Voya Financial, Inc.
Form 10-Q
November 05, 2014

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 September 30, 2014

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)	

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: As of November 4, 2014, 246,298,579 shares of Common Stock, $0.01 par value, were outstanding.

Voya Financial, Inc.
Form 10-Q for the period ended September 30, 2014

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As used in this Quarterly Report on Form 10-Q, "Voya Financial," the "Company," "we," "our" and "us" refer to Voya Financial, Inc.

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 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 and (x) changes in the policies of governments and/or regulatory authorities. 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, 2013 (File No. 001-35897) (the "Annual Report on Form 10-K"), "Risk Factors" in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (File No. 001-35897) and this Quarterly Report on Form 10-Q.
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
September 30, 2014 (Unaudited) and December 31, 2013
(In millions, except share and per share data)

	September 30, 2014	December 31, 2013
Assets:		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $64,865.1 as of 2014 and $65,033.8 as of 2013)	$70,155.7	$68,317.8
Fixed maturities, at fair value using the fair value option	3,557.8	2,935.3
Equity securities, available-for-sale, at fair value (cost of $239.2 as of 2014 and $267.4 as of 2013)	270.5	314.4
Short-term investments	1,173.1	1,048.1
Mortgage loans on real estate, net of valuation allowance of $3.4 as of 2014 and $3.8 as of 2013	9,949.7	9,312.2
Policy loans	2,104.2	2,147.0
Limited partnerships/corporations	348.2	236.4
Derivatives	1,136.8	1,149.3
Other investments	106.8	124.6
Securities pledged (amortized cost of $951.7 as of 2014 and $1,457.9 as of 2013)	1,021.6	1,465.7
Total investments	89,824.4	87,050.8
Cash and cash equivalents	1,908.5	2,840.8
Short-term investments under securities loan agreements, including collateral delivered	593.8	552.9
Accrued investment income	926.9	897.1
Reinsurance recoverable	6,752.5	6,702.2
Deferred policy acquisition costs and Value of business acquired	4,779.9	5,351.6
Sales inducements to contract holders	259.9	279.0
Current income taxes	8.4	—
Deferred income taxes	—	162.1
Goodwill and other intangible assets	296.1	323.7
Other assets	1,051.4	1,036.5
Assets related to consolidated investment entities:		
Limited partnerships/corporations, at fair value	3,842.8	3,218.6
Cash and cash equivalents	560.9	710.7
Corporate loans, at fair value using the fair value option	6,262.9	4,965.3
Other assets	176.1	104.8
Assets held in separate accounts	107,059.3	106,827.1
Total assets	$224,303.8	$221,023.2

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

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Voya Financial, Inc.
Condensed Consolidated Balance Sheets
September 30, 2014 (Unaudited) and December 31, 2013
(In millions, except share and per share data)

	September 30, 2014	December 31, 2013
Liabilities and Shareholders' Equity:		
Future policy benefits	$15,048.1	$14,098.4
Contract owner account balances	69,091.0	69,908.3
Payables under securities loan agreements, including collateral held	927.1	769.4
Long-term debt	3,515.5	3,514.7
Funds held under reinsurance agreements	1,136.7	1,181.5
Derivatives	656.8	1,351.8
Pension and other post-employment provisions	454.2	474.9
Current income taxes	—	44.1
Deferred income taxes	447.4	—
Other liabilities	1,315.8	1,274.1
Liabilities related to consolidated investment entities:		
Collateralized loan obligations notes, at fair value using the fair value option	6,344.4	5,161.6
Other liabilities	1,163.3	903.3
Liabilities related to separate accounts	107,059.3	106,827.1
Total liabilities	207,159.6	205,509.2
Shareholders' equity:		
Common stock ($0.01 par value per share; 900,000,000 shares authorized, 263,531,836 and 261,754,931 shares issued as of 2014 and 2013, respectively; 246,430,073 and 261,675,811 shares outstanding as of 2014 and 2013, respectively)	2.6	2.6
Treasury stock (at cost; 17,101,763 and 79,120 shares as of 2014 and 2013, respectively)	(624.2)	—
Additional paid-in capital	23,621.5	23,563.7
Accumulated other comprehensive income (loss)	2,820.2	1,849.1
Retained earnings (deficit):		
Appropriated-consolidated investment entities	21.4	18.4
Unappropriated	(11,256.4)	(12,161.6)
Total Voya Financial, Inc. shareholders' equity	14,585.1	13,272.2
Noncontrolling interest	2,559.1	2,241.8
Total shareholders' equity	17,144.2	15,514.0
Total liabilities and shareholders' equity	$224,303.8	$221,023.2

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

Voya Financial, Inc.
Condensed Consolidated Statements of Operations
For the Three and Nine Months Ended September 30, 2014 and 2013 (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Net investment income	$1,163.6	$1,221.6	$3,430.1	$3,532.5
Fee income	908.9	920.8	2,738.0	2,722.4
Premiums	595.1	494.2	1,825.4	1,440.9
Net realized capital gains (losses):				
Total other-than-temporary impairments	(19.5)	(5.6)	(25.4)	(26.9)
Less: Portion of other-than-temporary impairments recognized in Other comprehensive income (loss)	(0.1)	(1.2)	(0.2)	(4.3)
Net other-than-temporary impairments recognized in earnings	(19.4)	(4.4)	(25.2)	(22.6)
Other net realized capital gains (losses)	200.4	(512.7)	(350.9)	(1,935.2)
Total net realized capital gains (losses)	181.0	(517.1)	(376.1)	(1,957.8)
Other revenue	101.0	119.6	316.8	321.3
Income (loss) related to consolidated investment entities:				
Net investment income	248.0	135.3	630.0	346.3
Changes in fair value related to collateralized loan obligations	(6.5)	60.9	(4.1)	(11.1)
Total revenues	3,191.1	2,435.3	8,560.1	6,394.5
Benefits and expenses:				
Policyholder benefits	1,234.7	570.7	2,910.9	1,822.2
Interest credited to contract owner account balances	498.2	517.0	1,485.3	1,556.8
Operating expenses	767.3	762.8	2,315.1	2,292.1
Net amortization of Deferred policy acquisition costs and Value of business acquired	30.6	64.6	272.4	319.6
Interest expense	47.2	48.4	142.3	136.6
Operating expenses related to consolidated investment entities:				
Interest expense	56.6	50.4	152.3	130.6
Other expense	1.7	1.4	5.7	6.1
Total benefits and expenses	2,636.3	2,015.3	7,284.0	6,264.0
Income (loss) before income taxes	554.8	420.0	1,276.1	130.5
Income tax expense (benefit)	37.4	(27.7)	74.2	(6.4)
Net income (loss)	517.4	447.7	1,201.9	136.9
Less: Net income (loss) attributable to noncontrolling interest	116.6	101.1	296.7	84.5
Net income (loss) available to Voya Financial, Inc.'s common shareholders	$400.8	$346.6	$905.2	$52.4
Net income (loss) available to Voya Financial, Inc.'s common shareholders per common share:				
Basic	$1.59	$1.33	$3.54	$0.21
Diluted	$1.58	$1.32	$3.51	$0.21
Cash dividends declared per share of common stock	$0.01	$0.01	$0.03	$0.01

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 Nine Months Ended September 30, 2014 and 2013 (Unaudited)
(In millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income (loss)	$517.4	$447.7	$1,201.9	$136.9
Other comprehensive income (loss), before tax:				
Unrealized gains (losses) on securities	(510.8)	(223.2)	1,478.4	(2,733.4)
Other-than-temporary impairments	5.9	13.5	30.2	44.8
Pension and other postretirement benefits liability	(3.4)	(3.4)	(10.3)	(10.3)
Other comprehensive income (loss), before tax	(508.3)	(213.1)	1,498.3	(2,698.9)
Income tax expense (benefit) related to items of other comprehensive income (loss)	(175.8)	(75.3)	527.2	(938.2)
Other comprehensive income (loss), after tax	(332.5)	(137.8)	971.1	(1,760.7)
Comprehensive income (loss)	184.9	309.9	2,173.0	(1,623.8)
Less: Comprehensive income (loss) attributable to noncontrolling interest	116.6	101.1	296.7	84.5
Comprehensive income (loss) attributable to Voya Financial, Inc.'s common shareholders	$68.3	$208.8	$1,876.3	$(1,708.3)

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 Nine Months Ended September 30, 2014 (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 at January 1, 2014	$ 2.6	$—	$ 23,563.7	$ 1,849.1	$ 18.4	$ (12,161.6)	$ 13,272.2	$ 2,241.8	$ 15,514.0
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	905.2	905.2	296.7	1,201.9
Other comprehensive income (loss), after tax	—	—	—	971.1	—	—	971.1	—	971.1
Total comprehensive income (loss)							1,876.3	296.7	2,173.0
Reclassification of noncontrolling interest	—	—	—	—	3.0	—	3.0	(3.0)	—
Common stock issuance	—	—	—	—	—	—	—	—	—
Common stock acquired - Share repurchase	—	(609.4)	—	—	—	—	(609.4)	—	(609.4)
Dividends on common stock	—	—	(7.7)	—	—	—	(7.7)	—	(7.7)
Share-based compensation	—	(14.8)	65.5	—	—	—	50.7	—	50.7
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	23.6	23.6
Balance at September 30, 2014	$ 2.6	$ (624.2)	$ 23,621.5	$ 2,820.2	$ 21.4	$ (11,256.4)	$ 14,585.1	$ 2,559.1	$ 17,144.2

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 Nine Months Ended September 30, 2013 (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 at January 1, 2013	$ 2.3	$ —	$ 22,917.6	$ 3,710.7	$ 6.4	$ (12,762.1)	$ 13,874.9	$ 2,186.3	$ 16,061.2
Comprehensive income (loss):									
Net income (loss)	—	—	—	—	—	52.4	52.4	84.5	136.9
Other comprehensive income (loss), after tax	—	—	—	(1,760.7)	—	—	(1,760.7)	—	(1,760.7)
Total comprehensive income (loss)							(1,708.3)	84.5	(1,623.8)
Reclassification of noncontrolling interest	—	—	—	—	(4.0)	—	(4.0)	4.0	—
Common stock issuance	0.3	—	571.3	—	—	—	571.6	—	571.6
Common stock acquired - Share repurchase	—	—	—	—	—	—	—	—	—
Dividends on common stock	—	—	(2.6)	—	—	—	(2.6)	—	(2.6)
Share-based compensation	—	—	38.4	—	—	—	38.4	—	38.4
Contributions from (Distributions to) noncontrolling interest, net	—	—	—	—	—	—	—	(180.3)	(180.3)
Balance at September 30, 2013	$ 2.6	$ —	$ 23,524.7	$ 1,950.0	$ 2.4	$ (12,709.7)	$ 12,770.0	$ 2,094.5	$ 14,864.5

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

Voya Financial, Inc.
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2014 and 2013 (Unaudited)
(In millions)

	Nine Months Ended September 30,	
	2014	2013
Net cash provided by operating activities	$2,916.2	$2,942.1
Cash Flows from Investing Activities:		
Proceeds from the sale, maturity, disposal or redemption of:		
Fixed maturities	9,192.3	11,626.7
Equity securities, available-for-sale	63.7	47.1
Mortgage loans on real estate	937.6	1,253.5
Limited partnerships/corporations	137.6	274.8
Acquisition of:		
Fixed maturities	(9,172.3)	(14,281.7)
Equity securities, available-for-sale	(18.3)	(17.9)
Mortgage loans on real estate	(1,574.8)	(1,583.2)
Limited partnerships/corporations	(261.3)	(81.0)
Short-term investments, net	(124.5)	3,443.2
Policy loans, net	42.8	52.8
Derivatives, net	(670.7)	(1,981.6)
Other investments, net	38.5	34.3
Sales from consolidated investment entities	2,558.5	2,518.7
Purchases within consolidated investment entities	(4,292.6)	(3,352.2)
Collateral received (delivered), net	116.8	(751.5)
Purchases of fixed assets, net	(26.5)	(25.7)
Net cash used in investing activities	(3,053.2)	(2,823.7)
Cash Flows from Financing Activities:		
Deposits received for investment contracts	5,681.5	8,985.2
Maturities and withdrawals from investment contracts	(7,332.9)	(9,648.9)
Proceeds from issuance of debt with maturities of more than three months	—	2,147.1
Repayment of debt with maturities of more than three months	—	(2,697.4)
Short-term debt, net	—	(171.6)
Debt issuance costs	(16.8)	(24.8)
Borrowings of consolidated investment entities	340.5	32.0
Repayments of borrowings of consolidated investment entities	(66.6)	(8.5)
Contributions from (distributions to) participants in consolidated investment entities	1,235.9	626.7
Proceeds from issuance of common stock, net	—	571.6
Common stock acquired - Share repurchase	(614.4)	—
Share-based compensation	(14.8)	—
Dividends paid	(7.7)	—
Net cash used in financing activities	(795.3)	(188.6)
Net decrease in cash and cash equivalents	(932.3)	(70.2)
Cash and cash equivalents, beginning of period	2,840.8	1,786.8
Cash and cash equivalents, end of period	$1,908.5	$1,716.6
Supplemental cash flow information:		
Income taxes paid (received), net	$44.4	$(2.8)
Interest paid	156.9	126.3

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. (which changed its name from ING U.S., Inc. on April 7, 2014) 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. The Company provides its principal products and services in three ongoing businesses (Retirement Solutions, Investment Management and Insurance Solutions) and reports results through five ongoing operating segments, including Retirement, Annuities, Investment Management, Individual Life and Employee Benefits. The Company also has a Corporate segment, which includes the financial data not directly related to the businesses, and Closed Block segments. See the Segments Note to these Condensed Consolidated Financial Statements.

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, with American Depository Shares listed on the New York Stock Exchange. In 2009, ING Group announced the anticipated separation of its global banking and insurance businesses, including the divestiture of the Company. On April 11, 2013, the Company announced plans to rebrand as Voya Financial. On May 2, 2013, the common stock of Voya Financial, Inc. began trading on the New York Stock Exchange under the symbol "VOYA." On May 7, 2013 and May 31, 2013, Voya Financial, Inc. completed its initial public offering of common stock, including the issuance and sale by Voya Financial, Inc. of 30,769,230 shares of common stock and the sale by ING Insurance International B.V. ("ING International"), an indirect wholly owned subsidiary of ING Group and previously the sole stockholder of Voya Financial, Inc., of 44,201,773 shares of outstanding common stock of Voya Financial, Inc. (collectively, the "IPO"). On September 30, 2013, ING International transferred all of its remaining shares of Voya Financial, Inc. common stock to ING Group.

On October 29, 2013, ING Group completed a sale of 37,950,000 shares of common stock of the Company in a registered public offering ("Secondary Offering"), reducing ING Group's ownership in the Company to 57%.

On March 25, 2014, ING Group completed a sale of 30,475,000 shares of common stock of Voya Financial, Inc. in a registered public offering (the "March 2014 Offering"). Also on March 25, 2014, pursuant to the terms of a share repurchase agreement between ING Group and Voya Financial, Inc., Voya Financial, Inc. acquired 7,255,853 shares of its common stock from ING Group (the "March 2014 Direct Share Repurchase") (the March 2014 Offering and the March 2014 Direct Share Repurchase collectively, the "March 2014 Transactions"). Upon completion of the March 2014 Transactions, ING Group's ownership of Voya Financial, Inc. was reduced to approximately 43%.

On September 8, 2014, ING Group completed a sale of 22,277,993 shares of common stock of Voya Financial, Inc. in a registered public offering (the "September 2014 Offering"). Also on September 8, 2014, pursuant to the terms of a share repurchase agreement between ING Group and Voya Financial, Inc., Voya Financial, Inc. acquired 7,722,007 shares of its common stock from ING Group (the "September 2014 Direct Share Repurchase") (the September 2014

Offering and the September 2014 Direct Share Repurchase collectively, the "September 2014 Transactions"). Upon completion of the September 2014 Transactions, ING Group's ownership of Voya Financial, Inc. was reduced to 32.5%. Pursuant to an agreement with the European Union, ING Group is required to divest its remaining ownership stake in the Company by the end of 2016.

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 at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates.

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

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 September 30, 2014, its results of operations and comprehensive income for the three and nine months ended September 30, 2014 and 2013, and its changes in shareholders' equity and statements of cash flows for the nine months ended September 30, 2014 and 2013, in conformity with U.S. GAAP. Interim results are not necessarily indicative of full year performance. The December 31, 2013 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 included in the Company's Annual Report on Form 10-K.

Adoption of New Pronouncements

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

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

The provisions of ASU 2013-11 were adopted prospectively by the Company on January 1, 2014, to unrecognized tax benefits existing on that date. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the guidance is consistent with that previously applied.

Investment Companies
In June 2013, the FASB issued ASU 2013-08, "Financial Services-Investment Companies (ASC Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements" ("ASU 2013-08"), which provides comprehensive guidance for assessing whether an entity is an investment company and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value. ASU 2013-08

also requires an entity to disclose that it is an investment company and any changes to that status, as well as information about financial support provided or required to be provided to investees.

The provisions of ASU 2013-08 were adopted prospectively by the Company on January 1, 2014, for entities that are investment companies at that date. The adoption had no effect on the Company's financial condition, results of operations or cash flows.

Joint and Several Liability Arrangements

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

The provisions of ASU 2013-04 were adopted by the Company on January 1, 2014. The adoption had no effect on the Company's financial condition, results of operations or cash flows, as the Company did not have any fixed obligations under joint and several liable arrangements as of January 1, 2014.

Fees Paid to the Federal Government by Health Insurers
In July 2011, the FASB issued ASU 2011-06, "Other Expenses (ASC Topic 720): Fees Paid to the Federal Government by Health Insurers" ("ASU 2011-06"), which specifies how health insurers should recognize and classify the annual fee imposed by the Patient Protection and Affordable Care Act as amended by the Health Care Education Reconciliation Act (the "Acts"). The liability for the fee should be estimated and recorded in full at the time the entity provides qualifying health insurance in the year in which the fee is payable, with a corresponding deferred cost that is amortized to expense.

The provisions of ASU 2011-06 were adopted by the Company on January 1, 2014, when the fee initially became effective. The adoption of ASU 2011-06 had no effect on the Company's financial condition, results of operations or cash flows, as the amount of net premium written for qualifying health insurance by the Company in 2014 is expected to be below the $25.0 threshold as defined by the Acts and, thus, not subject to the fee.

Future Adoption of Accounting Pronouncements

Going Concern
In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern (ASC Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern" ("ASU 2014-15"), which requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. The provisions of ASU 2014-15 will not affect a company's financial condition, results of operation, or cash flows, but require disclosure if management determines there is substantial doubt, including management’s plans to alleviate or mitigate the conditions or events that raise substantial doubt. The provisions of ASU 2014-15 are effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter. The Company does not expect ASU 2014-15 to have an impact.

Collateralized Financing Entities
In August 2014, the FASB issues ASU 2014-13, “Consolidation (ASC Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity” (“ASU 2014-13”), which allows an entity to elect to measure the financial assets and financial liabilities of a consolidated collateralized financing entity using either:

- ASC Topic 820, whereby both the financial assets and liabilities are measured using the requirements of ASC Topic 820, with any difference reflected in earnings and attributed to the reporting entity in the statement of operations.
- The measurement alternative, whereby both the financial assets and liabilities are measured using the more observable of the fair value of the financial assets and the fair value of the financial liabilities.

The provisions of ASU 2014-13 are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. The Company is currently in the process of determining the impact of the adoptions of the provisions of ASU 2014-13.

Share-based Payments

In June 2014, the FASB issued ASU 2014-12, "Compensation-Stock Compensation (ASC Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" ("ASU 2014-12"), which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved.

The provisions of ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The amendments can be applied prospectively or retrospectively. The Company does not expect ASU 2014-12 to have an impact on its financial condition or results of operations, as the guidance is consistent with that previously applied.

Repurchase Agreements
In June 2014, the FASB issued ASU 2014-11, "Transfers and Servicing (ASC Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures" ("ASU 2014-11"), which (1) changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting, and (2) requires separate accounting for a transfer of a financial asset executed with a repurchase agreement with the same counterparty. This will result in secured borrowing accounting for the repurchase agreement. The amendments also require additional disclosures for certain transactions accounted for as a sale and for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings.

The provisions of ASU 2014-11 are effective for the first interim or annual period beginning after December 15, 2014, with the exception of disclosure amendments for repurchase agreements, securities lending transactions and repurchase-to-maturity transactions that are accounted for as secured borrowings, which are effective for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The Company does not expect ASU 2014-11 to have an impact on its financial condition or results of operations, as the Company has not historically met the requirements for sale accounting treatment for such secured borrowing arrangements. The Company is currently in the process of determining the impact of adoption of the disclosure provisions of ASU 2014-11.
Revenue from Contracts with Customers
In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (ASC Topic 606)" ("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. The standard also requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The provisions of ASU 2014-09 are effective retrospectively for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently in the process of determining the impact of adoption of the provisions of ASU 2014-09.
Discontinued Operations and Disposals
In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (ASC Topic 205) and Property, Plant, and Equipment (ASC Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"), which requires the disposal of a component of an entity to be reported in discontinued operations if the disposal represents a strategic shift that has, or will have, a major effect on the entity's operations and financial results. The component should be reported in discontinued operations when it meets the criteria to be classified as held for sale, is disposed of by sale or is disposed of other than by sale.

The amendments also require additional disclosures about discontinued operations, including disclosures about an entity’s significant continuing involvement with a discontinued operation and disclosures for a disposal of an individually significant component of an entity that does not qualify for discontinued operations.

The provisions of ASU 2014-08 are effective for annual periods beginning after December 15, 2014 and for interim periods beginning after December 15, 2015. The amendments should be applied prospectively to disposals and classifications as held for sale that occur within those periods.

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2. Investments (excluding Consolidated Investment Entities)

Fixed Maturities and Equity Securities

Available-for-sale and fair value option ("FVO") fixed maturities and equity securities were as follows as of September 30, 2014:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3]
Fixed maturities:						
U.S. Treasuries	$3,767.5	$424.7	$5.1	$—	$4,187.1	$—
U.S. Government agencies and authorities	415.3	47.1	0.1	—	462.3	—
State, municipalities and political subdivisions	434.8	21.5	1.5	—	454.8	—
U.S. corporate securities	37,243.2	3,054.6	219.6	—	40,078.2	10.6
Foreign securities[1]:						
Government	862.6	47.2	12.8	—	897.0	—
Other	15,115.3	1,065.0	59.8	—	16,120.5	—
Total foreign securities	15,977.9	1,112.2	72.6	—	17,017.5	—
Residential mortgage-backed securities:						
Agency	4,988.3	414.0	20.5	75.0	5,456.8	0.3
Non-Agency	1,036.1	168.6	8.3	43.2	1,239.6	80.1
Total Residential mortgage-backed securities	6,024.4	582.6	28.8	118.2	6,696.4	80.4
Commercial mortgage-backed securities	3,761.5	270.5	1.2	—	4,030.8	—
Other asset-backed securities	1,750.0	78.2	20.2	—	1,808.0	4.8
Total fixed maturities, including securities pledged	69,374.6	5,591.4	349.1	118.2	74,735.1	95.8
Less: Securities pledged	951.7	77.6	7.7	—	1,021.6	—
Total fixed maturities	68,422.9	5,513.8	341.4	118.2	73,713.5	95.8
Equity securities:						
Common stock	188.7	0.5	—	—	189.2	—
Preferred stock	50.5	30.8	—	—	81.3	—

Total equity securities	239.2	31.3	—	—	270.5	—
Total fixed maturities and equity securities investments	$68,662.1	$5,545.1	$341.4	$118.2	$73,984.0	$95.8

(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).

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Available-for-sale and FVO fixed maturities and equity securities were as follows as of December 31, 2013:

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Embedded Derivatives[2]	Fair Value	OTTI[3]
Fixed maturities:						
U.S. Treasuries	$5,094.0	$174.0	$86.8	$—	$5,181.2	$—
U.S. Government agencies and authorities	598.0	22.3	1.4	—	618.9	—
State, municipalities and political subdivisions	272.0	10.6	1.5	—	281.1	—
U.S. corporate securities	36,010.3	2,174.5	706.2	—	37,478.6	12.8
Foreign securities[1]:						
Government	1,044.0	49.6	42.2	—	1,051.4	—
Other	14,617.4	864.2	176.5	—	15,305.1	—
Total foreign securities	15,661.4	913.8	218.7	—	16,356.5	—
Residential mortgage-backed securities:						
Agency	5,379.2	431.1	62.1	79.2	5,827.4	0.4
Non-Agency	1,101.1	166.2	18.3	47.3	1,296.3	103.2
Total Residential mortgage-backed securities	6,480.3	597.3	80.4	126.5	7,123.7	103.6
Commercial mortgage-backed securities	3,427.9	327.7	3.5	—	3,752.1	4.4
Other asset-backed securities	1,883.1	81.6	38.0	—	1,926.7	5.2
Total fixed maturities, including securities pledged	69,427.0	4,301.8	1,136.5	126.5	72,718.8	126.0
Less: Securities pledged	1,457.9	24.6	16.8	—	1,465.7	—
Total fixed maturities	67,969.1	4,277.2	1,119.7	126.5	71,253.1	126.0
Equity securities:						
Common stock	214.3	5.1	0.9	—	218.5	—
Preferred stock	53.1	43.4	0.6	—	95.9	—
Total equity securities	267.4	48.5	1.5	—	314.4	—
Total fixed maturities and equity securities investments	$68,236.5	$4,325.7	$1,121.2	$126.5	$71,567.5	$126.0

[1] Primarily U.S. dollar denominated.

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

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The amortized cost and fair value of fixed maturities, including securities pledged, as of September 30, 2014, are shown below by contractual maturity. Actual maturities may differ from contractual maturities as securities may be restructured, called or prepaid. Mortgage-backed securities ("MBS") and Other asset-backed securities ("ABS") are shown separately because they are not due at a single maturity date.

	Amortized Cost	Fair Value
Due to mature:		
One year or less	$2,313.2	$2,362.3
After one year through five years	12,705.5	13,484.2
After five years through ten years	20,943.9	21,719.0
After ten years	21,876.1	24,634.4
Mortgage-backed securities	9,785.9	10,727.2
Other asset-backed securities	1,750.0	1,808.0
Fixed maturities, including securities pledged	$69,374.6	$74,735.1

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 September 30, 2014 and December 31, 2013, 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 condensed consolidated Shareholders' equity.

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

	Amortized Cost	Gross Unrealized Capital Gains	Gross Unrealized Capital Losses	Fair Value
September 30, 2014				
Communications	$3,959.6	$455.8	$15.5	$4,399.9
Financial	7,582.8	669.3	20.1	8,232.0
Industrial and other companies	30,002.1	1,982.7	204.4	31,780.4
Utilities	9,335.1	884.0	30.0	10,189.1
Transportation	1,478.9	127.8	9.4	1,597.3
Total	$52,358.5	$4,119.6	$279.4	$56,198.7
December 31, 2013				
Communications	$4,016.2	$293.0	$73.4	$4,235.8
Financial	6,640.7	566.6	72.6	7,134.7
Industrial and other companies	29,303.1	1,524.5	564.5	30,263.1
Utilities	9,200.6	570.0	142.2	9,628.4
Transportation	1,467.1	84.6	30.0	1,521.7

Total	$50,627.7	$3,038.7	$882.7	$52,783.7

Fixed Maturities and Equity Securities

The Company's fixed maturities and equity securities are currently designated as available-for-sale, except those accounted for using the FVO. Available-for-sale securities are reported at fair value and unrealized capital gains (losses) on these securities are recorded directly in Accumulated other comprehensive income (loss) ("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 valued 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 September 30, 2014 and December 31, 2013, approximately 44.0% and 38.3%, respectively, of the Company's CMO holdings, such as interest-only or principal-only strips, were invested in those types of CMOs that are subject to more prepayment and extension risk than traditional CMOs.

Repurchase Agreements

The Company engages in dollar repurchase agreements with mortgage-backed securities ("dollar rolls") and repurchase agreements with other collateral types to increase its return on investments and improve liquidity. Such arrangements meet the requirements to be accounted for as financing arrangements. The Company also enters into reverse repurchase agreements. These transactions involve a purchase of securities and an agreement to sell substantially the same securities as those purchased. As of September 30, 2014 and December 31, 2013, the Company did not have any securities pledged in dollar rolls, repurchase agreement transactions or reverse repurchase agreements.

Securities Lending

The Company engages in securities lending whereby certain securities from its portfolio are loaned to other institutions for short periods of time. Initial collateral, primarily cash, is required at a rate of 102% of the market value of the loaned securities. For certain transactions, a lending agent may be used and the agent may retain some or all of the collateral deposited by the borrower and transfer the remaining collateral to the Company. Collateral retained by the agent is invested in 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. As of September 30, 2014 and December 31, 2013, the fair value of loaned securities was $409.9 and $435.4, respectively, and is included in Securities pledged on the Condensed Consolidated Balance Sheets. As of September 30, 2014 and December 31, 2013, collateral retained by the lending agent and invested in liquid assets on the Company's behalf was $426.2 and $451.0, respectively, and recorded in Short-term investments under securities loan agreements, including collateral delivered on the Condensed Consolidated Balance Sheets. As of September 30, 2014 and December 31, 2013, liabilities to return collateral of $426.2 and $451.0, respectively, were included in Payables under securities loan agreements, including collateral held on the Condensed Consolidated Balance Sheets.

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Unrealized Capital Losses

Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of September 30, 2014:

	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	$375.6	$1.9	$—	$—	$70.3	$3.2	$445.9	$5.1
U.S. Government agencies and authorities	6.9	0.1	—	—	—	—	6.9	0.1
U.S. corporate, state and municipalities	3,902.8	54.3	75.3	3.9	3,536.4	162.9	7,514.5	221.1
Foreign	1,558.8	24.6	19.3	0.3	916.5	47.7	2,494.6	72.6
Residential mortgage-backed	266.2	1.3	62.1	0.6	760.1	26.9	1,088.4	28.8
Commercial mortgage-backed	114.1	0.7	3.5	0.5	—	—	117.6	1.2
Other asset-backed	236.7	0.6	2.6	0.1	247.7	19.5	487.0	20.2
Total	$6,461.1	$83.5	$162.8	$5.4	$5,531.0	$260.2	$12,154.9	$349.1

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Unrealized capital losses (including noncredit impairments), along with the fair value of fixed maturity securities, including securities pledged, by market sector and duration were as follows as of December 31, 2013:

	Six Months or Less Below Amortized Cost		More Than Six Months and Twelve Months or Less Below Amortized Cost		More Than Twelve Months Below Amortized Cost		Total	
	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses	Fair Value	Unrealized Capital Losses
U.S. Treasuries	$1,559.5	$24.3	$1,087.6	$52.6	$41.9	$9.9	$2,689.0	$86.8
U.S. Government agencies and authorities	9.5	—*	55.9	1.4	—	—	65.4	1.4
U.S. corporate, state and municipalities	3,524.9	78.5	6,893.9	519.6	821.9	109.6	11,240.7	707.7
Foreign	1,133.6	16.0	2,447.8	184.3	179.1	18.4	3,760.5	218.7
Residential mortgage-backed	919.1	8.3	1,019.6	40.6	377.9	31.5	2,316.6	80.4
Commercial mortgage-backed	235.8	3.3	—	—	6.2	0.2	242.0	3.5
Other asset-backed	150.6	0.9	105.5	1.5	299.3	35.6	555.4	38.0
Total	$7,533.0	$131.3	$11,610.3	$800.0	$1,726.3	$205.2	$20,869.6	$1,136.5

* Less than $0.1.

Of the unrealized capital losses aged more than twelve months, the average market value of the related fixed maturities was 95.5% and 89.4% of the average book value as of September 30, 2014 and December 31, 2013, respectively.

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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%
September 30, 2014						
Six months or less below amortized cost	$6,559.3	$2.8	$85.4	$0.6	559	4
More than six months and twelve months or less below amortized cost	362.1	— *	23.7	— *	74	2
More than twelve months below amortized cost	5,568.4	11.4	235.4	4.0	551	8
Total	$12,489.8	$14.2	$344.5	$4.6	1,184	14
December 31, 2013						
Six months or less below amortized cost	$7,883.3	$80.5	$166.0	$18.6	570	20
More than six months and twelve months or less below amortized cost	12,339.7	67.6	776.8	16.7	798	8
More than twelve months below amortized cost	1,579.2	55.8	144.5	13.9	302	22
Total	$21,802.2	$203.9	$1,087.3	$49.2	1,670	50

* Less than $0.1.

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

	Amortized Cost		Unrealized Capital Losses		Number of Securities	
	< 20%	> 20%	< 20%	> 20%	< 20%	> 20%
September 30, 2014						
U.S. Treasuries	$451.0	$—	$5.1	$—	16	—
U.S. Government agencies and authorities	7.0	—	0.1	—	1	—
U.S. corporate, state and municipalities	7,734.6	1.0	220.9	0.2	548	2
Foreign	2,567.2	—	72.6	—	197	—
Residential mortgage-backed	1,113.0	4.2	26.6	2.2	323	7
Commercial mortgage-backed	118.8	—	1.2	—	10	—
Other asset-backed	498.2	9.0	18.0	2.2	89	5
Total	$12,489.8	$14.2	$344.5	$4.6	1,184	14
December 31, 2013						
U.S. Treasuries	$2,750.5	$25.3	$81.4	$5.4	32	1
U.S. Government agencies and authorities	66.8	—	1.4	—	3	—
U.S. corporate, state and municipalities	11,892.6	55.8	694.2	13.5	744	5
Foreign	3,944.2	35.0	211.0	7.7	300	6
Residential mortgage-backed	2,361.4	35.6	70.2	10.2	471	25
Commercial mortgage-backed	245.5	—	3.5	—	16	—
Other asset-backed	541.2	52.2	25.6	12.4	104	13
Total	$21,802.2	$203.9	$1,087.3	$49.2	1,670	50

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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	
September 30, 2014	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$5.1	$—	$0.3	$—
Non-agency RMBS > 90% - 100%	36.1	—	1.9	—
Non-agency RMBS 80% - 90%	108.5	0.3	5.9	0.1
Non-agency RMBS < 80%	293.2	7.1	16.3	1.8
Agency RMBS	915.5	3.8	18.5	2.0
Other ABS (Non-RMBS)	252.8	2.0	1.7	0.5
Total RMBS and Other ABS	$1,611.2	$13.2	$44.6	$4.4

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
September 30, 2014	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$343.7	$7.4	$20.0	$1.9
Non-agency RMBS > 5% - 10%	18.5	—	0.7	—
Non-agency RMBS > 0% - 5%	41.0	—	0.9	—
Non-agency RMBS 0%	39.7	—	2.8	—
Agency RMBS	915.5	3.8	18.5	2.0
Other ABS (Non-RMBS)	252.8	2.0	1.7	0.5
Total RMBS and Other ABS	$1,611.2	$13.2	$44.6	$4.4

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
September 30, 2014	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$1,053.7	$2.4	$20.1	$0.7
Floating Rate	557.5	10.8	24.5	3.7
Total	$1,611.2	$13.2	$44.6	$4.4

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

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	Loan-to-Value Ratio			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS > 100%	$75.7	$36.4	$2.9	$8.3
Non-agency RMBS > 90% - 100%	156.8	24.1	8.6	5.7
Non-agency RMBS 80% - 90%	151.3	5.9	8.4	1.7
Non-agency RMBS < 80%	284.7	8.0	15.5	2.2
Agency RMBS	2,008.9	11.3	57.9	4.2
Other ABS (Non-RMBS)	225.2	2.1	2.5	0.5
Total RMBS and Other ABS	$2,902.6	$87.8	$95.8	$22.6

	Credit Enhancement Percentage			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2013	< 20%	> 20%	< 20%	> 20%
RMBS and Other ABS[1]				
Non-agency RMBS 10% +	$407.1	$47.7	$27.6	$11.1
Non-agency RMBS > 5% - 10%	43.9	0.8	1.2	0.2
Non-agency RMBS > 0% - 5%	90.4	3.9	1.9	0.8
Non-agency RMBS 0%	127.1	22.0	4.7	5.8
Agency RMBS	2,008.9	11.3	57.9	4.2
Other ABS (Non-RMBS)	225.2	2.1	2.5	0.5
Total RMBS and Other ABS	$2,902.6	$87.8	$95.8	$22.6

	Fixed Rate/Floating Rate			
	Amortized Cost		Unrealized Capital Losses	
December 31, 2013	< 20%	> 20%	< 20%	> 20%
Fixed Rate	$1,723.7	$4.4	$50.5	$1.6
Floating Rate	1,178.9	83.4	45.3	21.0
Total	$2,902.6	$87.8	$95.8	$22.6

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

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. For the nine months ended September 30, 2014, the Company had no new troubled debt restructurings for private placement and one new troubled debt restructuring for commercial mortgage loans with a pre-modification and post modification carrying value of $1.9. For the year ended December 31, 2013, the Company had no new private placement troubled debt restructurings and 21 new commercial mortgage loan troubled debt restructurings with a pre-modification and post modification carrying value of $91.0. Of these 21 commercial mortgage loans, 20 comprise a portfolio of cross-defaulted, cross-collateralized individual loans, which are owned by the same sponsor. Between the date of the troubled debt restructurings and September 30, 2014, these loans have repaid $16.7 in principal.

As of September 30, 2014 and December 31, 2013, 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.

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

	September 30, 2014	December 31, 2013
Commercial mortgage loans	$9,953.1	$9,316.0
Collective valuation allowance for losses	(3.4)	(3.8)
Total net commercial mortgage loans	$9,949.7	$9,312.2

There were no impairments taken on the mortgage loan portfolio for the three and nine months ended September 30, 2014 and 2013.

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

	September 30, 2014	December 31, 2013
Collective valuation allowance for losses, balance at January 1	$3.8	$3.9
Addition to (reduction of) allowance for losses	(0.4)	(0.1)
Collective valuation allowance for losses, end of period	$3.4	$3.8

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

	September 30, 2014	December 31, 2013
Impaired loans with allowances for losses	$—	$—
Impaired loans without allowances for losses	83.4	94.3
Subtotal	83.4	94.3
Less: Allowances for losses on impaired loans	—	—
Impaired loans, net	$83.4	$94.3
Unpaid principal balance of impaired loans	$85.8	$96.7

The following table presents information on impaired loans, restructured loans, loans 90 days or more past due and loans in foreclosure as of the dates indicated:

	September 30, 2014	December 31, 2013
Troubled debt restructured loans	$76.0	$86.6
Loans 90 days or more past due, interest no longer accruing, at amortized cost	—	5.1
Unpaid principal balance of loans 90 days or more past due, interest no longer accruing	—	5.1

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.

The following table presents the aging of past due mortgage loans at carrying value as of the dates indicated:

Total

	30 days or less past due	31 to 90 days past due	91 to 180 days past due	181 days or more past due	
As of September 30, 2014	$—	$—	$—	$—	$—
As of December 31, 2013	—	5.1	—	—	5.1

There were no mortgage loans in the Company's portfolio in process of foreclosure as of September 30, 2014 or December 31, 2013.

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There were no loans in arrears with respect to principal and interest as of September 30, 2014. There was one loan in arrears with respect to principal and interest as of December 31, 2013 with a total amortized cost of $5.1.

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 September 30,	
	2014	2013
Impaired loans, average investment during the period (amortized cost) [1]	$83.4	$55.6
Interest income recognized on impaired loans, on an accrual basis [1]	1.2	1.0
Interest income recognized on impaired loans, on a cash basis [1]	1.2	1.0
Interest income recognized on troubled debt restructured loans, on an accrual basis	1.1	0.8

[1] Includes amounts for Troubled debt restructured loans.

	Nine Months Ended September 30,	
	2014	2013
Impaired loans, average investment during the period (amortized cost) [1]	$88.8	$55.6
Interest income recognized on impaired loans, on an accrual basis [1]	3.7	1.3
Interest income recognized on impaired loans, on a cash basis [1]	3.4	1.3
Interest income recognized on troubled debt restructured loans, on an accrual basis	3.3	0.8

[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.

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

	September 30, 2014[1]	December 31, 2013[1]
Loan-to-Value Ratio:		
0% - 50%	$1,568.3	$1,782.6
> 50% - 60%	2,414.9	2,390.0
> 60% - 70%	5,452.3	4,668.3
> 70% - 80%	498.3	455.8
> 80% and above	19.3	19.3
Total Commercial mortgage loans	$9,953.1	$9,316.0

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

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

	September 30, 2014 [1]	December 31, 2013[1]
Debt Service Coverage Ratio:		
Greater than 1.5x	$7,114.2	$6,346.5
> 1.25x - 1.5x	1,595.1	1,520.9
> 1.0x - 1.25x	901.1	980.6
Less than 1.0x	334.7	467.8
Commercial mortgage loans secured by land or construction loans	8.0	0.2
Total Commercial mortgage loans	$9,953.1	$9,316.0

[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:

	September 30, 2014 [1]			December 31, 2013[1]		
	Gross Carrying Value	% of Total		Gross Carrying Value	% of Total	
Commercial Mortgage Loans by U.S. Region:						
Pacific	$2,490.9	25.0	%	$2,281.8	24.5	%
South Atlantic	2,031.3	20.4	%	1,936.0	20.8	%
Middle Atlantic	1,355.1	13.6	%	1,112.0	11.9	%
West South Central	1,101.6	11.1	%	1,122.3	12.0	%
East North Central	1,190.5	12.0	%	1,037.5	11.1	%
Mountain	837.8	8.4	%	790.4	8.5	%
West North Central	528.4	5.3	%	517.2	5.6	%
East South Central	235.2	2.4	%	200.7	2.2	%
New England	182.3	1.8	%	318.1	3.4	%
Total Commercial mortgage loans	$9,953.1	100.0	%	$9,316.0	100.0	%

[1] Balances do not include collective valuation allowance for losses.

	September 30, 2014 [1]			December 31, 2013[1]		
	Gross Carrying Value	% of Total		Gross Carrying Value	% of Total	
Commercial Mortgage Loans by Property Type:						
Retail	$3,190.4	32.1	%	$2,936.9	31.5	%
Industrial	2,769.3	27.8	%	2,848.0	30.6	%
Apartments	1,582.2	15.9	%	1,296.1	13.9	%
Office	1,226.3	12.3	%	1,242.2	13.3	%
Hotel/Motel	390.3	3.9	%	430.6	4.6	%
Mixed Use	347.8	3.5	%	184.1	2.0	%
Other	446.8	4.5	%	378.1	4.1	%

Total Commercial mortgage loans	$9,953.1	100.0	%	$9,316.0	100.0	%

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

(Dollar amounts in millions, unless otherwise stated)

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

	September 30, 2014 [1]	December 31, 2013[1]
Year of Origination:		
2014	$1,494.2	$—
2013	2,157.9	2,199.8
2012	1,706.0	1,743.3
2011	1,655.3	1,835.9
2010	369.4	409.8
2009	86.1	149.5
2008 and prior	2,484.2	2,977.7
Total Commercial mortgage loans	$9,953.1	$9,316.0

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

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Evaluating Securities for Other-Than-Temporary Impairments

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

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

	Three Months Ended September 30,			
	2014		2013	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	$0.5	1	$—	—
U.S. corporate	14.4	41	—	—
Foreign[(1)]	1.3	4	—	—
Residential mortgage-backed	2.5	47	1.1	39
Commercial mortgage-backed	—	*5	0.3	1
Other asset-backed	0.7	17	1.1	5
Equity	—	—	1.2	2
Other assets	—	—	0.7	1
Total	$19.4	115	$4.4	48

(1) Primarily U.S. dollar denominated.
* Less than $0.1.

	Nine Months Ended September 30,			
	2014		2013	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	$0.5	1	$—	—
U.S. corporate	14.8	41	—	—
Foreign[(1)]	3.0	9	—	—
Residential mortgage-backed	4.9	81	9.9	105
Commercial mortgage-backed	0.2	7	0.4	3
Other asset-backed	0.8	17	8.6	7
Equity	1.0	2	3.0	2
Other assets	—	—	0.7	1
Total	$25.2	158	$22.6	118

(1) Primarily U.S. dollar denominated.

The above tables include $2.3 and $5.9 of write-downs related to credit impairments for the three and nine months ended September 30, 2014, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining $17.1 and $19.3 in write-downs for the three and nine months ended September 30, 2014, respectively, are related to intent impairments.

The above tables include $3.6 and $14.4 of write-downs related to credit impairments for the three and nine months ended September 2013, respectively, in Other-than-temporary impairments, which are recognized in the Condensed Consolidated Statements of Operations. The remaining $0.8 and $8.2 in write-downs for three and nine months ended September 2013, respectively, are related to intent impairments.

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

	Three Months Ended September 30,			
	2014		2013	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	$0.5	1	$—	—
U.S. corporate	14.4	41	—	—
Foreign[(1)]	1.3	4	—	—
Residential mortgage-backed	0.7	16	0.5	6
Commercial mortgage-backed	— *	5	0.3	1
Other asset-backed	0.2	14	—	—
Equity	—	—	—	—
Other assets	—	—	—	—
Total	$17.1	81	$0.8	7

[(1)] Primarily U.S. dollar denominated.
* Less than $0.1.

	Nine Months Ended September 30,			
	2014		2013	
	Impairment	No. of Securities	Impairment	No. of Securities
U.S. Treasuries	$0.5	1	$—	—
U.S. corporate	14.4	41	—	—
Foreign[(1)]	3.0	9	—	—
Residential mortgage-backed	1.0	23	0.5	6
Commercial mortgage-backed	0.2	7	0.4	3
Other asset-backed	0.2	14	7.3	2
Equity	—	—	—	—
Other assets	—	—	—	—
Total	$19.3	95	$8.2	11

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

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

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

	Three Months Ended September 30,	
	2014	2013
Balance at July 1	$92.6	$109.9
Additional credit impairments:		
On securities not previously impaired	0.3	0.2
On securities previously impaired	1.7	0.9
Reductions:		
Securities sold, matured, prepaid or paid down	3.6	6.4
Balance at September 30	$91.0	$104.6

	Nine Months Ended September 30,	
	2014	2013
Balance at January 1	$102.8	$114.7
Additional credit impairments:		
On securities not previously impaired	1.4	2.4
On securities previously impaired	3.2	6.9
Reductions:		
Securities sold, matured, prepaid or paid down	16.4	19.4
Balance at September 30	$91.0	$104.6

Net Investment Income

The following tables summarize Net investment income for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Fixed maturities	$1,006.8	$974.6	$2,983.9	$2,967.9
Equity securities, available-for-sale	2.3	3.4	9.7	6.5
Mortgage loans on real estate	124.2	118.5	358.5	362.2
Policy loans	28.5	29.5	84.6	89.1
Short-term investments and cash equivalents	0.9	0.8	2.4	2.7
Other	3.3	96.1	(4.5)	107.6
Gross investment income	1,166.0	1,222.9	3,434.6	3,536.0
Less: Investment expenses	2.4	1.3	4.5	3.5
Net investment income	$1,163.6	$1,221.6	$3,430.1	$3,532.5

As of September 30, 2014 and December 31, 2013, the Company did not have any investments in fixed maturities that did not produce net investment income. Fixed maturities are moved to a non-accrual status when the investment defaults.

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.

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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 product guarantees and fixed maturities, changes in fair value of fixed maturities recorded at FVO and changes in fair value including accruals on derivative instruments, except for effective cash flow hedges. The cost of the investments on disposal is generally determined based on first-in-first-out ("FIFO") methodology.

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

	Three Months Ended September 30,	
	2014	2013
Fixed maturities, available-for-sale, including securities pledged	$(1.3)	$29.9
Fixed maturities, at fair value option	(104.4)	(71.1)
Equity securities, available-for-sale	—	(0.2)
Derivatives	167.9	(643.8)
Embedded derivative - fixed maturities	(1.1)	(16.1)
Embedded derivative - product guarantees	127.7	184.6
Other investments	(7.8)	(0.4)
Net realized capital gains (losses)	$181.0	$(517.1)
After-tax net realized capital gains (losses)	$130.8	$(323.9)

	Nine Months Ended September 30,	
	2014	2013
Fixed maturities, available-for-sale, including securities pledged	$43.3	$36.3
Fixed maturities, at fair value option	(139.3)	(396.6)
Equity securities, available-for-sale	17.9	(1.9)
Derivatives	(11.6)	(2,449.7)
Embedded derivative - fixed maturities	(8.3)	(89.6)
Embedded derivative - product guarantees	(298.0)	944.4
Other investments	19.9	(0.7)
Net realized capital gains (losses)	$(376.1)	$(1,957.8)
After-tax net realized capital gains (losses)	$(231.6)	$(1,263.4)

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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Proceeds on sales	$1,806.3	$2,282.4	$5,606.5	$7,005.2
Gross gains	38.2	47.2	143.4	124.2
Gross losses	20.2	26.9	76.3	48.0

3. Derivative Financial Instruments

The Company enters into the following types of derivatives:

Interest rate caps: The Company uses interest rate cap contracts to hedge the interest rate exposure arising from duration mismatches between assets and liabilities. Interest rate caps are also used to hedge interest rate exposure if rates rise above a specified level. Such increases in rates will require the Company to incur additional expenses. The future payout from the interest rate caps fund this increased exposure. The Company pays an upfront premium to purchase these caps. The Company utilizes these contracts in 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 uses currency forward contracts to hedge policyholder liabilities associated with the variable annuity contracts which are linked to foreign indices. The currency fluctuations may result in a decrease in account values, which would increase the possibility of the Company incurring an expense for guaranteed benefits in excess of account values. The Company utilizes these contracts in non-qualifying hedging relationships.

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

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

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

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

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

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

The Company's use of derivatives is limited mainly to economic hedging to reduce the Company's exposure to cash flow variability of assets and liabilities, interest rate risk, credit risk, exchange rate risk and market risk. It is the

Company's policy not to offset amounts recognized for derivative instruments and amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement, which provides the Company with the legal right of offset.

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

	September 30, 2014			December 31, 2013		
	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	$748.5	$97.0	$0.3	$786.0	$81.0	$0.5
Foreign exchange contracts	174.7	14.6	—	174.7	6.3	1.6
Fair value hedges:						
Interest rate contracts	624.9	3.4	32.5	873.5	4.8	64.7
Derivatives: Non-qualifying for hedge accounting[(1)]						
Interest rate contracts	69,019.6	695.8	537.3	63,122.0	826.2	1,174.3
Foreign exchange contracts	1,292.2	32.9	20.5	1,281.7	17.8	43.3
Equity contracts	17,851.0	251.7	42.2	11,725.9	172.7	52.9
Credit contracts	3,221.0	41.4	24.0	3,221.0	40.5	14.5
Embedded derivatives:						
Within fixed maturity investments	N/A	118.2	—	N/A	126.5	—
Within annuity products	N/A	—	3,096.4	N/A	—	2,645.6
Within reinsurance agreements	N/A	—	123.5	N/A	—	79.0
Total		$1,255.0	$3,876.7		$1,275.8	$4,076.4

[(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 September 30, 2014 and December 31, 2013. 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.

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

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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:

	September 30, 2014		
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$3,221.0	$41.4	$24.0
Equity contracts	9,928.6	234.9	40.5
Foreign exchange contracts	1,466.9	47.5	20.5
Interest rate contracts	70,393.0	796.2	570.1
		1,120.0	655.1
Counterparty netting[1]		(505.5)	(505.5)
Cash collateral netting[1]		(383.4)	(29.6)
Securities collateral netting[1]		(66.7)	(65.6)
Net receivables/payables		$164.4	$54.4

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

	December 31, 2013		
	Notional Amount	Asset Fair Value	Liability Fair Value
Credit contracts	$3,221.0	$40.5	$14.5
Equity contracts	4,513.5	170.7	32.0
Foreign exchange contracts	1,456.4	24.1	44.9
Interest rate contracts	64,734.1	912.0	1,239.5
		1,147.3	1,330.9
Counterparty netting[1]		(701.0)	(701.0)
Cash collateral netting[1]		(241.7)	(15.7)
Securities collateral netting[1]		(35.9)	(479.1)
Net receivables/payables		$168.7	$135.1

[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 September 30, 2014, the

Company held $298.6 and $51.6 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. As of December 31, 2013, the Company held $214.7 and $18.8 of net cash collateral related to OTC derivative contracts and cleared derivative contracts, respectively. In addition, as of September 30, 2014, the Company delivered $611.7 of securities and held $71.2 of securities as collateral. As of December 31, 2013, the Company delivered $1.0 billion of securities and held $51.3 of securities as collateral.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Derivatives: Qualifying for hedge accounting[1]				
Cash flow hedges:				
Interest rate contracts	$0.3	$—	$0.6	$0.1
Foreign exchange contracts	0.5	0.1	1.5	0.1
Fair value hedges:				
Interest rate contracts	0.7	(6.1)	(11.9)	20.5
Derivatives: Non-qualifying for hedge accounting[2]				
Interest rate contracts	82.9	(105.6)	443.8	(915.0)
Foreign exchange contracts	66.3	(46.3)	63.3	71.3
Equity contracts	15.0	(493.0)	(512.0)	(1,644.9)
Credit contracts	2.2	7.1	3.1	18.2
Managed custody guarantees	—	1.0	0.1	1.1
Embedded derivatives:				
Within fixed maturity investments[2]	(1.1)	(16.1)	(8.3)	(89.6)
Within annuity products[2]	127.7	183.6	(298.1)	943.3
Within reinsurance agreements[3]	20.1	9.3	(61.3)	82.5
Total	$314.6	$(466.0)	$(379.2)	$(1,512.4)

[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 nine months ended September 30, 2014 and 2013, 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 September 30, 2014, the fair values of credit default swaps of $41.4 and $24.0 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of December 31, 2013, the fair value of credit default swaps of $40.5 and $14.5 were included in Derivatives assets and Derivatives liabilities, respectively, on the Condensed Consolidated Balance Sheets. As of September 30, 2014 and December 31, 2013, the maximum potential future net exposure to the Company was $1.7 billion, net of purchased protection of $0.5 billion on credit default swaps. These instruments are typically written for a maturity period of five 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.

4. Fair Value Measurements (excluding Consolidated Investment Entities)

Fair Value Measurement

The Company categorizes its financial instruments into a three-level hierarchy based on the priority of the inputs to the valuation technique, pursuant to 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), as described in the Fair Value Measurements (excluding Consolidated Investment Entities) Note in the Consolidated Financial Statements in Part II, Item 8. of the Company's Annual Report on Form 10-K. 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 September 30, 2014:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities, including securities pledged:				
U.S. Treasuries	$3,606.5	$580.6	$—	$4,187.1
U.S. Government agencies and authorities	—	462.3	—	462.3