
After five years through ten years	9,953	9,943
After ten years	21,433	22,943
Mortgage-backed securities	7,450	7,624
Other asset-backed securities	1,863	1,889
Fixed maturities, including securities pledged	$ 49,251	$51,081

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, 2018 and December 31, 2017, 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 Total shareholders' equity.

The following tables present 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, 2018				
Communications	$ 2,601	$ 180	$ 29	$2,752
Financial	5,327	346	72	5,601
Industrial and other companies	15,752	654	278	16,128
Energy	4,061	266	83	4,244
Utilities	6,383	317	110	6,590
Transportation	1,294	56	25	1,325
Total	$ 35,418	$ 1,819	$ 597	$36,640
December 31, 2017				
Communications	$ 2,587	$ 341	$ 4	$2,924
Financial	5,094	487	5	5,576
Industrial and other companies	16,478	1,391	98	17,771
Energy	4,268	459	45	4,682
Utilities	6,243	607	22	6,828
Transportation	1,295	121	4	1,412

Total	$ 35,965	$ 3,406	$ 178	$ 39,193

Fixed Maturities and Equity Securities

The Company's fixed maturities are currently designated as available-for-sale, except those accounted for using the FVO. Prior to the adoption of ASU 2016-01 as of January 1, 2018, equity securities were also designated as available-for-sale. Available-for-sale securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in AOCI and presented net of related changes in Deferred policy acquisition costs ("DAC"), Value of business acquired ("VOBA") and Deferred income taxes. In addition, certain fixed maturities have embedded derivatives, which are reported with the host contract on the Condensed Consolidated Balance Sheets.

The Company has elected the FVO for certain of its fixed maturities to better match the measurement of assets and liabilities in the Condensed Consolidated Statements of Operations. Certain collateralized mortgage obligations ("CMOs"), primarily interest-only and principal-only strips, are accounted for as hybrid instruments and reported at fair value with changes in the fair value recorded in Other net realized capital gains (losses) in the Condensed Consolidated Statements of Operations.

The Company invests in various categories of 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, 2018 and December 31, 2017, approximately 42.0% and 43.2%, respectively, of the Company's CMO holdings, were invested in the above mentioned types of CMOs such as interest-only or principal-only strips, that are subject to more prepayment and extension risk than traditional CMOs.

Public corporate fixed maturity securities are distinguished from private corporate fixed maturity securities based upon the manner in which they are transacted. Public corporate fixed maturity securities are issued initially through market intermediaries on a registered basis or pursuant to Rule 144A under the Securities Act of 1933 (the "Securities Act") and are traded on the secondary market through brokers acting as principal. Private corporate fixed maturity securities are originally issued by borrowers directly to investors pursuant to Section 4(a)(2) of the Securities Act, and are traded in the secondary market directly with counterparties, either without the participation of a broker or in agency transactions.

Repurchase Agreements

As of June 30, 2018, the Company had immaterial securities pledged in repurchase agreement transactions and did not have any securities pledged in dollar rolls or reverse repurchase agreements. As of December 31, 2017, the Company did not have any such securities pledged.

Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions, through a lending agent, for short periods of time. The Company has the right to approve any institution with whom the lending agent transacts on its behalf. Initial collateral is required at a rate of 102% of the market value of the loaned securities. The lending agent retains the collateral and invests it in high quality liquid assets on behalf of the Company. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. The lending agent indemnifies the Company against losses resulting from the failure of a counterparty to return securities pledged where collateral is insufficient to cover the loss. As of June 30, 2018 and December 31, 2017, the fair value of loaned securities was $1,739 and $1,854, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets.

If cash is received as collateral, the lending agent retains the cash collateral and invests it in short-term liquid assets on behalf of the Company. As of June 30, 2018 and December 31, 2017, cash collateral retained by the lending agent and invested in short-term liquid assets on the Company's behalf was $1,649 and $1,589, respectively, and is recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of June 30, 2018 and December 31, 2017, liabilities to return collateral of $1,649 and $1,589, respectively, are included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

(Dollar amounts in millions, unless otherwise stated)

The Company accepts non-cash collateral in the form of securities. The securities retained as collateral by the lending agent may not be sold or re-pledged, except in the event of default, and are not reflected on the Company's Condensed Consolidated Balance Sheets. This collateral generally consists of U.S. Treasury, U.S. Government agency securities and MBS pools. As of June 30, 2018 and December 31, 2017, the fair value of securities retained as collateral by the lending agent on the Company's behalf was $151 and $308, respectively.

The following table presents borrowings under securities lending transactions by class of collateral pledged for the dates indicated:

	June 30, 2018 (1)(2)	December 31, 2017 (1)(2)
U.S. Treasuries	$523	$ 587
U.S. Government agencies and authorities	6	5
U.S. corporate public securities	909	967
Short-term investments	2	—
Foreign corporate public securities and foreign governments	360	338
Payables under securities loan agreements	$1,800	$ 1,897

(1)As of June 30, 2018 and December 31, 2017, borrowings under securities lending transactions include cash collateral of $1,649 and $1,589, respectively.
(2)As of June 30, 2018 and December 31, 2017, borrowings under securities lending transactions include non-cash collateral of $151 and $308, respectively.

The Company's securities lending activities are conducted on an overnight basis, and all securities loaned can be recalled at any time. The Company does not offset assets and liabilities associated with its securities lending program.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

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, 2018:

	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	$54	$ 1	$48	$ 1	$47	$ 2	$149	$ 4
State, municipalities and political subdivisions	499	8	97	4	161	9	757	21
U.S. corporate public securities	5,288	164	645	45	468	52	6,401	261
U.S. corporate private securities	1,976	44	276	18	665	79	2,917	141
Foreign corporate public securities and foreign governments	2,039	71	213	20	132	20	2,384	111
Foreign corporate private securities	1,557	67	96	6	309	32	1,962	105
Residential mortgage-backed	626	14	278	19	436	33	1,340	66
Commercial mortgage-backed	1,212	18	523	25	76	6	1,811	49
Other asset-backed	738	6	84	2	31	1	853	9
Total	$13,989	$ 393	$2,260	$ 140	$2,325	$ 234	$18,574	$ 767

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

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, 2017:

	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	$166	$ 2	$ —	$ —	$15	$ —	$181	$ 2
State, municipalities and political subdivisions	356	9	6	—	35	2	397	11
U.S. corporate public securities	1,399	47	8	—	114	3	1,521	50
U.S. corporate private securities	1,068	46	—	—	84	4	1,152	50
Foreign corporate public securities and foreign governments	463	17	6	—	26	1	495	18
Foreign corporate private securities	493	64	9	—	8	—	510	64
Residential mortgage-backed	967	32	6	—	81	2	1,054	34
Commercial mortgage-backed	756	10	18	—	86	1	860	11
Other asset-backed	374	3	4	— *	27	—	405	3
Total	$6,042	$ 230	$ 57	$ —	$476	$ 13	$6,575	$ 243

* Less than $1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 90.9% and 97.3% of the average book value as of June 30, 2018 and December 31, 2017, respectively.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

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, 2018						
Six months or less below amortized cost	$14,320	$155	$369	$ 43	1,826	19
More than six months and twelve months or less below amortized cost	2,865	4	161	1	537	4
More than twelve months below amortized cost	1,874	123	158	35	263	15
Total	$19,059	$282	$688	$ 79	2,626	38
December 31, 2017						
Six months or less below amortized cost	$6,126	$196	$148	$ 82	1,098	38
More than six months and twelve months or less below amortized cost	48	—	1	—	14	—
More than twelve months below amortized cost	448	—	12	—	87	—
Total	$6,622	$196	$161	$ 82	1,199	38

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

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, 2018						
U.S. Treasuries	$153	$—	$4	$ —	25	—
State, municipalities and political subdivisions	778	—	21	—	160	—
U.S. corporate public securities	6,624	38	251	10	898	2
U.S. corporate private securities	2,964	94	115	26	217	2
Foreign corporate public securities and foreign governments	2,454	41	102	9	333	5
Foreign corporate private securities	1,974	93	77	28	126	4
Residential mortgage-backed	1,391	15	61	5	410	23
Commercial mortgage-backed	1,860	—	49	—	285	—
Other asset-backed	861	1	8	1	172	1
Total	$19,059	$282	$688	$ 79	2,626	38
December 31, 2017						
U.S. Treasuries	$183	$—	$2	$ —	29	—
State, municipalities and political subdivisions	408	—	11	—	103	—
U.S. corporate public securities	1,553	18	45	5	232	2
U.S. corporate private securities	1,129	73	28	22	73	2
Foreign corporate public securities and foreign governments	506	7	16	2	84	1
Foreign corporate private securities	490	84	16	48	35	6
Residential mortgage-backed	1,075	13	29	5	334	25
Commercial mortgage-backed	871	—	11	—	164	—
Other asset-backed	407	1	3	—	145	2
Total	$6,622	$196	$161	$ 82	1,199	38

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

The following tables summarize loan-to-value, credit enhancement and fixed floating rate details for residential mortgage-backed securities ("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, 2018	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$—	$ —	$ —	$ —
Non-agency RMBS > 90% - 100%	—	—	—	—
Non-agency RMBS 80% - 90%	—	—	—	—
Non-agency RMBS < 80%	485	—	10	—
Agency RMBS	920	15	51	5
Other ABS (Non-RMBS)	847	1	8	1
Total RMBS and Other ABS	$2,252	$ 16	$ 69	$ 6

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
June 30, 2018	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$299	$ —	$ 8	$ —
Non-agency RMBS > 5% - 10%	13	—	—	—
Non-agency RMBS > 0% - 5%	159	—	1	—
Non-agency RMBS 0%	14	—	1	—
Agency RMBS	920	15	51	5
Other ABS (Non-RMBS)	847	1	8	1
Total RMBS and Other ABS	$2,252	$ 16	$ 69	$ 6

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
June 30, 2018	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$1,216	$ 3	$ 39	$ 1
Floating Rate	1,036	13	30	5
Total	$2,252	$ 16	$ 69	$ 6

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

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$—	$ —	$ —	$ —
Non-agency RMBS > 90% - 100%	—	—	—	—
Non-agency RMBS 80% - 90%	13	—	—	—
Non-agency RMBS < 80%	211	1	4	—
Agency RMBS	878	12	26	4
Other ABS (Non-RMBS)	380	1	2	1
Total RMBS and Other ABS	$1,482	$ 14	$ 32	$ 5

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2017	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$162	$ —	$ 2	$ —
Non-agency RMBS > 5% - 10%	11	—	—	—
Non-agency RMBS > 0% - 5%	25	1	1	—
Non-agency RMBS 0%	26	—	1	—
Agency RMBS	878	12	26	4
Other ABS (Non-RMBS)	380	1	2	1
Total RMBS and Other ABS	$1,482	$ 14	$ 32	$ 5

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2017	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$1,104	$ 6	$ 20	$ 2
Floating Rate	378	8	12	3
Total	$1,482	$ 14	$ 32	$ 5

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

Investments with fair values less than amortized cost are included in the Company's other-than-temporary impairments analysis. 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 (typically pre-2008) 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 the valuation of a particular security within the trust will also 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. 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.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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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 restructuring 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, 2018, the Company did not have any new commercial mortgage loan or private placement troubled debt restructuring. As of December 31, 2017 the Company did not have any new commercial mortgage loan troubled debt restructuring and had one private placement troubled debt restructuring with a pre-modification and post-modification carrying value of $22.

As of June 30, 2018 and December 31, 2017, the Company did not have any 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. 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 mortgage loans based on relevant current information including a review 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. The components to evaluate debt service coverage are received and reviewed at least annually to determine the level of risk.

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

	June 30, 2018			December 31, 2017		
	Impaired	Non Impaired	Total	Impaired	Non Impaired	Total
Commercial mortgage loans	$4	$ 8,902	$8,906	$4	$ 8,685	$8,689
Collective valuation allowance for losses	N/A	(2)	(2)	N/A	(3)	(3)
Total net commercial mortgage loans	$4	$ 8,900	$8,904	$4	$ 8,682	$8,686

N/A - Not Applicable

There were no impairments taken on the mortgage loan portfolio for the three and six months ended June 30, 2018 and 2017.

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

	June 30, 2018	December 31, 2017
Collective valuation allowance for losses, balance at January 1	$ 3	$ 3
Addition to (reduction of) allowance for losses	(1)	—
Collective valuation allowance for losses, end of period	$ 2	$ 3

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Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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The carrying values and unpaid principal balances of impaired mortgage loans were as follows as of the dates indicated:

	June 30, 2018	December 31, 2017
Impaired loans without allowances for losses	$ 4	$ 4
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	$ 4	$ 4
Unpaid principal balance of impaired loans	$ 6	$ 6

As of June 30, 2018 and December 31, 2017, the Company did not have any impaired loans with allowances for losses.

The Company defines delinquent mortgage loans consistent with industry practice as 60 days past due. The Company's policy is to recognize interest income until a loan becomes 90 days delinquent or foreclosure proceedings are commenced, at which point interest accrual is discontinued. Interest accrual is not resumed until the loan is brought current.

There were no mortgage loans in the Company's portfolio in process of foreclosure as of June 30, 2018 and December 31, 2017.

There were no loans 30 days or less in arrears, with respect to principal and interest as of June 30, 2018 and December 31, 2017.

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, 2018	2017
Impaired loans, average investment during the period (amortized cost) [(1)]	$ 4	$ 5
Interest income recognized on impaired loans, on an accrual basis [(1)]	—	—
Interest income recognized on impaired loans, on a cash basis [(1)]	—	—
Interest income recognized on troubled debt restructured loans, on an accrual basis	—	—

[(1)] Includes amounts for Troubled debt restructured loans.

	Six Months Ended June 30, 2018	2017
Impaired loans, average investment during the period (amortized cost) [(1)]	$ 4	$ 5
Interest income recognized on impaired loans, on an accrual basis [(1)]	—	—
Interest income recognized on impaired loans, on a cash basis [(1)]	—	—

Interest income recognized on troubled debt restructured loans, on an accrual basis	—	—

[(1)] Includes amounts for Troubled debt restructured loans.

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 a property’s operations do not generate sufficient income to cover debt payments. These ratios are utilized as part of the review process described above.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

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

	June 30, 2018[(1)]	December 31, 2017[(1)]
Loan-to-Value Ratio:		
0% - 50%	$ 873	$ 849
> 50% - 60%	2,164	2,125
> 60% - 70%	5,214	5,144
> 70% - 80%	622	551
> 80% and above	33	20
Total Commercial mortgage loans	$ 8,906	$ 8,689

(1) Balances do not include collective valuation allowance for losses.

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

	June 30, 2018 (1)	December 31, 2017 (1)
Debt Service Coverage Ratio:		
Greater than 1.5x	$ 7,105	$ 7,013
> 1.25x - 1.5x	729	655
> 1.0x - 1.25x	922	893
Less than 1.0x	95	105
Commercial mortgage loans secured by land or construction loans	55	23
Total Commercial mortgage loans	$ 8,906	$ 8,689

(1) Balances do not include collective valuation allowance for losses.

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, 2018 (1)			December 31, 2017 (1)		
	Gross Carrying Value	% of Total		Gross Carrying Value	% of Total	
Commercial Mortgage Loans by U.S. Region:						
Pacific	$ 2,134	24.0	%	$ 2,024	23.4	%
South Atlantic	1,775	19.9	%	1,716	19.7	%
Middle Atlantic	1,545	17.3	%	1,612	18.5	%
West South Central	989	11.1	%	959	11.0	%
Mountain	948	10.6	%	859	9.9	%
East North Central	861	9.7	%	884	10.2	%
New England	156	1.8	%	161	1.8	%
West North Central	426	4.8	%	391	4.5	%
East South Central	72	0.8	%	83	1.0	%

Total Commercial mortgage loans	$8,906	100.0%	$8,689	100.0%

(1) Balances do not include collective valuation allowance for losses.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(Dollar amounts in millions, unless otherwise stated)

	June 30, 2018 (1)		December 31, 2017 (1)	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Commercial Mortgage Loans by Property Type:				
Retail	$2,572	28.9 %	$2,587	29.7 %
Industrial	2,115	23.7 %	2,108	24.3 %
Apartments	2,037	22.9 %	1,849	21.3 %
Office	1,379	15.5 %	1,384	15.9 %
Hotel/Motel	306	3.4 %	309	3.6 %
Other	418	4.7 %	364	4.2 %
Mixed Use	79	0.9 %	88	1.0 %
Total Commercial mortgage loans	$8,906	100.0%	$8,689	100.0%

(1) Balances do not include collective valuation allowance for losses.

The following table presents mortgages by year of origination as of the dates indicated:

	June 30, 2018 (1)	December 31, 2017 (1)
Year of Origination:		
2018	$528	$ —
2017	1,556	1,525
2016	1,431	1,428
2015	1,198	1,250
2014	1,269	1,303
2013	1,236	1,287
2012 and prior	1,688	1,896
Total Commercial mortgage loans	$8,906	$ 8,689

(1) Balances do not include collective valuation allowance for losses.

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 in accordance with its impairment policy in order to evaluate whether such investments are other-than-temporarily impaired.

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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,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	$—	—	$ —*	3
U.S. corporate public securities	—	—	— *	1
Foreign corporate private securities[1]	—	—	—	—
Residential mortgage-backed	1	18	1	15
Commercial mortgage-backed	—	—	— *	1
Total	$1	18	$ 1	20

* Less than $1
[1] Primarily U.S. dollar denominated.

	Six Months Ended June 30,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
State, municipalities and political subdivisions	$—	—	$ 1	3
U.S. corporate public securities	—	—	— *	1
Foreign corporate private securities[1]	14	1	—	—
Residential mortgage-backed	1	25	1	34
Commercial mortgage-backed	—	—	1	3
Total	$15	26	$ 3	41

* Less than $1
[1] Primarily U.S. dollar denominated.

The above tables include $15 of write-downs related to credit impairments for the six months ended June 30, 2018 in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. There were immaterial write-downs related to credit impairments for the three months ended June 30, 2018. There were immaterial write-downs related to intent impairments for the three and six months ended June 30, 2018.

The above tables include $2 of write-downs related to credit impairments for the six months ended June 30, 2017 in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. There were immaterial write-downs related to credit impairments for the three months ended June 30, 2017. The remaining $1 and $1 in write-downs for the three and six months ended June 30, 2017, respectively, are related to intent impairments.

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

	Three Months Ended June 30,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities	$ —	—	$ —*	1
Residential mortgage-backed	—*	2	1	1
Commercial mortgage-backed	—	—	—*	1
Total	$ —	2	$ 1	3

(1) Primarily U.S. dollar denominated.
* Less than $1

	Six Months Ended June 30,			
	2018		2017	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. corporate public securities	$ —	—	$ —*	1
Residential mortgage-backed	—*	5	—*	6
Commercial mortgage-backed	—	—	1	3
Total	$ —	5	$ 1	10

* Less than $1

The Company may sell securities during the period in which fair value has declined below amortized cost for fixed maturities. 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.

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The following table presents 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,	
	2018	2017
Balance at April 1	$24	$ 28
Additional credit impairments:		
On securities previously impaired	—	—
Reductions:		
Increase in cash flows	—	—
Securities sold, matured, prepaid or paid down	2	1
Balance at June 30	$22	$ 27

	Six Months Ended June 30,	
	2018	2017
Balance at January 1	$40	$ 33
Additional credit impairments:		
On securities previously impaired	—	—
Reductions:		
Increase in cash flows	—	—
Securities sold, matured, prepaid or paid down	18	6
Balance at June 30	$22	$ 27

Net Investment Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Fixed maturities	$685	$676	$1,348	$1,350
Equity securities	3	2	6	4
Mortgage loans on real estate	99	96	196	193
Policy loans	26	26	51	51
Short-term investments and cash equivalents	5	2	9	4
Other	11	43	60	101
Gross investment income	829	845	1,670	1,703

Less: investment expenses	16	13	34	28
Net investment income	$813	$832	$1,636	$1,675

As of June 30, 2018 and December 31, 2017, the Company had $2 and $5, respectively, of investments in fixed maturities that did not produce net investment income. Fixed maturities are moved to a non-accrual status when the investment defaults.

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Interest income on fixed maturities is recorded when earned using an effective yield method, giving effect to amortization of premiums and accretion of discounts. Such interest income is recorded in Net investment income in the Condensed Consolidated Statements of Operations.

Net Realized Capital Gains (Losses)

Net realized capital gains (losses) comprise 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 products 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. Upon the adoption of ASU 2016-01 as of January 1, 2018, realized capital gains (losses) also include changes in fair value of equity securities. The cost of the investments on disposal is generally determined based on first-in-first-out ("FIFO") methodology.

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

	Three Months Ended June 30,	
	2018	2017
Fixed maturities, available-for-sale, including securities pledged	$—	$14
Fixed maturities, at fair value option	(143)	(27)
Equity securities	1	—
Derivatives	15	(3)
Embedded derivatives - fixed maturities	(5)	(4)
Guaranteed benefit derivatives	15	(9)
Other investments	(3)	4
Net realized capital gains (losses)	$(120)	$(25)
After-tax net realized capital gains (losses)	$(94)	$(9)

	Six Months Ended June 30,	
	2018	2017
Fixed maturities, available-for-sale, including securities pledged	$(40)	$(19)
Fixed maturities, at fair value option	(333)	(110)
Equity securities	(2)	—
Derivatives	32	36
Embedded derivatives - fixed maturities	(12)	(9)
Guaranteed benefit derivatives	43	(14)
Other investments	11	5
Net realized capital gains (losses)	$(301)	$(111)
After-tax net realized capital gains (losses)	$(237)	$(65)

For the three and six months ended June 30, 2018, the change in the fair value of equity securities still held as of June 30, 2018 was $1 and $(2), respectively.

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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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Proceeds on sales	$2,222	$1,954	$3,802	$2,376
Gross gains	21	36	32	31
Gross losses	31	13	57	31

4. Derivative Financial Instruments

The Company enters into the following types of derivatives:

Interest rate caps and floors: 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. The Company uses interest rate floor contracts to hedge interest rate exposure if rates decrease below a specified level. The Company pays an upfront premium to purchase these caps and floors. The Company utilizes these contracts in 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 qualifying hedging relationships as well as 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 utilizes currency forward contracts to hedge currency exposure related to its invested assets. 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 correlate to 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 interest rate futures contracts to hedge its exposure to market risks due to changes in interest rates. The Company enters into exchange traded futures with regulated futures commissions that are members of the exchange. The Company also posts initial and variation margins, with the exchange, on a daily basis. The Company utilizes exchange-traded futures in non-qualifying hedging relationships. The Company may also use futures contracts as a hedge against an increase in certain equity indices. Such increases may result in increased payments to the holders of fixed index annuity ("FIA") contracts.

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. The Company pays a premium when it purchases the swaption. The Company utilizes these contracts in non-qualifying hedging relationships.

Options: The Company uses equity options to hedge against an increase in various equity indices, and interest rate options to hedge against an increase in the interest rate benchmarked crediting strategies within FIA contracts. Such increases may result in increased payments to the holders of the FIA and IUL contracts. The Company pays an upfront premium to purchase these options. The Company utilizes these options in non-qualifying hedging relationships.

Currency Options: The Company uses currency option contracts to hedge currency exposure related to its invested assets. The Company utilizes these contracts in non-qualifying hedging relationships.

Managed custody guarantees ("MCGs"): The Company issues certain credited rate guarantees on variable fixed income portfolios 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 products that contain embedded derivatives for which 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 coinsurance with funds withheld arrangements, which contain embedded derivatives.

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 equity 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. However, in accordance with the Chicago Mercantile Exchange ("CME") rule changes related to the variation margin payments, effective the first quarter of 2017, the Company is required to adjust the derivative balances with the variation margin payments related to its cleared derivatives executed through CME.

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

	June 30, 2018			December 31, 2017		
	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	$56	$—	$ —	$56	$—	$ —
Foreign exchange contracts	700	3	51	625	—	60
Derivatives: Non-qualifying for hedge accounting[1]						
Interest rate contracts	25,621	186	51	27,482	173	58
Foreign exchange contracts	51	3	—	85	—	2
Equity contracts	1,640	166	10	1,526	198	19
Credit contracts	1,708	18	5	1,983	26	10
Embedded derivatives and Managed custody guarantees:						
Within fixed maturity investments	N/A	25	—	N/A	37	—
Within products	N/A	—	245	N/A	—	306
Within reinsurance agreements	N/A	—	38	N/A	—	129
Total		$401	$ 400		$434	$ 584

[1] Open derivative contracts are reported as Derivatives assets or liabilities on the Condensed Consolidated Balance Sheets at fair value.
N/A - Not Applicable

Based on the notional amounts, a substantial portion of the Company's derivative positions was not designated or did not qualify for hedge accounting as part of a hedging relationship as of June 30, 2018 and December 31, 2017. The Company utilizes derivative contracts mainly to hedge exposure to variability in cash flows, interest rate risk, credit risk, foreign exchange risk and equity market risk. The majority of derivatives used by the Company are designated as product hedges, which hedge the exposure arising from insurance liabilities or guarantees embedded in the contracts the Company offers through various product lines. These derivatives do not qualify for hedge accounting as they do not meet the criteria of being "highly effective" as outlined in ASC Topic 815, but do provide an economic hedge, which is in line with the Company's risk management objectives. The Company also uses derivatives contracts to hedge its exposure to various risks associated with the investment portfolio. The Company does not seek hedge accounting treatment for certain of these derivatives as they generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules outlined in ASC Topic 815. The Company also uses credit default swaps coupled with other investments in order to produce the investment characteristics of otherwise permissible investments that do not qualify as effective accounting hedges under ASC Topic 815.

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Although the Company has not elected to net its derivative exposures, the notional amounts and fair values of Over-The-Counter ("OTC") and cleared derivatives excluding exchange traded contracts and forward contracts (To Be Announced mortgage-backed securities) are presented in the tables below as of the dates indicated:

	June 30, 2018		
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$1,708	$ 18	$ 5
Equity contracts	1,479	166	10
Foreign exchange contracts	751	6	51
Interest rate contracts	21,782	186	51
		376	117
Counterparty netting[1]		(71)	(71)
Cash collateral netting[1]		(268)	—
Securities collateral netting[1]		(25)	(41)
Net receivables/payables		$ 12	$ 5

[1] Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

	December 31, 2017		
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$1,983	$ 26	$ 10
Equity contracts	1,382	197	19
Foreign exchange contracts	710	—	62
Interest rate contracts	24,490	173	57
		396	148
Counterparty netting[1]		(100)	(100)
Cash collateral netting[1]		(251)	—
Securities collateral netting[1]		(37)	(40)
Net receivables/payables		$ 8	$ 8

[1] Represents the netting of receivable balances with payable balances, net of collateral, for the same counterparty under eligible netting agreements.

Collateral

Under the terms of the OTC Derivative International Swaps and Derivatives Association, Inc. ("ISDA") agreements, the Company may receive from, or deliver to, counterparties collateral to assure that 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, 2018, the Company held $148 and $128 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2017, the Company held $174 and $73 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of June 30, 2018, the Company delivered $255 of securities and held $25 of securities as collateral. As of December 31, 2017, the Company delivered $233 of securities and held $38 of securities as collateral.

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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,	
	2018	2017	2018	2017
Derivatives: Qualifying for hedge accounting[1]				
Cash flow hedges:				
Foreign exchange contracts	$2	$1	$4	$21
Derivatives: Non-qualifying for hedge accounting[2]				
Interest rate contracts	12	(6)	33	(8)
Foreign exchange contracts	5	—	3	(3)
Equity contracts	(5)	(5)	(9)	15
Credit contracts	1	7	1	11
Embedded derivatives and Managed custody guarantees:				
Within fixed maturity investments[2]	(5)	(4)	(12)	(9)
Within products[2]	15	(9)	43	(14)
Within reinsurance agreements[3]	33	(31)	88	(35)
Total	$58	$(46)	$151	$(22)

[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, 2018 and 2017, 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

The Company has entered into various credit default swaps. When credit default swaps are sold, the Company assumes credit exposure to certain assets that it does not own. Credit default swaps may also be purchased to reduce credit exposure in the Company’s portfolio. Credit default swaps involve a transfer of credit risk from one party to another in exchange for periodic payments. As of June 30, 2018, the fair values of credit default swaps of $18 and $5 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2017, the fair values of credit default swaps of $26 and $10 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of June 30, 2018, the maximum potential future net exposure to the Company was $1.4 billion on credit default swap protection sold. As of December 31, 2017, the maximum potential future net exposure to the Company was $1.5 billion on credit default swap protection sold. These instruments are typically written for a maturity period of 5 years and contain no recourse provisions. If the Company's current debt and claims paying ratings were downgraded in the future, the terms in the Company's derivative agreements may be triggered, which could negatively impact overall liquidity.

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5. 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 ASU 2011-04, "Fair Value Measurements (ASC Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP" ("ASU 2011-04"). 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). 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, 2018:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$1,644	$532	$—	$2,176
U.S. Government agencies and authorities	—	243	—	243
State, municipalities and political subdivisions	—	1,659	—	1,659
U.S. corporate public securities	—	20,533	44	20,577
U.S. corporate private securities	—	4,976	1,285	6,261
Foreign corporate public securities and foreign governments[1]	—	5,388	12	5,400
Foreign corporate private securities[1]	—	5,018	234	5,252
Residential mortgage-backed securities	—	4,649	43	4,692
Commercial mortgage-backed securities	—	2,906	26	2,932
Other asset-backed securities	—	1,725	164	1,889
Total fixed maturities, including securities pledged	1,644	47,629	1,808	51,081
Equity securities	167	—	105	272
Derivatives:				
Interest rate contracts	—	186	—	186
Foreign exchange contracts	—	6	—	6
Equity contracts	—	28	138	166
Credit contracts	—	16	2	18
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	3,280	34	1	3,315
Assets held in separate accounts	73,113	5,491	38	78,642
Total assets	$78,204	$53,390	$2,092	$133,686
Percentage of Level to total	58 %	40 %	2 %	100 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
FIA	$—	$—	$34	$34
IUL	—	—	142	142
GMWBL/GMWB/GMAB[2]	—	—	6	6
Stabilizer and MCGs	—	—	63	63
Other derivatives:				
Interest rate contracts	—	51	—	51
Foreign exchange contracts	—	51	—	51
Equity contracts	1	9	—	10
Credit contracts	—	5	—	5
Embedded derivative on reinsurance	—	38	—	38
Total liabilities	$1	$154	$245	$400

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

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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, 2017:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$1,921	$601	$—	$2,522
U.S. Government agencies and authorities	—	275	—	275
State, municipalities and political subdivisions	—	1,913	—	1,913
U.S. corporate public securities	—	23,201	57	23,258
U.S. corporate private securities	—	4,706	1,127	5,833
Foreign corporate public securities and foreign governments(1)	—	5,705	11	5,716
Foreign corporate private securities(1)	—	4,992	169	5,161
Residential mortgage-backed securities	—	4,482	42	4,524
Commercial mortgage-backed securities	—	2,687	17	2,704
Other asset-backed securities	—	1,436	92	1,528
Total fixed maturities, including securities pledged	1,921	49,998	1,515	53,434
Equity securities, available-for-sale	278	—	102	380
Derivatives:				
Interest rate contracts	—	173	—	173
Equity contracts	—	44	154	198
Credit contracts	—	21	5	26
Cash and cash equivalents, short-term investments and short-term investments under securities loan agreements	3,277	38	—	3,315
Assets held in separate accounts	72,535	5,059	11	77,605
Total assets	$78,011	$55,333	$1,787	$135,131
Percentage of Level to total	58 %	41 %	1 %	100 %
Liabilities:				
Derivatives:				
Guaranteed benefit derivatives:				
FIA	$—	$—	$40	$40
IUL	—	—	159	159
GMWBL/GMWB/GMAB	—	—	10	10
Stabilizer and MCGs	—	—	97	97
Other derivatives:				
Interest rate contracts	—	58	—	58
Foreign exchange contracts	—	62	—	62
Equity contracts	—	19	—	19
Credit contracts	—	10	—	10
Embedded derivative on reinsurance	—	129	—	129
Total liabilities	$—	$278	$306	$584

(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 that is determined based on a hypothetical transaction at the measurement date, from a market participant's perspective. The Company considers three broad valuation approaches 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 approaches 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.

Fixed maturities: The fair values for actively traded marketable bonds are determined based upon the quoted market prices and are classified as Level 1 assets. Assets in this category primarily include certain U.S. Treasury securities.

For fixed maturities classified as Level 2 assets, fair values are determined using a matrix-based market approach, based on prices obtained from third-party commercial pricing services and the Company's matrix and analytics-based pricing models, which in each case incorporate a variety of market observable information as valuation inputs. The market observable inputs used for these fair value measurements, by fixed maturity asset class, are as follows:

U.S. Treasuries: Fair value is determined using third-party commercial pricing services, with the primary inputs being stripped interest and principal U.S. Treasury yield curves that represent a U.S. Treasury zero-coupon curve.

U.S. government agencies and authorities, State, municipalities and political subdivisions: Fair value is determined using third-party commercial pricing services, with the primary inputs being U.S. Treasury yield curves, trades of comparable securities, credit spreads off benchmark yields and issuer ratings.

U.S. corporate public securities, Foreign corporate public securities and foreign governments: Fair value is determined using third-party commercial pricing services, with the primary inputs being benchmark yields, trades of comparable securities, issuer ratings, bids and credit spreads off benchmark yields.

U.S. corporate private securities and Foreign corporate private securities: Fair values are determined using a matrix and analytics-based pricing model. The model incorporates the current level of risk-free interest rates, current corporate credit spreads, credit quality of the issuer and cash flow characteristics of the security. The model also considers a liquidity spread, the value of any collateral, the capital structure of the issuer, the presence of guarantees, and prices and quotes for comparably rated publicly traded securities.

RMBS, CMBS and ABS: Fair value is determined using third-party commercial pricing services, with the primary inputs being credit spreads off benchmark yields, prepayment speed assumptions, current and forecasted loss severity, debt service coverage ratios, collateral type, payment priority within tranche and the vintage of the loans underlying the security.

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Generally, the Company does not obtain more than one vendor price from pricing services per instrument. The Company uses a hierarchy process in which prices are obtained from a primary vendor and, if that vendor is unable to provide the price, the next vendor in the hierarchy is contacted until a price is obtained or it is determined that a price cannot be obtained from a commercial pricing service. When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities priced using independent broker quotes are classified as Level 3.

Broker quotes and prices obtained from pricing services are reviewed and validated through an internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades or monitoring of trading volumes. After review, for those instruments where the price is determined to be appropriate, the unadjusted price provided is used for financial statement valuation. If it is determined that the price is questionable, another price may be requested from a different vendor. The internal valuation committee then reviews all prices for the instrument again, along with information from the review, to determine which price best represents exit price for the instrument.

Fair values of privately placed bonds are determined primarily using a matrix-based pricing model and are generally classified as Level 2 assets. The model considers the current level of risk-free interest rates, current corporate spreads, the credit quality of the issuer and cash flow characteristics of the security. Also considered are factors such as the net worth of the borrower, the value of collateral, the capital structure of the borrower, the presence of guarantees and the Company's evaluation of the borrower's ability to compete in its relevant market. Using this data, the model generates estimated market values, which the Company considers reflective of the fair value of each privately placed bond.

Equity securities Fair values of publicly traded equity securities are based upon quoted market price and are classified as Level 1 assets. Other equity securities, typically private equities or equity securities not traded on an exchange, are valued by other sources such as analytics or brokers and are classified as Level 2 or Level 3 assets.

Derivatives: Derivatives are carried at fair value, which is determined using the Company's derivative accounting system in conjunction with observable key financial data from third-party sources, such as yield curves, exchange rates, S&P 500 Index prices, London Interbank Offered Rates ("LIBOR") and Overnight Index Swap ("OIS") rates.The Company uses OIS for valuations of collateralized interest rate derivatives, which are obtained from third-party sources. For those derivatives that are unable to be valued by the accounting system, the Company typically utilizes values established by third-party brokers. Counterparty credit risk is considered and incorporated in the Company's valuation process through counterparty credit rating requirements and monitoring of overall exposure. It is the Company's policy to transact only with investment grade counterparties with a credit rating of A- or better. The Company's nonperformance risk is also considered and incorporated in the Company's valuation process. Valuations for the Company's futures and interest rate forward contracts are based on unadjusted quoted prices from an active exchange and, therefore, are classified as Level 1. The Company also has certain credit default swaps and options that are priced by third party vendors or by using models that primarily use market observable inputs, but contain inputs that are not observable to market participants, which have been classified as Level 3. The remaining derivative instruments are valued based on market observable inputs and are classified as Level 2.

Cash and cash equivalents, Short-term investments and Short-term investments under securities loan agreement: The carrying amounts for cash reflect the assets' fair values. The fair values for cash equivalents and most short-term investments are determined based on quoted market prices. These assets are classified as Level 1. Other short-term investments are valued and classified in the fair value hierarchy consistent with the policies described herein, depending on investment type.

Assets held in separate accounts: Assets held in separate accounts are reported at the quoted fair values of the underlying investments in the separate accounts. The underlying investments include mutual funds, short-term investments and cash, the valuations of which are based upon a quoted market price and are included in Level 1. Fixed maturity valuations are obtained from third-party commercial pricing services and brokers and are classified in the fair value hierarchy consistent with the policy described above for fixed maturities.

Guaranteed benefit derivatives: The Company records reserves for annuity contracts containing GMWBL, GMWB and GMAB riders. The guarantee is an embedded derivative and is required to be accounted for separately from the host variable annuity contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of market return scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The index-crediting feature in the Company's FIA and IUL contracts is an embedded derivative that is required to be accounted for separately from the host contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts for FIAs and over the current indexed term for IULs. The cash flow estimates are produced by market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The Company records reserves for Stabilizer and MCG contracts containing guaranteed credited rates. The guarantee is treated as an embedded derivative or a stand-alone derivative (depending on the underlying product) and is required to be reported at fair value. The estimated fair value is determined based on the present value of projected future claims, minus the present value of future guaranteed premiums. At inception of the contract, the Company projects a guaranteed premium to be equal to the present value of the projected future claims. The income associated with the contracts is projected using relevant actuarial and capital market assumptions, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of risk neutral scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities.

The discount rate used to determine the fair value of the Company's GMAB, GMWB, GMWBL, FIA, IUL and Stabilizer embedded derivative liabilities and the stand-alone derivative for MCG includes an adjustment to reflect the risk that these obligations will not be fulfilled ("nonperformance risk"). The nonperformance risk adjustment incorporates a blend of observable, similarly rated peer holding company credit default swap spreads, adjusted to reflect the credit quality of the individual insurance subsidiary that issued the guarantee, as well as an adjustment to reflect the priority of policyholder claims.

The Company's valuation actuaries are responsible for the policies and procedures for valuing the embedded derivatives, reflecting the capital markets and actuarial valuation inputs and nonperformance risk in the estimate of the fair value of the embedded derivatives. The actuarial and capital market assumptions for each liability are approved by each product's Chief Risk Officer ("CRO"), including an independent annual review by the CRO. Models used to value the embedded derivatives must comply with the Company's governance policies.

Quarterly, an attribution analysis is performed to quantify changes in fair value measurements and a sensitivity analysis is used to analyze the changes. The changes in fair value measurements are also compared to corresponding movements in the hedge target to assess the validity of the attributions. The results of the attribution analysis are reviewed by the valuation actuaries, responsible CFOs, Controllers, CROs and/or others as nominated by management.

Embedded derivatives on reinsurance: The carrying value of embedded derivatives is estimated based upon the change in the fair value of the assets supporting the funds withheld payable under reinsurance agreements. The fair value of the embedded derivative is based on market observable inputs and is classified as Level 2.

Transfers in and out of Level 1 and 2

There were no securities transferred between Level 1 and Level 2 for the three and six months ended June 30, 2018 and 2017. 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 tables summarize the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the periods indicated:

	Three Months Ended June 30, 2018										
	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$ 36	$ —	$ —	$ 3	$ —	$ —	$ —	$ 5	$ —	$ 44	$ —
U.S. corporate private securities	1,148	7	(13)	169	—	(8)	(36)	18	—	1,285	—
Foreign corporate public securities and foreign governments[1]	12	—	—	—	—	—	—	—	—	12	—
Foreign corporate private securities[1]	179	8	(5)	122	—	(70)	—	—	—	234	—
Residential mortgage-backed securities	98	(2)	(1)	11	—	(40)	—	—	(23)	43	(2)
Commercial mortgage-backed securities	8	—	—	18	—	—	—	—	—	26	—
Other asset-backed securities	199	—	(2)	71	—	—	(2)	32	(134)	164	—
Total fixed maturities, including securities pledged	1,680	13	(21)	394	—	(118)	(38)	55	(157)	1,808	(2)

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	Three Months Ended June 30, 2018 (continued)										
	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
		Net Income	OCI								
Equity securities	$99	$ 1	$ —	$ 7	$ —	$ (2)	$ —	$ —	$ —	$ 105	$ 1
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(37)	(4)	—	—	3	—	4	—	—	(34)	—
IUL[2]	(150)	3	—	—	(14)	—	19	—	—	(142)	—
GMWBL/GMWB/GMAB[2]	(8)	3	—	—	(1)	—	—	—	—	(6)	—
Stabilizer and MCGs [2]	(77)	13	—	—	—	—	1	—	—	(63)	—
Other derivatives, net	151	(6)	—	10	—	—	(15)	—	—	140	(11)
Assets held in separate accounts [5]	11	—	—	27	—	—	—	—	—	38	—

[1] Primarily U.S. dollar denominated.
[2] 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.
[3] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[4] 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.
[5] 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 results in a net zero impact on Net income (loss) for the Company.

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	Six Months Ended June 30, 2018										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in:		Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
		Net Income	OCI								
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$ 57	$ —	$ (1)	$ 9	$ —	$ (13)	$ —	$ —	$ (8)	$ 44	$ —
U.S. corporate private securities	1,127	7	(39)	200	—	(8)	(42)	40	—	1,285	—
Foreign corporate public securities and foreign governments[1]	11	—	1	—	—	—	—	—	—	12	—
Foreign corporate private securities[1]	169	(6)	18	123	—	(70)	—	—	—	234	(13)
Residential mortgage-backed securities	42	(5)	(1)	12	—	—	—	—	(5)	43	(5)
Commercial mortgage-backed securities	17	—	—	26	—	—	—	—	(17)	26	—
Other asset-backed securities	92	—	(3)	89	—	—	(3)	35	(46)	164	—
Total fixed maturities, including securities pledged	1,515	(4)	(25)	459	—	(91)	(45)	75	(76)	1,808	(18)

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	Six Months Ended June 30, 2018 (continued)										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
Equity securities, available-for-sale	$102	$ (2)	$ —	$ 7	$ —	$ (2)	$ —	$ —	$ —	$ 105	$ (2)
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(40)	(4)	—	—	3	—	7	—	—	(34)	—
IUL[2]	(159)	7	—	—	(26)	—	36	—	—	(142)	—
GMWBL/GMWB/GMAB[2]	(10)	5	—	—	(1)	—	—	—	—	(6)	—
Stabilizer and MCGs[2]	(97)	35	—	—	(2)	—	1	—	—	(63)	—
Other derivatives, net	159	(8)	—	20	—	—	(31)	—	—	140	(19)
Assets held in separate accounts[5]	11	—	—	27	—	—	—	—	—	38	—

[1] Primarily U.S. dollar denominated.
[2] 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.
[3] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[4] 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.
[5] 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 results in a net zero impact on Net income (loss) for the Company.

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The following tables summarize the change in fair value of the Company's Level 3 assets and liabilities and transfers in and out of Level 3 for the periods indicated:

	Three Months Ended June 30, 2017										
	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$61	$ —	$ 1	$ 16	$ —	$ —	$ —	$ —	$ (20)	$ 58	$ —
U.S. corporate private securities	987	—	5	17	—	—	(5)	31	(15)	1,020	—
Foreign corporate public securities and foreign governments [1]	12	—	(1)	—	—	—	—	—	—	11	—
Foreign corporate private securities [1]	294	—	1	2	—	—	(8)	—	(89)	200	—
Residential mortgage-backed securities	64	(3)	1	17	—	(8)	—	1	—	72	(3)
Commercial mortgage-backed securities	27	—	—	9	—	—	(3)	—	(17)	16	—
Other asset-backed securities	47	—	—	57	—	(3)	(1)	—	(23)	77	—
Total fixed maturities, including securities pledged	1,492	(3)	7	118	—	(11)	(17)	32	(164)	1,454	(3)

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	Three Months Ended June 30, 2017 (continued)										
	Fair Value as of April 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
Equity securities, available-for-sale	$ 101	$ —	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ 102	$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(42)	—	—	—	(1)	—	—	—	—	(43)	—
IUL[2]	(110)	—	—	—	(9)	—	12	—	—	(107)	—
GMWBL/GMWB/GMAB[2]	(16)	—	—	—	—	—	—	—	—	(16)	—
Stabilizer and MCGs[2]	(131)	(9)	—	—	(1)	—	—	—	—	(141)	—
Other derivatives, net	102	—	—	8	—	—	1	—	—	111	9
Assets held in separate accounts[5]	12	—	—	1	—	(3)	—	—	(8)	3	—

[1] Primarily U.S. dollar denominated.
[2] 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.
[3] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[4] 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.
[5] 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 results in a net zero impact on Net income (loss) for the Company.

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	Six Months Ended June 30, 2017										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
Fixed maturities, including securities pledged:											
U.S. corporate public securities	$ 12	$ —	$ —	$ 29	$ —	$ —	$ (1)	$ 18	$ —	$ 58	$ —
U.S. corporate private securities	913	—	6	87	—	(2)	(9)	40	(15)	1,020	—
Foreign corporate public securities and foreign governments[1]	12	—	(1)	—	—	—	—	—	—	11	—
Foreign corporate private securities[1]	305	—	(1)	20	—	—	(36)	—	(88)	200	—
Residential mortgage-backed securities	57	(6)	1	27	—	(8)	(1)	2	—	72	(6)
Commercial mortgage-backed securities	16	—	—	9	—	—	(5)	—	(4)	16	—
Other asset-backed securities	53	—	1	57	—	—	(4)	2	(32)	77	—
Total fixed maturities, including securities pledged	1,368	(6)	6	229	—	(10)	(56)	62	(139)	1,454	(6)

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	Six Months Ended June 30, 2017 (continued)										
	Fair Value as of January 1	Total Realized/Unrealized Gains (Losses) Included in: Net Income	OCI	Purchases	Issuances	Sales	Settlements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Fair Value as of June 30	Change In Unrealized Gains (Losses) Included in Earnings[4]
Equity securities, available-for-sale	$ 94	$ —	$ 2	$ 8	$ —	$ (2)	$ —	$ —	$ —	$ 102	$ —
Derivatives:											
Guaranteed benefit derivatives:											
FIA[2]	(42)	(1)	—	—	(1)	—	1	—	—	(43)	—
IUL[2]	(81)	(29)	—	—	(17)	—	19	—	—	(107)	—
GMWBL/GMWB/GMAB[2]	(18)	4	—	—	(1)	—	—	—	—	(16)	—
Stabilizer and MCGs[2]	(150)	12	—	—	(2)	—	—	—	—	(141)	—
Other derivatives, net	72	27	—	15	—	—	(3)	—	—	111	39
Assets held in separate accounts[5]	5	—	—	6	—	(3)	—	2	(8)	3	—

[1] Primarily U.S. dollar denominated.
[2] 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.
[3] The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period.
[4] 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.
[5] 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 results in a net zero impact on Net income (loss) for the Company.

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For the three and six months ended June 30, 2018 and 2017, the transfers in and out of Level 3 for fixed maturities and separate accounts 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.

Significant Unobservable Inputs

The Company's Level 3 fair value measurements of its fixed maturities, equity securities 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.

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

Significant unobservable inputs used in the fair value measurements of GMWBLs, GMWBs and GMABs 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 policyholder behavior assumptions, such as lapses and partial withdrawals.

Significant unobservable inputs used in the fair value measurements of IULs include nonperformance risk and policyholder behavior assumptions, such as lapses.

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 GMWBL, GMWB and GMAB 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 GMWBL, GMWB and GMAB 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 company 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, 2018:

	Range[1]							
Unobservable Input	GMWBL/GMWB/GMAB		FIA		IUL		Stabilizer/MCGs	
Long-term equity implied volatility	15% to 25%		—		—		—	
Interest rate implied volatility	0.1% to 16%		—		—		0.1% to 6.5%	
Correlations between:								
Equity Funds	-13% to 99%		—		—		—	
Equity and Fixed Income Funds	-38% to 62%		—		—		—	
Interest Rates and Equity Funds	-32% to 26%		—		—		—	
Nonperformance risk	0.07% to 1.2%		0.07% to 1.2%		0.07% to 0.71%		0.07% to 1.2%	
Actuarial Assumptions:								
Benefit Utilization	70% to 100%	(2)	—		—		—	
Partial Withdrawals	0% to 3.4%	(2)	0% to 7%		—		—	
Lapses	0.1% to 15.3%	(3)(4)	0% to 56%	(3)	2% to 10%		0% to 50%	(5)
Policyholder Deposits[6]	—		—		—		0% to 50%	(5)
Mortality	—	(7)	—	(7)	—	(8)	—	

[1] Represents the range of reasonable assumptions that management has used in its fair value calculations.
[2] Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.
[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.
[4] The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." Lapse ranges are based on weighted average ranges of underlying account value exposure.
[5] 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	92	%	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	8	%	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100	%	0-50%	0-30%	0-50%	0-25%

[6] Measured as a percentage of assets under management or assets under administration.
[7] The mortality rate is based on the 2012 Individual Annuity Mortality Basic table with mortality improvements.
[8] The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

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The following table presents the unobservable inputs for Level 3 fair value measurements as of December 31, 2017:

	Range[1]							
Unobservable Input	GMWBL/GMWB/GMAB		FIA		IUL		Stabilizer/MCGs	
Long-term equity implied volatility	15% to 25%		—		—		—	
Interest rate implied volatility	0.1% to 16%		—		—		0.1% to 6.3%	
Correlations between:								
Equity Funds	-13% to 99%		—		—		—	
Equity and Fixed Income Funds	-38% to 62%		—		—		—	
Interest Rates and Equity Funds	-32% to 26%		—		—		—	
Nonperformance risk	0.02% to 1.1%		0.02% to 1.1%		0.02% to 0.54%		0.02% to 1.1%	
Actuarial Assumptions:								
Benefit Utilization	70% to 100%	(2)	—		—		—	
Partial Withdrawals	0% to 3.4%	(2)	0% to 7%		—		—	
Lapses	0.1% to 15.3%	(3)(4)	0% to 56%	(3)	2% to 10%		0% to 50%	(5)
Policyholder Deposits[6]	—		—		—		0% to 50%	(5)
Mortality	—	(7)	—	(7)	—	(8)	—	

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

[2] Those GMWBL policyholders who have elected systematic withdrawals are assumed to continue taking withdrawals. Due to the benefit utilization assumption for GMWBL/GMWB, the partial withdrawal assumption only applies to GMAB.

[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.

[4] The Company makes dynamic adjustments to lower the lapse rates for contracts that are more "in the money." Lapse ranges are based on weighted average ranges of underlying account value exposure.

[5] 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	92	%	0-25%	0-15%	0-30%	0-15%
Stabilizer with Recordkeeping Agreements	8	%	0-50%	0-30%	0-50%	0-25%
Aggregate of all plans	100	%	0-50%	0-30%	0-50%	0-25%

[6] Measured as a percentage of assets under management or assets under administration.

[7] The mortality rate is based on the 2012 Individual Annuity Mortality Basic table with mortality improvements.

[8] The mortality rate, along with the associated cost of insurance charges, are based on the 2001 Commissioner's Standard Ordinary table with mortality improvements.

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

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

Other Financial Instruments

The following disclosures are made in accordance with the requirements of ASC Topic 825 which requires disclosure of fair value information about financial instruments, whether or not recognized at fair value on the Condensed Consolidated Balance Sheets.

ASC Topic 825 excludes certain financial instruments, including insurance contracts and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

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

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturities, including securities pledged	$51,081	$51,081	$53,434	$53,434
Equity securities	385	385	380	380
Mortgage loans on real estate	8,904	8,952	8,686	8,748
Policy loans	1,849	1,849	1,888	1,888
Cash, cash equivalents, short-term investments and short-term investments under securities loan agreements	3,315	3,315	3,315	3,315
Derivatives	376	376	397	397
Notes Receivable [(1)]	—	—	350	445
Other investments	90	98	47	55
Assets held in separate accounts	78,642	78,642	77,605	77,605
Liabilities:				
Investment contract liabilities:				
Funding agreements without fixed maturities and deferred annuities[(2)]	33,673	36,255	33,986	38,553
Funding agreements with fixed maturities	1,178	1,187	501	501
Supplementary contracts, immediate annuities and other	1,219	1,201	1,275	1,285
Derivatives:				
Guaranteed benefit derivatives:				
FIA	34	34	40	40
IUL	142	142	159	159
GMWBL/GMWB/GMAB	6	6	10	10
Stabilizer and MCGs	63	63	97	97
Other derivatives	117	117	149	149
Short-term debt	1	1	337	337
Long-term debt	3,458	3,561	3,123	3,478
Embedded derivative on reinsurance	38	38	129	129

(1) Included in Other assets on the Condensed Consolidated Balance Sheets.
(2) Certain amounts included in Funding agreements without fixed maturities and deferred annuities are also reflected within the Guaranteed benefit derivatives section of the table above.

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The following table presents the classifications of financial instruments which are not carried at fair value on the Condensed Consolidated Balance Sheets:

Financial Instrument	Classification
Mortgage loans on real estate	Level 3
Policy loans	Level 2
Notes receivable	Level 2
Other investments	Level 2
Funding agreements without fixed maturities and deferred annuities	Level 3
Funding agreements with fixed maturities	Level 2
Supplementary contracts and immediate annuities	Level 3
Short-term debt and Long-term debt	Level 2

6. Deferred Policy Acquisition Costs and Value of Business Acquired

The following tables present a rollforward of DAC and VOBA for the periods indicated:

	2018		
	DAC	VOBA	Total
Balance as of January 1, 2018	$2,818	$556	$3,374
Deferrals of commissions and expenses	98	4	102
Amortization:			
Amortization, excluding unlocking	(160)	(44)	(204)
Unlocking[1]	(63)	(27)	(90)
Interest accrued	91	29 [2]	120
Net amortization included in Condensed Consolidated Statements of Operations	(132)	(42)	(174)
Change due to unrealized capital gains/losses on available-for-sale securities	460	246	706
Balance as of June 30, 2018	$3,244	$764	$4,008

	2017		
	DAC	VOBA	Total
Balance as of January 1, 2017	$3,186	$811	$3,997
Deferrals of commissions and expenses	124	4	128
Amortization:			
Amortization, excluding unlocking	(218)	(77)	(295)
Unlocking[1]	(45)	(51)	(96)
Interest accrued	97	35 [2]	132
Net amortization included in Condensed Consolidated Statements of Operations	(166)	(93)	(259)
Change due to unrealized capital gains/losses on available-for-sale securities	(149)	(97)	(246)
Balance as of June 30, 2017	$2,995	$625	$3,620

[1] Includes the impacts of annual review of assumptions which typically occurs in the third quarter; and retrospective and prospective unlocking. Additionally, the 2018 amounts include unfavorable unlocking for DAC and VOBA of $25 and $18, respectively, associated with an update to assumptions related to customer consents of changes to guaranteed minimum interest rate provisions. The 2017 amounts include unfavorable unlocking for DAC and VOBA of $48 and $80, respectively, associated with consent acceptances received from customers and expected future acceptances of customer consents to changes related to guaranteed minimum interest rate provisions of certain

retirement plan contracts with fixed investment options.
(2) Interest accrued at the following rates for VOBA: 3.5% to 7.4% during 2018 and 4.1% to 7.4% during 2017.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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7. Share-based Incentive Compensation Plans

The Company has provided equity-based compensation awards to its employees under the ING U.S., Inc. 2013 Omnibus Employee Incentive Plan (the "2013 Omnibus Plan") and the Voya Financial, Inc. 2014 Omnibus Employee Incentive Plan (the "2014 Omnibus Plan"). As of June 30, 2018, common stock reserved and available for issuance under the 2013 Omnibus Plan and the 2014 Omnibus Plan was 347,663 and 6,189,641 shares, respectively.

The Company offers equity-based awards to Voya Financial, Inc. non-employee directors under the Voya Financial, Inc. 2013 Omnibus Non-Employee Director Incentive Plan ("Director Plan").

Compensation Cost

The following table summarizes share-based compensation expense, which includes expenses related to awards granted under the Omnibus Plans and Director Plan for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Restricted Stock Unit (RSU) awards	$10	$ 12	$29	$ 34
Performance Stock Unit (PSU) awards	9	8	27	22
Stock options	2	7	5	11
Total share-based compensation expense	21	27	61	67
Income tax benefit	9	9	15	22
After-tax share-based compensation expense	$12	$ 18	$46	$ 45

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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Awards Outstanding

The following tables summarize the number of awards outstanding under the Omnibus Plans for the period indicated:

	RSU Awards		PSU Awards	
(awards in millions)	Number of Awards	Weighted Average Grant Date Fair Value	Number of Awards	Weighted Average Grant Date Fair Value
Outstanding as of January 1, 2018	3.0	$ 38.42	2.2	$ 35.53
Adjustment for PSU performance factor	N/A	N/A	— *	42.70
Granted	1.0	50.55	0.8	53.21
Vested	(1.4)	38.48	(0.4)	40.84
Forfeited	(0.1)	42.13	(0.1)	41.19
Outstanding as of June 30, 2018	2.5	$ 43.17	2.5	$ 40.19

* Less than 0.1.

	Stock Options	
(awards in millions)	Number of Awards	Weighted Average Exercise Price
Outstanding as of January 1, 2018	3.0	$ 37.60
Granted	—	—
Exercised	(0.1)	37.60
Forfeited	— *	—
Outstanding as of June 30, 2018	2.9	$ 37.60
Vested, not exercisable, as of June 30, 2018	—	$ —
Vested, exercisable, as of June 30, 2018	2.9	37.60

* Less than 0.1.

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8. Shareholders' Equity

Common Shares

The following table presents the rollforward of common shares used in calculating the weighted average shares utilized in the basic earnings per common share calculation for the periods indicated:

	Common Shares		
(shares in millions)	Issued	Held in Treasury	Outstanding
Balance, January 1, 2017	268.0	73.4	194.6
Common shares issued	— *	—	— *
Common shares acquired - share repurchase	—	24.4	(24.4)
Share-based compensation	2.0	0.2	1.8
Balance, December 31, 2017	270.0	98.0	172.0
Common shares issued	— *	—	— *
Common shares acquired - share repurchase	—	11.6	(11.6)
Share-based compensation	1.9	0.3	1.6
Balance, June 30, 2018	271.9	109.9	162.0

* Less than 0.1.

Share Repurchase Program

From time to time, the Company's Board of Directors authorizes the Company to repurchase shares of its common stock. These authorizations permit stock repurchases up to a prescribed dollar amount and generally may be accomplished through various means, including, without limitation, open market transactions, privately negotiated transactions, forward, derivative, or accelerated repurchase, or automatic repurchase transactions, including 10b5-1 plans, or tender offers. Share repurchase authorizations typically expire if unused by a prescribed date.
On February 1, 2018, the Board of Directors provided its most recent share repurchase authorization, increasing the aggregate amount of the Company’s common stock authorized for repurchase by $500. The current share repurchase authorization expires on December 31, 2018 (unless extended), and does not obligate the Company to purchase any shares. The authorization for the share repurchase program may be terminated, increased or decreased by the Board of Directors at any time.

On December 26, 2017, the Company entered into a share repurchase arrangement with a third-party financial institution, pursuant to which the Company made an up-front payment of $500 and received initial delivery of 7,821,666 shares during the fourth quarter of 2017. This arrangement closed on March 26, 2018 and an additional 1,947,413 shares were delivered.

Subsequent to June 30, 2018, the Company repurchased 1,808,900 shares through a 10b5-1 plan for an aggregate purchase price of $88.

Warrants

On May 7, 2013, the Company issued to ING Group warrants to purchase up to 26,050,846 shares of the Company's common stock equal in the aggregate to 9.99% of the issued and outstanding shares of common stock at that date. The current exercise price of the warrants is $48.75 per share of common stock, subject to adjustments, including for stock dividends, cash dividends in excess of $0.01 per share a quarter, subdivisions, combinations, reclassifications and non-cash distributions. The warrants also provide for, upon the occurrence of certain change of control events affecting the Company, an increase in the number of shares to which a warrant holder will be entitled upon payment of the aggregate exercise price of the warrant. The warrants became exercisable to ING Group and its affiliates on January 1, 2017 and to all other holders starting on the first anniversary of the completion of the IPO (May 7, 2014). The warrants expire on the tenth anniversary of the completion of the IPO (May 7, 2023). The warrants are net share settled, which means that no cash will be payable by a warrant holder in respect of the exercise price of a warrant upon exercise, and are classified as permanent equity. They have been recorded at their fair value determined on the issuance date of May 7, 2013 in the amount of $94 as an addition and reduction to Additional-paid-in-capital. Warrant holders are not entitled to receive dividends. On March 12, 2018, ING Group sold its remaining interests in the warrants and no longer owns any warrants. As of June 30, 2018, no warrants have been exercised.

Voya Financial, Inc.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
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9. Earnings per Common Share

The following table presents a reconciliation of Net income (loss) and shares used in calculating basic and diluted net income (loss) per common share for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except for per share data)	2018	2017	2018	2017
Earnings				
Net income (loss) available to common shareholders:				
Income (loss) from continuing operations	$196	$155	$213	$175
Less: Net income (loss) attributable to noncontrolling interest	58	52	58	53
Income (loss) from continuing operations available to common shareholders	138	103	155	122
Income (loss) from discontinued operations, net of tax	28	64	457	(98)
Net income (loss) available to common shareholders	$166	$167	$612	$24
Weighted average common shares outstanding				
Basic	167.0	185.8	169.7	188.7
Dilutive Effects:				
Warrants(1)	1.5	—	1.5	—
RSU awards	1.4	1.4	1.7	1.8
PSU awards	2.1	0.5	1.9	0.6
Stock Options(2)	0.8	—	0.8	—
Diluted	172.8	187.7	175.6	191.1
Basic				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.83	$0.56	$0.91	$0.65
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	$0.17	$0.34	$2.69	$(0.52)
Income (loss) available to Voya Financial, Inc.'s common shareholders	$1.00	$0.90	$3.60	$0.13
Diluted				
Income (loss) from continuing operations available to Voya Financial, Inc.'s common shareholders	$0.80	$0.55	$0.88	$0.63
Income (loss) from discontinued operations, net of taxes available to Voya Financial, Inc.'s common shareholders	$0.16	$0.34	$2.60	$(0.51)
Income (loss) available to Voya Financial, Inc.'s common shareholders	$0.96	$0.89	$3.48	$0.12

(1) For the three and six months ended June 30, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of warrants, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to "out of the moneyness" in the periods presented. For more information on warrants, see the Shareholders' Equity Note to these Condensed Consolidated Financial Statements.

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(2) For the three and six months ended June 30, 2017, weighted average shares used for calculating basic and diluted earnings per share excludes the dilutive impact of stock options, as the inclusion of this equity instrument would be antidilutive to the earnings per share calculation due to the average share price for the periods presented.. For more information on stock options, see the Share-based Incentive Compensation Plans Note to these Condensed Consolidated Financial Statements.

10. Accumulated Other Comprehensive Income (Loss)

Shareholders' equity included the following components of Accumulated Other Comprehensive Income ("AOCI") as of the dates indicated:

	June 30,	
	2018	2017
Fixed maturities, net of OTTI	$1,805	$4,876
Equity securities	—	36
Derivatives	143	195
DAC/VOBA adjustment on available-for-sale securities	(570)	(1,389)
Premium deficiency reserve	(128)	—
Sales inducements and other intangibles adjustment on available-for-sale securities	(88)	(260)
Other	—	(31)
Unrealized capital gains (losses), before tax	1,162	3,427
Deferred income tax asset (liability)	(229)	(842)
Net unrealized capital gains (losses)	933	2,585
Pension and other postretirement benefits liability, net of tax	10	21
AOCI	$943	$2,606

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Changes in AOCI, including the reclassification adjustments recognized in the Condensed Consolidated Statements of Operations were as follows for the periods indicated:

	Three Months Ended June 30, 2018		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	$(1,412)	$ 458	$ (954)
Equity securities	— [1]	—	—
Other	32	(11)	21
OTTI	10	(5)	5
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	7	(2)	5
DAC/VOBA	348	(99)	249
Premium deficiency reserve	21	(4)	17
Sales inducements	75	(30)	45
Change in unrealized gains/losses on available-for-sale securities	(919)	307	(612)
Derivatives:			
Derivatives	69 [2]	(17)	52
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(7)	2	(5)
Change in unrealized gains/losses on derivatives	62	(15)	47
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(3)	—	(3)
Change in pension and other postretirement benefits liability	(3)	—	(3)
Change in Accumulated other comprehensive income (loss)	$(860)	$ 292	$ (568)

[1] Balance reclassified to Retained earnings due to adoption of ASU 2016-01.
[2] See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

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	Six Months Ended June 30, 2018		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	$ (3,624)	$ 920	$ (2,704)
Equity securities	— [1]	—	—
Other	18	(8)	10
OTTI	30	(9)	21
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	47	(10)	37
DAC/VOBA	901 [2]	(215)	686
Premium deficiency reserve	62	(13)	49
Sales inducements	190	(54)	136
Change in unrealized gains/losses on available-for-sale securities	(2,376)	611	(1,765)
Derivatives:			
Derivatives	29 [3]	(9)	20
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(13)	3	(10)
Change in unrealized gains/losses on derivatives	16	(6)	10
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(6)	1	(5)
Change in pension and other postretirement benefits liability	(6)	1	(5)
Change in Accumulated other comprehensive income (loss)	$ (2,366)	$ 606	$ (1,760)

[1] Balance reclassified to Retained earnings due to adoption of ASU 2016-01.
[2] See the Deferred Policy Acquisition Costs and Value of Business Acquired Note to these Condensed Consolidated Financial Statements for additional information.
[3] See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

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	Three Months Ended June 30, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	$1,102	$(385)	$ 717
Equity securities	1	—	1
Other	—	—	—
OTTI	1	—	1
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	(25)	9	(16)
DAC/VOBA	(213)	73	(140)
Premium deficiency reserve	—	—	—
Sales inducements	(81)	29	(52)
Change in unrealized gains/losses on available-for-sale securities	785	(274)	511
Derivatives:			
Derivatives	(16) [1]	6	(10)
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(6)	2	(4)
Change in unrealized gains/losses on derivatives	(22)	8	(14)
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(4)	1	(3)
Change in pension and other postretirement benefits liability	(4)	1	(3)
Change in Accumulated other comprehensive income (loss)	$759	$(265)	$ 494

[1] See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

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	Six Months Ended June 30, 2017		
	Before-Tax Amount	Income Tax	After-Tax Amount
Available-for-sale securities:			
Fixed maturities	$1,430	$(499)	$ 931
Equity securities	3	(1)	2
Other	—	—	—
OTTI	12	(4)	8
Adjustments for amounts recognized in Net realized capital gains (losses) in the Condensed Consolidated Statements of Operations	20	(7)	13
DAC/VOBA	(306)[1]	107	(199)
Premium deficiency reserve	54	(19)	35
Sales inducements	(91)	32	(59)
Change in unrealized gains/losses on available-for-sale securities	1,122	(391)	731
Derivatives:			
Derivatives	(51)[2]	18	(33)
Adjustments related to effective cash flow hedges for amounts recognized in Net investment income in the Condensed Consolidated Statements of Operations	(12)	4	(8)
Change in unrealized gains/losses on derivatives	(63)	22	(41)
Pension and other postretirement benefits liability:			
Amortization of prior service cost recognized in Operating expenses in the Condensed Consolidated Statements of Operations	(7)	2	(5)
Change in pension and other postretirement benefits liability	(7)	2	(5)
Change in Accumulated other comprehensive income (loss)	$1,052	$(367)	$ 685

(1) See the Deferred Policy Acquisition Costs and Value of Business Acquired Note to these Condensed Consolidated Financial Statements for additional information.
(2) See the Derivative Financial Instruments Note to these Condensed Consolidated Financial Statements for additional information.

11. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Reform"). Tax Reform makes broad changes to U.S. federal tax law, including, but not limited to (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) changing the computations of the dividends received deduction, tax reserves, and deferred acquisition costs; (3) further limiting deductibility of executive compensation; (4) eliminating the net operating loss ("NOL") carryback and limiting the NOL carryforward deduction to 80% of taxable income for losses arising in taxable years beginning after December 31, 2017; and (5) changing how alternative minimum tax ("AMT") credits can be realized. Tax Reform eliminated the corporate AMT and allows the credit carryforward to be refunded over the next 4 years. The refund, however, is subject to reduction based on sequestration rates set pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The current rate is 6.6%.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address situations where a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting under ASC Topic 740 for certain income tax effects of Tax Reform for the reporting period of enactment. SAB 118 allows the Company to provide a provisional estimate of the impacts of Tax Reform during a measurement period similar to the measurement period used when accounting for business combinations. Adjustments to provisional estimates and additional impacts from Tax Reform must be recorded as they are identified during the measurement period as provided for in SAB 118.

In 2017 in reliance on SAB 118, the Company provisionally remeasured its deferred tax assets and liabilities based on the 21% tax rate at which they are expected to reverse in the future. For the six months ended June 30, 2018, the Company recorded adjustments to the provisional estimates related to deductibility of executive compensation, calculation of tax reserves and AMT sequestration. The Company continues to analyze the effects of Tax Reform and will record adjustments and additional impacts from Tax Reform as they are identified during the measurement period as provided for in SAB 118.

The Company uses the estimated annual effective tax rate method in computing its interim tax provision. Certain items, including changes in the realizability of deferred tax assets and changes in liabilities for uncertain tax positions, are excluded from the estimated annual effective tax rate and the actual tax expense or benefit is reported in the period the related item is incurred.

The Company's effective tax rate for the three and six months ended June 30, 2018 was 18.7%. The effective tax rate differed from the statutory rate of 21% for the three and six months ended June 30, 2018 primarily due to the effect of the dividends received deduction ("DRD") and noncontrolling interest, partially offset by nondeductible executive compensation and AMT sequestration.

The Company's effective tax rate for the three months ended June 30, 2017 was 0.0%. The effective tax rate differed from the statutory rate of 35% for the three months ended June 30, 2017 primarily due to the effect of the DRD, noncontrolling interest, and the valuation allowance.

The Company's effective tax rate for the six months ended June 30, 2017 was 35.0%, which is equal to the statutory rate during that period.

Tax Regulatory Matters

During 2018, the Internal Revenue Service ("IRS") completed its examination of the Company's returns through tax year 2016. The audit settlements did not have a material impact on the Company. The Company is currently under audit by the IRS, and it is expected that the examination of the tax year 2017 will be finalized within the next twelve months. The Company and the IRS have agreed to participate in the Compliance Assurance Process for the tax years 2017 and 2018.

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12. Financing Agreements

Short-term Debt

As of June 30, 2018 and December 31, 2017, the Company had $1 and $337, respectively, of short-term debt borrowings outstanding consisting entirely of the current portion of long-term debt.

Long-term Debt

The following table summarizes the carrying value of the Company's long-term debt securities issued and outstanding as of June 30, 2018 and December 31, 2017:

	Maturity	June 30, 2018	December 31, 2017
7.25% Voya Holdings Inc. debentures, due 2023[(1)]	08/15/2023	$ 143	$ 143
7.63% Voya Holdings Inc. debentures, due 2026[(1)]	08/15/2026	176	186
8.42% Equitable of Iowa Companies Capital Trust II Notes, due 2027	04/01/2027	14	14
6.97% Voya Holdings Inc. debentures, due 2036[(1)]	08/15/2036	94	94
1.00% Windsor Property Loan	06/14/2027	5	5
5.5% Senior Notes, due 2022	07/15/2022	361	361
2.9% Senior Notes, due 2018	02/15/2018	—	337
5.65% Fixed-to-Floating Rate Junior Subordinated Notes, due 2053	05/15/2053	739	738
5.7% Senior Notes, due 2043	07/15/2043	395	395
3.65% Senior Notes, due 2026	06/15/2026	495	495
4.8% Senior Notes, due 2046	06/15/2046	297	296
3.125% Senior Notes, due 2024	07/15/2024	396	396
4.7% Fixed-to-Floating Rate Junior Subordinated Notes, due 2048	01/23/2048	344	—
Subtotal		3,459	3,460
Less: Current portion of long-term debt		1	337
Total		$ 3,458	$ 3,123

(1) Guaranteed by ING Group.

Senior Notes

On February 15, 2018, the remaining 2.9% Senior Notes due February 15, 2018 (the "2018 Notes") matured and Voya Financial, Inc. paid the remaining principal and interest due.

Junior Subordinated Notes

On January 23, 2018, Voya Financial, Inc. completed an offering, through a private placement, of $350 aggregate principal amount of 4.7% Fixed-to-Floating Rate Junior Subordinated Notes due 2048 (the "2048 Notes"). The 2048 Notes are guaranteed on an unsecured, junior subordinated basis by Voya Holdings. The Company used the net proceeds from the offering to repay at maturity its 2018 Notes and to pay accrued interest thereon. The remaining proceeds after the repayment of the 2018 Notes were used for general corporate purposes.

Interest is paid on the 2048 Notes semi-annually, in arrears, on each January 23 and July 23, at a fixed rate of 4.7% until January 23, 2028. From January 23, 2028, the 2048 Notes bear interest at an annual rate equal to three-month LIBOR plus 2.084% payable quarterly, in arrears, on January 23, April 23, July 23 and October 23. So long as no event of default with respect to the 2048 Notes has occurred and is continuing, the Company have the right on one or more occasions, to defer the payment of interest on the 2048

Notes for one or more consecutive interest periods for up to five years. During the deferral period, interest will continue to accrue at the then-applicable rate and deferred interest will bear additional interest at the then-applicable rate.

At any time following notice of the Company's plan to defer interest and during the period interest is deferred, the Company and its subsidiaries generally, with certain exceptions, may not make payments on or redeem or purchase any shares of the Company's common stock or any of the debt securities or guarantees that rank in liquidation on a parity with or are junior to the 2048 Notes.

The Company may elect to redeem the 2048 Notes (i) in whole at any time or in part on or after January 23, 2028 at a redemption price equal to the principal amount plus accrued and unpaid interest. If the notes are not redeemed in whole, $25 of aggregate principal (excluding the principal amount of the 2048 Notes held by the Company, or its affiliates) must remain outstanding after giving effect to the redemption; or (ii) in whole, but not in part, at any time prior to January 23, 2028 within 90 days after the occurrence of a "tax event", a "rating agency event" or a "regulatory capital event," as defined in the 2048 Notes offering memorandum, at a redemption price equal to (a) with respect to a "rating agency event" 102% of their principal amount and (ii) with respect to a "tax event" or a "regulatory capital event," their principal amount, in each case plus accrued and unpaid interest.

Pursuant to a registration rights agreement that the Company has entered into with respect to the 2048 Notes, the Company has agreed to use commercially reasonable efforts to file a registration statement with respect to the 2048 Notes within 320 days from the closing date.

Aetna Notes

During the six months ended June 30, 2018, Voya Holdings repurchased $10 of the outstanding principal amount of 7.63% Debentures due August 15, 2026. In connection with this transaction, the Company incurred a loss on debt extinguishment of $3 for the six months ended June 30, 2018, which was recorded in Interest Expense in the Condensed Consolidated Statements of Operations. As of June 30, 2018, the outstanding principal amount of the Aetna Notes was $416, which is guaranteed by ING Group.

During the six months ended June 30, 2018, the Company withdrew $8 of collateral from a control account benefiting ING Group with a third-party collateral agent, thereby decreasing the remaining collateral balance to $223. The collateral may be exchanged at any time upon the posting of any other form of acceptable collateral to the account.

Senior Unsecured Credit Facility Agreement

The Company has a senior unsecured credit facility, with a revolving credit sublimit of $750 and a total LOC capacity of $1.0 billion following the closing of the Transaction. The facility expires on May 6, 2021.

On January 24, 2018, the Company further amended the Second Amended and Restated Revolving Credit Agreement ("Second Amended and Restated Credit Agreement"), dated as of May 6, 2016, by entering into a Second Amendment to the Second Amended and Restated Revolving Credit Agreement ("Second Amendment") with the lenders thereunder. The Second Amendment modifies the Second Amended and Restated Credit Agreement by requiring the Company to maintain a minimum net worth in light of the classification of substantially all of its CBVA and Annuities businesses as discontinued operations. Upon entering into the MTA for the Transaction, the Company recorded an estimated loss on sale in the fourth quarter of 2017. Consequently, Voya Financial, Inc. is now required to maintain a minimum net worth equal to the greater of (i) $6 billion or (ii) 75% of the Company's actual net worth as of December 31, 2017 (as calculated in the manner set forth in the Second Amended Credit Agreement). The minimum net worth amount may increase upon any future equity issuances by the Company. In accordance with the Second Amendment, upon the closing of the MTA, the total amount of LOCs that may be issued was reduced from $2.25 billion to $1.0 billion. The $750 sublimit available for direct borrowings remains unchanged.

As of June 30, 2018, there were no amounts outstanding as revolving credit borrowings and no amounts of LOCs outstanding under the senior unsecured credit facility.

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Other Credit Facilities

Effective January 18, 2018, a $500 financing arrangement between Langhorne I, LLC ("Langhorne I"), Voya Financial, Inc. and a third party was cancelled.

Effective January 24, 2018, Security Life of Denver International Limited ("SLDI") and Voya Financial, Inc. entered into an amendment to renew a $175 letter of credit facility agreement with a third party bank increasing the commitment to $195 and extending the expiration date of the facility from January 24, 2018 to January 24, 2021.

Effective April 27, 2018, Voya Financial, Inc. entered into a $156 letter of credit facility agreement with a third-party bank.

Effective May 2, 2018, a $167 letter of credit facility between Voya Financial, Inc. and a third party bank was cancelled.

13. Commitments and Contingencies

Commitments

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

As of June 30, 2018, the Company had off-balance sheet commitments to acquire mortgage loans of $136 and purchase limited partnerships and private placement investments of $1,243, of which $318 related to consolidated investment entities.

Restricted Assets

The Company is required to maintain assets on deposit with various regulatory authorities to support its insurance operations. The Company may also post collateral in connection with certain securities lending, repurchase agreements, funding agreements, credit facilities and derivative transactions. The components of the fair value of the restricted assets were as follows as of the dates indicated:

	June 30, 2018	December 31, 2017
Fixed maturity collateral pledged to FHLB [(1)]	$ 1,394	$ 602
FHLB restricted stock[(2)]	84	67
Other fixed maturities-state deposits	162	175
Cash and cash equivalents	13	13
Securities pledged[(3)]	1,994	2,087
Total restricted assets	$ 3,647	$ 2,944

(1) Included in Fixed maturities, available for sale, at fair value on the Condensed Consolidated Balance Sheets.
(2) Included in Other investments on the Condensed Consolidated Balance Sheets.

(3) Includes the fair value of loaned securities of $1,739 and $1,854 as of June 30, 2018 and December 31, 2017, respectively. In addition, as of June 30, 2018 and December 31, 2017, the Company delivered securities as collateral of $255 and $233, respectively. Loaned securities and securities delivered as collateral are included in Securities pledged on the Condensed Consolidated Balance Sheets.

Federal Home Loan Bank Funding Agreements

The Company is a member of the FHLB of Des Moines, FHLB of Boston and the FHLB of Topeka and is required to pledge collateral to back funding agreements issued to the FHLB. As of June 30, 2018 and December 31, 2017, the Company had $1,178 and $501, respectively, in non-putable funding agreements, which are included in Contract owner account balances on the Condensed Consolidated Balance Sheets. As of June 30, 2018 and December 31, 2017, assets with a market value of approximately $1,394 and $602, respectively, collateralized the FHLB funding agreements. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, at fair value on the Condensed Consolidated Balance Sheets.

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Litigation, Regulatory Matters and Loss Contingencies

Litigation, regulatory and other loss contingencies arise in connection with the Company's activities as a diversified financial services firm. The Company is a defendant in a number of litigation matters arising from the conduct of its business, both in the ordinary course and otherwise. In some of these matters, claimants seek to recover very large or indeterminate amounts, including compensatory, punitive, treble and exemplary damages. Modern pleading practice in the U.S. permits considerable variation in the assertion of monetary damages and other relief. Claimants are not always required to specify the monetary damages they seek or they may be required only to state an amount sufficient to meet a court's jurisdictional requirements. Moreover, some jurisdictions allow claimants to allege monetary damages that far exceed any reasonably possible verdict. The variability in pleading requirements and past experience demonstrates that the monetary and other relief that may be requested in a lawsuit or claim often bears little relevance to the merits or potential value of a claim. Litigation against the Company includes a variety of claims including negligence, breach of contract, fraud, violation of regulation or statute, breach of fiduciary duty, negligent misrepresentation, failure to supervise, elder abuse and other torts.

As with other financial services companies, the Company periodically receives informal and formal requests for information from various state and federal governmental agencies and self-regulatory organizations in connection with inquiries and investigations of the products and practices of the Company or the financial services industry. It is the practice of the Company to cooperate fully in these matters.

The outcome of a litigation or regulatory matter is difficult to predict and the amount or range of potential losses associated with these or other loss contingencies requires significant management judgment. It is not possible to predict the ultimate outcome or to provide reasonably possible losses or ranges of losses for all pending regulatory matters, litigation and other loss contingencies.

While it is possible that an adverse outcome in certain cases could have a material adverse effect upon the Company's financial position, based on information currently known, management believes that neither the outcome of pending litigation and regulatory matters, nor potential liabilities associated with other loss contingencies, are likely to have such an effect. However, given the large and indeterminate amounts sought in certain litigation and the inherent unpredictability of all such matters, it is possible that an adverse outcome in certain of the Company's litigation or regulatory matters, or liabilities arising from other loss contingencies, could, from time to time, have a material adverse effect upon the Company's results of operations or cash flows in a particular quarterly or annual period.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual has been made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual has been made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the unaccrued amounts of the reasonably possible range of losses. As of June 30, 2018, the Company estimates the aggregate range of reasonably possible losses, in excess of any amounts accrued for these matters as of such date, to be up to approximately $50.

For other matters, the Company is currently not able to estimate the reasonably possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantification of a damage demand from plaintiffs, discovery from plaintiffs and other parties, investigation of factual allegations, rulings by a court on motions or appeals, analysis by experts and the progress of settlement discussions. On a quarterly and annual basis, the Company reviews relevant information with respect to litigation and regulatory contingencies and updates the Company's accruals, disclosures and reasonably possible losses or ranges of loss based on such reviews.

Litigation includes Dezelan v. Voya Retirement Insurance and Annuity Company (USDC District of Connecticut, No. 3:16-cv-1251) (filed July 26, 2016), a putative class action in which plaintiff, a participant in a 403(b) Plan, seeks to represent a class of plans whose assets are invested in Voya Retirement Insurance and Annuity Company ("VRIAC") “Group Annuity Contract Stable Value Funds.” Plaintiff alleges that VRIAC has violated the Employee Retirement Income Security Act of 1974 ("ERISA") by charging unreasonable fees and setting its own compensation in connection with stable value products. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney’s fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. On July 19, 2017, the district court granted the Company's motion to dismiss, but permitted the plaintiff to file an amended complaint. The plaintiff has filed a first amended complaint, and the Company moved to dismiss that complaint on September 18, 2017.

Litigation also includes Patrico v. Voya Financial, Inc., et al (USDC SDNY, No. 1:16-cv-07070) (filed September 9, 2016), a putative class action in which plaintiff, a participant in a 401(k) Plan, seeks to represent a class of plans “for which Voya or its subsidiaries provide recordkeeping, investment management or investment advisory services and for which Financial Engines provides investment advice to plan participants.” Plaintiff alleges that the Company and its affiliates have violated ERISA by charging unreasonable fees in connection with in-plan investment advice provided in conjunction with Financial Engines, a third-party investment adviser. Plaintiff seeks declaratory and injunctive relief, disgorgement of profits, damages and attorney’s fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. On June 20, 2017, the district court granted the Company's motion to dismiss, but permitted the plaintiff to file an amended complaint. The plaintiff filed a motion for leave to file a first amended complaint, the Company opposed that motion, and on March 13, 2018, the district court denied the plaintiff’s motion for leave to file an amended complaint and closed the case. Plaintiff filed her notice of appeal to the U.S Court of Appeals for the Second Circuit on April 11, 2018.

Litigation also includes Goetz v. Voya Financial and Voya Retirement Insurance and Annuity Company (USDC District of Delaware, No. 1:17-cv-1289) (filed September 8, 2017), a putative class action in which plaintiff, a participant in a 401(k) plan, seeks to represent other participants in the plan as well as a class of similarly situated plans that "contract with [Voya] for recordkeeping and other services." Plaintiff alleges that "Voya" breached its fiduciary duty to the plan and other plan participants by charging unreasonable and excessive recordkeeping fees, and that "Voya" distributed materially false and misleading 404a-5 administrative and fund fee disclosures to conceal its excessive fees. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. Plaintiff filed an amended complaint on January 4, 2018, and the Company filed a motion to dismiss the amended complaint on February 8, 2018.

Litigation also includes Henkel of America v. ReliaStar Life Insurance Company (USDC District of Connecticut, No. 1:18-cv-00965) (filed June 8, 2018). Plaintiff alleges that ReliaStar breached the terms of a stop loss policy it issued to Plaintiff by refusing to reimburse Plaintiff for more than $47 in claims incurred by participants in prior years and submitted for coverage under the stop loss policy. Plaintiff alleges a breach of contract claim or, in the alternative, that the stop loss policy be declared to cover the submitted claims, and also asserts that ReliaStar engaged in unfair trade practices and unfair insurance practices in violation of state statutes, and did so willfully and intentionally to warrant an award of punitive damages under state law. The Company denies the allegations, which it believes are without merit, and intends to defend the case vigorously. The Company filed its answer with affirmative defenses on July 5, 2018.

Finally, industry wide, life insurers continue to be exposed to class action litigation related to the cost of insurance rates and periodic deductions from cash value. Common allegations include that insurance companies have breached the terms of their universal life insurance policies by establishing or increasing the cost of insurance rates using cost factors not, permitted by the contract or that thereby unjustly enriching themselves. This litigation is generally known as cost of insurance litigation. Cost of insurance litigation for the Company includes Barnes v. Security Life of Denver (USDC Colorado, No. 1:18-cv-00718) (filed March 27, 2018), a putative class action in which the plaintiff alleges that his insurance policy only permitted the Company to rely upon his expected future mortality experience to establish and increase his cost of insurance, but the Company instead relied upon other, non-disclosed factors to do so. Such litigation also includes Cutler v. Voya Financial, Inc. and ReliaStar Life Insurance Company (USDC S.D. Florida, No. 1:18-cv-20723) (filed February 23, 2018), in which the plaintiff alleges that his insurance policy only permitted the Company to rely upon his expected future mortality experience to establish and increase his cost of insurance, but the Company instead relied upon other, non-disclosed factors to do so.

The Company denies the allegations in each complaint, believes both to be without merit, and intends to defend each case vigorously. On April 16, 2018, the Company filed a motion to dismiss the Cutler complaint in its entirety against Voya Financial and partially against ReliaStar. On May 15, 2018, the Company moved for a partial dismissal of the Barnes complaint. Plaintiffs in each action have opposed the Company’s motions.

Contingencies related to Performance-based Capital Allocations on Private Equity Funds

Certain performance-based capital allocations related to sponsored private equity funds ("carried interest") are not final until the conclusion of an investment term specified in the relevant asset management contract. As a result, such carried interest, if accrued or paid to the Company during such term, is subject to later adjustment based on subsequent fund performance. If the fund’s cumulative investment return falls below specified investment return hurdles, some or all of the previously accrued carried interest is reversed to the extent that the Company is no longer entitled to the performance-based capital allocation. Should the fund’s cumulative investment return subsequently increase above specified investment return hurdles in future periods, previous reversals could be fully or partially recovered.

As of June 30, 2018, approximately $74 of previously accrued carried interest would be subject to full or partial reversal in future periods if cumulative fund performance hurdles are not maintained throughout the remaining life of the affected funds.

14. Consolidated Investment Entities

In the normal course of business, the Company provides investment management services to, invests in and has transactions with, various types of investment entities which may be considered VIEs or VOEs. The Company evaluates its involvement with each entity to determine whether consolidation is required.

The Company holds variable interests in certain investment entities in the form of debt or equity investments, as well as the right to receive management fees, performance fees, and carried interest. The Company consolidates certain entities under the VIE guidance when it is determined that the Company is the primary beneficiary. Alternatively, certain entities are consolidated under the VOE guidance when control is obtained through voting rights.

The Company has no right to the benefits from, nor does it bear the risks associated with consolidated investment entities beyond the Company’s direct equity and debt investments in and management fees generated from these entities. Such direct investments amounted to approximately $384 and $442 as of June 30, 2018 and December 31, 2017, respectively. If the Company were to liquidate, the assets held by consolidated investment entities would not be available to the general creditors of the Company as a result of the liquidation.

Consolidated VIEs and VOEs

Collateral Loan Obligations Entities ("CLOs")

The Company is involved in the design, creation, and the ongoing management of CLOs. These entities are created for the purpose of acquiring diversified portfolios of senior secured floating rate leveraged loans, and securitizing these assets by issuing multiple tranches of collateralized debt; thereby providing investors with a broad array of risk and return profiles. Also known as collateralized financing entities under Topic 810, CLOs are variable interest entities by definition.

In return for providing collateral management services, the Company earns investment management fees and contingent performance fees. In addition to earning fee income, the Company often holds an investment in certain of the CLOs it manages, generally within the unrated and most subordinated tranche of each CLO. The fee income earned and investments held are included in the Company's ongoing consolidation assessment for each CLO. The Company was the primary beneficiary of 1 and 4 CLOs as of June 30, 2018 and December 31, 2017, respectively.

Limited Partnerships

The Company invests in and manages various limited partnerships, including private equity funds and hedge funds. These entities have been evaluated by the Company and are determined to be VIEs due to the equity holders, as a group, lacking the characteristics of a controlling financial interest.

In return for serving as the general partner of and providing investment management services to these entities, the Company earns management fees and carried interest in the normal course of business. Additionally, the Company often holds an investment in each limited partnership it manages, generally in the form of general partner and limited partner interests. The fee income, carried interest, and investments held are included in the Company’s ongoing consolidation analysis for each limited partnership. The Company consolidated 12 and 14 funds, which were structured as partnerships, as of June 30, 2018 and December 31, 2017, respectively.

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Registered Investment Companies

The Company consolidated one sponsored investment fund accounted for as a VOE as of June 30, 2018 and December 31, 2017 because it is the majority investor in the fund, and as such, has a controlling financial interest in the fund.

The following table summarizes the components of the consolidated investment entities as of the dates indicated:

	June 30, 2018	December 31, 2017
Assets of Consolidated Investment Entities		
VIEs		
Cash and cash equivalents	$ 86	$ 216
Corporate loans, at fair value using the fair value option	458	1,089
Limited partnerships/corporations, at fair value	1,643	1,714
Other assets	13	75
Total VIE assets	2,200	3,094
VOEs		
Cash and cash equivalents	—	1
Limited partnerships/corporations, at fair value	88	81
Total VOE assets	88	82
Total assets of consolidated investment entities	$ 2,288	$ 3,176
Liabilities of Consolidated Investment Entities		
VIEs		
CLO notes, at fair value using the fair value option	$ 491	$ 1,047
Other liabilities	624	649
Total VIE liabilities	1,115	1,696
VOEs		
Other liabilities	6	9
Total VOE liabilities	6	9
Total liabilities of consolidated investment entities	$ 1,121	$ 1,705

Fair Value Measurement

Upon consolidation, the Company elected to apply the FVO for financial assets and financial liabilities held by CLOs and continued to measure these assets (primarily corporate loans) and liabilities (debt obligations issued by CLOs) at fair value in subsequent periods. The Company has elected the FVO to more closely align its accounting with the economics of its transactions and allows the Company to more effectively align changes in the fair value of CLO assets with a commensurate change in the fair value of CLO liabilities.

Investments held by consolidated private equity funds are measured and reported at fair value in the Company's Condensed Consolidated Financial Statements. Changes in the fair value of consolidated investment entities are recorded as a separate line item within Income (loss) related to consolidated investment entities in the Company's Condensed Consolidated Statements of Operations.

The methodology for measuring the fair value of financial assets and liabilities of consolidated investment entities, and the classification of these measurements in the fair value hierarchy is consistent with the methodology and classification applied by the Company to its investment portfolio.

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As discussed in more detail below, the Company utilizes valuations obtained from third-party commercial pricing services, brokers and investment sponsors or third-party administrators that supply NAV (or its equivalent) per share used as a practical expedient. The valuations obtained from brokers and third-party commercial pricing services are non-binding. These valuations are reviewed on a monthly or quarterly basis depending on the entity and its underlying investments. Procedures include, but are not limited to, a review of underlying fund investor reports, review of top and worst performing funds requiring further scrutiny, review of variance from prior periods and review of variance from benchmarks, where applicable. In addition, the Company considers both macro and fund specific events that may impact the latest NAV supplied and determines if further adjustments of value should be made. Such changes, if any, are subject to senior management review.

When a price cannot be obtained from a commercial pricing service, independent broker quotes are solicited. Securities priced using independent broker quotes are classified as Level 3. Broker quotes and prices obtained from pricing services are reviewed and validated through an internal valuation committee price variance review, comparisons to internal pricing models, back testing to recent trades or monitoring of trading volumes.

Cash and Cash Equivalents

The carrying amounts for cash reflect the assets’ fair values. The fair value for cash equivalents is determined based on quoted market prices. These assets are classified as Level 1.

CLOs

Corporate loans: Corporate loan investments, which comprise the majority of consolidated CLO portfolio collateral, are senior secured corporate loans maturing at various dates between 2018 and 2026, paying interest at LIBOR, EURIBOR or PRIME plus a spread of up to 10.5%. As of June 30, 2018 and December 31, 2017, the unpaid principal balance exceeded the fair value of the corporate loans by approximately $9 and $17, respectively. Less than 1.0% of the collateral assets were in default as of June 30, 2018 and December 31, 2017.

The fair values for corporate loans are determined using independent commercial pricing services. Fair value measurement based on pricing services may be classified in Level 2 or Level 3 depending on the type, complexity, observability and liquidity of the asset being measured. The inputs used by independent commercial pricing services, such as benchmark yields and credit risk adjustments, are those that are derived principally from or corroborated by observable market data. Hence, the fair value measurement of corporate loans priced by independent pricing service providers is classified within Level 2 of the fair value hierarchy. In addition, there are assets held with CLO portfolios that represent senior level debt of other third party CLOs. These CLO investments are classified within Level 3 of the fair value hierarchy. See description of fair value process for CLO notes below.

CLO notes: The CLO notes are backed by a diversified loan portfolio consisting primarily of senior secured floating rate leveraged loans. Repayment risk is segmented into tranches with credit ratings of these tranches reflecting both the credit quality of underlying collateral as well as how much protection a given tranche is afforded by tranches that are subordinate to it. The most subordinated tranche bears the first loss and receives the residual payments, if any. The interest rates are generally variable rates based on LIBOR plus a pre-defined spread, which varies from 0.7% for the more senior tranches to 5.4% for the more subordinated tranches. CLO notes mature in 2026 and have a weighted average maturity of 8.1 years as of June 30, 2018. The investors in this debt are not affiliated with the Company and have no recourse to the general credit of the Company for this debt.

The fair values of the CLO notes are measured based on the fair value of the CLO's corporate loans, as the Company uses the measurement alternative available under ASU 2014-13 and determined that the inputs for measuring financial assets are more observable. The CLO notes are classified within Level 2 of the fair value hierarchy, consistent with the classification of the majority of the CLO financial assets.

The Company reviews the detailed prices including comparisons to prior periods for reasonableness. The Company utilizes a formal pricing challenge process to request a review of any price during which time the vendor examines its assumptions and relevant market inputs to determine if a price change is warranted.

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The following narrative indicates the sensitivity of inputs:

- Default Rate: An increase (decrease) in the expected default rate would likely increase (decrease) the discount margin (increase risk premium) used to value the CLO investments and CLO notes and, as a result, would potentially decrease the value of the CLO investments and CLO notes.
- Recovery Rate: A decrease (increase) in the expected recovery of defaulted assets would potentially decrease (increase) the valuation of CLO investments and CLO notes.
- Prepayment Rate: A decrease (increase) in the expected rate of collateral prepayments would potentially decrease (increase) the valuation of CLO investments and CLO notes as the expected weighted average life ("WAL") would increase (decrease).
- Discount Margin (spread over LIBOR): An increase (decrease) in the discount margin used to value the CLO investments and CLO notes and would decrease (increase) the value of the CLO investments and CLO notes.

Private Equity Funds

As prescribed in ASC Topic 820, the unit of account for these investments is the interest in the investee fund. The Company owns an undivided interest in the fund portfolio and does not have the ability to dispose of individual assets and liabilities in the fund portfolio. Rather, the Company would be required to redeem or dispose of its entire interest in the investee fund. There is no current active market for interests in underlying private equity funds.

Valuation is generally based on the valuations provided by the fund's general partner or investment manager. The valuations typically reflect the fair value of the Company's capital account balance of each fund investment, including unrealized capital gains (losses), as reported in the financial statements of the respective investee fund as of the respective year end or the latest available date. In circumstances where fair values are not provided, the Company seeks to determine the fair value of fund investments based upon other information provided by the fund's general partner or investment manager or from other sources.

The fair value of securities received in-kind from fund investments is determined based on the restrictions around the securities.

- Unrestricted, publicly traded securities are valued at the closing public market price on the reporting date;
- Restricted, publicly traded securities may be valued at a discount from the closing public market price on the reporting date, depending on the circumstances; and
- Privately held securities are valued by the directors/general partner of the investee fund, based on a variety of factors, including the price of recent transactions in the company's securities and the company's earnings, revenue and book value.

In the case of direct investments or co-investments in private equity companies, the Company initially recognizes investments at cost and subsequently adjusts investments to fair value. On a quarterly basis, the Company reviews the general partner or lead investor's valuation of the investee company, taking into account other available information, such as indications of a market value through subsequent issues of capital or transactions between third parties, performance of the investee company during the period and public, comparable companies' analysis, where appropriate.

Investments in these funds typically may not be fully redeemed at NAV within 90 days because of inherent restriction on near term redemptions.

As of June 30, 2018 and December 31, 2017, certain private equity funds maintained term loans and revolving lines of credit of $883 and $688, respectively. The term loans renew every three years and the revolving lines of credit renew annually; all loans bear interest at LIBOR/EURIBOR plus 150 - 155 bps. The lines of credit are used for funding transactions before capital is called from investors, as well as for the financing of certain purchases. As of June 30, 2018 and December 31, 2017, outstanding borrowings amount to $553 and $505, respectively.

On February 1, 2018, Pomona Investment Fund entered into a three-year revolving credit agreement with Credit Suisse. The initial size of the facility was $8; the loan bears interest at LIBOR plus 325 bps and has a commitment fee of 160 bps. There was no outstanding borrowing as of June 30, 2018.

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The borrowings are reflected in Liabilities related to consolidated investment entities - other liabilities on the Company's Condensed Consolidated Balance Sheets. The borrowings are carried at an amount equal to the unpaid principal balance.

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of June 30, 2018:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	$ 86	$—	$ —	$—	$86
Corporate loans, at fair value using the fair value option	—	458	—	—	458
Limited partnerships/corporations, at fair value	—	—	—	1,643	1,643
VOEs					
Limited partnerships/corporations, at fair value	—	—	—	88	88
Total assets, at fair value	$ 86	$458	$ —	$1,731	$2,275
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	$ —	$491	$ —	$—	$491
Total liabilities, at fair value	$ —	$491	$ —	$—	$491

The following table summarizes the fair value hierarchy levels of consolidated investment entities as of December 31, 2017:

	Level 1	Level 2	Level 3	NAV	Total
Assets					
VIEs					
Cash and cash equivalents	$216	$—	$ —	$—	$216
Corporate loans, at fair value using the fair value option	—	1,089	—	—	1,089
Limited partnerships/corporations, at fair value	—	—	—	1,714	1,714
VOEs					
Cash and cash equivalents	1	—	—	—	1
Limited partnerships/corporations, at fair value	—	—	—	81	81
Total assets, at fair value	$217	$1,089	$ —	$1,795	$3,101
Liabilities					
VIEs					
CLO notes, at fair value using the fair value option	$—	$1,047	$ —	$—	$1,047
Total liabilities, at fair value	$—	$1,047	$ —	$—	$1,047

Transfers of investments out of Level 3 and into Level 2 or Level 1, if any, are recorded as of the beginning of the period in which the transfer occurred. For the three and six months ended June 30, 2018 and 2017, there were no transfers in or out of Level 3 or transfers between Level 1 and Level 2.

Deconsolidation of Certain Investment Entities

During the three and six months months ended June 30, 2018, the Company determined it was no longer the primary beneficiary of one and two consolidated CLOs, respectively, due to a reduction in the Company's investment in the CLO. This caused a reduction in the Company's obligation to absorb losses and right to receive benefits of the CLO that could potentially be significant to the CLO. As a result of this determination, the Company deconsolidated one and two investment entities, respectively, during the three and six months months ended June 30, 2018. The Company deconsolidated two investment entities during the three and six months ended June 30, 2017.

Nonconsolidated VIEs

CLOs

In addition to the consolidated CLOs, the Company also holds variable interest in certain CLOs that are not consolidated as it has been determined that the Company is not the primary beneficiary. With these CLOs, the Company serves as the investment manager and receives investment management fees and contingent performance fees. Generally, the Company does not hold any interest in the nonconsolidated CLOs but if it does, such ownership has been deemed to be insignificant. The Company has not provided, and is not obligated to provide, any financial or other support to these entities.

The Company reviews its assumptions on a periodic basis to determine if conditions have changed such that the projection of these contingent fees becomes significant enough to reconsider the Company's consolidation status as variable interest holder. As of June 30, 2018 and December 31, 2017, the Company held $488 and $321 ownership interests, respectively, in unconsolidated CLOs.

Limited Partnerships

The Company manages or holds investments in certain private equity funds and hedge funds. With these entities, the Company serves as the investment manager and is entitled to receive at-market investment management fees and at-market contingent performance fees. The Company does not consolidate any of these investment funds for which it is not considered to be the primary beneficiary.

In addition, the Company does not consolidate the funds in which its involvement takes a form of a limited partner interest and is restricted to a role of a passive investor, as a limited partner's interest does not provide the Company with any substantive kick-out or participating rights, nor does it provide the Company with power to direct the activities of the fund.

The following table presents the carrying amounts of the variable interests in VIEs in which the Company concluded that it holds a variable interest, but is not the primary beneficiary as of the dates indicated. The Company determines its maximum exposure to loss to be: (i) the amount invested in the debt or equity of the VIE and (ii) other commitments and guarantees to the VIE.

Variable Interests on the Condensed Consolidated Balance Sheet

	June 30, 2018		December 31, 2017	
	Carrying Amount	Maximum exposure to loss	Carrying Amount	Maximum exposure to loss
Fixed maturities, available for sale	$488	$ 488	$321	$ 321
Limited partnership/corporations	1,070	1,070	784	784

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Securitizations

The Company invests in various tranches of securitization entities, including RMBS, CMBS and ABS. Through its investments, the Company is not obligated to provide any financial or other support to these entities. Each of the RMBS, CMBS and ABS entities are thinly capitalized by design and considered VIEs. The Company's involvement with these entities is limited to that of a passive investor. The Company has no unilateral right to appoint or remove the servicer, special servicer or investment manager, which are generally viewed to have the power to direct the activities that most significantly impact the securitization entities' economic performance, in any of these entities, nor does the Company function in any of these roles. The Company, through its investments or other arrangements, does not have the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the entity. Therefore, the Company is not the primary beneficiary and does not consolidate any of the RMBS, CMBS and ABS entities in which it holds investments. These investments are accounted for as investments available-for-sale as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements and unrealized capital gains (losses) on these securities are recorded directly in AOCI, except for certain RMBS which are accounted for under the FVO whose change in fair value is reflected in Other net realized gains (losses) in the Condensed Consolidated Statements of Operations. The Company’s maximum exposure to loss on these structured investments is limited to the amount of its investment. Refer to the Investments (excluding Consolidated Investment Entities) Note to these Condensed Consolidated Financial Statements for details regarding the carrying amounts and classifications of these assets.

15. Restructuring

2016 Restructuring

In 2016, the Company began implementing a series of initiatives designed to make it a simpler, more agile company able to deliver an enhanced customer experience ("2016 Restructuring"). These initiatives include an increasing emphasis on less capital-intensive products and the achievement of operational synergies.

On July 31, 2017, the Company executed a variable 5-year information technology services agreement with a third-party service provider at an expected annualized cost of $70 - $90 per year, with a total cumulative 5-year cost of approximately $400, subject to potential reduction as a result of the Organizational Restructuring program discussed below. This initiative, which is a component of the Company’s 2016 Restructuring program, improves expense efficiency and upgrades the Company's technology capabilities. Entry into this agreement resulted in severance, asset write-off, transition and other implementation costs. From inception through completion of these initiatives, the Company expects to incur total restructuring expenses for asset-write off of $16 and transition costs of approximately $35.

Total 2016 Restructuring expenses are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income taxes. These expenses are classified as a component of Other adjustments to Income (loss) from continuing operations before income taxes and consequently are not included in the adjusted operating results of the Company's segments.

The expected completion date for all 2016 Restructuring initiatives is the end of 2018. As the Company finalizes these initiatives, it may incur restructuring expenses in addition to those described above in one or more periods through the end of 2018. These costs are not expected to be material.

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The summary below presents 2016 Restructuring expenses, pre-tax, by type of costs incurred, for the periods indicated:

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	Cumulative Amounts Incurred to Date
Severance benefits	$(2)	$ 3	$4	$ 13	$ 64
Asset write-off costs	—	*—	—	*—	16
Transition costs	1	—	6	—	23
Other costs	4	2	7	4	30
Total restructuring expenses	$3	$ 5	$17	$ 17	$ 133

*Less than $1.

The following table presents the accrued liability associated with 2016 Restructuring expenses as of June 30, 2018:

	Severance Benefits	Transition Costs	Other Costs	Total
Accrued liability as of January 1, 2018	$ 30	$ 17	$ 3	$50
Provision	6	6	7	19
Payments	(21)	(10)	(7)	(38)
Other adjustments[1]	(2)	—	—	(2)
Accrued liability as of June 30, 2018	$ 13	$ 13	$ 3 [2]	$29

[1]Represents net write-downs of accruals, not associated with payments.
[2]Represents services performed but not yet paid.

Organizational Restructuring

As a result of the closing of the Transaction, the Company is undertaking further restructuring efforts to execute the Transaction and reduce stranded expenses associated with its CBVA and fixed and fixed indexed annuities businesses, as well as its corporate and shared services functions ("Organizational Restructuring"). These activities have and will result in recognition of severance and other restructuring expenses. Restructuring expenses that are directly related to the preparation for and execution of the Transaction are included in discontinued operations. Other restructuring expenses arising from related organizational restructuring are included in continuing operations.

For the three and six months ended June 30, 2018, total Organizational Restructuring expenses include $8 and $6, respectively, which are reflected in Income (loss) from discontinued operations, net of tax, in the Condensed Consolidated Statements of Operations. Refer to the Discontinued Operations Note to these Condensed Consolidated Financial Statements for further information.

For the three and six months ended June 30, 2018, total Organizational Restructuring expenses also include $7 and $12 associated with continuing operations, respectively, which are reflected in Operating expenses in the Condensed Consolidated Statements of Operations, but excluded from Adjusted operating earnings before income taxes. The Company will continue to develop and approve Organizational Restructuring initiatives to simplify the organization, and expects to incur additional restructuring expenses associated with continuing operations in one or more periods through the end of 2019. These additional costs, which may include severance, transition and other costs, cannot currently be estimated but could be material.

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The summary below presents Organizational Restructuring expenses, pre-tax, by type of costs incurred, for the periods indicated:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018	Cumulative Amounts Incurred to Date
Severance benefits	$ 3	$ 5	$ 9
Other costs[(1)]	12	13	13
Total restructuring expenses	$ 15	$ 18	$ 22

[(1)]Consists primarily of consulting costs.

The following table presents the accrued liability associated with Organizational Restructuring expenses as of June 30, 2018:

	Severance Benefits	Other Costs	Total
Accrued liability as of January 1, 2018	$ 4	$ —	$ 4
Provision	7	13	20
Payments	(4)	(6)	(10)
Other adjustments[(1)]	(2)	—	(2)
Accrued liability as of June 30, 2018	$ 5	$ 7	$ 12

[(1)]Represents net write-downs of accruals, not associated with payments.

16. Segments

As a result of the Transaction disclosed in the Discontinued Operations Note, which resulted in the disposition of substantially all of the Company's CBVA and Annuities businesses, the Company evaluated its segments and determined that the Retained Business that are not components of the disposed businesses under the Transaction are insignificant. As such, the Company no longer reports its CBVA and Annuities businesses as segments and includes the results of the Retained Business in Corporate.

The Company provides its principal products and services through four segments: Retirement, Investment Management, Employee Benefits, and Individual Life.

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Measurement

Adjusted operating earnings before income taxes is a measure used by management to evaluate segment performance. The Company believes that Adjusted operating earnings before income taxes provides a meaningful measure of its business and segment performances and enhances the understanding of the Company's financial results by focusing on the operating performance and trends of the underlying business segments and excluding items that tend to be highly variable from period to period based on capital market conditions and/or other factors. The Company uses the same accounting policies and procedures to measure segment Adjusted operating earnings before income taxes as it does for the directly comparable U.S. GAAP measure Income (loss) from continuing operations before income taxes. Adjusted operating earnings before income taxes does not replace Income (loss) from continuing operations before income taxes as the U.S. GAAP measure of the Company's consolidated results of operations. Therefore, the Company believes that it is useful to evaluate both Income (loss) from continuing operations before income taxes and Adjusted operating earnings before income taxes when reviewing the Company's financial and operating performance. Each segment's Adjusted operating earnings before income taxes is calculated by adjusting Income (loss) from continuing operations before income taxes for the following items:

- Net investment gains (losses), net of related amortization of DAC, VOBA, sales inducements and unearned revenue, which are significantly influenced by economic and market conditions, including interest rates and credit spreads, and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest;

- Net guaranteed benefit hedging gains (losses), which are significantly influenced by economic and market conditions and are not indicative of normal operations, include changes in the fair value of derivatives related to guaranteed benefits, net of related reserve increases (decreases) and net of related amortization of DAC, VOBA and sales inducements, less the estimated cost of these benefits. The estimated cost, which is reflected in operating results, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from adjusted operating earnings, including the impacts related to changes in the Company's nonperformance spread;

- Income (loss) related to businesses exited through reinsurance or divestment that do not qualify as discontinued operations, which includes gains and (losses) associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold and expenses directly related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in the Company's core business, which would be obscured by including the effects of business exited, and more closely aligns Adjusted operating earnings before income taxes with how the Company manages its segments;

- Income (loss) attributable to noncontrolling interest, which represents the interest of shareholders, other than the Company, in consolidated entities. Income (loss) attributable to noncontrolling interest represents such shareholders' interests in the gains and (losses) of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled;

- Income (loss) related to early extinguishment of debt, which includes losses incurred as a result of transactions where the Company repurchases outstanding principal amounts of debt; these losses are excluded from Adjusted operating earnings before income taxes since the outcome of decisions to restructure debt are not indicative of normal operations;

- Impairment of goodwill, value of management contract rights and value of customer relationships acquired, which includes losses as a result of impairment analysis; these represent losses related to infrequent events and do not reflect normal, cash-settled expenses;

- Immediate recognition of net actuarial gains (losses) related to the Company's pension and other postretirement benefit obligations and gains (losses) from plan amendments and curtailments, which includes actuarial gains and losses as a result of differences between actual and expected experience on pension plan assets or projected benefit obligation during

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a given period. The Company immediately recognizes actuarial gains and (losses) related to pension and other postretirement benefit obligations and gains and losses from plan adjustments and curtailments. These amounts do not reflect normal, cash-settled expenses and are not indicative of current Operating expense fundamentals; and

- Other items not indicative of normal operations or performance of the Company's segments or may be related to infrequent events including capital or organizational restructurings including certain costs related to debt and equity offerings as well as stock and/or cash based deal contingent awards; expenses associated with the rebranding of Voya Financial, Inc.; severance and other third-party expenses associated with Restructuring. These items vary widely in timing, scope and frequency between periods as well as between companies to which the Company is compared. Accordingly, the Company adjusts for these items as management believes that these items distort the ability to make a meaningful evaluation of the current and future performance of the Company's segments. Additionally, with respect to restructuring, these costs represent changes in operations rather than investments in the future capabilities of the Company's operating businesses.

The summary below reconciles Adjusted operating earnings before income taxes for the segments to Income (loss) from continuing operations before income taxes for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income (loss) from continuing operations before income taxes	$241	$155	$262	$268
Less Adjustments:				
Net investment gains (losses) and related charges and adjustments	(40)	2	(101)	(18)
Net guaranteed benefit hedging gains (losses) and related charges and adjustments	2	(1)	(12)	7
Income (loss) related to businesses exited through reinsurance or divestment	(8)	1	(53)	(4)
Income (loss) attributable to noncontrolling interest	58	52	58	53
Loss related to early extinguishment of debt	—	—	(3)	(1)
Other adjustments	(9)	(6)	(28)	(21)
Total adjustments to income (loss) from continuing operations	$3	$48	$(139)	$16
Adjusted operating earnings before income taxes by segment:				
Retirement	$169	$33	$278	$181
Investment Management	52	85	113	134
Employee Benefits	35	27	67	38
Individual Life	41	62	58	94
Corporate[1]	(59)	(100)	(115)	(195)
Total	$238	$107	$401	$252

[1] Adjusted operating earnings before income taxes for Corporate includes Net investment gains (losses) and Net guaranteed benefit hedging gains (losses) associated with the Retained Business in the prior period. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

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Adjusted operating revenues is a measure of the Company's segment revenues. Each segment's Operating revenues are calculated by adjusting Total revenues to exclude the following items:

- Net investment gains (losses) and related charges and adjustments, which are significantly influenced by economic and market conditions, including interest rates and credit spreads and are not indicative of normal operations. Net investment gains (losses) include gains (losses) on the sale of securities, impairments, changes in the fair value of investments using the FVO unrelated to the implied loan-backed security income recognition for certain mortgage-backed obligations and changes in the fair value of derivative instruments, excluding realized gains (losses) associated with swap settlements and accrued interest. These are net of related amortization of unearned revenue;
- Gain (loss) on change in fair value of derivatives related to guaranteed benefits, which is significantly influenced by economic and market conditions and not indicative of normal operations, includes changes in the fair value of derivatives related to guaranteed benefits, less the estimated cost of these benefits. The estimated cost, which is reflected in Adjusted operating revenues, reflects the expected cost of these benefits if markets perform in line with the Company's long-term expectations and includes the cost of hedging. Other derivative and reserve changes related to guaranteed benefits are excluded from Adjusted operating revenues, including the impacts related to changes in the Company's nonperformance spread;
- Revenues related to businesses exited through reinsurance or divestment that do not qualify as discontinued operations, which includes revenues associated with transactions to exit blocks of business (including net investment gains (losses) on securities sold related to these transactions) and residual run-off activity; these gains and (losses) are often related to infrequent events and do not reflect performance of operating segments. Excluding this activity better reveals trends in the Company's core business, which would be obscured by including the effects of business exited, and more closely aligns Operating revenues with how the Company manages its segments;
- Revenues attributable to noncontrolling interest, which represents the interests of shareholders, other than the Company, in consolidated entities. Revenues attributable to noncontrolling interest represents such shareholders' interests in the gains and losses of those entities, or the attribution of results from consolidated VIEs or VOEs to which the Company is not economically entitled; and
- Other adjustments to Total revenues primarily reflect fee income earned by the Company's broker-dealers for sales of non-proprietary products, which are reflected net of commission expense in the Company's segments’ operating revenues, other items where the income is passed on to third parties and the elimination of intercompany investment expenses included in Adjusted operating revenues.

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The summary below reconciles Adjusted operating revenues for the segments to Total revenues for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Total revenues	$2,113	$2,191	$4,080	$4,248
Adjustments:				
Net realized investment gains (losses) and related charges and adjustments	(49)	(1)	(122)	(28)
Gain (loss) on change in fair value of derivatives related to guaranteed benefits	4	1	(3)	10
Revenues related to businesses exited through reinsurance or divestment	(18)	48	(58)	68
Revenues attributable to noncontrolling interest	76	82	82	101
Other adjustments	67	50	125	101
Total adjustments to revenues	80	180	24	252
Adjusted operating revenues by segment:				
Retirement	670	630	1,332	1,255
Investment Management	171	204	356	375
Employee Benefits	460	443	913	890
Individual Life	641	629	1,272	1,259
Corporate[1]	91	105	183	217
Total	$2,033	$2,011	$4,056	$3,996

[1] Adjusted operating revenues for Corporate includes Net investment gains (losses) and Gains (losses) on change in fair value of derivatives related to guaranteed benefits associated with the Retained Business in the prior period. These amounts are insignificant and do not distort the ability to make a meaningful evaluation of the trends of Corporate activities.

Other Segment Information

The Investment Management segment revenues include the following intersegment revenues, primarily consisting of asset-based management and administration fees for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Investment Management intersegment revenues	$39	$ 43	$82	$ 87

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The summary below presents Total assets for the Company’s segments as of the dates indicated:

	June 30, 2018	December 31, 2017
Retirement	$111,347	$ 111,476
Investment Management	612	626
Employee Benefits	2,605	2,657
Individual Life	27,189	27,301
Corporate	19,084	18,685
Total assets, before consolidation(1)	160,837	160,745
Consolidation of investment entities	1,903	2,735
Total assets, excluding assets held for sale	162,740	163,480
Assets held for sale	—	59,052
Total assets	$162,740	$ 222,532

(1) Total assets, before consolidation includes the Company's direct investments in CIEs prior to consolidation, which are accounted for using the equity method or fair value option.

17. Condensed Consolidating Financial Information

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered" ("Rule 3-10"). The condensed consolidating financial information presents the financial position of Voya Financial, Inc. ("Parent Issuer"), Voya Holdings ("Subsidiary Guarantor") and all other subsidiaries ("Non-Guarantor Subsidiaries") of the Company as of June 30, 2018 and December 31, 2017, their results of operations and comprehensive income for the three and six months ended June 30, 2018 and 2017, and statements of cash flows for the six months ended June 30, 2018 and 2017.

The 5.5% senior notes due 2022, the 5.7% senior notes due 2043, the 3.65% senior notes due 2026, the 4.8% senior notes due 2046, the 3.125% senior notes due 2024 (collectively, the "Senior Notes"), the 5.65% fixed-to-floating rate junior subordinated notes due 2053 and the 4.7% fixed-to-floating junior subordinated notes due 2048 (collectively, the "Junior Subordinated Notes"), each issued by Parent Issuer, are fully and unconditionally guaranteed by Subsidiary Guarantor, a 100% owned subsidiary of Parent Issuer. No other subsidiary of Parent Issuer guarantees the Senior Notes or the Junior Subordinated Notes. Rule 3-10(h) provides that a guarantee is full and unconditional if, when the issuer of a guaranteed security has failed to make a scheduled payment, the guarantor is obligated to make the scheduled payment immediately and, if it does not, any holder of the guaranteed security may immediately bring suit directly against the guarantor for payment of amounts due and payable. In the event that Parent Issuer does not fulfill the guaranteed obligations, any holder of the Senior Notes or the Junior Subordinated Notes may immediately bring a claim against Subsidiary Guarantor for amounts due and payable.

The following condensed consolidating financial information is presented in conformance with the components of the Condensed Consolidated Financial Statements. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. Equity in the subsidiaries is therefore reflected in the Parent Issuer's and Subsidiary Guarantor's Investment in subsidiaries and Equity in earnings of subsidiaries. Non-Guarantor Subsidiaries represent all other subsidiaries on a combined basis. The consolidating adjustments presented herein eliminate investments in subsidiaries and intercompany balances and transactions.

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Condensed Consolidating Balance Sheet
June 30, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Assets:					
Investments:					
Fixed maturities, available-for-sale, at fair value	$—	$ —	$ 46,119	$ (15)	$ 46,104
Fixed maturities, at fair value using the fair value option	—	—	2,983	—	2,983
Equity securities, at fair value	116	—	269	—	385
Short-term investments	—	—	102	—	102
Mortgage loans on real estate, net of valuation allowance	—	—	8,904	—	8,904
Policy loans	—	—	1,849	—	1,849
Limited partnerships/corporations	—	—	1,070	—	1,070
Derivatives	50	—	425	(99)	376
Investments in subsidiaries	10,213	6,731	—	(16,944)	—
Other investments	—	—	90	—	90
Securities pledged	—	—	1,994	—	1,994
Total investments	10,379	6,731	63,805	(17,058)	63,857
Cash and cash equivalents	269	260	1,005	—	1,534
Short-term investments under securities loan agreements, including collateral delivered	11	—	1,668	—	1,679
Accrued investment income	—	—	674	—	674
Premium receivable and reinsurance recoverable	—	—	7,617	—	7,617
Deferred policy acquisition costs and Value of business acquired	—	—	4,008	—	4,008
Current income taxes	57	9	(43)	—	23
Deferred income taxes	657	23	586	—	1,266
Loans to subsidiaries and affiliates	179	—	—	(179)	—
Due from subsidiaries and affiliates	3	—	3	(6)	—
Other assets	37	—	1,115	—	1,152
Assets related to consolidated investment entities:					
Limited partnerships/corporations, at fair value	—	—	1,731	—	1,731
Cash and cash equivalents	—	—	86	—	86
Corporate loans, at fair value using the fair value option	—	—	458	—	458
Other assets	—	—	13	—	13
Assets held in separate accounts	—	—	78,642	—	78,642
Total assets	$11,592	$ 7,023	$ 161,368	$ (17,243)	$ 162,740

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Condensed Consolidating Balance Sheet (Continued)
June 30, 2018

	Parent Issuer	Subsidiary Guarantor	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated
Liabilities and Shareholders' Equity:					
Future policy benefits	$ —	$ —	$ 15,191	$ —	$ 15,191
Contract owner account balances	—	—	50,789	—	50,789
Payables under securities loan agreement, including collateral held	—	—	1,957	—	1,957
Short-term debt	—	—	180	(179)	1
Long-term debt	3,027	428	18	(15)	3,458
Derivatives	50	—	166	(99)	117
Pension and other postretirement provisions	—	—	527	—	527
Due to subsidiaries and affiliates	1	—	3	(4)	—
Other liabilities	54	56	1,587	(2)	1,695
Liabilities related to consolidated investment entities:					
Collateralized loan obligations notes, at fair value using the fair value option	—	—	491	—	491
Other liabilities	—	—	630	—	